

SENATE FINANCE COMMITTEE  
January 22, 2024  
9:07 a.m.

9:07:37 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:07 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

Lacey Sanders, Director, Office of Management and Budget, Office of the Governor; Senator Cathy Giessel.

PRESENT VIA TELECONFERENCE

Raquel Solomon-Gross, Deputy Director, Finance and Management Services, Department of Health.

SUMMARY

SB 186      APPROP: OPERATING BUDGET; CAP; SUPP; AM

SB 186 was HEARD and HELD in committee for further consideration.

SB 187      APPROP: CAP; REAPPROP

SB 187 was HEARD and HELD in committee for further consideration.

Co-Chair Stedman relayed that the committee would start its discussion of the operating and capital budgets. He conveyed that the committee would have a high-level review of the financial position of the state with the two draft budgets, which would be modified near the 14th of February with the governor's amendments. He asked that the new director of the Office of Management and Budget (OMB) provide some history and background for members of the public.

#sb186

#sb187

SENATE BILL NO. 186

"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."

SENATE BILL NO. 187

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

9:09:00 AM

LACEY SANDERS, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, introduced herself and discussed her background. She relayed that she would provide a presentation on an overview of the governor's FY 25 budget. She relayed that there were administrative services directors from the departments present to address any questions that might arise. She shared that she was a graduate of Juneau Douglas High School and had worked for the state for over 22 years including positions in the budgetary field. She had worked in multiple agencies, including the Department of Corrections, the Department of Commerce, Community and Economic Development, Department of Military and Veterans Affairs, and the Department of Administration. She relayed that she had worked as the

operating budget coordinator and in other roles for the Legislative Finance Department for just over 11 years. Most

Ms. Sanders continued that most recently she had worked for the Department of Education and Early Development as the administrative services director and deputy commissioner.

Co-Chair Stedman knew that Ms. Sanders grew up in the state and had extensive background working in state agencies.

[9:11:01 AM](#)

Ms. Sanders discussed a presentation entitled "Overview of the FY2025 Governor's Budget - Senate Finance Committee - January 22, 2024" (copy on file), which would provide a high-level overview of the governor's proposed FY 25 budgets. She recognized that the committee had extensive experience but endeavored to adequately explaining the information for the general public.

Ms. Sanders noted that as required by Alaska statute, the governor must release a budget by December 15 of each year. She noted that the governor's proposed budget for FY 25 was released on December 14. The budget consisted of three appropriation bills: the operating appropriation bill for state agency operations, the capital operating bill, and a mental health appropriation bill. The mental health appropriation bill incorporated operating and capital appropriations specific to the state's integrated mental health programs. She noted that the numbers she would be discussing incorporated the numbers from all three appropriation bills.

Ms. Sanders summarized that the governor's budget focused on providing a safe and healthy environment that kept Alaskan families in the state and promoted growth across the state. While working on the development of the budget, there were three recurring themes: affordability, education, and public safety. She relayed that she would tie her presentation to the themes throughout her presentation.

[9:12:39 AM](#)

Ms. Sanders reviewed slide 2, "FY2025 Fiscal Summary," and pointed out that the slide was referred to the state's fiscal summary and was the highest level picture that OMB

could provide the public on the state's revenues and expenditures, and providing an overall view of what the budget would look like. She highlighted that the right-hand side of the slide reflected the FY 24 budget that was enacted into law the previous year. The left-hand side showed the governor's FY 25 proposed budget.

Ms. Sanders noted that for FY 24, the numbers included the supplemental appropriations that were included on the December 14 budget release. While supplemental items were statutorily due on the 15th legislative day (January 30 of 2024), there had been several items that the governor chose to incorporate into the budget release. She anticipated more supplementals to come for further discussion around the 15th day of legislative session. She noted that she would highlight supplemental items as she reviewed the budget.

Ms. Sanders relayed that in order to simplify the budget, OMB and the Legislative Finance Division (LFD) categorized the hundreds of funding sources used into four categories: federal receipts, other receipts, Designated General Funds (DGF) and Unrestricted General Funds (UGF). She noted that the following slide would focus on UGF, which tended to have less restrictions in use and represented the state's fiscal picture when talking about sustainability or future appropriations.

[9:14:46 AM](#)

Ms. Sanders highlighted that revenues for DGF, other funds, and federal funds tended to equal what was planned in appropriations for the funding sources, since the funds required receipts and plans for use. She noted that UGF were derived from using the Department of Revenue's fall fiscal summary. Total revenues for both FY 24 and FY 25 budgets including supplemental items was \$15.5 billion.

Ms. Sanders pointed out expenditures, which were broken into categories. Operating expenditures could include fund capitalizations, agency operations, or statewide items. The FY 24 total operating budget was \$11.3 billion for all funding sources. For FY 25, the governor's proposed budget came in at about \$10.5 billion total. She noted that there was \$2.8 billion in total funds for the capital budget for FY 24, and the majority of the funding came from federal receipts. Just over \$350 million of the amount was matching

the federal funds. For FY 25, total capital appropriations were proposed at \$3.5 billion. She noted that \$3 billion was proposed federal receipts, and just over \$300 million was the general fund match. She noted that later she would discuss matching funds for federal capital project funding in more detail.

[9:17:38 AM](#)

Ms. Sanders continued by identifying \$881 million appropriated for the Permanent Fund Dividend. The current proposed appropriation for the PFD was \$2.3 billion, which was the amount of the statutory dividend. She discussed fund transfers, which was when money was moving between funds but not leaving the treasury. The monies were not counted in overall surplus or deficit but shown for public information. She identified that a surplus or deficit was identified by the difference between available revenues and expenditures that were in the current year or propose dint the governor's FY 25 budget. She noted that there was currently a \$450 million proposed surplus for FY 25, and just under \$1 billion deficit. To meet the deficit, the governor proposed spending from the Statutory Budget Reserve Fund and the Constitutional Budget Reserve Fund (CBR). The current estimated balances were shown on the chart.

[9:19:25 AM](#)

Co-Chair Stedman asked about FY 25 supplemental items, which he did not see on the slide. He asked if the legislature should plan on supplemental items or use zero. He asked Ms. Sanders to identify on why a supplemental item was added as a supplemental rather than added to the FY 25 budget.

Ms. Sanders thought there was an historical acknowledgement that there were supplemental items on an annual basis. She considered that when analyzing prior years, the supplemental amounts were not consistent, because supplemental items were unanticipated and unknown costs. She acknowledged that there had not been a year without supplementals, and they would be likely. There were measures in the governor's proposed bill that strove to reduce the number of supplements that would come forward.

Co-Chair Stedman noted that the deficit proposed for FY 25 was \$987 million, and recognized the dividend in statute was the historic dividend calculation and would create a \$2.3 billion expenditure. He asked if the dividend, now that the constitutional obligation of submitting a budget had been accomplished, would be adjusted to another numeric as part of the budget process, or if the committee should use the proposed number.

Ms. Sanders relayed that the governor had noted many times that he would follow the law when it came to the PFD, and a budget that was proposed by the governor followed the law. She contemplated that a change to the PFD amount was the legislature's prerogative. She noted that the amount originally submitted would not be changing through the upcoming supplemental or amendment process.

Co-Chair Stedman referenced following the law, and assumed that the governor did not support a draw over 5 percent of the Permanent Fund.

Ms. Sanders answered affirmatively, and relayed that the governor would follow the law of any statute.

Ms. Sanders spoke to slide 3, "FY2025 Fiscal Summary - Continued," which showed a table. She addressed revenues shown at the top and reminded that OMB used the Department of Revenue's (DOR) fall revenue forecast to determine UGF availability. For FY 24, UGF totaled just under \$3 billion and \$2.7 billion for FY 25. The fiscal summary also reflected the percent of market value (POMV) draw from the ERA, using the formula set in law and was calculated to be \$3.5 billion for FY 24, and just under \$3.7 billion for FY 25. The draw brought the total UGF revenue to \$6.5 billion for FY 24, and \$6.3 billion for FY 25. She noted that the right-hand side showed a decrease of about \$218 million between the two funding sources. There was nothing currently projected for FY 25.

[9:25:35 AM](#)

Ms. Sanders identified total operating and capital expenditures for FY 24 at \$5.2 billion, and \$5.1 billion for FY 25, for an overall decrease of \$126 million. She attributed the decrease to the many one-time appropriations that were being reversed out of the FY 24 budget. She noted that there were several investments in education, public

safety, and other areas. She commented that the administration was proposing a stable budget, and notably there were significant inflationary costs addressed in the budget for many agencies as well as approximately \$97 million in salary adjustments for contractually negotiated salaries. She noted that of the \$90 million, \$45 million was UGF. She summarized that while there was a slight decrease, there were substantial investments in the budget.

Ms. Sanders noted that there was \$78 million worth of supplementals reflected for FY 24, which the largest being \$61 million for fire disaster declaration, which was approved by the governor and legislature earlier in the year. In addition there were also funds for the Supplemental Nutrition Assistance Program (SNAP) application backlog, as well as funds for food banks and funds to address the case load in the Office of Public Advocacy (OPA). She made note of additional funding for a capital supplemental for the community of Wrangell, to address emergency needs for the Wrangell dam following the disaster in the community on November 20, 2023.

Ms. Sanders commented that she had worked closely with the LFD director to ensure that everyone understood the differences in the fiscal summary and information from both OMB and LFD. She highlighted that the \$61 million that she had included for the fire disaster declaration was not included by LFD since the division was waiting for a formal transaction or change record. She noted that differences were not uncommon but were minor technical items in the budget.

Ms. Sanders continued to address slide 3. She relayed that the governor continued to advocate for a full dividend. The bottom of the slide reflected surplus and deficit. The overall surplus was \$449 million for FY 24. She recalled that the previous year there had been a calculation for half of any surplus revenue to go to the CBR, and half of the funds to go out to an energy relief payment with the PFD. Currently \$110 million would be deposited to the CBR, and the equivalent amount would be paid to qualified residents as an energy relief payment of approximately \$165 to \$175 depending upon the number of qualified applicants.

[9:30:41 AM](#)

Co-Chair Stedman asked to discuss the CBR, and noted that in previous years the committee had been focused on increasing the account's liquidity and the solvency of the state. The CBR savings component had been moved up to approximately \$2.7 billion as reflected on the slide for FY 24. He noted that LFD's suggested target was about \$3.5 billion, and he thought most if not all committee members agreed with the number. He recalled that the administration was considering a balance of about \$2.5 billion. Of the amount, about \$500 million in cash flow was needed for state operations. He calculated that if the target was \$2.5 billion, \$2 billion would be left and the FY 25 budget would be below the minimum target. He asked for the administration's thoughts on the CBR target amount and necessary liquidity, if oil prices went to \$70/bbl. He pondered at what point the committee should be paying more attention to the matter.

Ms. Sanders referenced slide 4, "Fiscal Summary - Savings Balances," and mentioned that she was new in her current role of OMB director. She had not heard the \$3.5 billion figure referenced by Co-Chair Stedman, but had heard the figure of \$2 billion. She thought DOR had used \$400 million in order to address cash flows throughout the year. In acknowledgment of the last slide of the presentation and a ten-year plan, the governor thought the state was at the point of needing to contemplate changes in revenue or changes in expenditures to address the state's fiscal picture. She noted that the previous year, there had been conversations without result. There was a recognition that something would have to be adjusted given the future outlook of the ten-year plan that forecast being out of funds by the end of 2027 on the current trajectory.

Co-Chair Stedman identified that the committee had been working diligently to strengthen the state's fiscal position, and that rating agencies had given the state improved credit ratings. He thought some of the information was still under review. He emphasized that the rating improvements were based on having balanced budgets and ample liquidity rather than deficit spending. He explained that he would be surprised if the committee reversed course and moved into liquidation and quit working on strengthening the state's position. He thought the state needed to come up with a direction for the state's revenue stream. He suggested that Ms. Sanders work with the governor to discuss the minimum CBR balance, and run

sensitivity analyses to look at the state's cash flow at different oil prices.

Co-Chair Stedman reminded the public that lenders within the oil and gas industry used the oil price of \$60/bbl to examine the profitability of projects, but emphasized that the state could not survive on an oil price of \$60/bbl.

[9:37:03 AM](#)

Senator Bishop referenced past recommended CBR balances of \$6 billion, \$3.5 billion, and the current \$2.5, and suggested that it was a moving target. He agreed with Co-Chair Stedman on keeping the balance as high as possible to "make payroll." He asked Ms. Sanders to identify which body of funding would be exhausted in 2027 as she had mentioned.

Ms. Sanders relayed that in the current budget proposed by the governor, the balance of the SBR was at almost \$21 million, which would be depleted. For FY 27, only the CBR fund would remain and would be depleted by status quo spending and revenue.

Ms. Sanders continued to address slide 4. She noted that the CBR and SBR were the state's primary savings accounts that had designed purposes. She made note of the fund balance being just under the \$2 billion after the proposed FY 25 budget, and noted that the last slide of the presentation would address the future outlook.

Ms. Sanders turned to slide 5, "Budget Lookback," which showed a bar graph depicting a high-level lookback of the total expenditures for each year starting at FY 19, including revenues. She highlighted that the two items that had the most fluctuation were the capital budget and the PFD. She explained that as revenues were limited in the early years, there had been more focus on providing matching funds for the capital budget. As the POMV introduced more stability in revenue, there was growth in the capital budgets and PFD. She noted that FY 24 and FY 25 reflected statewide items (in yellow) decreasing significantly. The primary drivers were the end of oil and gas tax credits and leaving only retirement and debt service payments and other smaller items. The operating budget tended to be fairly stable from approximately \$4 billion in FY 19 to \$4.2 billion in FY 25. The state had

sustained the amount of growth and she noted that salaries and inflation had contributed to operating budget growth.

[9:41:54 AM](#)

Ms. Sanders considered slide 6, "FY2025 Operating Budget by Agency (UGF)," which showed a swoop graph providing a high-level snapshot of UGF spend per agency for the FY 25 budget. She pointed out the significant cost drivers of K-12 foundation formula, pupil transportation, and Medicaid; which represented 41 percent of the operating budget. She noted that the K-12 foundation formula and pupil transportation programs were fully funded in the governor's proposed budget based on the statutory Base Student Allocation (BSA) of \$5,960. The Department of Health had finalized its Medicaid projections on December 15, and the information had not been readily available for the December 14 budget release. She noted that OMB was evaluating the projections for inclusion in both the FY 24 supplemental budget and governor's amendment process. She cited that as noted by Co-Chair Stedman, amendments were due on the 30th day of the legislative session, which was February 14.

Co-Chair Hoffman commented that the two largest items on the graph on slide 6 were education and health. He thought the previous year the chart had included the spending for the PFD. He thought the public should know that the \$2.3 billion proposed for the PFD was a huge number, and surpassed the amount in the budget for education and for health.

Senator Bishop asked if the committee had requested the slide to be restated the previous year.

Co-Chair Stedman explained that LFD would have the PFD included. He thought the slide was titled appropriately and noted that the PFD was not an operating budget item. He thought for transparency to the public, it was appreciated when the PFD was included. He recognized that the inclusion of the PFD appropriation would make some people uncomfortable because of the magnitude, but thought few Alaskans understood the magnitude of the total PFD appropriation. He thought the slide was misleading in terms of spending.

Ms. Sanders appreciated the members' perspective. She was happy to make adjustments to ensure the public was provided with the best viewpoint.

Co-Chair Stedman suggested that the dividend be included when looking at the previous years.

[9:46:20 AM](#)

Ms. Sanders displayed slide 7, "Operating Budget Significant Highlights - Affordability":

Alaska Permanent Fund Dividend

- \$2,303.7 UGF for a full statutory Alaska Permanent Fund Dividend

Department of Commerce, Community and Economic Development

- \$3,000.0 UGF FY2024 Supplemental for food banks and food pantries across Alaska
- \$48,049.8 DGF to fully fund the Power Cost Equalization Program

Department of Health

- \$1,500.0 UGF to provide access to food at food banks and food pantries across Alaska
- \$8,829.2 (\$6,078.2 UGF/ \$2,751.0 FED) FY2024 Supplemental adding 30 non-permanent Eligibility Technician positions to address the Supplemental Nutrition Application Program (SNAP) application backlog
- \$1,800.0 UGF to change 20 previously added non-permanent Eligibility Technician positions to full time and continue to address the SNAP application backlog

Ms. Sanders reiterated that the governor had focused his budget on three primary categories to support Alaskans: affordability, education, and public safety. She noted that the presentation was a new format for categorizing within the areas. She reviewed the items on the slide and noted that the dividend appropriation was to ensure that the governor was addressing inflation and the high cost of living in the state. She noted that the Department of Commerce, Community and Economic Development was stepping in to assist the Department of Health in getting funding

for food out to entities that could support those needing assistance.

Senator Wilson asked about the supplemental funding for food banks, and what program DOH would use to administer the funds. He mentioned the previously the distribution had not covered the Matanuska-Susitna Valley (Mat-Su). He asked why DCCED could not continued successfully administering the program.

Ms. Sanders explained that \$3 had been provided to DCCED, and the intention was that DCCED could likely reach more entities than just food banks and food pantries in the state. Through an application process, the administration was hopeful that DCCED could reach more entities across the state and not just in primary hubs. She continued that DOH had provided grants to food pantries and food banks the previous year, and the administration want to ensure it would continue into FY 25. She was happy to have a conversation regarding whether the function should be moved to DCCED or not.

Senator Wilson asked which account the funds would be utilized through in DOH.

Ms. Sanders asked if Senator Wilson was referring to \$1.5 million. She requested that staff from the department address the question.

[9:52:30 AM](#)

RAQUEL SOLOMON-GROSS, DEPUTY DIRECTOR, FINANCE AND MANAGEMENT SERVICES, DEPARTMENT OF HEALTH (via teleconference), did not have the answer at hand but offered to get back to the committee in writing.

Senator Wilson wondered about fully funding the Power Cost Equalization (PCE) Fund. He thought Ms. Sanders would be addressing fund capitalization later in the presentation, but did not think one could talk about PCE without talking about the Community Assistance Fund (CAF). He wondered if there would be a supplemental item to fully fund CAF for FY 24.

Ms. Sanders relayed that the administration was in the midst of evaluating which supplemental items would be put forward for consideration by the legislature, and did not

currently have an answer to Senator Wilson's question. She was aware of the lack of funding for FY 24.

Senator Kiehl thought it seemed odd to have two departments addressing funding for food pantries. He thought it could result in a lot of non-profits with only one employee or volunteers would have double the paperwork. He wondered if the departments or OMB get back to the committee with why using two departments was a preferable structure. He observed that there was a mismatch with the two lines for the SNAP backlog in DOH. He observed that turning the non-permanent positions into permanent positioned cost about \$900,000 but the additional 30 non-permanent positions cost about \$300,000.

Ms. Sanders affirmed that Senator Kiehl was correct in that the supplemental budget had some information technology work and other items within the amount beyond the 30 positions. She recounted that the previous year the 20 non-permanent positions included funding in the budget. The \$8.8 million was necessary to make the positions permanent and full time.

Senator Kiehl thought it would be helpful to get additional detail on what was included in the \$8.8 million. He referenced discussion the previous year about whether the funding would be sufficient and referenced a federal waiver that had not materialized.

[9:56:23 AM](#)

Senator Wilson asked if the department had looked at doing a reclassification of the eligibility technician positions. He commented on the length of time needed to train for the positions, and did not think an entry-level position was appropriately classified if it required nine months of training.

Ms. Sanders could not recall a classification study, but recalled that the administration was looking at letters of agreement to incentivize recruitment and retention of the positions. She noted anecdotally that often as people were hired and trained, the employees were moving on to other eligibility positions. She added that the state had entered into a contract to complete a salary study and would seek to find that the positions were being adequately paid. She

hoped to receive a report from the contractor by June, 2024.

Senator Bishop commented that he knew Alaska was one of 15 states that had rejected additional funding. He asked about the department's position and whether it was trying to take advantage of additional federal funding the following year. He knew the food bank in his district had expressed interest in the additional funding.

Co-Chair Stedman asked about the added positions for DOH and whether it would be in a fast-track supplemental budget.

Ms. Sanders relayed that the administration was currently having the conversations and she hoped to have information shortly when the administration released the supplemental budget.

Co-Chair Stedman asked for Ms. Sanders to also address child-care issues.

Ms. Sanders highlighted slide 8, "Operating Budget Significant Highlights - Education":

- Department of Education and Early Development
  - \$1,237,175.7 (\$1,181,295.8 UGF; \$35,088.9 Other; \$20,791.0 Federal Receipts) Full funding for school districts according to the Foundation Program and Pupil Transportation statutory formulas
  - \$5,000.0 UGF for the Alyeska Reading Institute
  - \$5,000.0 UGF for a grant to Alaska Native Science and Engineering Program
  - \$1,500.0 UGF for continued Teacher Recruitment, Retention, Certification and Apprenticeship Development
  - \$1,500.0 UGF for continued Career and Technical Education initiative
  - \$1,200.0 UGF for continued access to the Coding in Minecraft Program statewide
  - \$1,000.0 UGF for a grant to Alaska Education Resource
  - \$1,000.0 UGF for support of Youth Hunter Education programs statewide Department of Military and Veterans' Affairs
  - \$843.1 UGF and two PFT positions to address the Alaska Military Youth Academy's operational expenses

associated with the return to pre-COVID class sizes and additional staffing

Debt Service

- \$57,517.7 (\$44,417.7 UGF/ \$13,100.0 DGF) Full funding for School Debt Reimbursement Program based on the statutory formula
- \$26,978.0 Full funding for the Regional Educational Attendance Area (REAA) and Small Municipal School District Fund based on the statutory formula

Ms. Sanders relayed that providing Alaska's students with access to quality education continued to be a priority of the governor, alongside with fully funding the foundation formula and pupil transportation programs based on the statutory formula. The FY 25 budget provided a total of \$25 million in operating and capital investment. She discussed the operating items listed on the slide, many of which were introduced to the legislature the previous session and funded as one-time items. She relayed that the governor's proposed budget continued many of the items into the future and also added them to the base budget. She addressed new and recurring items listed on the slide.

Co-Chair Stedman asked Ms. Sanders to note when items were in the governor's proposed or enacted budget.

Ms. Sanders clarified that all of the items on the slide were in the governor's proposed FY 25 budget.

[10:02:38 AM](#)

Senator Wilson asked if the items in DEED were included in the previous year's operating or capital budget. He observed that there were several granting programs listed that were not necessarily state agency functions. He wondered if the items would be more appropriately placed in the capital budget.

Ms. Sanders affirmed that all of the items were in the operating budget the previous year. She explained that it was not for DEED to have grants within its budget. The department worked closely with all the school districts administering grants for various programs. She explained that the items were operational needs and could be justified in the operating budget.

Co-Chair Stedman asked Co-Chair Hoffman to remind the public of the issue between the operating budget and the capital budget and the life span of the legislation.

Co-Chair Hoffman commented that the operating budget had a life of one year, and the capital budget had a life of six years. He noted that many projects took more than one year to be implemented.

Co-Chair Hoffman asked about major maintenance for the REAA Fund, and pondered how large the cost was. He raised the topic because the longer the legislature ignored the maintenance of rural schools, the higher the cost would be for new construction.

Ms. Sanders did not have the number available, but agreed to follow up at a later time. She affirmed that the funds went to communities to address deferred maintenance or school district needs without further appropriation. She knew there was a cap on the fund, and agreed to provide more information on the balance.

[10:05:24 AM](#)

Co-Chair Stedman followed up regarding what he perceived as confusion over Mount Edgecumbe High School's (MEHS) deferred maintenance. He understood that MEHS did not fit under the REAA deferred maintenance schedule, so Co-Chair Hoffman had added some deferred maintenance for MEHS along with the REAA Fund and other school deferred maintenance to have it balanced around the state. He recounted that the governor had vetoed the appropriation for MEHS, with the reasoning that MEHS should be accounted for in the REAA Fund. He asked for OMB to clarify the matter. He thought there was substantial confusion around the matter, and emphasized that there needed to be a legitimate reason for a veto.

Ms. Sanders agreed to look into the matter.

Ms. Sanders looked at slide 9, "Operating Budget Significant Highlights - Public Safety":

Department of Corrections

- \$19,300.0 UGF for Physical Health Care, Institutions, Community Residential Centers, and Pre-Trial Services

Department of Law

- \$2,328.6 UGF and 12 full-time positions for consent law changes (House Bill 325, Chapter 44, SLA 2022)
- \$1,900.0 UGF and 10 full-time positions for drug prosecutions, child protection cases, expand consumer protection investigations, and grand jury

Department of Military and Veterans' Affairs

- \$399.8 UGF and one full-time position for the Alaska State Defense Force, Naval Militia, and Civil Air Patrol

Department of Public Safety

- \$3,500.0 UGF for 10 additional Village Public Safety Officer positions and address salaries
- \$700.0 UGF for three positions for investigators focused on crimes against children
- \$557.0 UGF for two Aircraft Pilots and an Aircraft Maintenance Inspector
- \$450.0 UGF to fully fund four Missing and Murdered Indigenous Persons investigators
- \$250.0 UGF for one position for new and innovative recruitment strategies to attract qualified Alaska State Trooper applicants

Ms. Sanders cited that the governor's proposed budget provided a \$19.3 million investment in DOC. She referenced a historical cycle of underfunding the DOC budget. She identified two significant increases in the Department of Law. She discussed organized militia being increasingly needed to respond to emergencies and disasters in rural Alaska and the operational funding requested. She described the proposed investment in DPS.

Ms. Sanders added that there was a proposed \$250,000 for DPS not listed on the slide to go towards a public information campaign associated with Missing and Murdered Indigenous Persons.

[10:11:54 AM](#)

Senator Wilson asked about the \$19 million proposed for DOC. He asked if the funding was for healthcare services or build out services within institutions. He understood per the last subcommittee that DOC did not provide contractual rates for healthcare institutions. He wondered why the

department had not entered into contracts to save money for the state.

Ms. Sanders noted that the \$19.3 million did not only reflect costs associated with inmate healthcare. The department had created a projection of sorts to try and true-up what costs were experienced in institutions, community residential centers, and physical healthcare for FY 25. She deferred questions related to any contracts or negotiations for inmate healthcare to the department.

Senator Kiehl clarified that the additional funds were reflective of a historical cycle of short funding. He asked Ms. Sanders if the funded levels from the legislature were above or below the governor's final request levels in the four allocations in DOC the previous year.

Ms. Sanders relayed that she would need to run numbers to determine what areas were above or below.

Senator Kiehl relayed that the funding levels from the legislature were all at or above the governor's requested levels.

Co-Chair Olson understood that there had been a request for DPS to purchase another airplane, which he did not see on the slide. He thought the request had specifically been for a Pilatus PC-12 single engine turbine.

Ms. Sanders relayed that the proposed aircraft purchase would be reflected later in the presentation under capital projects.

Co-Chair Olson commented on flying in the inclement weather over the preceding several days. He asked about the state's plans for the King Air 350, and whether the department planned to keep the plane if it purchased a new plane.

Ms. Sanders understood that there was funding in the budget for maintenance needs for the aircraft, and answered "yes."

[10:15:31 AM](#)

Co-Chair Stedman followed up on Senator Kiehl's point about additions the legislature had made to DOC. He suggested that OMB go back a decade and provide a growth curve for agencies. He thought some agencies were growing

precipitously relative to others, and there was concern with cost control. He thought the information would be helpful to subcommittee chairs looking at agency budgets. He mentioned the position requests and thought a future slide would address vacancies and how the administration justified continually adding positions while there was vacancies.

Ms. Sanders affirmed that OMB would take a look at growth for each agency and would discuss vacancies.

Senator Bishop asked Ms. Sanders to go back to the fourth bullet on slide and re-state the funding amount for the four Missing and Murdered Indigenous Persons investigators.

Ms. Sanders relayed that there was a proposed \$450,000 to fully fund four investigator positions. There was an additional \$250,000 not noted on the slide for a public information campaign.

Senator Bishop asked if the four positions were permanent, full-time.

Ms. Sanders relayed that the positions were non-permanent. She expanded that DPS had expressed that there were often times qualified experienced retirees that wanted to come back and assist with investigations in a non-commissioned officer role.

Senator Bishop advocated that the funding be shown in the base to show the state's commitment to the seriousness of the investigations.

Ms. Sanders relayed that the request was to be in the base for the funding, but in order to bring the retired hires, it was necessary that the positions be non-permanent.

[10:18:51 AM](#)

Ms. Sanders addressed slide 10, "Operating Budget Significant Highlights - Additional":

Department of Family and Community Services  
•\$5,000.0 (\$1,392.8 Federal Receipts; \$3,607.2 UGF)  
for increasing the Foster Care Base Rate

Department of Fish and Game

- \$1,302.0 UGF to continue evaluation of the Threatened and Endangered Species Program and Marine Mammals Program

Department of Law

- \$1,072.8 UGF for expansion of an Internship/Externship and Fellowship Programs
- \$2,018.0 UGF for continued statehood defense efforts across multiple agencies

Department of Natural Resources

- \$1,800.0 UGF for Fire Suppression Activity and Preparedness incentive pay for Wildland Firefighters and to address firefighter vacancies
- \$900.0 UGF for Forestry Management and Development to provide increased access to land and resources

Department of Transportation and Public Facilities

- \$915.0 UGF for Statewide contracted snow removal when unexpected snowfall exceeds existing operational capacity Statewide Items
- \$30,000.0 (\$27,818.1 DGF; \$2,181.9 UGF) to capitalize the Community Assistance Fund

Ms. Sanders mentioned the intent of the Department of Family and Community Services (DFCS) intent to increase the number of foster care families in the state. She noted that the DFG funding was requested to be added to the base. She highlighted that Department of Law had expanded programs in a recruitment effort. She discussed proposed funds for statehood defense efforts in aid of supporting state sovereignty in matters such as federal subsistence matters, and conversation issues. She discussed the intent to incentivize ground level firefighter employment in the state to ensure timely response to wildland fires. She cited that Alaska technicians were paid 40 percent less than those in federal agencies. The request was an attempt to reduce the high cost of firefighting in the state due to bringing firefighters from out of state.

Ms. Sanders discussed the proposed funds for forest management and development, which would replace timber receipts in FY 25. The change would allow for the receipts to be used for economic growth in the timber industry, for bridge replacements, roads for timber, and increasing access to land and resources. She discussed the budget

request for Department of Transportation and Public Facilities and snow removal at unanticipated levels.

[10:23:22 AM](#)

Co-Chair Hoffman referenced a retreat in Girdwood at which the governor had joined the Senate Majority. He had spoken with the governor about the precipitous decline of Chinook Salmon on the Yukon River and Kuskokwim River. He thought Chinook Salmon was the most prized salmon, sought by fishermen from all over the world. He asked if any funding had been proposed to address the issue.

Ms. Sanders relayed that a later slide addressing capital funds would address two requests related to fisheries and research. The projects related to the Alaska Marine Salmon Program and a stock identification program.

Co-Chair Hoffman asked if the requests would directly address Chinook Salmon, or if the requests were general appropriations.

Ms. Sanders deferred Co-Chair Hoffman's question to the department.

Co-Chair Stedman asked Ms. Sanders to get back to the committee with the information.

Senator Wilson looked at the DOT request for \$900,000 for contractual snow removal. He did not think the funding was sufficient for a statewide effort. He wondered if there would be a supplemental request.

Ms. Sanders affirmed that the administration was evaluating the supplemental and amendment needs for addressing snow removal across the state.

Senator Bishop followed up to Senator Wilson's comment to reference the two previous year's snow events in Southcentral Alaska and that the climate was changing. He suggested that the status was the "new normal" and perhaps the funding was needed in the base going forward.

Co-Chair Stedman made note that the Senate Finance Committee Subcommittee for DOT the previous year had suggested that the legislature increase funding to the department for snow removal. The department had felt it was

adequately prepared for a snow event, and the subcommittee had not agreed and suggested adding an increment that could be rolled forward if not needed. He recalled that there had been no interest from the department. He thought it was an important to consider that DOT have adequate funds to respond to snow and general maintenance. He relayed that the most common complaint received by legislators was related to potholes. He mentioned general maintenance funding for buildings and airplanes.

[10:27:30 AM](#)

Ms. Sanders advanced to slide 11, "FY2025 Capital Budget by Agency (UGF)," which showed a bar graph showing an overview of the UGF capital spending proposed for FY 25. Notably, DOT's budget was significantly the largest from needing a substantial amount of matching funds. She identified that the total proposed capital budget was \$305 million of UGF, 42 percent of which was in DOT. She would discuss highlighted items beginning on slide 12.

Co-Chair Stedman asked about the \$800 million increase in federal receipts and asked if it was all due to DOT.

Ms. Sanders identified that there were three significant increases in federal receipts. There was an increase in DOT's federal funds, as well as increases in the Department of Environmental Conservation to address federal infrastructure grant funding. There was also \$1 billion in the DCCED budget for the Broadband Equity Access Development (BEAD).

[10:29:28 AM](#)

Ms. Sanders looked at slide 12, "Capital Budget Significant Highlights - Affordability":

Department of Revenue

- \$25,000.0 UGF for Alaska Housing Finance Corporation Down Payment Assistance Grants
- \$62,720.0 (\$26,700.0 UGF; \$14,420.0 Other Receipts; \$21,600.0 Federal Receipts) for Alaska Housing Finance Corporation Annual Housing Programs

Department of Commerce, Community, and Economic Development

- \$5,000.0 DGF for continued investment in Renewable Energy Project Grants
- \$4,500.0 UGF to Advance Commercial Investment in the AKLNG Project and Maintain Project Assets in Ready Status

University of Alaska

- \$1,000.0 UGF for Alaska Center for Energy and Power - Energy Data Storage and Access Revitalization Project
- \$11,100.0 (\$8,880.0 Federal Receipts; \$2,220.0 UGF) for University of Alaska Fairbanks Alaska Railbelt Carbon Capture and Sequestration Project

Ms. Sanders noted that it was estimated that the \$20,000 Alaska Housing Finance Corporation (AHFC) down payment grants would provide approximately 1,250 households with assistance. She discussed AHFC projects. She discussed two energy related items in the proposed University of Alaska (UA) budget. She described an application to the United States Department of Energy to enable widescale deployment of carbon capture and storage. The project included a required 20 percent match.

Senator Wilson hoped the committee would have people from the Alaska's Liquified Natural Gas (AK LNG) project before the committee. He shared concern that he had not seen any return on investment in his time in the legislature. He pondered the use of funds and whether there was a need for a change in leadership.

Ms. Sanders deferred the question to the Alaska Gasline Development Corporation (AGDC).

Senator Merrick recalled that the state's federal delegation was able to shore up some federal funds in the amount of \$205 million to \$206 million. She asked if the needed matching funds were in the proposed budget or if the funds would be forthcoming.

Ms. Sanders explained that the governor's FY 25 proposed budget did not include any funding or associated matching funds for a GRIP 3. She relayed that OMB along with DCCED, the Alaska Energy Authority, and DOR were working closely together to develop a plan and determine whether the matching funds could be available over many years or if it needed to be provided up front. She continued that the

group was working with the federal government on the details and hoped to have a plan before the committee soon.

Co-Chair Stedman asked Ms. Sanders to define "GRIP 3."

Ms. Sanders relayed that GRIP 3 had to do with grid resilience.

Co-Chair Stedman confirmed that GRIP 3 had to do with grid enhancements. He asked Ms. Sanders to elaborate.

Ms. Sanders asked if she could defer the question to the department.

Co-Chair Stedman explained that GRIP 3 related to grid upgrades for the Railbelt. He recalled that the state needed a 20 percent match, which he thought was approximately \$200 million over a period of several years. He thought the information was sufficient for the high-level discussion to take place. He suggested that the administration looked at funding the project, it looked more broadly than the Railbelt when having the conversation, since there would be a significant financial request as well as the whole state to consider. He addressed the first bullet on the slide and the proposed \$25 million for down payment assistance grants for AHFC. He suggested that there was a greater problem with housing availability. He thought more land was needed to be opened up and developed. He mentioned state sources of land including UA, the Department of Natural Resources, and the Alaska Mental Health Trust Authority (AMHTA).

[10:36:26 AM](#)

Co-Chair Stedman commented on the AKLNG Project, and shared similar concerns as other committee members, including that there were no investors at the table. He thought at some point it would be necessary to have the conversation on ceasing the project. He thought it appeared that the project was un-economic and commented on the spending. He addressed the topic of carbon capture. He urged caution in the consideration of carbon capture from coal-fired plants, which he considered evolving technology that had not been proved to scale. He mentioned facilities in Alberta, Canada, North Dakota and Texas; and emphasized that the technology was under development with existing coal plants.

Senator Merrick asked if Ms. Sanders could confirm if the GRIP funding was a one-to-one match.

Ms. Sanders answered affirmatively and noted that \$206 million would be matched with \$206 million.

Co-Chair Hoffman agreed with Co-Chair Stedman and thought that the legislature needed to address energy costs throughout the state. He pondered whether the GRIP funding was the responsibility of the state. He mentioned other funding avenues such as the Municipal Bond Bank, which could be addressed by the Railbelt. He shared his primary concern that the highest energy costs in the state were in rural Alaska. He commented that his heating bill for the previous month in Bethel was a little under \$2,000 per month. He mentioned that he had a fish camp in Anchorage, which could be heated for 12 months at the same cost. He thought the state needed to re-focus and see what could be done statewide to address the high cost of heating.

Co-Chair Hoffman referenced the \$48 million Ms. Sanders had mentioned for the PCE Fund, which was only for electricity and not heating. He pointed out that heating was 10 times more expensive. He expressed gratitude for the PCE Program. He mentioned the AKLNG project, which had been contemplated through numerous administrations to try and build a gas line to get gas to market. He did not see much improvement, support, or activity at the industry level. He pondered that it was time for the state to use the project to lower the cost of energy for citizens. He mentioned a legislative trip to Iceland, where participants had learned about the country using new methods to overcome previously high energy costs. He emphasized that the state needed to concentrate on energy and making the state affordable to live in for its residents.

[10:42:11 AM](#)

Ms. Sanders showed slide 13, "Capital Budget Significant Highlights - Education":

- Department of Education and Early Development
- \$3,986.5 UGF for School Construction Grant Funds
- \$4,270.2 UGF for Major Maintenance Grant Funds

University of Alaska

- \$10,000.0 (\$5,000.0 UGF; \$5,000.0 DGF) for University of Alaska Drones Program -Year Three
- \$20,000.0 (\$10,000.0 UGF; \$10,000.0 DGF) for University of Fairbanks to Achieve Research 1 Status

Ms. Sanders highlighted that the funds for the School Construction Grant would go toward the Newtok K-12 School relocation/replacement. The second item for DEED would provide funding for a school in Craig and for a project in the Yukon-Koyukuk School District.

Co-Chair Stedman asked if the items included the entire major maintenance list for schools, not including REAA's and MEHS.

Ms. Sanders relayed that the entire list was posted online but did not include MEHS.

Co-Chair Stedman asked how much of the list was addressed with the proposed funded items.

Ms. Sanders related that the proposed funding did not address the entire list. She relayed that the major maintenance grant fund list was in the \$240 million range, and the school construction grant list was in the \$350 million range.

Co-Chair Stedman thought the major maintenance seemed to be a normal level, which signified a significant amount of maintenance that was not addressed in the proposed budget. He thought the proposed amount was small.

Senator Bishop recalled that the major maintenance list from the previous year was about \$346 million, and that some projects had fallen off the list or districts had not reapplied. He relayed that he would look into the information to determine that actual numbers.

[10:45:04 AM](#)

Senator Kiehl asked if the numbers were placeholders, and thought there were significant shared obligations between the state and municipalities. He asked what the administration's vision was for starting to address the need on the major maintenance list.

Ms. Sanders relayed that the current process was ad hoc as the governor proposed his budget or the legislature had funding to address projects on the list. She thought the committee was aware that the state's fiscal picture was not in a good position, and in order to address things such as deferred maintenance, there would need to be other revenues or other items not funded.

Ms. Sanders addressed the two notable FY 25 capital budget items listed for UA on slide 13. She highlighted the funding for the drone program, which was in its third year to test operations working to integrate drones with aircraft and support the emerging industry. In addition, there was a \$20 million request for the University of Alaska Fairbanks to achieve R1 status from its current R2 status. The funds would be used to support graduate students' stipends, recruitment and retention, and strengthen the PhD programs at UAF. The designation would strengthen UAF's research portfolio, and would help advance relevant priorities. The designation would help in developing sustainable energy sources and infrastructure in the state.

Senator Merrick asked about the total amount in the budget for major maintenance for UA, and the total amount of deferred maintenance at UA.

Ms. Sanders relayed that the deferred maintenance allocation in the budget was approximately \$28 million and came from the Alaska Capital Income Fund.

Senator Merrick asked about the total deferred maintenance for UA.

Ms. Sanders did not have the number at hand.

Co-Chair Stedman thought the total was significantly larger.

Co-Chair Stedman commented on the drone program at UAF, in light of wars taking place in Europe and the Middle East. He thought the program was significant. He relayed that he had originally been dubious but now saw the benefits of the program.

[10:50:15 AM](#)

Ms. Sanders referenced slide 14, "Capital Budget Significant Highlights - Public Safety":

Department of Corrections

- \$10,904.3 UGF for Statewide Institution improvements
- Perimeter Fences and Gates
- Security Doors and Windows
- Backup Power System Upgrades
- Statewide Closed Circuit Television (CCTV) Systems

Department of Public Safety

- \$9,500.0 UGF for Patrol Vessel Enforcer Replacement
- \$6,200.0 UGF for acquisition of a Pilatus PC-12NG Aircraft Acquisition
- \$4,675.0 UGF for Aircraft and Marine Vessel maintenance and repair
- \$1,300.0 UGF for DataMaster Fleet Replacement
- \$770.0 UGF for Crime Scene Investigative Equipment
- \$309.8 UGF for Aviation Equipment, Gear, and Technology Refreshment

Ms. Sanders discussed items for DPS, totaling approximately \$23 million. She discussed the patrol vessel Enforcer, which had been taken out of commission due to design issues and mold. The proposed aircraft acquisition involved an aircraft that had the ability to land at 96 percent of the maintained airports in the state, to increase the ability for rapid response. She discussed the requests for aircraft and marine vessel maintenance and repair. She cited that DPS currently had 44 aircraft and 41 marine vessels that required maintenance.

Co-Chair Olson noted that the addition of a new aircraft always included the need for training, and asked the proposed funds included monies for training.

Ms. Sanders did not know if the request included training, but knew there was a request for positions and support in the operating budget, which she thought included training.

Co-Chair Olson asked about the 41 marine vessels that Ms. Sanders referred to. He asked about the number of aircraft.

Ms. Sanders clarified that there was 44 aircraft and 41 marine vessels.

Co-Chair Olson asked if the 44 aircraft included rotary-wing and fixed wing aircraft.

Ms. Sanders did not know.

Co-Chair Stedman thought it would be beneficial if Ms. Sanders could provide a schedule of maintenance needs on the 85 capital assets owned by the state. He relayed that DOT provided the committee an extensive list of replacement. He thought some replacement costs were as high as \$25 million. He noted that several members had expressed concern that the state had been doing less maintenance on its fleets of vessels and airplanes. He thought the department should be able to provide a schedule of the individual maintenance needs. He emphasized that the DOT spreadsheet was extensive. He noted that the information had been helpful.

Co-Chair Stedman discussed the agenda for the following day. He relayed that the committee would continue with the presentation on slide 15.

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ADJOURNMENT

[10:57:09 AM](#)

The meeting was adjourned at 10:57 a.m.