

HOUSE FINANCE COMMITTEE
April 22, 2024
1:39 p.m.

1:39:08 PM

CALL TO ORDER

Co-Chair Edgmon called the House Finance Committee meeting to order at 1:39 p.m.

MEMBERS PRESENT

Representative Bryce Edgmon, 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

Representative Neal Foster, Co-Chair

ALSO PRESENT

Tim Grussendorf, Staff, Senator Lyman Hoffman; Alexei Painter, Director, Legislative Finance Division.

SUMMARY

CSSB 187(FIN) am
APPROP: CAP; REAPPROP

CSSB 187(FIN) am was HEARD and HELD in committee for further consideration.

PRESENTATION: FISCAL UPDATE

Co-Chair Edgmon reviewed the meeting agenda.

#sb187
CS FOR SENATE BILL NO. 187(FIN) am

"An Act making appropriations, including capital appropriations, supplemental appropriations, and other appropriations; making reappropriations; making appropriations to capitalize funds; amending appropriations; and providing for an effective date."

1:39:32 PM

Co-Chair Edgmon reviewed the meeting's agenda.

1:41:07 PM

TIM GRUSSENDORF, STAFF, SENATOR LYMAN HOFFMAN, reviewed the changes in the first Committee Substitute (CS) released by the Senate Finance Committee. He relayed that the governor's General Fund (GF) Capital Budget request was \$302 million. The co-chairs of both the House and Senate Finance Committees had been meeting to agree on the scope and size of the budget. He delineated that part of the agreement was that the Senate would reduce the amount by \$50 million. He began listing the reduced or deleted projects.

Co-Chair Edgmon interjected and asked what list he was referring to. Mr. Grussendorf replied that it was from the governor's capital request.

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AT EASE

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RECONVENED

Representative Ortiz asked if there was a document available to the committee that listed the projects. Mr. Grussendorf responded that he had an internal working document, but he did not produce a document for the committee.

Co-Chair Edgmon noted that the plan was for Mr. Grussendorf to offer a verbal overview and then discuss two spreadsheets he provided to the committee.

Mr. Grussendorf continued that the first project eliminated was the Advanced Commercial Investment of the Alaska LNG (liquefied natural gas) in the Department of Commerce, Community and Economic Development (DCCED) totaling \$4.5

million. The second item that was eliminated and moved to the Operating Budget was \$2.5 million for the Alaska Travel Industry Association (ATIA). He indicated that the Statewide Security Doors and Windows project at \$2.2 million for the Department of Corrections (DOC) was eliminated as well as the Statewide Security Perimeter Fences and Gates for \$2.3 million. The Alaska Military Youth Academy (AMYA) Safety and Security Preparedness item for \$500 thousand in the Department of Military and Veterans Affairs (DMVA) was eliminated. He delineated that in the Department of Natural Resources (DNR) the Silviculture Treatments and Precommercial Thinning to Boost the Timber Industry item was eliminated for \$3.5 million. The Pilatus PC12NG Aircraft Acquisition was removed from Department of Public Safety (DPS) for \$6.2 million. He reported that in the Department of Revenue (DOR) the Alaska Housing Finance Corporation (AHFC) Down Payment Assistance Grant Program for \$25 million was eliminated. Additionally, the Copper River Highway Wood Canyon Bridges and Trails project for \$4.2 million was eliminated from the Department of Transportation and Public Facilities (DOT) project list. The committee [Senate Finance Committee (SFC) or committee] removed the University of Alaska Fairbanks - Achieve Research 1 Status totaling \$10 million from the University of Alaska (UA) budget and added it to the Operating Budget. In addition, \$4 million from the Capital Supplemental for the Dalton Highway was eliminated and a reduction of \$1 million was taken from the Renewable Energy Grants Fund from \$5 million to \$4 million. He commented that the department's first and second priorities were left in the budget unchanged.

Co-Chair Edgmon interjected that that the governor's Capital Budget request included \$302 million GF and the Senate Finance Committee reduced it by \$63 million but built it back to \$550 million in Unrestricted General Funds (UGF) with some of the money reserved for the priorities of the House.

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Representative Ortiz asked for more information regarding the forestry project. Mr. Grussendorf responded that it was for Silviculture Treatments and Precommercial Thinning amounting to \$3,5 million. He delineated that the committee added the majority of the project back and reduced it from \$3.5 million UGF to \$1.5 million and changed roughly \$2.5

million to timber receipts. The action reduced the amount approximately \$500 thousand less than the original project. He offered that the governor liked the project and requested that the committee reinstate it. In addition, the committee added the Dalton Highway project in the supplemental.

Representative Galvin asked if the list included of all of the reductions. Mr. Grussendorf answered in the affirmative. Representative Galvin asked specifically about the Copper River Highway Wood Canyon Bridges and Trails and wondered what the amount was. Mr. Grussendorf answered that the amount was \$4.2 million.

Representative Stapp recalled that the Achieve Research 1 Status request for UA was moved to the Operating Budget. He asked whether Mr. Grussendorf was aware that the funding was recently removed from the Operating Budget. Mr. Grussendorf was aware of the issue and explained that it was moved to the operating budget in order to address it in Conference Committee.

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Mr. Grussendorf continued that the committee added some items back. He referred to the Down Payment Assistance Program removed from the budget and elucidated that the committee thought there needed to be houses available before people could get help with a down payment. Therefore, the \$25 million was added back under new housing construction.

Mr. Grussendorf proceeded with a high level overview of the Senate Finance Committee's additions to the capital budget. He explained that the budget added \$200 million UGF on top of the governor's \$250 million totaling \$450 million. Some of the highlights included \$68 million for K-12 and UA deferred maintenance. He noted that \$9 million was for K-12 construction of the top two schools on the school construction list and some funding for the third school in the Regional Educational Attendance Areas (REAA). In addition, \$38 million was appropriated to schools numbering 1 through 15 on the schools' major maintenance list plus two projects for Mt. Edgumbe High School. He indicated that \$26.5 million was added for the top 6 projects on UA's major maintenance list. The budget included \$30 million for Housing and Weatherization, \$15 million for Life, Health,

Safety, \$9.7 million to leverage federal funding in match money, \$8 million to DOT for the Harbor Match Program and emergency funds to address state owned harbor liability, \$7.5 million for food security, and \$50 million in discretionary spending.

Mr. Grussendorf turned to the spreadsheets he provided both attachments titled as SB 187 Capital Supporting Document 040224 (copy on file). He began with the first item [The items referenced the bill page.] and read the list as follows that were included in Section 1 of the bill:

page 4, line 9 - Denali commission housing program
\$7,000.0

Page 4, line 11 - Iditarod Trail Committee \$750.0

Page 16, line 16 - Skagway ore terminal
decontamination \$1,000.0 AIDEA Div

Page 4, line 31 - Mt Edgecumbe Deferred Maintenance
\$2,806.0

Page 5, line 4 - School const. first 2 schools plus
phase 1 of # 3 schools \$3,986.0 gf \$26,300.0 REAA
fund

page 7, line 18 - elections voting booths, Gov
amendment \$250.0

Page 8, line 33 - critical minerals mapping earth
\$2,000.0 GF

Page 9, line 18 - Silviculture treatments and tree
thinning \$1,500.0 gf 2 million timber receipts

page 10, line 15 - AHFC weatherization \$5,000.0 AHFC
Div

page 10, line 27 - AHFC rural professional housing
\$5,000.0 AHFC Div

page 10, line 33 - AHFC Alaska Housing New
Construction \$7,000.0 AHFC Div

page 16, line 11 - Surface Transportation Program
Amendment

[Secretary Note: There were errors on some of the page and line numbers.]

1:53:28 PM

Representative Hannan interjected that she did not think the page numbers matched the bill. Mr. Grussendorf suggested that it might not be a perfect match due to a technical amendment added on the Senate floor.

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AT EASE

1:55:23 PM

RECONVENED

Co-Chair Edgmon reported that the committee was trying to sort out some discrepancies on the list. He indicated that it could be sorted out later. He wanted to focus on the larger picture of the items in the budget.

Mr. Grussendorf continued on the list and noted that all three AHFC items totaled \$17 million and represented some of the funding from the downpayment program he discussed earlier. He reported that the Alaska Statewide Transportation Improvement Program (STIP) amendment was received from the governor two days before the CS was introduced and all items were added and approved. He pointed out that one of the governor's amendments was not approved that was for computers for the Permanent Fund. The reason for the disapproval was the funding source was the Permanent Fund Dividend that would reduce the dividend amount by \$10.00 to \$12.00. The committee felt that it did not have adequate time to resolve the matter.

Co-Chair Edgmon interjected that the item was a DOR \$7.5 million request for an IT upgrade that would expedite the dividend distribution process. He furthered that it was a last minute request and caught the other body off-guard. He believed that it was important and should be considered in the House.

Representative Ortiz asked why there was no dollar figure for the STIP amendment and whether there was no fiscal impact for the program. Mr. Grussendorf replied that there was a substantial fiscal impact, but the number was not readily available.

Co-Chair Edgmon alerted the committee that they would delve into the STIP in more detail.

1:59:12 PM

Representative Hannan asked about the civil rights program under the surface transportation appropriation she discovered in the bill and wondered what the \$280 thousand was for. Mr. Grussendorf answered that he did not know the answer.

Mr. Grussendorf continued with items found in Section 4 of the bill that were in the FY 24 supplemental budget.

Co-Chair Edgmon asked Mr. Grussendorf to explain what constituted statewide projects.

Mr. Grussendorf replied that a statewide project was not specific to one community. The project would either be for a region of the state or served residents from all parts of the state. He exemplified the Alaska Native Tribal Health Consortium (ANTHC) skilled Nursing facility that was located in Anchorage but served a population from other parts of the state. He referenced project lists like the School Construction, Major Maintenance, and Renewable Energy Fund and indicated that the committee honored the rankings and did not "jump the list" or favor one project over another. He added that all projects had to be in the Capital Project Submission and Information System (CAPSIS) and there were some things that did not appear to be regional but were shown to be a regional project.

Representative Josephson understood how the Operating Budget and Supplemental worked regarding budget reductions. He did not understand the motivation to fund items in a Capital Supplemental Budget. He guessed that the governor could spend the funding a few weeks faster than Capital Budget items. He wondered why there was a Capital Supplemental Budget. Mr. Grussendorf replied that the Senate and House had worked on and agreed to a spending plan. He explained that the SFC had worked backwards from the operating budget for the FY 25 budget and in order to accommodate the \$450 million [GF] in the Capital Budget they needed to use surplus funds from the FY 24 budget. He alerted the committee that there was not excess money in the FY 25 budget. He remarked that the margins would be cut tight in in 2025. He observed that the House took a

different approach for the surplus money from 2024's budget. He indicated that the Senate intended to use the "waterfall" funds as specified from the prior year and direct them into the Capital Budget. He noted that \$117 million was the amount of surplus money from FY 24. The House appropriated the portion of money that was meant for the Constitutional Budget Reserve (CBR) to the Permanent Fund Dividend (PFD).

[2:05:32 PM](#)

Co-Chair Edgmon interjected that another way to think about it was that the prior year's budget was based on \$73.00 per barrel of oil (bbl.) and embedded in the language section was a provision that was based on a surplus; any amount higher than between \$73.00/bbl. and \$78.00/bbl. would be split (50/50) between 50 percent CBR and 50 percent PFD. He delineated that the projected amount of \$73/bbl. was raised to \$83/bbl. in the spring forecast. The projected surplus was projected at \$440 million and was broken up into 3 buckets: \$143 million into the PFD, \$143 million for the CBR and the remaining surplus of \$116 was open for appropriations or savings. The price of oil continued to climb, and the allotments could continue to increase through the end of the fiscal year on June 30, 2024.

Mr. Grussendorf continued with the additions for the Supplemental Capital Budget in the same document. He read the additions:

page 33 line 25	Housing Alaskans \$6,000.0
page 33 line 30	AFN Navigator Program \$1,500.0
page 34 line 5	AML Grant Writing \$1,250.0
page 34 line 11	ANTHC Skilled Nursing Facility
\$15,000.0	
page 35 line 33	Blood Bank \$1,500.0
Page 36 line 21	Denali Commission non Fed Match
\$7,000.0	
page 38 line 32	Seashare Food Security \$7,500.0

page 44 line 13 School Major Maintenance
\$36,190.7

page 45 line 22 Dalton Hwy \$8,000.0

page 45 line 29 Harbor matching Grants \$7,000.0

page 45,46 line 31 UA 1-6 of list \$26,625.6

page 46 line 22 Palmer Court House \$3,200.0

page 46 line 23 Stratton building acquisition
\$2,000.0

Co-Chair Edgmon pointed out an error and noted that the Palmer Court House was actually \$3.2 million.

Representative Stapp asked if the AFN Navigator Program was using Covid Relief Funding. Mr. Grussendorf responded that the program used GF from the prior year to leverage the Covid funds and the Infrastructure Investment and Jobs Act (IIJA) funding. The goal of the program was to learn how to leverage federal funds for rural Alaska projects.

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Mr. Grussendorf reported that there was \$50 million in discretionary spending and all the projects that fell within the allocations, were in ranking order on CAPSIS.

Representative Galvin cited line 9, the Critical Minerals Mapping Earth project. She asked for more information. Mr. Grussendorf responded that it was requested by the Chairman of the Department of Natural Resources (DNR) Senate Finance subcommittee. He reported that it was in the budget the prior year and was a three year program. However, it was not funded in the current year. The \$2 million was appropriated from the \$2 million GF that was changed to timber receipts from the Silviculture program. Representative Galvin recalled discussions regarding the geothermal bill (HB 74 Geothermal Resources) and thought it might be related. She offered to do research on her own.

Co-Chair Edgmon interjected that he did not think the \$2 million was related to HB 74.

Representative Galvin wanted more information regarding the appropriation and how it was placed in the budget.

Mr. Grussendorf understood that that the appropriation was not for hiring staff and was funded in the prior year. He reiterated that it was a 3 year project that was not funded in the current year. He recalled that there was one more reduction from the governor's budget that he failed to report earlier. He noted that it was the University of Alaska Fairbanks - Alaska Railbelt Carbon Capture & Sequestration Project for \$2.2 million GF match.

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Co-Chair Edgmon mentioned the University of Alaska Drones Program - Year Three for \$5 million in University Receipts that was initially funded by UGF. He wondered if it was eliminated. Mr. Grussendorf responded that they did not alter or delete the program.

Co-Chair Edgmon voiced that there would be more discussion on the Capital Budget. He explained that the Governor, Senate and House all had priority items that were melded together. He noted that the House Finance Committee had not worked on a Capital Budget since FY 2019.

Representative Galvin asked about the Alaska Energy Authority's project, Grid Resilience and Reliability (GRIP) funding. She recalled that the amount totaled \$32 million and wondered if the appropriation had changed. Mr. Grussendorf replied that the \$12.7 million appropriation was comprised of \$6.9 million from the FY 24 Alaska Industrial Development and Export Authority (AIDEA) dividend, a reappropriation for \$2.2 million from AIDEA 2012 projects, and the FY 25 AIDEA dividend for \$3.4 million that totaled \$12.7 million and remained unchanged. The \$12.7 million plus the \$20 million of bond authority was the total amount initially requested.

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Representative Josephson pointed to the AEA Dock Electrification AEA Ocean Ranger Fund project listed on one of the handouts under non-UGF items and asked for information. He noted receiving an email regarding the justification for use of the funds. Mr. Grussendorf replied that the dollars were being collected but not being used.

He elaborated that the reasoning to use the funds for dock electrification was to reduce cruise ship emissions. The communities that were ready to use the funds would be appropriated the funding for the project. Representative Josephson did not believe that the proposed use was what the 2006 initiative had intended. He thought it was "mission creep" and wondered how cruise ship pollution was being policed and by what entity.

[2:19:27 PM](#)

Representative Hannan clarified that the current \$10 million appropriation was a separate allocation than the \$5 million for dock electrification for Whittier noted in the memo [email] was from the prior year's budget that was erroneously reappropriated. The memo reported that the money was moved from the wrong fund in the prior year and would be backfilled by Ocean Ranger funding, which was a separate issue.

Representative Josephson asked if Representative Hannan understood that it was \$10 million of new money and suggested that the industry was not paying its own way. He believed that the state was subsidizing the clean air project. Representative Hannan answered that the state was still collecting the per capita fees that went into the Ocean Ranger fund. The fund was not being used for monitoring and the \$10 million was an appropriation from the fund for the purpose of electrifying docks.

Representative Coulombe pointed to the Stratton library acquisition and asked for more information. Mr. Grussendorf replied that the building was part of Sheldon Jackson and was a library. Currently, it was being used as storage for the Sheldon Jackson museum. In the prior year's budget, there was an appropriation for renovating the building for Court System use. The building could be purchased through an agreement with the Department of Education and Early Development (DEED) and Judiciary would rather purchase the building. In response to further questions by Representative Coulombe, Mr. Grussendorf answered that the building was being sold, but would remain on the Sheldon Jackson campus.

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Representative Stapp reported that he could not find the ANTHC facility on the CAPSIS list. Mr. Grussendorf responded that it was added to the list by two Senators, one being Senator Hoffman. He recalled that the other Senator was Senator Dunbar.

Representative Galvin asked if all schools with the highest needs were being addressed. She was unaware of how many schools were on the major maintenance list. Mr. Grussendorf answered that the list was extensive and regarding school construction, the budget "barely touched" the list. He elucidated that the list had \$395 million for 19 projects and the state's share was \$265 million. Representative Galvin asked if the list was informative on where student learning space was impacted. She asked if the priority was decided by DEED. Mr. Grussendorf replied in the affirmative. He disclosed that the districts submitted requests and DEED compiled and ranked the list. Representative Galvin pointed to the AHFC funding for downpayment assistance. She recounted that the money was redirected to weatherization, rural professional housing, and new housing construction. She wondered how many more Alaskans would be housed by the redirection of the funds versus using it for downpayment assistance. Mr. Grussendorf answered that he was uncertain if any research had been done to be able to provide an answer. He was aware that housing was a need all over the state.

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Representative Galvin cited the \$5 million for AHFC Alaska Housing New Construction Home Rebate Program she wondered if the funds were being directed to the Homeless Assistance Program (HAP). Mr. Grussendorf responded in the affirmative and noted that it was half the amount of their request.

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AT EASE

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^PRESENTATION: FISCAL UPDATE

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, introduced the PowerPoint presentation "Fiscal Update" dated April 22, 2024 (copy on file). He elucidated that the presentation showed where the FY 25 budget presently stood and the current surplus projections. He began on slide 2 titled FY 24 Budget - House. The slide showed information on the budget passed in FY 24. He pointed out that all budgets plus the PFD totaled \$6 billion. There was a surplus of \$578.1 million in FY 24 based on projections that did not include energy relief. He delineated that the FY 24 budget had a provision that split any revenue that was above the spring 2023 revenue forecast surplus 50/50 percent between the CBR and an energy relief payment that was to be added to the PFD as part of the FY 25 dividend. Based on the spring 2024 forecast, the estimate was \$286.6 million above the spring 2023 forecast, which would be split 50/50. However, the House's budget redirected half of the amount assigned to the CBR for additional energy relief. He referred to the slide that showed the \$143 million appropriated to energy relief and \$143 million CBR deposit also appropriated to energy relief with an additional \$116.5 million of the surplus going to energy relief from the FY 24 surplus. He calculated that the total estimate was \$403.1 million, all appropriated to energy relief based on the spring 2024 revenue forecast. The house had \$121.7 million in supplementals in the Operating Budget. The governor had requested additional supplemental funding of \$25.4 million for the Department of Corrections that the house had not included as well as additional governor amendments that were received after the House Operating Budget was passed along with some capital supplementals that also were not included. Therefore, the total supplemental spend could be \$174.9 million. The remaining surplus was approximately \$100 million for FY 24. He reminded the committee that if revenue came in low, it reduced energy relief and if income was higher than projected it would increase energy relief. He maintained that there would be sufficient revenue for the budget and any swing in revenue would only affect energy relief. He added that typically a \$100 thousand surplus was tight but because of the energy relief payment that could increase or decrease, the risk was mostly eliminated. He concluded that the House had allocated the entire FY 24 surplus to either supplementals or energy relief.

[2:38:46 PM](#)

Representative Ortiz asked historically, had the legislature ever experienced a \$100 thousand surplus before. Mr. Painter responded that it was unusual not to have access to savings accounts as a deficit filler. Currently, there was no money in the Statutory Budget Reserve (SBR) and the vote threshold prevented access to the CBR. He observed that using the energy relief as a deficit filler was unusual. He characterized it as forward funding that could "scale up or down" and recalled that it was conceived and adopted in FY 23. He elucidated that in FY 23 extra revenue was slated for forward funding education and when oil dropped more than expected, the appropriation was eliminated and a CBR vote was obtained. He concluded that appropriations that could scale up or down was unusual, but it was in response to the difficulty in obtaining a CBR vote.

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Representative Josephson believed that there was a "cynical piece" involved in budgeting by using appropriations through a Supplemental Budget, which allowed for "bragging rights" that the next fiscal budget was cut. He deduced that by spending any surplus there would be no excess to lapse into the CBR. He wondered if it was the best reason to spend down any surplus in the current fiscal year. Mr. Painter affirmed that it was one of the reasons. He recalled that in FY 23 the legislature appropriated surplus into the SBR, but the governor vetoed the appropriation and the funding lapsed into the CBR leaving the legislature to obtain a three quarters vote. He reiterated that there was more certainty about the FY 24 budget than the FY 25 budget and it would take a wild swing in revenue to eliminate any surplus. He advised that when budgeting with oil price volatility the best approach was to build the budget conservatively for the current year and spend surplus in the supplemental to avoid cutting at the end of the year. He thought that it was much more difficult to cut the supplemental therefore, a conservative approach in the current year while spending surplus funds in the supplemental was the approach being driven by current forces.

Mr. Painter continued to slide 3 titled "Progression of FY 25 House Operating Budget" and relayed that the governor had a series of amendments that increased UGF in the operating budget by \$30.9 million on February 13, 2024.

The original governor's request totaled \$4.676 billion. He had submitted other amendments on March 13, 2024, totaling \$2 million leaving the total for consideration \$4.7 billion UGF. He elaborated that the House Finance subcommittees collectively reduced the operating budget by \$7.3 million. The House Finance Committee then increased it by \$251.8 million mostly due to the \$175 million increase for education. He continued that the House Floor added another \$20.5 million to arrive at a total budget of \$4.974 billion UGF and pre-Permanent Fund Dividend (PFD), about \$300 million UGF higher than the governor's original request.

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Mr. Painter continued to slide 4 titled "FY 25 Budget - House." He listed the figures for the House Operating Budget as follows: Agency Operations \$4,581 billion; Statewide Items \$393 million; Permanent Fund Dividend 1,100 billion; and Fund Transfers \$5.3 million. Presently, there was \$368.7 million left over as a potential surplus. He reminded the committee that the numbers did not account for the Capital Budget, or anything else that might be added to the bill. He advanced to slide 5 titled "Outstanding Items:"

Governor's 4/9 amendments (\$1.2 million UGF for FY25 operating budget)

- Fiscal notes (added in Conference Committee)
 - HB 193 (Broadband) signed by Governor with \$39.4 million fiscal note
 - SB 170 (Senior Benefits) has \$23.5 million fiscal note
 - Other bills passing one body have combined \$14.5 million UGF fiscal notes as of 4-19-24
- Salary adjustments: four unions currently negotiating
 - Supervisory Unit, Correctional Officers, Labor, Trades and Crafts, and new University of Alaska Graduate Student Union

- If the three non-UA unions agreed to a 5% increase, LFD estimates the UGF cost would be at least \$26.0 million

- Federal Education Maintenance of Equity Requirement (\$11.9 million for FY22 shortfalls, \$17.5 million total)
- Senate additions to Operating Budget
- Capital Budget

Mr. Painter elaborated that the four unions listed on the slide were currently negotiating new contracts. The statutory deadline for completion was the sixtieth day of legislative session. However, the deadline was rarely met, and the amounts could be added to the budget during conference committee. He recounted that there was a statutory tie between the Supervisory Unit and the exempt employees whose salaries were tied to the Supervisory Unit contract negotiated raises, which would have a further budget impact. He noted that excluding the new Graduate Student Union, the UGF estimated impact to be at least \$26 million at an estimated 5 percent salary increase but that could be higher.

[2:51:17 PM](#)

Representative Galvin referred to the fiscal note bullet point of \$14.5 million and asked if it included SB 88 (Retirement Systems; Defined Benefit Opt.). Mr. Painter responded in the negative. He reported that the original fiscal note was negative but there was a new fiscal note forthcoming based on more recent actuarial information. Representative Galvin asked if it included HB 89 (Child Care: Tax Credits/Assistance/Grants.) Mr. Painter responded in the affirmative. Representative Galvin asked whether the \$26 million estimate for bargaining units included the 500 Alaska Graduate Student Union members. Mr. Painter responded in the affirmative. He added that since there was not a contract yet and it was new, the amount was unknown. Representative Galvin thought it was important to note that the amount did not likely include the graduate students. She offered that guessing from other states with a graduate union, it could add \$5 million to \$10 million. Mr. Painter replied that the graduate union was under the umbrella of the United Auto Workers (UAW). He observed that the

graduate students that were unionized made much more than non-unionized students. He concluded that it was more complicated than merely salary increases depending on what other benefits were negotiated and he had not seen recent updates on the negotiations and could not make an estimate.

[2:54:35 PM](#)

Representative Josephson thought he had heard that some of the R1 [Doctoral Universities] monies were meant to go to Ph.D. students. Mr. Painter replied that the R1 money was for additional stipends and paying for graduate students. He commented that it was difficult to determine how that would intersect as he had not seen clarifying information from the university.

Mr. Painter highlighted the Federal Education Maintenance of Equity Requirement (\$11.9 million for FY22 shortfalls, \$17.5 million total) item on slide 5. He explained that the federal government deemed that the state owed school districts certain amounts based on the equity requirement attached to some COVID funds. The state Department of Education and Early Development (DEED) had disputed the findings. The funding would be paid to individual school districts. The total of \$116.5 million was the amount of potential additions that were not included the House bill.

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Mr. Painter moved to slide 6 titled "FY 25 House Budget with Added Items." He indicated that considering the \$368.7 million estimated surplus and adding the \$116.5 million of potential items, \$252.2 million was remaining for the Capital Budget. He calculated that it was not enough to fund the Senate's nor the Governor's Capital Budget.

Mr. Painter continued to slide 7 titled "Adding Senate Capital Budget." He communicated that there was \$27.9 million remaining in FY 24, which was the amount of the governor's supplementals and adding the Senate's Capital Budget, the house would be short by \$165 million in FY 24. The FY 25 Senate Capital Budget would be short by \$3.6 million.

Co-Chair Edgmon asked whether the \$270 million shortfall would get to the \$550 million UGF Capital budget. Mr. Painter answered in the affirmative. He corrected his

answer that it would be \$100 million over the Senate's budget and the amount would be roughly \$546 million.

3:00:02 PM

Representative Josephson voiced that the house in the prior year passed an unbalanced budget and passed a balanced budget in the current year. He deduced that unless there were Capital Budget cuts by the House Finance Committee, they would be sending an unfunded Capital Budget to the floor. He asked for confirmation. Mr. Painter responded that reductions were one option. Alternatively, either the conference committee would have to find reductions between the two bodies' budgets or borrow from savings. Representative Josephson asked if Mr. Painter was talking about the CBR. Mr. Painter responded in the affirmative.

Representative Ortiz asked if the budget included any headroom for the next year. Mr. Painter answered in the affirmative.

3:02:10 PM

Representative Stapp asked how many projects in the budget were vetoed by the governor in prior years. Mr. Painter responded that he did not know which projects were previously vetoed. He offered to provide the information.

Co-Chair Edgmon recalled that the governor vetoed some funded projects from the maintenance list in FY 24 with items that were reappearing in FY 25. The total of all the vetoes were approximately \$350 million. Mr. Painter replied that the total was in the range of \$200 million.

Representative Josephson asked whether every dollar added via amendments to the Capital Budget would need to be "covered in some way." Mr. Painter responded in the affirmative. Representative Josephson noted that the House had taken a position on the PFD. He asked if the amount of the PFD could be amended via the Capital Budget in order to reduce it. Mr. Painter replied that it would be difficult to amend something in the Operating Budget via the Capital Budget. The other body had different numbers and a different method to fund the PFD. He explained that the other body directed the entire Percent of Market Value (POMV) draw to the general fund and funded the PFD out of GF. The House split the POMV draw between GF and PFD. The

conference committee would reconcile the differences and be able to make changes. Representative Josephson deemed that the committee would take up amendments to the Capital Budget and unless cuts were made, the Capital Budget would not be balanced when it reported out of committee. Mr. Painter answered in the affirmative and furthered that depending on the timing, the Capital Budget would be sent to the floor with an unbalanced budget prior to the conference committee's action on the Operating Budget.

[3:06:23 PM](#)

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

CSSB 187(FIN) am was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

[3:07:27 PM](#)

The meeting was adjourned at 3:07 p.m.