

SENATE FINANCE COMMITTEE
February 2, 2024
9:17 a.m.

[9:17:58 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:17 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Click Bishop

ALSO PRESENT

Lacey Sanders, Director, Office of Management and Budget.

PRESENT VIA TELECONFERENCE

Doug Vincent Lang, Commissioner Department of Fish and Game, Anchorage.

SUMMARY

^ADMINISTRATION RESPONSE TO PRIOR MEETINGS

[9:21:13 AM](#)

LACEY SANDERS, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, referred to a letter dated "February 1, 2024" (copy on file). She began with question 1:

1. What is the minimum balance for the Constitutional Budget Reserve (CBR) Fund?

There is no statutorily or constitutionally required minimum balance of the CBR. The CBR is a savings account meant to cover projected expenditures of the State when there is a deficit in projected revenues. For the purposes of managing daily cash flow, a minimum balance of \$400 million to \$500 million is necessary to prevent adverse operational impacts.

Co-Chair Stedman asked about the impact of oil prices on the CBR.

Ms. Sanders replied that one desire would be to have a larger savings account, the administration recognized that operations needed to continue with a balanced budget. She stated that there was no set number desired by the administration in the CBR, except the number to meet daily cash flow needs.

Co-Chair Stedman remarked that there had been various recommendations over the years.

Ms. Sanders replied that the state did not have a fiscal plan for additional revenues to increase the CBR balance.

Ms. Sanders referred to question 7:

7. Is any of the salmon study funding in the Department of Fish and Game (DFG) specific to chinook stocks?

DFG has \$4 million in federal receipt authority for the Alaska Marine Salmon Program, which chinook salmon is part of.

[9:25:27 AM](#)

DOUG VINCENT LANG, COMMISSIONER DEPARTMENT OF FISH AND GAME (DFG), ANCHORAGE (via teleconference), responded that DFG had instituted a marine science program to address the issue regarding the juvenile salmon emigration from the Yukon to the nearshore marine environment.

[9:29:50 AM](#)

Co-Chair Hoffman stressed that the fishermen in Bristol Bay felt that the salmon issue was grossly mismanaged by DFG.

He queried the handling of the lawsuit, and the battles and accusations among the different fishermen.

[9:34:26 AM](#)

Mr. Lang replied that the DFG was examining bycatch in the marine fisheries. He remarked that there were caps on bycatch in the trawl industry.

Co-Chair Hoffman felt that the hard caps were too high, and should have a reexamination.

Mr. Lang shared that that the department was examining the analysis of the bycatch hard cap.

[9:40:35 AM](#)

Co-Chair Hoffman felt that DFG should "think outside of the box." He remarked that food banks needed products, so the fish industry could contribute to the issue. He stressed that there were many outlets that the department could use to see what could be done about salmon distribution.

Mr. Lang agreed and stated the best market that the department could control was the Alaska and US markets.

Co-Chair Stedman asked about the lawsuit related to trolling and allocation changes.

Mr. Lang replied that the lawsuit stated that the trollers were taking fish that were important to killer whales in Puget Sound. He stated that the judge ruled that the environmental allowances were flawed, and order a closing of the troll industry. He shared that the state argued that ruling, and felt that the impact on the food supply for killer whales was small.

Co-Chair Stedman asked about the allocation change.

Mr. Lang stated that the decision between charter and troll industries resulted in an 80/20 split, and determined how that split would be in the final decision.

[9:46:22 AM](#)

Co-Chair Stedman requested that the response be drafted in a memo and submitted to the committee.

Co-Chair Hoffman requested a written statement about the large amount of salmon commercially caught by those outside of the state. He stressed that 25 years prior, Alaska was touted as the best fish management system in the world. He felt that the management had slowly declined in quality.

[9:50:35 AM](#)

Co-Chair Stedman remarked that there was flexibility in the lending agencies to deal with the loan issues. He felt that the bigger issue related to dealing with inventory.

Mr. Lang agreed, and DFG was examining those issues.

Co-Chair Stedman asked for the recommendations to be completed early for the governor to consider before the amendment deadline.

Mr. Lang stressed that discussions required those in the industry, so felt that the February deadline would be difficult.

Co-Chair Stedman stressed that the February deadline was in statute, and encouraged Mr. Lang to meet that deadline.

[9:54:41 AM](#)

Co-Chair Stedman referred back to question 1, and stressed that meeting cash flow needs from the CBR was a requirement within the budget.

Ms. Sanders addressed question 2:

2. Why is the Department of Commerce, Community, and Economic Development (DCCED) preferable to the Department of Health (DOH) for administration of food bank funds?

Governor Dunleavy proposed \$3,000.0 UGF as a FY2024 supplemental appropriation to Department of Commerce, Community, and Economic Development (DCCED) to provide grant funding for food banks, pantries, and other organizations that provide food to Alaskans as soon as the appropriation is made available. DCCED has capacity to assist the Department of Health (DOH), in addition it has experience with issuing grants through a grant

application process which may reach more entities across the state. With the ongoing backlog with the Supplemental Nutrition Assistance Program (SNAP), appropriating the supplemental funding to DCCED allows DOH to continue their efforts and maintain their focus on resolving the backlog, while expediting the funding to foodbanks, food pantries, and other organizations to meet the current, ongoing needs of Alaskans.

This is in addition to the proposed one-time FY2025 appropriation of \$1,500.0 to DOH. This funding is a continuation of funding that was allocated in FY2024 and allowed food banks to make bulk purchases in an effort to promote food security in the State.

Co-Chair Stedman handed the gavel to Co-Chair Hoffman.

Senator Wilson why the money had been moved between departments.

Ms. Sanders replied that the Department of Health (DOH) had received \$1.2 million the year prior for grant funding for food banks, and the money continued in the FY 25 budget.

[10:00:06 AM](#)

Senator Wilson stressed that DOH had significant issues with that money, resulting in some disgruntled communities. He felt that the Department of Commerce, Community and Economic Development (DCCED) had a better handle on the money.

Co-Chair Hoffman handed the gavel to Co-Chair Stedman.

Ms. Sanders addressed question 3:

3. Provide detail on the FY2024 \$8.8 million supplemental request for the Supplemental Nutrition Assistance Program (SNAP).

Below is a breakdown of the \$8,829.2 supplemental request to Address the Supplemental Nutrition Assistance Program Backlog.

Senator Kiehl wondered whether the hiring bonus was an annual bonus.

Ms. Sanders agreed to provide that information.

Ms. Sanders addressed question 4:

4. What is the balance of the Regional Educational Attendance Area and Small Municipal School District School Fund (REAA Fund)?

The current unobligated balance of the REAA Fund is \$0. In FY2024, the entire fund appropriation and fund balance was allocated to the 1 School Construction project, Newtok K-12 School Relocation/Replacement, Mertarvik. In addition, per Alaska Statute 14.11.030(b), the unobligated and unexpended cash balance of the fund may not exceed \$70 million. The fund capitalization in the FY2025 Governor's Budget is \$26,978.0.

Ms. Sanders discussed question 5:

5. Provide the total of the Regional Educational Attendance Area (REAA) major maintenance list.

The Department of Education and Early Development only produces one Major Maintenance Grant Fund list each year that ranks REAA district projects alongside city and borough district projects. On the FY2025 Major Maintenance Grant Fund list, there are 33 REAA school district projects that total \$111,139.4, which is approximately 45 percent of the total list. The first two REAA projects are ranked at 2 and 9.

Ms. Sanders pointed to question 6:

6. Please clarify if Mt. Edgecumbe High School is included in the REAA major maintenance list.

Mt. Edgecumbe High School (MEHS) is a division within the Department of Education and Early Development (DEED), as such they are considered a State agency and their deferred maintenance needs are prioritized amongst all State of Alaska facility deferred maintenance needs and funded through the statewide deferred maintenance appropriation.

Furthermore, Alaska Statute (AS) 14.11.011, Grant applications, outlines what school districts are

eligible to submit an application to DEED for a school construction or major maintenance grant. AS 14.16.050, Applicability of education laws, outlines the provisions that would apply to the operations and management of MEHS as if it were a school district and AS 14.11.011 is not listed, meaning MEHS would not be eligible to submit an application for school construction or major maintenance, and thus not eligible to be funded under the REAA fund.

Senator Wilson recalled that the line item veto on the Mt. Edgecumbe upgrades was because of the REAA major maintenance availability. He wondered whether the administration would correct that error in the line item veto.

Ms. Sanders replied that the veto mentioned that it was part of the deferred maintenance list for the state.

[10:05:36 AM](#)

Co-Chair Stedman agreed that there needed to be further explanation on the reasoning of the veto.

Co-Chair Hoffman stressed that the problem was about education, and did not feel that the school should compete with deferred maintenance for the rest of the state. He remarked that Mt. Edgecumbe should be included in a list for all school major maintenance.

Co-Chair Olson stressed that there were safety and health concerns in the maintenance requirements.

Co-Chair Stedman requested that the Department of Education and Early Development (DEED) examine the issue around transporting children during the winter break.

[10:10:52 AM](#)

Ms. Sanders agreed to provide that information.

Ms. Sanders pointed to questions 8 and 9:

8. Clarify the state share amounts for the School Construction and Major Maintenance Grant Fund lists?

- The total State share on the FY2025 School Construction Grant Fund List is \$260,489.8. The latest school construction list can be found here:

<https://education.alaska.gov/Facilities/final/FY25ConstructionFinalList.pdf>.

- The total State share on the FY2025 Major Maintenance Grant Fund List is \$249,060.1. The latest major maintenance list can be found here:

<https://education.alaska.gov/Facilities/final/FY25MaintenanceFinalList.pdf>.

9. What are the differences in amounts between the FY2024 and FY2025 School Construction and Major Maintenance Grant Fund lists?

- The total State share on the FY2024 School Construction Grant Fund List is \$195,666.8. The FY2025 list is \$64,823.0 more than the FY2024 list. The final FY2024 School Construction Grant Fund list can be found here:

<https://education.alaska.gov/Facilities/final/FY24ConstructionFinalList.pdf>.

- The total State share on the FY2024 Major Maintenance Grant Fund List is \$217,866.8. The FY2025 list is \$31,193.3 more than the FY2024 list. The final FY2024 Major Maintenance Grant Fund list can be found here:

<https://education.alaska.gov/Facilities/final/FY24MaintenanceFinalList.pdf>.

Ms. Sanders discussed question 10:

10. Provide the total amount of deferred maintenance at the University of Alaska, and the amount of proposed funding for this purpose in the FY2025 budget.

The University of Alaska's total deferred maintenance backlog is approximately \$1.4 billion. The following table provides the breakdown of the total backlog amount by priority projects, campus, and system wide services.

The Governor's FY2025 budget addresses deferred maintenance needs of state departments, including the University of Alaska, in a capital appropriation titled Statewide Deferred Maintenance, Renovation, and Repair and totaling \$28,222.5.

Senator Kiehl remarked that the capital request was 2 percent of the deferred maintenance. He remarked that generally, 2 percent of the value of facilities was the request. He queried the plan to get on top of the deferred maintenance problem.

Ms. Sanders replied that the plan was to appropriate the Alaska Capital Income Fund for deferred maintenance needs in the state.

Senator Kiehl commented that it was not a good plan.

Ms. Sanders pointed to question 11:

11. What is the Department of Public Safety's schedule of maintenance needs for their aircraft and marine vessels?

The Department of Public Safety's aircraft and vessel maintenance schedules are available on the attached documents.

- a. Attachment 1 - Department of Public Safety Aircraft and Vessel Maintenance.pdf.
- b. Attachment 2 - DPS PMS PV Stimson-Large Class Vessel.pdf.

Senator Kiehl recalled a set of policies to prevent vessels from going into the undetected maintenance problems. He requested a list of those policies.

[10:15:17 AM](#)

Co-Chair Stedman requested that the subcommittee address the question.

Ms. Sanders highlighted questions 12 and 13:

12. When did the Department of Administration start the digitization process for Payroll Services? How much has been invested thus far?

This question appears to be referencing IRIS HRM (Integrated Resource Information System Human Resources Management) implementation and its impact on timesheets. Before IRIS, the State utilized a home-grown Enterprise Resource Planning system which consisted of two pieces, AKSAS (Financial) and AKPAY (Human Resources). In

FY2015 the State started using IRIS Financial and fully implemented IRIS with the implementation of HRM in FY2018. With implementation of HRM most of the State agencies kept utilizing their manual, paper-based processes. Some of this was due to convenience, challenges with configuration, and system limitations. Since the recent upgrade to IRIS Advanced, the system has more capability and functionality; this will further expand with the move to the cloud. Most of the timesheets that flow through payroll are still hand audited, and manually entered into the system.

Instead, the "Continuation of Payroll Digitization" project refers to an expansion of the approved FY2024 capital project of \$2.2 million to obtain equipment and programming that will allow for digital payroll processing to eliminate the printing of timesheets for processing and retention. For more information on these two projects please see the attached documents.

- Attachment 3 - FY2024 Capital Project Digitization of Payroll Services and Recruitment.pdf.

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Co-Chairs Stedman, Hoffman, and Olson

- Attachment 4 - FY2025 Capital Project Expand and Complete Digitization of Payroll Services and Recruitment.pdf.

13. Please provide an overview of the timesheet process for State employees.

The cloud migration of IRIS and employees processing their own time sheets are unrelated processes. Yes, IRIS is in the process of transitioning to the CGI Cloud; however, the payroll digitization project is independent of the cloud migration. The project for Digitization of Payroll will not change how other departments submit their timesheets. Rather, this project will modernize the processing aspects of the payroll process on the back end, streamlining a process that is intensive in labor, supplies, and time, into a digital platform which reduces printing, routing, editing, and storage of paper documents to a faster and more cost-efficient methodology in the long run. This expansion is

needed to complete the project and include all duties and tasks that can be digitized that are currently performed by payroll services, including timesheet auditing, payroll production data entry and distribution, Personnel Action Request Form (PARF), Letter of Agreements, payroll production tasks, and expanded infrastructure to help address manual entry timesheets.

With the completion of this project, those scanned images will be stored electronically rather than being printed and stored in file cabinets. This improved process will have numerous benefits including: 1) electronic records will be cataloged and easy to search; 2) payroll services will no longer need to print and retain thousands of documents, which currently increase the total lease costs of the division unnecessarily; 3) increased efficiency and timeliness in processing nearly 15,000 timesheet documents every two weeks. The FY2025 capital request is to fully fund the process that was started by FY2024 capital appropriation.

Co-Chair Stedman felt that the issue was most appropriate for the subcommittee.

Senator Kiehl remarked that there would be redundancies, so he wanted to work on the next step in ensuring efficiencies.

Co-Chair Stedman wanted to examine the possibility of automation.

Senator Wilson looked at the document from FY 24, and stated that it did not mention that it would be a multi-step project.

[10:20:13 AM](#)

Ms. Sanders replied that she was not part of the conversations, but stated that it was intentional that it be multi-phased. She agreed to follow up on that issue.

Ms. Sanders addressed question 14:

14. Was the Department of Fish and Game research vessel disposed of or sold? If it was sold, what is the status of the proceeds? And what is the life expectancy of the new vessel?

The Department of Fish and Game's (DFG) research vessel was disposed of for \$100.0. The \$100.0 received for the disposal was retained by the division and the proceeds will be used for deferred maintenance for other divisional assets. The life of a large asset can be hard to determine. It is highly dependent on DGF's ability to do routine maintenance. The other large vessels in the DFG fleet were acquired as follows:

- Research Vessel (R/V) Solstice - 2005
- R/V Resolution - 1971
- R/V K-Hi-C - maintained and operated by the Division of Commercial Fisheries since 1996; owned by the Kodiak Island School District

Co-Chair Stedman remarked that the issues would be address in the subcommittee process.

Senator Wilson queried the life expectancy of the vessels.

Ms. Sanders indicated that she would provide that information.

Co-Chair Olson wondered whether it was normal for the department to keep the proceeds from the liquidation of an asset.

Ms. Sanders replied that an appropriation was required for a department to maintain the proceeds.

Co-Chair Stedman stated that the remaining responses would be scheduled at a future meeting. He stated that the next meeting would be the following Tuesday morning.

#

ADJOURNMENT

[10:23:57 AM](#)

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