

SENATE FINANCE COMMITTEE
February 19, 2024
9:01 a.m.

[9:01:22 AM](#)

CALL TO ORDER

Co-Chair Hoffman 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
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Lacey Sanders, Director, Office of Management and Budget.

SUMMARY

^GOVERNOR'S BUDGET AMENDMENTS

[9:02:19 AM](#)

LACEY SANDERS, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, (OMB) discussed the presentation, "State of Alaska, Office of Management and Budget, FY2025 Governor's Amended Budget, Senate Finance Committee, February 19, 2024" (copy on file).

Ms. Sanders addressed slide 2, "FY 2025 Updated Fiscal Summary":

Footnotes:

1. Includes \$61 million for the approved 2023 Fire Season Disaster Declaration during FY2024.
2. The Constitutional Budget Reserve (CBR) Cash Balance per Department of Revenue.
3. The Statutory Budget Reserve (SBR) balance reflects the unobligated balance.
4. Percent of Market Value (POMV) from the Earnings Reserve Account (ERA).

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Co-Chair Hoffman wondered how the shortfall would be addressed in the amendments.

Ms. Sanders replied that the governor's budget would still propose a withdrawal from the CBR and SBR.

Co-Chair Hoffman remarked that the legislature was highly unlikely to approve a withdrawal from the CBR, and wondered whether there were alternatives to the CBR.

Ms. Sanders replied that the governor recognized that the budget was a process, and she stressed that the proposed budget had a draw from the CBR. She remarked that the legislature may take other actions, and noted that the governor was willing to have conversations about that subject.

Co-Chair Stedman wondered how a change to the payout of the Permanent Fund Dividend (PFD) to 50/50 would change the deficit number.

Ms. Sanders replied that a 50/50 dividend would change the deficit by about \$450 million, so the deficit would be reduced to about \$500 million.

Co-Chair Hoffman asked how a 75/25 dividend would affect the deficit.

Ms. Sanders responded that she believed it would change the deficit to approximately \$250 million.

Co-Chair Hoffman remarked that the 75/25 dividend would still result in a quarter of a million dollars deficit.

Ms. Sanders pointed to slide 3, "Updated 10-Year Fiscal Outlook." She remarked that the slide was updated to

include the amendments and supplemental requests from the governor.

Ms. Sanders discussed slide 4, "Operating Budget by Agency (UGF)." She stated that the slide showed UGF and the management plan budgets as compared to the prior year. She noted that the largest appropriation was to the Department of Education and Early Development (DEED).

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Co-Chair Stedman wondered how adjusted the DEED budget to the previous year would affect the deficit.

Ms. Sanders agreed to follow up with information.

Ms. Sanders looked at slide 5, "Operating Governor Amend Requests." She stated that the following slides were divided into operating and capital budgets.

Ms. Sanders began with the Department of Administration (DOA) budget amendments.

Ms. Sanders addressed the Department of Commerce, Community and Economic Development (DCCED) amendments.

Ms. Sanders pointed to the Department of Education and Early Development (DEED) amendments.

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Ms. Sanders discussed the Department of Environmental Conservation (DEC) amendments.

Ms. Sanders pointed to the Department of Family and Community Services (DFCS) amendments.

Ms. Sanders addressed the Department of Fish and Game (DFG) amendments.

Co-Chair Stedman wondered whether the administration had considered bringing forward a response plan for assisting the fishing industry.

Ms. Sanders replied that the commissioners of both DFG and DCCED were working on a plan to address those needs.

Co-Chair Stedman wondered whether the plan should be expected to the legislature.

Ms. Sanders responded that she would follow up on timing for the plan.

Co-Chair Hoffman stressed that it was particularly important because the fishing industry provided millions of dollars of employment to Alaskans.

Ms. Sanders pointed to the Department of Health (DOH) amendments.

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Ms. Sanders addressed the Department of Labor and Workforce Development (DLWD) amendments.

Ms. Sanders pointed to the Department of Natural Resources (DNR) amendments.

Ms. Sanders discussed the Department of Public Safety (DPS) amendments.

Senator Bishop asked for the cost of the classification study per PCN.

Ms. Sanders agreed to provide that information.

Senator Kiehl noted some proposals using the Restorative Justice Fund providing valuable resources, especially for victim services. He wondered whether those requests were based on the governor's proposed PFD level, and whether a lesser amount would require replacing the authorization.

Ms. Sanders replied that the Restorative Justice Account was based on the prior year's PFD.

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Co-Chair Hoffman thanked the governor for including additional Village Public Safety Officers (VPSO) in the budget, but asked Co-Chair Olson to investigate whether DPS would provide additional efforts for recruitment.

Co-Chair Olson agreed that recruitment and retention were major issues, and agreed to examine the issue.

Ms. Sanders addressed the Department of Revenue (DOR) amendments.

Ms. Sanders pointed to the Department of Transportation and Public Facilities (DOT) amendments.

Senator Bishop remarked that he supported road maintenance, and noted that Tanana residents drove on the road that was in dire need of maintenance. He felt that there needed to be the same focus on rural roads as more urban roads.

Ms. Sanders remarked that there was a capital project proposal for completion of the bridges and roads.

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Senator Kiehl wondered whether there had been conversations with the Department of Law about meeting the public purpose test for non-governmental roads. He also noted a fair amount of whether the funding for farming roads could be used throughout the state, or only for specific areas.

Ms. Sanders replied that she had not spoken to the Department of Law, but would follow up on that issue. She also deferred to DOT about the areas of funding covered by the farming roads.

Co-Chair Olson wondered whether there would be an amended supplemental budget related to Statewide Transportation Improvement Program (STIP).

Ms. Sanders stated that it was "too premature" to say whether there would be amendments, because DOT was working on the STIP issue. She furthered that the STIP would be addressing future projects.

Ms. Sanders looked at the University amendments.

Co-Chair Hoffman noted conversations about teachers and employment turnover and whether the University had addressed that issue. He asked Senator Bishop to summarize that conversation.

Senator Bishop stated that there was a serious shortfall, and remarked that he could not speak to the current levels.

He noted that there had been recruitment outreach to rural Alaska.

[9:35:29 AM](#)

Co-Chair Hoffman remarked that the University system should be examining the shortfalls.

Ms. Sanders displayed slide 6, "Capital Governor Amend Requests."

Ms. Sanders addressed the DOA amendments.

Ms. Sanders pointed to the DCCED amendments.

Senator Bishop wondered whether the money was coming from the Alaska Gasline Inducement Act (AGIA) funds.

Ms. Sanders replied in the affirmative.

Senator Bishop asked whether the administration was concerned about a "run on a bank" and failure to pay.

Ms. Sanders replied that there was not a concern about utilizing a small portion of the fund.

Ms. Sanders looked at the DEC amendments.

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Senator Bishop wondered whether the department employees had the wherewithal to determine an asset versus a liability.

Co-Chair Hoffman felt that marine surveys were critical work.

Ms. Sanders addressed the Department of Law (LAW) amendments.

Ms. Sanders looked at the Department of Military and Veterans Affairs (DMVA) amendments.

Ms. Sanders highlighted the DOT budget amendments.

Ms. Sanders pointed to slide 7, "Operating Supplemental Requests."

Ms. Sanders addressed slide 8, "Capital Supplemental Requests."

Co-Chair Hoffman discussed committee business.

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ADJOURNMENT

9:47:48 AM

The meeting was adjourned at 9:47 a.m.