

SENATE FINANCE COMMITTEE
February 20, 2023
9:00 a.m.

[9:00:29 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:00 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Jesse Kiehl
Senator Kelly Merrick
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget,
Office of the Governor

PRESENT VIA TELECONFERENCE

Josephine Stern, Assistant Commissioner, Department of
Health, Juneau

SUMMARY

SB 40 APPROP: OPERATING BUDGET/LOANS/FUND; SUPP

SB 40 was HEARD and HELD in committee for further
consideration.

SB 41 APPROP: CAPITAL/SUPPLEMENTAL

SB 41 was HEARD and HELD in committee for further
consideration.

SB 42 APPROP: MENTAL HEALTH BUDGET

SB 42 was HEARD and HELD in committee for further consideration.

SB 54 APPROP: SUPPLEMENTAL; REAPPROP; AMENDING

SB 54 was HEARD and HELD in committee for further consideration.

#sb40

#sb41

#sb42

#sb54

SENATE BILL NO. 40

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

SENATE BILL NO. 41

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

SENATE BILL NO. 42

"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."

SENATE BILL NO. 54

"An Act making supplemental appropriations, reappropriations, and other appropriations; amending appropriations; capitalizing funds; and providing for an effective date."

9:02:40 AM

Co-Chair Stedman noted that there were some cases of COVID-19 within the building, and encouraged people to get a test for the virus, and follow individual office or committee mitigation recommendations.

9:02:53 AM

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, discussed the presentation, "State of Alaska; Office of Management and Budget; Amended Budget SB40, SB41, SB42 and SB54; Senate Finance Committee; February 20, 2023" (copy on file). He looked at slide 2, "FY2024 Amended Budget Overview."

9:05:08 AM

Mr. Steininger pointed to slide 3, "FY2023 and FY2024 Fiscal Summary Update."

Co-Chair Stedman queried the significance of the K-12 education forward funding deposit.

Mr. Steininger replied that any surplus up to \$1.2 billion would be deposited into the K-12 fund in order to forward pay for K-12 education for the formula distributions to school districts. He stated that at the time the budget was signed, there was an estimated surplus of about \$2 billion, so there was an estimated deposit of \$1.2 billion in the fund. He explained, however, that due to the reduced price of oil the \$2 billion surplus has "effectively evaporated."

Co-Chair Stedman surmised that if the number went to zero or less than zero, there would be a supplemental needed to cover the costs.

Mr. Steininger replied that there was a small mechanism in the FY 23 budget that created more of a buffer if oil prices were to further decrease. He stated that the budget included access to the statutory budget reserve (SBR) of \$20 million. He remarked that \$20 million was not much in terms of the volatility of oil.

Co-Chair Stedman surmised that a dollar change in oil was approximately \$70 million.

Co-Chair Hoffman wondered what other revenue sources could be used besides the CBR the department has under consideration.

Mr. Steininger replied that there would be an examination of the existing appropriations in the agencies that could be considered unnecessary.

[9:10:06 AM](#)

Senator Bishop wondered whether \$120 million was available for cash flow.

Mr. Steininger replied that the number was correct without the proposed supplemental requests of \$114 million.

Co-Chair Stedman surmised that that the prediction was adjusted for less than \$2 in oil price.

Mr. Steininger agreed.

Co-Chair Stedman felt that the state was "at the tipping point for all practical purposes."

Mr. Steininger addressed slide 4, "Administration - Legal and Advocacy Services":

Office of Public Advocacy:

- Contractor Rate and Cap Increase
- Increase Capacity for Public Guardian Program

Public Defender Agency:

- One-time Backlog Contractor Support
- A Training Director to Improve Recruitment and Retention
- Serious Felony Caseload Stabilization

Co-Chair Stedman queried the definition of a "fast track supplemental".

Mr. Steininger replied that it was a colloquial term for a supplemental appropriation bill that would be considered significantly more urgent than other supplemental budget items.

[9:15:10 AM](#)

Co-Chair Stedman stressed that the committee was hesitant to add another appropriation bill without an agreement to keep costs under control.

Mr. Steininger pointed to slide 5, "Department of Health - Public Assistance Backlog":

FY2023:

Transfer from Medicaid Services for Medicaid Eligibility Redeterminations and Public: Assistance Program Application Processing: \$3,088.7 UGF

Medicaid Eligibility Redeterminations and Public Assistance Program Application, Processing: \$3,733.0 Federal

FY2024:

Medicaid and Public Assistance Program Eligibility Redeterminations (FY24-FY25): \$8,917.2 UGF / \$8,917.3 Federal / Total \$17,834.5

Full Mainframe System Replacement: \$17.18 million UGF; \$6.9 million reappropriation; and \$30.15 million Federal / Total \$54.23 million

[9:20:01 AM](#)

Senator Wilson wondered whether the slide referred to all systems.

Mr. Steininger replied that it was to cover the disparate eligibility systems.

[9:20:53 AM](#)

JOSEPHINE STERN, ASSISTANT COMMISSIONER, DEPARTMENT OF HEALTH, JUNEAU (via teleconference), explained that the proposal would bring all the systems into one system.

Senator Wilson wondered whether an eligibility technician would still need to examine screens in the process if the upgrade was complete.

Ms. Stern replied "no", and stated that it would be one system.

Senator Kiehl asked about the non-appropriated federal funds.

Mr. Steininger replied that the funds were matched by the general fund from the Medicaid program.

Senator Kiehl queried the matching percentage.

Mr. Steininger deferred to Ms. Stern.

Ms. Stern replied that it was the traditional FMAP.

Senator Wilson wondered whether the Medicaid administering department was fully funded in the request.

Mr. Steininger replied that there were items in the FY 24 budget to bring additional staff into the unit of tribal reclaiming.

[9:25:32 AM](#)

Mr. Steininger looked at slide 6, "Alaska Marine Highway System Federal Grant Match":

Six grants for the Alaska Marine Highway System (AMHS) totaling: \$285.6 million Federal

\$44 million for operations
Supplemental operating amendment of \$18.4 million in

AMHS receipts for match
\$68.4 million for Tustumena replacement - is being matched with an existing FY2018 appropriation of vessel replacement funds

\$8.6 million design for another replacement vessel
Capital amendment for \$2.1 million in match from the vessel replacement fund

\$163.7 million remaining is for electric ferry, dock infrastructure upgrades and existing vessel modernization
Capital amendment for \$40.9 million in match from Federal Highway Administration (FHWA) Ferry Boat Funding using Toll match credits

Co-Chair Hoffman noted the two appropriations to amend the match of \$2.1 million for vessel replacement and the \$40.9 million for FHWA. He queried the breakdown of all the \$100 million state match for the capital budget.

Mr. Steininger agreed to provide that information.

[9:30:11 AM](#)

Co-Chair Olson wondered whether the federal money was considered a match to acquire more federal money.

Mr. Steininger replied in the affirmative.

Co-Chair Olson wondered whether the credits from the toll booth were considered a dollar for dollar match for federal money.

Mr. Steininger replied in the affirmative.

Co-Chair Olson queried other uses of those funds.

Mr. Steininger replied that the money could be used to match federal grants for the toll and highway system.

Co-Chair Stedman remarked that it was a new program for the state, and asked how long it had been available.

Mr. Steininger replied that the program had existed since the 1990s at the federal level.

Co-Chair Stedman wondered whether there was an opportunity to look back further than five years.

Mr. Steininger replied in the affirmative, but stated that he was not fully sure on that response.

Co-Chair Stedman stated that the item would be discussed in the subcommittee related to the marine highway.

Senator Kiehl wondered whether the industrial use highway uses counted as tolls for the federal match.

Mr. Steininger agreed to provide that information.

Mr. Steininger stated that there were four spreadsheets that detailed the other amendments. He began with

Attachment 1 (copy on file). He quickly addressed each item in the spreadsheet.

Co-Chair Stedman asked that the dollar amounts be announced with each item.

[9:35:10 AM](#)

Mr. Steininger agreed.

Mr. Steininger continued to specify each item in the spreadsheet.

Mr. Steininger pointed to Attachment 2 (copy on file), related to capital items. He listed the items within the spreadsheet.

[9:40:35 AM](#)

Mr. Steininger looked at Attachment 3 (copy on file), which addressed the operating budget amendments. He listed the items within the spreadsheet.

Co-Chair Stedman asked whether the larger items be considered in the presentation.

The committee indicated agreement.

Mr. Steininger replied that Item 42 was \$5 million for GF participation in Alaska Seafood Marketing Institute (ASMI).

Co-Chair Olson queried the difference of the effectiveness of money from the private area versus money from the state.

Mr. Steininger replied that the funds would ensure that the participants would not need to ask for additional marketing funds.

Co-Chair Olson commented that there was a significant impact on seafood from the foreign markets.

[9:45:10 AM](#)

Senator Wilson wondered whether ASMI could use the additional money to market the mariculture industry.

Mr. Steininger deferred to ASMI.

Co-Chair Stedman stated that the answer could be addressed in the subcommittee process.

Co-Chair Hoffman looked at Item 62, and queried additional information.

Mr. Steininger replied that Item 62 was in the Department of Environmental Conservation (DEC), and it was intended to examine taking some federal activities and move those activities to the state.

Co-Chair Hoffman stated that the issue had been denied in the last three years.

Senator Bishop recalled that a study had been commissioned on the issue.

Co-Chair Stedman asked about the childcare benefits.

Mr. Steininger replied that the \$2.4 million in other funds was a combination of efforts to execute a grant on preschool development.

[9:50:49 AM](#)

Senator Kiehl asked about the appropriation for the single investigator.

Mr. Steininger replied that it was related to increased duties for the investigator.

Senator Bishop wondered about the language section.

Mr. Steininger replied that there would be many changes within the language section.

Senator Bishop surmised that the section was formula driven by the grant recipient.

Mr. Steininger agreed.

Co-Chair Hoffman asked for information about Item 96.

Mr. Steininger replied that Item 96 was congressionally designated spending specifically for rural trooping housing.

Co-Chair Stedman asked about Item 100.

Mr. Steininger replied that the item was related to depreciation of trooper vehicles and other cost pressures in the Department of Public Safety (DPS).

[9:55:05 AM](#)

Co-Chair Hoffman asked about Item 98.

Mr. Steininger replied that it was the remaining funding for the Soldotna Public Safety communications center.

Co-Chair Hoffman wondered why it was short funded by the legislature.

Mr. Steininger replied that he did not know.

Senator Wilson explained that at one time the administration wanted to consolidate to Fairbanks to reverse the contract, so the proposal was to return control to the local power.

Co-Chair Olson looked at Item 100, and wondered whether the funding was for aircraft.

Mr. Steininger replied in the affirmative.

Senator Merrick asked about Item 108. She noted that it was a \$1.2 million increase.

Mr. Steininger replied that the \$1.2 million was the completion of the phased approach for compensation of investment officers in the Permanent Fund Corporation.

[10:00:29 AM](#)

Co-Chair Olson asked about Item 105.

Mr. Steininger replied that \$2.8 million for expansion of the Village Public Safety Officer (VPSO) program was to add 10 VPSOs, housing allowances, and other non-personnel issues.

Co-Chair Olson wondered whether it was specific to region.

Mr. Steininger agreed to provide that information.

Senator Wilson wondered whether the 68 positions were currently filled.

Mr. Steininger agreed to provide that information.

Senator Bishop looked at Item 110, wondered whether it was to maintain the schedule.

Mr. Steininger replied in the affirmative.

Co-Chair Stedman asked about the issuance.

Mr. Steininger replied that the Department of Revenue (DOR) Debt Management Section refinanced older bond issuances in a savings of \$600,000 from 2012 and 2013.

[10:05:22 AM](#)

Co-Chair Hoffman wondered whether it included extending the timeframe or only a reduction in interest.

Mr. Steininger agreed to provide that information.

Senator Kiehl wondered whether there was a list of projects for the money.

[10:05:58 AM](#)

Mr. Steininger replied that it would open up a round of applications.

[10:06:14 AM](#)

Co-Chair Stedman asked about the totals on line 193.

Mr. Steininger replied with the totals.

Senator Bishop remarked that there was a fast track supplemental for the item.

Mr. Steininger replied that the fast track supplemental would be transmitted that included the items in the spreadsheet.

Co-Chair Stedman wondered whether the legislation would "drop this week."

Mr. Steininger replied that the legislation would be transmitted, so should be introduced in the current week .

Co-Chair Stedman asked about Item 21.

Mr. Steininger replied that Item 21 was the replacement of the patrol vessel enforcer.

[10:10:27 AM](#)

Co-Chair Hoffman noted that the fisheries in western Alaska were equally important, and he did not see them listed in the proposal.

Mr. Steininger replied that there were discussions with the Department of Fish and Game (DFG).

Co-Chair Hoffman queried the timeframe to have the question answered at the federal level.

Mr. Steininger agreed to provide that information.

Co-Chair Stedman noted the concern that was broad across the state about potential scientific effect.

Co-Chair Hoffman looked at Item 29, and noted the need for assistance to additional communities. He queried the reason for that omission.

Mr. Steininger replied that it was probably an issue of the title being more specific, but agreed to provide more information.

[10:15:03 AM](#)

Co-Chair Stedman remarked that there was a concern for Department of Transportation and Public Facilities (DOT/PF) about weather-impacted communities. He queried the federal requirements and restrictions for rebuilding the homes in Alaska.

Senator Bishop agreed that the test fishery vessel should be included in the appropriation. He asked about recruitment and retention.

Mr. Steininger replied that the question of recruitment and retention was a continual concern in the administration.

Senator Bishop wondered whether there would be a contract for that examination.

Mr. Steininger replied in the affirmation.

Senator Kiehl looked at Item 186, and queried the specific port on that item.

Mr. Steininger replied that the items were for lining out the surface transportation program.

Co-Chair Stedman asked about the totals.

[10:21:35 AM](#)

Mr. Steininger stated that the net change was an additional \$27.2 million in UGF, and \$472.9 million in federal funds. The total being \$546.7 million in total funds.

Mr. Steininger stated that the fast track supplemental bill would be transmitted as soon as possible to address the issues outlined in the budget.

Co-Chair Stedman stated that there would be work done on the issues, but wanted to minimize "political collateral damage."

Co-Chair Stedman discussed the following day's agenda.

SB 40 was HEARD and HELD in committee for further consideration.

SB 41 was HEARD and HELD in committee for further consideration.

SB 42 was HEARD and HELD in committee for further consideration.

SB 54 was HEARD and HELD in committee for further consideration.

ADJOURNMENT

10:23:53 AM

The meeting was adjourned at 10:23 a.m.