

HOUSE FINANCE COMMITTEE  
March 4, 2025  
1:33 p.m.

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CALL TO ORDER

Co-Chair Josephson called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Andy Josephson, Co-Chair  
Representative Calvin Schrage, Co-Chair  
Representative Jamie Allard  
Representative Jeremy Bynum  
Representative Alyse Galvin  
Representative Sara Hannan  
Representative Nellie Unangiq Jimmie  
Representative DeLena Johnson  
Representative Will Stapp  
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Julie Sande, Commissioner, Department of Commerce, Community and Economic Development; Hannah Lager, Administrative Services Director, Department of Commerce, Community and Economic Development.

SUMMARY

HB 53      APPROP: OPERATING BUDGET; CAP; SUPP

HB 53 was HEARD and HELD in committee for further consideration.

HB 55      APPROP: MENTAL HEALTH BUDGET

HB 55 was HEARD and HELD in committee for further consideration.

OVERVIEW: FY26 DEPARTMENT BUDGET BY THE DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

Co-Chair Josephson reviewed the meeting agenda.

#hb53

#hb55

HOUSE BILL NO. 53

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

HOUSE BILL NO. 55

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

^OVERVIEW: FY26 DEPARTMENT BUDGET BY THE DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

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JULIE SANDE, COMMISSIONER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, introduced herself and the PowerPoint presentation "Department Overview FY2026 Budget" dated March 4, 2025 (copy on file). She continued through slide 2 and relayed that the Department of Commerce, Community and Economic Development's (DCCED) mission was to promote strong communities, maintain a healthy economy, and protect consumers throughout the state of Alaska. She explained that the department accomplished its work through its seven core divisions and eight corporate agencies. She continued to slide 3 which illustrated the department's structure. She pointed out that the gray boxes on the slide represented the following divisions: the Administrative Services Division (ASD), the

Alaska Broadband Office (ABO), the Division of Banking and Securities (DBS), the Division of Community and Regional Affairs (DCRA), Corporations, Business, and Professional Licensing (CBPL), the Division of Investments, and the Division of Insurance. She added that the department also housed corporate agencies, including the Alaska Seafood Marketing Institute (ASMI), the Alcohol and Marijuana Control Office (AMCO), the Alaska Oil and Gas Conservation Commission (AOGCC), the Regulatory Commission of Alaska (RCA), the Alaska Energy Authority (AEA), the Alaska Industrial Development and Export Authority (AIDEA), the Alaska Gasline Development Corporation (AGDC), and the Alaska Railroad Corporation (ARC). She clarified that the ARC was categorized differently because it fell outside of the Executive Budget Act.

Representative Johnson remarked that there had been considerable discussion about the gasline and funding that might be directed through AGDC or another entity, such as AIDEA. She asked if the department could explain its role in the process and if it had the resources necessary to manage the cash flow. She suggested that the department address the topic throughout the presentation.

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HANNAH LAGER, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, proceeded to slide 4, which provided a broad overview of the department's budget. She stated that the total operating budget request for FY 26 was \$240 million. She explained that only a small portion of the total came from the general fund, which was represented by the blue segment on the pie chart. The majority of the department's funding came from receipts of various types, including assessments, fees, regulatory cost charges, and investment earnings. She stated that the department was primarily self-funded and that more information would be provided later in the presentation.

Representative Galvin asked for clarification on the data presented in the pie chart. She observed a notable discrepancy between the amount of federal funds projected and the amount actually received. For example, there was a significant difference between the management plan and actuals and she asked for an explanation of the discrepancy.

Ms. Lager responded that in FY 22, the department received a significant influx of federal COVID-19 pandemic-related funds for a wide range of projects. She stated that one appropriation of just over \$180 million had been placed in the operating budget as a multiyear appropriation. She explained that the appropriation had been added in the first year, reversed out in the second year, and then updated annually based on what could be spent. She clarified that not all of the funding was received. The large increase in the federal portion of the FY 24 budget was not received in the budget, but the increase simply reflected the technical authority to receive the funds.

Representative Galvin asked for confirmation that since the discrepancy was due to pandemic-related funds, the projections for FY 25 versus the actuals would likely be better aligned.

Ms. Lager responded in the affirmative. The department had returned to its usual level of federal funding but there was always some variability due to the nature of receivable grants.

Representative Galvin asked if it was the department's intention for the funding proportions in the governor's proposed FY 26 budget to closely track with those of FY 24. She asked if her interpretation was accurate.

Ms. Lager responded that there was very little change in the department's federal budget between FY 25 and FY 26.

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Representative Allard asked what the term "DGF" stood for on slide 4. She asked for some examples of DGF.

Ms. Lager responded that DGF stood for designated general funds. She explained that the funds primarily included licensing fee receipts. The regulatory cost charges from AOGCC and RCA were categorized as DGF as well as insurance licensing receipts. She indicated that the "other" funds category consisted of a mix of sources such as AEA receipts, which reflected investment earnings, as well as receipts from the AIDEA. She stated that the department also had a significant amount of duplicated authority. For example, ASD was funded by interagency authority which was

considered duplicated authority because the other divisions paid ASD for its services.

Ms. Lager proceeded to slide 5. She emphasized that DCCED was the smallest consumer of general funds among all state departments. She continued to slide 6 and noted that while the department had the smallest general fund draw, it was a complex entity. The department had 30 different fund sources in its operating budget, which was the most of any department. She explained that the budget included many specialized funding sources and that the department operated 17 different divisions or result delivery units (RDU). She indicated that the presentation would address a wide range of functions because the agency itself carried a wide range of responsibilities.

Representative Stapp stated that it would be helpful if the department could provide a breakdown of the fund source codes and the corresponding RDUs. He noted that while it appeared that DGF fund sources were increasing, it seemed that other receipts were decreasing, such as ASMI's receipts from the Fishermen's Fund. He explained that he had no way of determining whether the funds were increasing or decreasing. He asked which of the department's 30 fund source codes were showing the largest increases and which were showing the largest decreases.

Ms. Lager responded that she could provide some general information but might need to follow up with more details. She explained that the presentation primarily showed what the department was requesting authority to expend from each funding source, rather than the actual amounts collected. In many cases, the department collected significantly more than it expended. The largest area of growth in revenue sources was the insurance premium tax, which the department collected but did not spend in its budget.

Ms. Lager explained that some of the funds were passed through the Department of Labor and Workforce Development (DLWD) to fund workers' compensation programs. She reiterated that DCCED did not expend the funds itself and that the funds were deposited into the general fund. She noted that the department had observed a decline in seafood marketing assessments collected by ASMI. She clarified again that the presentation focused on expenditure authority rather than revenue collections. She offered to

follow up with a report detailing actuals for each funding source.

Representative Stapp asked what occurred when the department collected more in receipt authority than it was authorized to expend.

Ms. Lager responded that a future slide in the presentation would address the specific issue. Depending on the program, most of the excess revenue went to the general fund. She added that the department was permitted to carry funds forward to the following year in some components. For example, the intent with professional licensing receipts was to retain the funds within the same program that collected the fees so that the revenue would be available in the following year.

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Representative Stapp asked if any RDUs that had the ability to carry forward DGF were also requesting UGF in the current fiscal year.

Ms. Lager responded that there were a few areas where the department had requested general funds. For example, ASMI had the authority to carry forward revenues, but the revenues had declined which had prompted the department to request general funds to backfill the marketing efforts. She added that another example was AOGCC, which primarily operated using regulatory cost charges. However, the department had requested general funds for carbon-related expenditures to ensure that the work continued while awaiting the development of revenue sources specific to the carbon program.

Representative Stapp asked if the RDUs that were requesting general funds already had more than the requested amount available in the carry-forward authority for the next fiscal year. He asked why a unit would request UGF if it already had sufficient funding.

Ms. Lager responded that the use of revenue depended on the statutory or regulatory authority under which it was collected. She explained that funds had to be used for their designated purpose. For example, the revenue authority for AOGCC applied to its traditional drilling and monitoring work, but not to the carbon program. She stated

that the commission was still developing regulations for the carbon program and that the revenue had to remain tied to the work for which it was collected.

Co-Chair Josephson asked whether the Division of Motor Vehicles (DMV) was an exception to the rule.

Ms. Lager responded that she could not provide any information on the DMV's revenue because it was not under DCCED.

Ms. Lager moved to slide 7 which detailed major sources of department revenue generation. She noted that in FY 24, the department requested authority to spend approximately \$16 million in FY 26. However, the department had deposited over \$118 million in FY 24 into the general fund. She stated that in addition to funding its own operations, the department had consistently returned a significant amount to the treasury each year.

Commissioner Sande continued to slide 9 which detailed the Commissioner's Office and its marketing initiative. She explained that the Commissioner's Office was involved in legislative relations, boards and commissions, the Office of International Trade, economic development, special projects, and the Marketing Alaska initiative. She announced that the department was excited that Deputy Commissioner Anna Latham had recently joined the leadership team. She explained that the marketing initiative was brought about as a result of presentations that she had given to the legislature in the past. She relayed that when she first began her work as commissioner, she immediately recognized the value of the work conducted by ASMI, particularly in global promotion of the seafood industry. She noted that the Alaska Travel Industry Association (ATIA) had also been highly effective in promoting tourism. When she first started working as commissioner, she had wondered if there were any entities that were marketing Alaska to investors and promoting other industries beyond seafood and tourism.

Commissioner Sande stated that the department aimed to develop a long-term vision for Alaska's business environment that would appeal to both current investors and future generations of Alaskans. She explained that the department had recently released a request for proposals and successfully offered a marketing contract. The selected

contractor was the Black Rock Group, working in partnership with Poolhouse and Six7 on the marketing initiative. The department had hired a project manager, executed the contract, and was pleased to have the contractor's expertise supporting the marketing initiative. She reported that the department was working toward the first deliverable milestone, which was the launch of a website. She explained that the department had identified the need for investors outside Alaska to easily navigate the process of identifying the appropriate economic development contacts and obtaining relevant information. She stated that DCRA had compiled extensive data, including story maps and other community data, but the data was not readily accessible to users both inside and outside the state. She confirmed that the department was actively working to address the issue and stated that the soft launch of the website was scheduled for the end of the month.

Commissioner Sande added that one of the department's early partners in the initiative was the Alaska Chamber, which had assisted in data collection to establish a baseline for measuring progress. She stated that the department was working with stakeholders across various industries and businesses in Alaska to gather feedback on how best to represent the state. She relayed that the department would participate in the SelectUSA Investment Summit in May of 2025, which was the highest-visibility event for foreign direct investment in the U.S. and would take place in Washington, D.C. She expressed enthusiasm about the opportunity to represent Alaska at the event.

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Representative Hannan asked how much the department was spending on the external contracts. She asked if the three aforementioned contractors [Black Rock Group, Poolhouse, and Six7] constituted the full scope of the department's external contracts.

Commissioner Sande responded that the department had received a \$5 million capital appropriation for marketing two years earlier. She explained that the funds originated from excess business licensing receipts. The department had allocated approximately \$500,000 to a contract with the Alaska Chamber for in-state marketing and \$3 million to external contractors for nationwide marketing.

Representative Hannan asked if the department had established specific deliverables and performance measures when issuing the requests for proposals. She asked for an example of how the department would determine whether the \$3 million allocated for marketing had achieved its intended goals.

Commissioner Sande responded that the first measurable milestone was the creation of a website that was easily navigable. She stated that the department had also relied on the Alaska Chamber to survey Alaskan businesses using metrics such as job creation and new business formation as key indicators of success. She understood the importance of the department being able to demonstrate measurable outcomes. She did not believe in creating additional government programs without justification and thought that a program should not be continued if the department could not demonstrate that the program was successful. She stated that the department viewed the marketing effort as an opportunity to produce long-term value for future generations of Alaskans. She relayed that her children had received targeted advertising related to the Willow Project. Her children had reached out to her after seeing content online that questioned the project. She stressed that it was important to be able to respond quickly and effectively to outside interests that were spreading disinformation about Alaska.

Representative Hannan asked for clarification if the website referenced earlier was part of the department's official website or a separate site dedicated to investment promotion.

Commissioner Sande responded that the website was a separate site. She explained that it would have some level of intersection with the official State of Alaska website but she did not know the technical details of the integration.

Representative Hannan asked for the name or web address of the website. She had searched the names of the three aforementioned firms but had not found any reference to Alaska on their websites.

Commissioner Sande stated that the website would not launch until the end of March of 2025. She explained that nothing would be online yet because the department had not yet

launched the site. The site was being modeled after similar easy-to-navigate economic development websites for other states that offered a significant amount of useful information and access to external resources. She clarified that the department did not intend to duplicate work but instead aimed to create a separate site that was easily navigable for interested parties seeking information about Alaska. The department was reviewing which information was most needed by users and how best to present it. She stated that North Carolina had initially received a \$1 million grant and it had demonstrated measurable growth in economic value attributed to the content provided on its website. The department was using North Carolina as one of its models for the Alaska website.

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Ms. Lager continued on slide 11 and explained that ASD managed the department's administrative operations and systems. The division's budget was primarily funded through interagency receipts, which were collected from other divisions in the department in exchange for services. She stated that each division received a different mix of services from ASD. She explained that the largest budget change for FY 26 was the restructuring of the department's facilities rent component. Previously, the department had one component, but it would now be separated into two: one for state-owned buildings and one for rented facilities. She noted that \$150,000 in interagency receipt authority had been added to align with projected expenditures.

Ms. Lager proceeded to slide 12 and expressed that she was excited about ABO's ongoing work. She reported that the office was preparing to issue grants and advance projects across the state. Grant advertisements were currently open and would remain open through April of 2025. The office expected to issue grants in FY 26, with deployment scheduled from 2026 to 2030. She clarified that the grants would be issued using capital authority that had already been appropriated. She indicated that ABO's FY 26 budget included two changes. The first change was the continuation of funding to maintain the office's current staffing and operations as the office had previously been funded through one-time items. The second change was a small amount of general funds to support core services billing while federal funds continued to increase. She clarified that the federal funds were collected based on activity and required

additional authority to ensure the office could pay its outstanding bills.

Co-Chair Josephson asked whether the federal funds had flowed in a typical manner since the presidential inauguration in January of 2025.

Ms. Lager responded that the department's Broadband Equity, Access, and Deployment (BEAD) grant was a billion-dollar federal grant program and had likely experienced only minimal impacts from recent federal changes. She anticipated that only slight language adjustments and minor programmatic updates would be needed. She did not expect significant impacts to the large grant issuances. She added that the component also administered the Digital Equity Award and that there might be changes to the program, but it was a smaller grant program with funding of approximately \$5 million.

Representative Stapp understood that ABO had been operating for at least two years. He requested more information on the reported \$3.1 million in UGF that was spent on the office. He asked how many BEAD grants had been deployed beyond what might have occurred naturally through the bid process.

Ms. Lager responded that ABO was primarily funded by approximately \$3 million in federal funds appropriated through the capital budget and collected as capital improvement project (CIP) receipts. She clarified that the department was requesting \$50,000 in general funds and that the bulk of the office's funding came from federal capital receipts. She stated that the grant programs were currently being advertised and application periods would close in April. She explained that no BEAD grants had been awarded yet because the federal grant requirements were specific and had taken time to implement.

Representative Stapp reiterated that ABO had existed for approximately two years and asked for confirmation that no BEAD grants had been deployed during that time.

Ms. Lager confirmed that no BEAD grants had been deployed yet. She explained that the department was currently collecting applications for the program.

Representative Galvin asked for more information about the request for \$50,000 in UGF. She acknowledged that the department had access to other funding but some costs were not permissible under the grant specifications.

Ms. Lager responded that every state agency received a number of baseline charges, including billing from the Office of Information Technology, billing from Risk Management, and billing from ASD and the Commissioner's Office sections. She explained that the department had not historically managed significant levels of federal funding and did not have a federally approved cost allocation plan. For example, when the department administered a large federal program through the Alaska Comprehensive Health Insurance Association (ACHIA), it intentionally avoided collecting administrative funds in order to reduce costs in the health care market.

Ms. Lager explained that due to the absence of a federally approved indirect cost plan, ABO had been limited to applying the de minimis rate of 10 percent. She reported that the rate had not been sufficient to fully cover the office's core services and operational costs. The office itself had five staff positions but it also funded additional personnel in other agencies. She stated that grant administrators were located in other grant administration offices and funded through ABO. Similarly, ABO funded permitting positions in the Department of Natural Resources (DNR). She explained that as the expenditures increased, the department expected to collect more under the de minimis rate or under a future federally approved cost plan. However, the department did not expect the collections to fully cover all costs for FY 26 and FY 27.

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Representative Galvin asked whether it would be more appropriate for planning purposes to fund the \$50,000 as a three-year one-time increment instead of using UGF.

Ms. Lager responded that the department had requested the funds as a two-year temporary increment of \$50,000 per year for FY 26 and FY 27. She stated that the structure was currently reflected in the budget.

Representative Allard noted that the department had stated it was currently accepting applications for broadband funding and asked why it had taken two years to begin collecting applications.

Ms. Lager responded that she would need to follow up with detailed information. She explained that ABO was a new office in the state and the BEAD program was also new at the federal level. She reported that the department had spent time developing the required planning documents, collecting mapping data, and establishing a framework to appropriately evaluate incoming grant applications. She stated that she would be happy to provide a summary of the office's activities over the past two years.

Representative Allard asked how many vacancies the department had.

Ms. Lager responded that she would follow up. She noted that the department had recently submitted vacancy information to the Office of Management and Budget (OMB) and she would provide it to the committee.

Commissioner Sande added that a significant portion of the past two years had been spent coordinating with stakeholders and addressing the mapping component of the BEAD program. She emphasized that it was a federal program and that all states had been operating under the same schedule. She stated that one of Alaska's applications had been among the first received and that the department had worked responsively to present Alaska's plan and comply with federal requirements.

Commissioner Sande added that the mapping requirement had been particularly complex for Alaska because the department had needed to demonstrate where the unserved and underserved locations were throughout the state. Once the department received federal data showing which areas had been designated as unserved or underserved, Alaska communities were given the opportunity to submit rebuttals. The rebuttals allowed communities to challenge the accuracy of the federal maps by indicating locations that appeared served but were not receiving service. She explained that the maps misrepresented information because the maps had been created by individuals who were not from Alaska. She emphasized that ABO had thoroughly addressed the issue and

it had been particularly important to ensure the maps were accurate for rural Alaska.

Commissioner Sande continued that the department had spent a significant amount of time and effort on ensuring that communities in rural Alaska were accurately represented during the mapping process. For example, a river in Alaska would not necessarily present the same conditions as a river in the rest of the U.S. due to challenges such as weather and barge transportation. She stated that the department had approached the process with caution and thoroughness.

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Representative Bynum asked whether the BEAD grants included any requirement for communities to demonstrate the ability to maintain the infrastructure.

Commissioner Sande responded that she would need to consult with her colleagues to provide the information.

Commissioner Sande proceeded to slide 13 and explained that DBS helped regulate the state's financial industries and served a critical role in supporting Alaska's economic framework. There were no significant budget changes for DBS for FY 26; however, DBS had contributed \$18 million to the general fund in the prior year and it managed several other revenue-generating sources.

Commissioner Sande continued to slide 14, which addressed DCRA. She stated that the division played a critical role in the department's work and administered grants under a wide variety of programs. She noted that the division housed the grant administrators for ABO and currently managed a portfolio of approximately \$1.2 billion. The portfolio would increase to approximately \$2.2 billion once broadband was included. She explained that the division's operating budget included several recurring grants that were embedded in the base budget. The grants did not appear in the capital budget as legislative grants and would not appear as transactions. She relayed that two of the grants included on the slide had associated budget transactions and had been marked with asterisks to indicate that the grants were being adjusted for FY 26.

Representative Allard asked to return to slide 13. She requested specific examples of what was accomplished by each grant listed on the slide.

Commissioner Sande responded that the Alaska Legal Services Corporation (ALSC) provided low-cost legal services to individuals with limited means. She stated that the Alaska Marine Safety Education Association (AMSEA) provided maritime education to professional fishers and their families. She explained that the Inter-Island Ferry Authority (IIFA) supported transportation services between Ketchikan and Prince of Wales Island. She noted that Life Alaska Donor Services (LADS) conducted donor awareness activities related to organ donation. She explained that the Kuskokwim Ice Road (KIR) grant funded the maintenance and operation of the ice road in the Kuskokwim region. She stated that the Volunteers of America Alaska (VAA) grant supported an Anchorage-based program, but she would need to follow up on the specific focus of the grant.

Representative Allard stated that she had reviewed the list and understood the general purpose of each grant but wanted more detailed information about each grant's specific activities. She requested detailed information about the use of funds, including who received payments and the rationale for funding at the current levels. She acknowledged that collecting the information would require additional time, but she was interested in a more detailed presentation.

Co-Chair Josephson interjected to note that he had some familiarity with the VAA grant. He noted that the organization was located in Representative Allard's neighborhood.

Representative Allard agreed and stated that she had visited the organization. She shared that she had nearly supported removing the funding for the grant from the budget the previous year, but had changed her opinion after visiting the organization. She was grateful that the funding had not been removed.

Co-Chair Josephson asked if Representative Allard still wanted the department to provide detailed information about VAA.

Representative Allard relayed that she was trying to better understand VAA's mission. She would be happy to discuss the matter with the department offline.

Ms. Lager responded that she would follow up with Representative Allard offline with additional information. She explained that the VAA grant had been added the previous year as a temporary increment and was included in both FY 25 and FY 26 as a legislative addition.

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Representative Jimmie asked whether Napakiak was receiving funding through the grant for KIR.

Ms. Lager responded in the affirmative.

Representative Jimmie asked if it would make more sense for the funding to be included annually in the Department of Transportation and Public Facilities' (DOT) budget rather than provided through a grant.

Ms. Lager responded that she could not speak to how DOT would administer the funding. She explained that from DCCED's perspective, the funds were granted directly to the village so that the village could administer and manage the project itself. She reiterated that she did not know if DOT used the same process.

Representative Johnson noted that there was a QR code displayed on slide 14 labeled "View the Grants Dashboard." She stated that she did not have her phone available and asked for an explanation of where the QR code would direct users and what information would be available.

Commissioner Sande responded that she thought that all Alaskans should be able to access the dashboard and immediately view the number of live grants. She remarked that she was a visual person and she liked the idea that any Alaskan could scan the code and easily see the communities in which the grants were located and view a map of each village or community in Alaska. She stated that the dashboard directed users to the department's online community database, which she believed was an underutilized resource. She explained that the department was working to consolidate the data it collected and distribute the information more broadly. She noted that the dashboard had

helped inspire aspects of the department's broader marketing initiative and encouraged committee members to review it.

Ms. Lager added that the dashboard also included information about all active grants administered by the department. The dashboard allowed users to see both the total amount of each grant and how much money had already been expended. She explained that the data was updated daily and was a valuable resource.

Representative Johnson commented that the dashboard appeared to include over 740 grants.

Ms. Lager proceeded to slide 15 and presented a snapshot of DCRA's budget. She stated that the budget changes for FY 26 included two technical adjustments related to base grants for ALSC and AMSEA. She explained that one of the grants was funded based on a percentage formula, which required a small annual adjustment. The department was also making corrections to the funding process for AMSEA to ensure revenue availability and predictability for grantees. The division's budget also included a fiscal note that had not been incorporated into the FY 25 budget due to timing issues near the end of the legislative session. She explained that several pieces of legislation were moving quickly at the end of the previous session and a few fiscal notes were inadvertently excluded.

Ms. Lager relayed that the final item on the slide was not within the department's budget but was included under statewide items. She noted that the item was still relevant because DCRA administered the funding. The FY 26 budget included \$30 million to capitalize the Community Assistance Fund (CAF), which would support distributions to communities in FY 27.

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Ms. Lager proceeded to slide 16 and explained that CBPL managed the administration of 44 professional licensing programs, 21 regulatory boards, all business licensing, nicotine endorsements, and corporations' registration. She noted that CBPL was likely the division with which the highest number of Alaskans interacted and it served a large number of residents. She reported that professional

licensing activity had increased by 55 percent over the past 10 years and had caused CBPL to grow dramatically.

Representative Galvin asked for more information on the events leading up to the significant increase in business and professional licenses between 2020 and 2022. She asked if the spike had been related to the COVID-19 pandemic. She noted that there had been subsequent tapering off of growth in more recent years.

Ms. Lager responded that the largest change was in the business licensing program. She explained that during the pandemic, licensing fees had been suspended, which allowed individuals to obtain business licenses at no cost. She noted that licenses could be issued for either one or two years, and many individuals had chosen the two-year option. The department did not have substantial data on why licenses were not being renewed, but it expected that a number of the licenses obtained for free during the pandemic had not been renewed, which contributed to the downward trend. She added that a similar pattern was seen on the corporation side, where registration fees had also been suspended temporarily. She noted that professional licensing had continued to grow, although there had been a small decline in FY 24. Some of the change was likely due to professionals moving in and out of the state during the pandemic and needing to be licensed, such as traveling nurses. She stated that the decrease in 2024 did not appear to be significant and overall activity remained strong.

Representative Galvin asked for an overview of any particular industry that had shown notable growth or decline in recent years.

Commissioner Sande responded that there had been continued growth in nurse licensing. She indicated that the department had placed significant focus on the nurse licensure compact, which she viewed as an important step forward. When she was initially hired, one of the first issues the governor identified to her was the need to reduce licensing wait times. She had been well aware of the challenges as a business owner and health care provider herself. She had personally experienced the impact of staffing shortages and the community at large was well acquainted with the challenges of the timeline. She stressed that the situation had improved and the department had made substantial progress since she was first hired.

Commissioner Sande reported that when she began at the department, wait times for professional licenses had reached 13 to 14 weeks and the current average was just over four weeks. The system was not perfect but she was proud of the team's improvements. She noted that the department remained honest about its limits. She viewed the nurse licensure compact as a strategic opportunity that would help improve wait times. She stated that the department estimated approximately 30 percent of its licensing staff time was spent processing nurse licenses. If the state were to join the compact, the time could be redirected to other sectors. For example, contractor licensing was an area in which timeliness was especially critical, particularly during Alaska's short construction season. She emphasized that faster licensing helped businesses and strengthened the economy.

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Representative Allard remarked that many military spouses lived in Alaska and asked why it seemed so difficult to adopt the military spouses compact. She acknowledged that it was a policy decision for legislators but asked whether the department had been working to understand the barriers. She asked what the department believed was preventing the compact from being adopted.

Commissioner Sande responded that she would defer to Ms. Lager to provide more specific information. She had participated in related discussions but could not currently recall the details.

Ms. Lager responded that the department would be happy to follow up with more information.

Representative Allard stated that the committee had previously discussed the number of vacancies within the department and the presenters had indicated they would need to follow up with the information. She asked why it continued to be difficult for commissioners and deputy commissioners to provide the number of vacant positions when appearing before the committee. She asserted that if she herself were in the role, she would ensure she had the number readily available. She was concerned that the repeated delays in providing vacancy data might indicate that the department would not follow up with the

information at all and that the vacancy dollars were being used in other areas of the department. She asked if the department had anyone available online to read the vacancy number into the record.

Ms. Lager responded that she did not have any other colleagues online who could provide the numbers. She offered reassurance that she would follow up with the information. She noted that the vacancy numbers changed every day.

Co-Chair Josephson confirmed that the committee would discuss the information if it was made available prior to the meeting's adjournment.

Representative Allard stated that some departments had informed her they had 56 vacancies, including positions that had remained vacant for the past 12 months. She thought DCCED likely had more than 56 vacancies and she wanted to know the exact number of vacancies, how long the positions were unfilled, and what was being done with the associated funds. She emphasized that she wanted budget cuts. She was concerned that the funds might be used for other purposes and stated that the public deserved transparency.

Co-Chair Josephson asked Ms. Lager how long she had been with the State of Alaska.

Ms. Lager responded that she had worked for the state for 18 years and had served within DCCED for just over 10 years.

Co-Chair Josephson asked whether it was correct that unused dollars typically lapsed back to the general fund.

Ms. Lager responded that it depended on the funding source. She stressed that the department's personal services line was never fully funded. The budget included a built-in vacancy factor, which assumed that some level of staff turnover would occur due to life circumstances and hiring timelines. As a result, the department did not fully fund personal services annually.

Co-Chair Josephson asked if dollars typically lapsed into the general fund if there were an unusually high number of vacancies.

Ms. Lager confirmed that any unspent general funds would return to the general fund.

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Commissioner Sande added that her team worked very hard and explained that the scope of the department made it difficult to always have immediate access to specific data. The department was exceptionally broad and its wide-ranging responsibilities meant she often had shallow depth of knowledge in many areas. She credited her staff for being as prepared as possible. She offered reassurance that the department would follow up with the requested information, but she emphasized that the question was complex because vacancy rates could fluctuate based on budgetary changes and the addition of new positions.

Commissioner Sande stated that when she began in her role as commissioner, the department was in a "death spiral" in the aftermath of the pandemic. Some divisions had experienced a 60 percent increase in workload over the course of a ten-year period without a corresponding increase in staffing. The increase in workload had led to staff burnout and low morale, and employees left for other opportunities. She reported that the department had stabilized staffing and received legislative support to add new positions, but the addition of new positions impacted vacancy statistics depending on when data were collected. She explained that the vacancies had decreased, but the addition of new positions made it appear that there was an increase in vacancies.

Commissioner Sande emphasized that interpreting vacancy data without context could lead to misleading conclusions. She explained that the department's core divisions operated differently from corporate agencies. Vacancies within the corporations' side were sometimes intentionally held open, which could skew totals when all divisions were grouped together. She stressed that the vacancy rate for the core divisions would be significantly different than that of corporate agencies. She stated that the department would provide more detailed information in the follow up.

Representative Allard responded that the lapsing of funds was not the core issue. She stated that her concern was why the state continued to "pro-fund" positions if it did not

fully understand how vacancy-related funds were being used. She acknowledged the department's hard work but remained unconvinced that the current funding structure was justified. She emphasized that the public deserved to know how much carryover funding was associated with vacant positions and exactly where the money was being redirected.

Co-Chair Josephson asked what Representative Allard meant by "pro-fund."

Representative Allard responded that she meant funding forward. She questioned why future funding should be allocated without greater clarity on vacancy data.

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Ms. Lager moved to slide 17 and stated that the department was proposing two significant changes within CBPL for FY 26. She explained that CBPL had a large number of licensing programs and was a major consumer of regulations review services from DOL. The rate changed going into 2025 and the department was adding licensing receipt authority to cover the costs in 2026.

Representative Johnson stated that she had watched many presentations from the department over the years and had always been impressed by CBPL's level of expertise and employee retention. She remarked that CBPL managed significant financial responsibilities and demonstrated a strong understanding of its operations despite its small size. She noted that Director Sylvan Robb often appeared before the committee and she expressed her appreciation for the division's professionalism and institutional knowledge.

Ms. Lager thanked Representative Johnson and continued on slide 17. She stated that the second item on the slide reflected a fiscal note that had not been included in the FY 25 budget due to timing issues at the end of the prior legislative session. She explained that the item pertained to funding for professional counselors.

Ms. Lager moved to slide 18 and provided an overview of the Division of Insurance. She stated that the division was responsible for regulating the insurance market and identifying ways to reduce costs to consumers. She noted that the division was a major contributor to the general fund.

Representative Johnson remarked that she could not refrain from recognizing Director Lori Wing-Heier when she saw her photo on slide 18. She expressed appreciation for Director Wing-Heier's expertise and thanked her for her service.

Commissioner Sande appreciated the comments. She stated that Director Wing-Heier had been extremely busy but remained highly effective in her role. She emphasized that the director's knowledge was exceptional and that she had saved the state an estimated \$700 million through the Affordable Care Act's (ACA) Section 1332 waiver program. She thought that Director Wing-Heier had made a uniquely significant contribution to the state and stated she would be interested to know if any other Alaskan had saved the state as much money as the director.

Representative Galvin referred to the second bullet point on the slide, which mentioned maintaining multi-year contractual actuarial support. She asked whether there was a specific dollar amount associated with the item and how many years the support would cover.

Ms. Lager responded that the department was requesting \$1 million over two years from licensing receipts. She stated that the request mirrored the structure used in previous years. She explained that the department was currently receiving actuarial support through contracts, which were more expensive than maintaining in-house positions and varied in cost depending on timing. The department structured the funding as multi-year and overlapping funding to ensure that approximately \$1 million would be available in any given year when bills were received. She stated that the structure ensured the department had the funds to cover the costs when bills were due.

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Ms. Lager moved to slide 19 and discussed the Division of Investments. She stated that there were no significant budget changes for the division in FY 26, but she still wanted to highlight the division's ongoing work. The division administered numerous small loan programs that supported projects throughout Alaska, including financing for fishing permits, boat gear, small restaurants, and forest products. She stated that the division offered a

variety of programs that benefited many Alaskans and that more information was available on the department's website.

Ms. Lager proceeded to slide 21 and detailed AMCO, which regulated Alaska's alcohol and marijuana industries. She noted that the office was almost entirely funded through licensing receipts from the alcohol and marijuana industries. The main budgetary change within AMCO for FY 26 was increased authority to pay for regulation review costs. In addition, the office requested increased licensing receipts to cover higher legal expenses related to DOL and the Office of Administrative Hearings due to increased case volume. The department was excited to revise the carryforward language AMCO in FY 26 to ensure that licensing receipts remained with the program. She explained that in previous years, specialized carryforward language had been used to ensure the office could repay the general fund investment made to establish the marijuana program. The repayment effort had been fully completed by the end of FY 24 and as a result, all licensing receipts would remain within the program from FY 26 on.

Ms. Lager moved to slide 22, which covered AOGCC. She stated that the commission served a quasi-judicial role in balancing the competing demands of oil production and long-term resource recovery. The commission had identified capital funding for orphaned wells and secured additional federal funds for carbon-related work. The department proposed aligning federal receipt authority in the operating budget with the anticipated costs of the grant awards. She noted that the carbon program was complex and that the state was in the process of seeking primacy over it from the federal government. She reported that the process was taking longer than originally anticipated, which was why the department had requested an additional year of general fund support. She stated that revenue from the permitting process was expected to begin in FY 27.

Ms. Lager moved to slide 23, which discussed RCA. She remarked that each year she learned something new about the commission's responsibilities. The only change in the FY 26 budget was the inclusion of a fiscal note that had been omitted from the operating budget in the previous year. She reiterated that not all notes were included in the final budget in the prior legislative session due to timing issues and the consolidation of multiple fiscal notes.

Ms. Lager advanced to slide 24, which detailed AGDC. She stated that the department was requesting level funding for AGDC in FY 26, which was consistent with the previous year. She noted that while there was project activity for AGDC in the capital budget, there were no proposed changes to the corporation's operating budget.

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Representative Johnson noted that there had been ongoing discussions about potential funding for a gasline project. She understood that such funding might not come through AGDC, but through direct appropriations or AIDEA. She asked whether the department would be involved in the process. She wondered whether the establishment of a separate entity for a gasline project would require additional funds from the department or if the department would serve as a pass-through administrator for grants. She relayed that she was trying to better understand how the department might be impacted by future developments.

Commissioner Sande responded that the mechanics of the process had not yet been discussed. She stated that her understanding from conversations with AIDEA was that if funding were provided through AIDEA, it would be standalone and separate from DCCED. She stated that there had not been any discussion suggesting that the project would be the responsibility of the department.

Representative Johnson asked if AIDEA would be able to receive and use federal funds as a sufficiently independent organization if federal funds were to come into the state for a gasline project. She noted that the question was hypothetical and that there would likely be restrictions depending on federal requirements. She explained that she was attempting to anticipate whether any additional organizational structure would be needed.

Commissioner Sande responded that both AIDEA and AEA were currently working closely with the developer Glenfarne as well as with the 8 Star Energy subsidiary. She noted that the situation was complex. She understood that AIDEA had not typically received federal funds, but AEA had received federal grants and retained federal granting authority. She stated that the department would continue working closely with both agencies to determine whether DCCED involvement would be necessary.

Ms. Lager added the department had come forward to request legislative authorization when AGDC received federal funds in the past.

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Ms. Lager moved to slide 25 which illustrated the budget overview for AEA. She noted that recent legislation had allowed AEA to manage its own positions and as a result, the budget included a number of technical adjustments reflecting the transfer of positions from AIDEA to AEA. She explained that the four boxes shown at the top of the slide represented the end results for AEA's different operating components. The first component was Owned Facilities and had experienced minimal changes. The component included management of assets such as Bradley Lake and the Alaska Intertie Transmission. The second component was Rural Energy Assistance and housed AEA's core operations, including the director and program managers. The Power Cost Equalization (PCE) component continued to manage the annual distributions as well as accounting and management costs. The fourth component was Statewide Project Development, Alternative Energy, and Energy Efficiency and included federal positions for new federal programs, such as the Infrastructure Investment and Jobs Act (IIJA) and Grid Resilience and Innovation Partnerships (GRIP) personnel costs. She explained that the positions had been added in prior legislative sessions.

Ms. Lager stated that AEA's FY 26 request included three major items. First, the department requested general funds to cover AEA's rent costs. She explained that AEA shared facilities with AIDEA and the request represented half of AEA's actual costs in 2024. She noted that AEA was working through its federally approved cost allocation plan to include building costs, and the department did not expect the request to recur beyond one year. Second, the department requested an additional \$3.1 million in CIP receipts which was considered duplicate authority. She clarified that duplicate authority allowed AEA to collect funds from capital projects and use the collections to support its positions and operations. She stated that the request was essentially a true-up to ensure all positions could be properly funded. The third item was a request for a fund source change of \$710,000 from federal receipts to PCE program funds to maintain the circuit rider program.

She explained that the circuit rider positions had previously been funded through federal grants administered by the Denali Commission, but the federal funding had declined over time and the department needed an alternative source to continue the program.

Co-Chair Josephson asked Ms. Lager to elaborate on the third request involving the Denali Commission.

Ms. Lager responded that the Denali Commission had previously provided federal funding to support the circuit rider program. The circuit rider employees traveled to rural communities, assisted with local powerhouses, and helped ensure continuity of electrical services. The Denali Commission had funded the positions over the past three years; however, the level of support had declined from \$700,000 to approximately \$75,000 in the current fiscal year. The department had attempted to bridge the funding gap by piecing together funds from related capital projects such as bulk fuel or rural power system upgrades, which allowed circuit riders to work on multiple issues during community visits. An ad hoc approach was no longer sustainable because CIP funding had also decreased due to reduced federal investment. The requested fund source utilizing PCE program funds was intended to provide consistent and reliable support for the circuit rider program.

Co-Chair Josephson asked whether the department had received any objections to the proposed fund source change.

Ms. Lager responded in the negative. She reported that nearly all of the communities that received PCE funds were also served by the circuit rider program. The funding shift aligned with the interests of the communities and directly supported the PCE program's objectives.

Co-Chair Foster noted that there was typically an annual surplus of funds within the PCE program. He stated that once distributions were made to communities, any excess could flow into the waterfall mechanism. He asked whether the circuit rider funding qualified under the waterfall structure. He asked for more information on the governing statute.

Ms. Lager confirmed that the excess would flow into the waterfall mechanism. She was not certain of the exact

statute, but the circuit rider funding qualified as a program operations expense, which was the first category funded from available PCE surplus. She added that the waterfall also allowed excess funds to be allocated toward other rural energy priorities, such as renewable energy and rural system upgrades.

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Representative Johnson stated that she had heard reports that federal grant funding for charging stations and the direct current (DC) transmission line from the Kenai Peninsula might have been paused or changed. She did not expect full details immediately but asked if she could be provided with an update. She asked how much the department had needed to adjust in recent weeks due to federal funding developments.

Ms. Lager responded that AEA Director Curtis Thayer had been heavily engaged in managing the issues. She confirmed that the federal Electric Vehicle Infrastructure (EVI) funding had been impacted and that the charging station initiative was not moving forward at the moment. She stated that IIJA funding and Inflation Reduction Act (IRA) funding had been temporarily paused. She added that the DC transmission line project had not been impacted.

Ms. Lager advanced to slide 26 and explained that AIDEA remained co-located with AEA, but legislation from the prior year had formally separated the two entities' personnel. The separation resulted in several technical changes in the FY 26 budget to reflect the reorganization. She stated that AIDEA's FY 26 budget included the removal of \$8.9 million in duplicated receipts, which had previously been required because AEA paid AIDEA for shared services. The duplicate authority was no longer necessary due to the shift of the positions directly to AEA, and it was therefore removed. She indicated that AIDEA's budget added receipt authority to accept rent from AEA and included \$110,000 in AIDEA receipts derived from investment earnings to align the building component's expenditures with projected operating costs. She noted that the adjustment related to both intent language and statutory requirements to clearly demonstrate facility costs.

Ms. Lager proceeded to slide 27 and relayed that ASMI's FY 26 budget reflected two main changes. First, it included

the continuation of a \$10 million multi-year seafood marketing appropriation, which began in FY 25 and would continue over three years. The second change was a reduction in ASMI's appropriated seafood marketing assessment receipts. She relayed that ASMI's revenue had been declining over time as the seafood industry faced economic struggles. The two requested changes would help ASMI maintain a relatively stable marketing program over the next three years as it planned future marketing strategies.

Co-Chair Josephson asked if the administration wanted the legislature to pass the appropriation increase promptly to ensure that some of the funding could be spent in FY 25.

Ms. Lager responded in the affirmative. She confirmed that the appropriation had been included as a supplemental item for FY 25. She explained that ASMI conducted much of its marketing activity during the spring and the sooner ASMI could be notified of funding availability, the more effectively it could secure favorable marketing contracts.

Co-Chair Josephson commented that the committee had learned a great deal about the wide-ranging responsibilities of the department.

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Representative Hannan remarked that it was significant that Commissioner Sande and Ms. Lager were graduates of Ketchikan High School and Juneau-Douglas High School and were leading the department. She praised Commissioner Sande for her success in recruiting high-potential Alaskans to serve on her team. She noted that when she was first elected, Ms. Lager had stood out as someone with a deep and trusted knowledge base. She stated that RCA was complex and that the department approached it with calmness and professionalism. She was impressed with the department's knowledge.

Co-Chair Josephson thanked the presenters and stated that the meeting marked the conclusion of the FY 26 departmental operating budget overviews.

HB 53 was HEARD and HELD in committee for further consideration.

HB 55 was HEARD and HELD in committee for further consideration.

Co-Chair Josephson reviewed the agenda for the following day's meeting.

#  
ADJOURNMENT

[2:49:06 PM](#)

The meeting was adjourned at 2:49 p.m.