

SENATE FINANCE COMMITTEE
March 27, 2023
9:01 a.m.

9:01:07 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:01 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

MEMBERS ABSENT

Senator David Wilson

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget, Office of the Governor; Deb Etheridge, Director, Division Public Assistance, Department of Health.

PRESENT VIA TELECONFERENCE

Cori Mills, Deputy Attorney General, Department of Law.

SUMMARY

CSHB 79 (FIN) APPROP: SUPPLEMENTAL

CSHB 79 (FIN) was REPORTED out of committee with a "do pass" recommendation.

PRESENTATION: GOVERNOR'S AMENDMENTS TO FY 24 and FY 23
SUPPLEMENTAL

Co-Chair Stedman discussed the agenda and introduced the presenter. He asked the presenter to briefly explain the Supplemental Budget.

#hb79

CS FOR HOUSE BILL NO. 79 (FIN)

"An Act making supplemental appropriations and other 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."

9:02:35 AM

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, introduced himself and explained that HB 79 was a "fast-track" supplemental budget. He explained that the supplemental budget addressed needs within the current fiscal year that had emerged since the time the budget was initially appropriated. He stated that the fast-track supplemental addressed urgent needs that could not wait until the end of the normal legislative budget cycle.

Mr. Steininger addressed a presentation entitled "Fast Track Supplemental Budget HB 79 and SB 76" (copy on file).

Mr. Steininger turned to slide 2 and spoke to a table that gave an overview of the FY 23 fast track supplemental budget. There was a summary of the appropriations that were included in the bill, which totaled approximately \$5 million in undesignated general funds (UGF):

FY2023 Fast Track Supplemental Budget

Operating

Office of Public Advocacy - \$3,110.2 UGF

Public Defender Agency - \$1,583.8 UGF

Public Assistance Field Services - \$3,088.7 UGF

\$3,733.0 Federal Funds

Medicaid Services - -\$3,088.7 UGF

HB79/SB76 Total - \$4,694.0 UGF \$3,733.0 Federal Funds

\$8,427.0

9:04:47 AM

Co-Chair Stedman noted that the slide showed a negative \$3,088.7 for Medicaid Services. He understood that there had been an acceleration in Medicaid claims coming into the state in the past month. He asked about the projected estimates for Medicaid and what the state planned to do if funds came up short.

Mr. Steininger relayed that the most recent projections showed approximately \$10 to \$11 million in excess UGF funding within the program. He said that the \$300 million represented about a day's worth of funding in the program. He said that the administration was confident that the funds would be available for the transfer.

[9:06:39 AM](#)

Co-Chair Stedman asked Mr. Steininger to get back to the committee towards the end of the budget cycle in the case that there was a shortfall in the funding.

Mr. Steininger agreed.

[9:07:11 AM](#)

Senator Bishop requested that OMB provide details on what was driving the accelerated Medicaid rates of use.

Mr. Steininger agreed to provide an updated projection of the Medicaid program at a later point in the session.

[9:07:49 AM](#)

Mr. Steininger referenced slide 3, "Dept. of Administration - Legal and Advocacy Services,":

FY2023 Fast Track Supplemental Budget

Office of Public Advocacy

HB 325 Supplemental - \$2,285.2 UGF

Contractor Rate and Cap Increase - \$825.0 UGF

Office of Public Advocacy Subtotal - \$3,110.2 UGF

Public Defender Agency

HB 325 Supplemental - \$833.8 UGF

One-time Backlog Contractor Support - \$750.0 UGF

Public Defender Agency Subtotal - \$1,583.8 UGF

Legal and Advocacy Services Total - \$4,694.0 UGF

Mr. Steininger relayed that there was a backlog in trials related to the Covid-19 pandemic. He related that resources were necessary to respond to the backlog.

[9:09:35 AM](#)

Mr. Steininger reviewed slide 4, "Department of Health - Public Assistance Backlog.":

FY2023 Fast Track Supplemental Budget

Public Assistance Field Services

Medicaid Eligibility Redeterminations and Public Assistance Program - \$3,088.7 UGF \$3,733.0 Federal Funds - **\$6,821.7 Total**

Medicaid Services

Transfer to Public Assistance Field Services - - \$3,088.7

Department of Health Total - \$0.0 UGF \$3,733.0 Federal Funds **\$3,733.0 Total**

[9:11:17 AM](#)

Co-Chair Olson asked when the SNAP program backlog would be resolved and when people could expect to receive SNAP benefits so they can buy food.

Mr. Steininger deferred to Director Etheridge.

[9:11:56 AM](#)

DEB ETHERIDGE, DIRECTOR, DIVISION PUBLIC ASSISTANCE, DEPARTMENT OF HEALTH, relayed that there was a dedicated team of individuals working on the staff recertification backlog. She expected the work would be done within the next two months. She lamented that a cascade of backlog in all programs was posing a challenge to the division.

Co-Chair Olson surmised that people could expect their benefits to resume in June 2023.

Ms. Etheridge replied that several measures had been taken to stop the growth of the backlog, which was comprised of some 2,000 cases. She relayed that it would take two months to be fully out of the backlog.

Co-Chair Stedman asked for Mr. Steininger to discuss Section 5 of the bill, which contained the Constitutional Budget Reserve (CBR).

Mr. Steininger explained that the other body had added a section to the bill that had not been in the original submitted by the governor. He explained that the language was necessary to ensure that the original supplemental appropriations were funded.

[9:14:35 AM](#)

Co-Chair Stedman asked about line 30, which stipulated the appropriation was not to exceed \$115,000,000.

Mr. Steininger explained that the bill included roughly \$5 million in General Fund supplemental appropriations and when the other supplemental appropriations in the traditional supplemental bill were added the total was \$115 million. He said that the language ensured that all supplementals were funded. He said that the administration was comfortable using the CBR to fully fund appropriations in FY23.

[9:15:45 AM](#)

Co-Chair Stedman OPENED public testimony.

[9:16:05 AM](#)

Co-Chair Stedman CLOSED public testimony.

[9:16:12 AM](#)

Senator Kiehl appreciated the work that had been done on the bill. He thought the request to catch up on public assistance backlogs should be the priority.

[9:16:44 AM](#)

Senator Kiehl MOVED to report CSHB 79(FIN) out of Committee with individual recommendations. There being NO OBJECTION, it was so ordered.

CSHB 79(FIN) was REPORTED out of committee with a "do pass" recommendation.

[9:17:24 AM](#)

AT EASE

[9:17:48 AM](#)

RECONVENED

^PRESENTATION: GOVERNOR'S AMENDMENTS TO FY 24 and FY 23
SUPPLMENTAL

[9:18:07 AM](#)

Mr. Steininger discussed a presentation entitled "March 7th and 22nd Budget Amendments SB40, SB41, SB42 and SB54" (copy on file).

Mr. Steininger showed slide 2, which covered the amendments submitted by the governor on March 7th and March 22nd. The amendments were related to the governor's education package:

March 7th Amendments

FY2024 Operating budget (SB40)

Education and Early Development

Alaska Native Science and Eineering Program
Partnership

\$4,000.0 UGF Permanent Full-Time Positions 0

Alaska Resource Education Center

\$1,000.0 UGF Permanent Full-Time Positions 0

Career and Technical Education Incentive Grants

\$3,000.0 UGF Permanent Full-Time Positions 0

Teacher Recruitment, Retention and Certification
Support

\$3,000.0 UGF Permanent Full-Time Positions 0

Alyeska Reading Academy and Institute

\$5,000.0 Permanent Full-Time Positions 12

Total - \$16,000.0 Permanent Full-Time Positions 12

Mr. Steininger related that the supplemental requests were for DEED and were also related to a recently introduced piece of legislation related to teacher retention.

[9:20:08 AM](#)

Co-Chair Stedman asked about budget and amendment timelines. He wondered whether the legislature should expect additional amendments.

Mr. Steininger described the budget and amendment timelines. He admitted that the March amendments were issued after the normal deadline. He offered an explanation and understood that consideration was being requested after the deadline.

Co-Chair Stedman added that it was common for the administration to submit amendments after the deadline and were always considered by the legislature. He asked whether the amendments would be necessary if the legislation containing the appropriations did not make it to the governor's desk.

Mr. Steininger said that altogether the education amendments were a package - but each could stand on its own.

[9:23:23 AM](#)

Senator Merrick asked about the reading academy location.

Mr. Steininger deferred to Heidi Teshner.

[9:23:50 AM](#)

Heidi Teshner, Acting Commissioner, Department of Education and Early Development replied that it would have its beginnings in Anchorage, with an expectation that it would eventually reach rural areas.

[9:24:16 AM](#)

Senator Kiehl asked about the cost per student at the old Alyeska Central School.

Ms. Teshner said that the old school was a statewide correspondence school, and the new school would be a brick-and-mortar school. She stated that the \$5,000.0 would be used to hire staff and provide direct instruction to students, as well as year-round training for instructors.

Senator Kiehl asked for startup cost versus base cost.

Ms. Teshner agreed to provide the information.

[9:25:09 AM](#)

Co-Chair Hoffman asked whether the establishment of the academy required legislation.

Ms. Teshner replied in the negative.

Co-Chair Hoffman asked whether the effort to run the academy would be ongoing by the state.

Ms. Teshner replied in the affirmative.

[9:25:56 AM](#)

Mr. Steininger referenced slide 3:

March 22nd

FY2024 Operating Budget Amendments

Department of Revenue

Alaska Permanent Fund Corporation

Salary and Benefits for Investment Management Support
\$547.0 Other Funds

Department of Transportation and Public Facilities

International Airports

Additional Mission Critical Incentive Pay \$691.5 Other
Funds

Operating Total \$1,238.5 Other Funds

FY 2024 Capital Budget Amendments

Department of Commerce, Community, and Economic
Development

Marine Exchange of Alaska - Alaska Vessel Tracking
System Upgrade \$1,200.0 Other Funds

Capital Total \$1,200.0 Other Funds

[9:28:19 AM](#)

Co-Chair Stedman asked if there were any other uses for the \$1.2 million or if it had to go to the MEA.

Mr. Steininger informed that the funds had a federal restriction and had to be used to benefit the vessels that carried the people that generated the head tax. He said that the funds could be used for something else if it directly benefitted cruise ships that entered the state.

[9:28:53 AM](#)

Co-Chair Hoffman asked whether it was anticipated that the funds would be ongoing or a one-time increment.

Mr. Steininger relayed that the two items would be ongoing. The MEA item was in the capital budget and would be reconsidered every year as part of the budget process.

[9:29:46 AM](#)

Senator Bishop asked about the \$691,000 for Critical Mission Pay. He thought that Fairbanks had been receiving less pay than Anchorage and wondered whether Fairbanks employees would be paid retroactively to catch up with the Anchorage rate.

Mr. Steininger noted that the item was for FY 24 and recalled that there was funding in the Supplemental Budget to catch Fairbanks up with Anchorage.

[9:30:36 AM](#)

Co-Chair Olson shared that he had received a phone call over the weekend from the assistant chief pilot at Northern Air Cargo. He said that there was a lack of operators in rural Alaska. He wondered if there was anything to help with the lack of support in the area. He recalled that the airport in Kotzebue had shut down for two days due to illness. He asked about potential funds for Kotzebue and Nome to keep their airports functional.

Mr. Steininger responded that the areas were "not in this package." He noted that the Department of Transportation and Public Facilities had brought the matter to the attention of OMB only recently and the matter was under consideration.

Co-Chair Olson asked when he could inform people in his district that resources would be available to address the issue.

Mr. Steininger relayed that he would need to speak to the commissioner of DOT&PF.

[9:32:44 AM](#)

Co-Chair Hoffman requested that Mr. Steininger convey to the commissioner that there were needs in the whole state of Alaska and not only Anchorage.

Co-Chair Stedman asked Mr. Steininger to get back to the committee with additional information on how the department planned to provide equal support to all areas of the state.

[9:33:28 AM](#)

Mr. Steininger advanced to slide 4, which addressed amendments to the FY23 Supplemental Budget. He pointed to the first line which listed \$3,717.3 in UGF spending for Judgements, Settlements, and Claims against the state. He said that the Supplemental Capital Budget showed a balance from a prior year in the Division of Elections, which would be reappropriated. He shared that the Department of Transportation and Public Facilities (DOT&PF) had a balance of \$9,070.7, which would be reappropriated for emergency, catastrophic events, and unforeseen critical maintenance needs.

Co-Chair Stedman was sure the capital budget chairman was happy to look at the proposed reappropriations for consideration in the FY24 Capital Budget. He requested more information regarding the judgements, settlements, and claims.

Mr. Steininger noted that the Department of Law was online for questions.

Co-Chair Stedman asked Mr. Steininger to discuss the cases to the best of his ability.

Mr. Steininger listed:

Wilkerson v. State of Alaska, Department of Law
\$1,484,329.17

Juneau v. Department of Transportation and Public
Facilities (Procurement Act Contract Claim)
\$586,316.41 and \$213,683.59 (2 payees)

Estate of Aaron Thomas Smith v. State of Alaska, DPS
\$300,000.00

Amaroq Resources, LLC v AOGCC \$15,309.50

Thompson et. al v. Hebdon et al \$582,789.20 and \$417,928.75 (2 payees)

[9:37:14 AM](#)

Co-Chair Stedman commented that in the operating budget each year there was a section for Judgements and Settlements, and Claims in which the state paid for being on the losing end of court cases brought against the state.

[9:37:42 AM](#)

Senator Kiehl asked whether the case involved the City of Juneau or an office in Juneau.

Co-Chair Stedman asked for further detail concerning the \$800,000 case.

[9:38:05 AM](#)

CORI MILLS, DEPUTY ATTORNEY GENERAL, DEPARTMENT OF LAW (via teleconference), relayed that the case pertained to a contractor that had entered into a lease agreement with the state.

Co-Chair Stedman asked for a brief synopsis of the \$1.5 million settlement.

Ms. Mills relayed that there was an employment case. The employee had worked for the Department of Law (LAW) and her employment had been terminated. The employee, Ms. Wilkerson, sued for wrongful termination. Ms. Wilkerson had been successful in the case and the jury had awarded the attorney fees and costs of \$1.5 million.

[9:39:23 AM](#)

Senator Merrick observed that some interest rates were at 7.5 percent and some at 3.25 percent. She wondered what determined the interest rates.

Mr. Steininger believed the interest rates were determined by the terms of the settlements but deferred to Ms. Mills.

[9:39:50 AM](#)

Ms. Mills explained that the different interest rates were set by the court and were dependent on the action of the court.

[9:40:09 AM](#)

Co-Chair Hoffman queried how much was spent on the cases under discussion.

Co-Chair Stedman asked Ms. Mills to provide a breakdown of the costs of the cases, including a brief synopsis of each case.

Ms. Mills agreed to provide the information and assumed that the committee wanted the internal costs of each case.

Co-Chair Stedman replied in the affirmative.

[9:41:10 AM](#)

Mr. Steininger thanked the committee for hearing the amendments after the statutory deadline. He noted that bargaining unit contracts were still pending, and once concluded, monetary terms of agreement (MOA) would be submitted to the legislature.

Co-Chair Stedman asked Mr. Steininger to keep committee staff posted on the range of potential judgments and settlements.

Co-Chair Stedman thanked OMB and other department representatives for their time.

Co-Chair Stedman discussed housekeeping.

#

ADJOURNMENT

[9:43:18 AM](#)

The meeting was adjourned at 9:43 a.m.