

HOUSE FINANCE COMMITTEE
March 7, 2025
1:35 p.m.

1:35:00 PM

CALL TO ORDER

Co-Chair Josephson called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Andy Josephson, Co-Chair
Representative Calvin Schrage, Co-Chair
Representative Jeremy Bynum (via teleconference)
Representative Alyse Galvin
Representative Sara Hannan
Representative DeLena Johnson
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative Jamie Allard
Representative Nellie Unangiq Jimmie

ALSO PRESENT

Lisa Keller, Staff, Representative Alyse Galvin; Rob Carpenter, Deputy Director, Legislative Finance Division; Lisa Keller, Staff, Representative Alyse Galvin; Erin Page, Staff, Representative Andy Josephson; Brodie Anderson, Staff, Representative Neal Foster; Hunter Meachum, Staff, Representative Sara Hannan; Connor Bell, Fiscal Analyst, Legislative Finance Division; Tim Clark, Staff, Representative Sara Hannan.

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.

SUBCOMMITTEE CLOSEOUT REPORTS:

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT
DEPARTMENT OF HEALTH
DEPARTMENT OF MILITARY AND VETERANS AFFAIRS
DEPARTMENT OF CORRECTIONS
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

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."

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^SUBCOMMITTEE CLOSOUT REPORTS

[1:36:12 PM](#)

^DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

[1:36:16 PM](#)

LISA KELLER, STAFF, REPRESENTATIVE ALYSE GALVIN, reviewed the subcommittee recommendations for the Department of Commerce, Community and Economic Development (DCCED) (copy on file):

The House Finance Budget Subcommittee for the Department of Commerce, Community and Economic Development submits the following recommended operating budget for FY26 to the House Finance Committee.

RECOMMENDATIONS

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF) \$17,342.0

Designated General Funds (DGF) \$68,706.9

Other Funds \$63,208.0

Federal Funds \$42,438.0

Total \$191,694.9

Compared to the FY26 governor's amended budget proposal, subcommittee recommendations represent an increase of \$577.2 (+0.3 percent) in Unrestricted General Funds (UGF).

Positions:

Permanent Full-time 575

Permanent Part-time 0

Temporary 27

Total 602

Compared to the FY26 governor's amended budget proposal, recommendations represent an increase of 3 positions (+0.5 percent).

BUDGET ACTIONS

The House Finance Budget Subcommittee for Department of Commerce, Community & Economic Development reviewed the FY26 budget request and adopted all items and added:

An increment of \$577.2 in UGF to establish an Office of Entrepreneurship to develop and lead efforts to diversify and grow Alaska's economy. This action adds 3 full-time positions to the Department of Commerce, Community and Economic Development. The office will promote innovation-based economic development, new venture and job creation in emerging sectors, and

facilitate engagement of startups with the State of Alaska to increase the use of local and Alaskan sources of goods and services. This funding enables the state to act on our 2022-2027 Comprehensive Economic Development Strategy.

There were 4 items in the budget (numbers 20, 21, 22, and 23) that were not under the purview of the subcommittee. These items are related and are technical fixes.

RECOMMENDED INTENT LANGUAGE

The subcommittee is forwarding the following pieces of intent language for consideration:

It is the intent of the legislature that the Alaska Oil and Gas Conservation Commission prepare and submit a report to the co-chairs of the Finance Committee and the Legislative Finance Division by February 15, 2026. The report shall include a timeline that includes key goals and milestones for the carbon storage project and an estimated date of the revenue realization point.

It is the intent of the legislature that the Office of Entrepreneurship prepare and submit a report to the co-chairs of the Finance Committee and the Legislative Finance Division by February 15, 2026. The report shall include a comprehensive business plan with a timeline and an update on the progress standing up the office.

SUBCOMMITTEE AMENDMENTS

The chair set an amendment deadline and welcomed amendments from all members. The subcommittee received one amendment. The amendment failed.

ATTACHED REPORT

The House Finance Budget Subcommittee for the Department of Commerce, Community and Economic Development adopted the attached report:

House Finance Department of Commerce, Community and Economic Development Budget Action Report

1:40:01 PM

Representative Tomaszewski thought the committee was not doing intent language. He referenced a conversation at the beginning of the subcommittee process related to intent language. He expressed confusion over why intent language was included.

Co-Chair Josephson answered that finance subcommittees principally looked at numbers not language. The committee allowed recommendations for intent language. Theoretically a member of the committee could offer an amendment to the budget with intent language during the amendment process that would take place in a couple of weeks.

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Representative Hannan was interested in the intent language related to carbon storage. She recalled that the Alaska Oil and Gas Conservation Commission (AOGCC) had control of the appeal to get a certain kind of wells authorized and once authorized the state would have primacy over a certain type of well.

Co-Chair Josephson interjected that the wells were "class 6."

Representative Hannan continued her question. She stated her understanding that the Department of Natural Resources (DNR) would do an analysis of when the state would get revenue. She considered the intent language and suggested the legislature may want to look at a couple of agencies working together to provide a full picture that was not limited to the work AOGCC had done on class 6 wells. She wondered whether the discussion had come up.

Ms. Keller replied that there had been some discussion about AOGCC. The subcommittee had not received answers and wanted to ensure AOGCC was on track for what it had promised.

Representative Stapp looked at line 8 pertaining to the office of entrepreneurship. He believed it was in a piece of legislation. He had no problem including things that the legislature wanted to pass in bills to ensure there was funding space in the operating budget. He assumed it was

the intent to try to pass the legislation. He asked if the operating budget was accounting for a certain number of bills the committee was looking to pass. Alternatively, he asked if it was a unique line item.

Co-Chair Josephson stated that his understanding of the question was whether everyone with legislation should seek to add it in the budget. He stated probably not. He noted that the conference committee would not double fund something.

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Representative Galvin replied to the question by Representative Hannan. She thought it was a good point that the legislature may need to be inclusive of DNR's report as well. She stated it was hard to know whether the market was even present. Currently funds were being used for legal to write regulations and another part being used for a geologist. The questions at the subcommittee level were about what was going on and that legislators thought that by now, money would be coming in to pay for it. The subcommittee had been told by the department that it was not set up yet. She relayed that more than one department may weigh in with a report on the status of the particular program. Secondly, she clarified that the bill Representative Stapp was referring to was different and included a much higher number and different scope.

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Representative Stapp noted that the line item language was "establish Office of Entrepreneurship." He believed HB 30 would create an office of entrepreneurship. He had not looked at the fiscal note on the bill. He did not have issues with the line item. He was trying to determine if the committee was making sure there would be space in the operating budget in the anticipation of bills that were passed.

Co-Chair Josephson stated his understanding that in early May, finance and conference committee legislators would get a sense of legislation that was moving and what needed to be funded in order to budget accordingly.

Representative Johnson stated there were two pieces, which she thought was beyond the purview of the budget. She noted

that the item established a new office of entrepreneurship. She highlighted that it was a policy piece. Additionally, the recommendations added three full-time positions. She read from a document that "the office will promote innovation based economic development, new venture and job creation in emerging sectors and facilitate engagement of startups in the State of Alaska to increase the use of local Alaska sources for goods and services." She remarked that it was beyond the purview of the budget. She looked at intent language specifying it was the intent of the legislature that the office of entrepreneurship prepare and submit a report to the co-chairs that would include a comprehensive business plan with a timeline and update on progress of standing up the office. She stressed that the intent was far more than asking for a report on something a department was already doing. She underscored that it gave direction to a department that did not exist and put money into establishing a department. She stated that the work was a big policy lift. She thought it would result in a substantial change in the budget process if the committee began inserting policy and establishing things like the Office of Entrepreneurship in the budget. She wondered if it was constitutional.

Co-Chair Josephson replied that he was not terribly worried about the constitutionality of the language. He offered to hear from the Legislative Finance Division (LFD).

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Representative Johnson needed an answer before they voted on the idea or accepted the recommendation.

Co-Chair Josephson noted they did not take votes on the reports.

Representative Johnson believed it was a worthy question.

Co-Chair Josephson agreed.

ROB CARPENTER, DEPUTY DIRECTOR, LEGISLATIVE FINANCE DIVISION, noted that he was not a lawyer. He stated that the committee was making an appropriation for a purpose, in the current case it was for an economic development office of entrepreneurship. He stated there were appropriations all of the time throughout the budget for policy purposes. He believed the [separate] legislation had substantially

more details on what the office was supposed to do. It did not prevent the legislature from making an appropriation, it happened all of the time in the capital budget and throughout the budget. The item was an appropriation to do something, which in the current case was to create an office within an existing part of the budget called economic development.

Co-Chair Foster asked what would happen if the bill did not pass and the money was still in the budget. I reasoned that if there was no office, the money could not be used.

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Mr. Carpenter replied that he did not know the bill. The item was appropriating money for a purpose the legislature deemed relevant. He stated that the legislature did not necessarily need statute; the legislature was appropriating money that would be in the budget. He used an example of making an appropriation to an agency in order to do something the legislature would like to have done. He considered a situation where the separate legislation progressed that contained a fiscal note and there was duplicative funding in the operating budget, LFD would be on top of the issue and would inform the legislature that a decrement was needed in the operating budget or that the fiscal note should not be funded.

Co-Chair Foster stated his understanding that if the separate legislation did not pass, there would be no office and the money would likely lapse. He believed that if it looked like the bill would not pass, the conference committee would be aware and would likely not accept the increment.

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Co-Chair Josephson noted that a Knowles decision in the early 2000s had defined what was meant by an appropriation item [Alaska Legislative Council v. Knowles 2001]. He explained that it was defined as money and a purpose. He stated that the item under discussion was money and a purpose. He was inclined to ask for a legal opinion.

Representative Johnson stated her concern that the intent language specified that the increment was to establish an office. She stated that if the bill did not pass, the

budget would still include a line item to establish the office and provide a description of what the new department would do and jobs it would create. She would defer to whatever the co-chair wanted to include, but she had been given plenty of instruction that it was not something that was allowed in the budget.

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Representative Stapp clarified that he did not have an issue with entrepreneurship, he believed it was a good idea. However, he was intrigued by the statement. He considered that perhaps someone may want to establish an office of spur line development and direct the legislature to establish the office through intent language. He asked if it would be considered an appropriation item as well.

Mr. Carpenter answered that the wording to establish an office was adding confusion. He explained that the item was appropriating money for three positions to perform a duty related to entrepreneurship efforts.

Co-Chair Josephson asked Representative Galvin if there was a request for an office of advocacy in one of the departments she oversaw [in subcommittee].

Representative Galvin answered affirmatively. She would report on that in a separate report for the Department of Education and Early Development (DEED). The governor and DEED had requested an Office of Advocacy. The request had been to hire two employees for a purpose.

Co-Chair Josephson recognized there may be differences based on a governor's executive order or decree and legislative action.

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Representative Johnson stated there was not an office at the moment and the bill [to establish an office of entrepreneurship] may or may not go forward. She did not have any problem with figuring out where double charging was occurring. She explained that if the bill did not pass, the committee was adding three positions to DCCED and it was additional money the department could use to fund other things. She did not know the legislature could give specific direction through the budget to tell the

department how to spend the money. She stated that the legislature could give the department some idea on how to spend the money, but it seemed like they were just adding money to the department. She asked if she was incorrect.

Co-Chair Josephson answered that the topic had come up in the conversation the in the past couple of days. The discussion had been that LFD and the legislature tracked the items during the interim and at some point, word would get around that the legislature funded a program that did not exist. There was always a risk when the legislature appropriated that the department could use money as it wanted, particularly if it was an allocation that was not walled off by an appropriation.

Representative Johnson understood how it worked but did not know they legislature could set up new departments in the budget. She was concerned that the action was just giving money to the department. She did not want the legislature to do its business by word getting around the building. She liked to know what exactly was happening.

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Co-Chair Foster directed a question to Mr. Carpenter. He stated his understanding that the item funded \$577,000 to provide funding for three positions to work on entrepreneurial things. He remarked that DCCED had the ability to bring positions on to work on a particular issue even if there was not an office. He observed that the subcommittee language specifically stated the funding was to establish an office of entrepreneurship that would include the three positions. He asked if DCCED could establish its own office without a bill. He asked if departments could create offices within their department without needing a bill.

Mr. Carpenter stated his understanding that the legislature was making an operating appropriation for an agency. There were allocations/appropriations that represent the purpose of the money. Under the current situation, it pertained to the economic development allocation. He did not recall the whether the funding was restricted to that area under the appropriation structure. The intent of the appropriation was for economic development. He explained that departments had the executive privilege to use the money to establish an office and hire people. He clarified that the money and

intent behind it drove what the department could do with the funding. He stated that it was different if the legislature wanted to take it further and set up statute outlining specifically what the department was allowed to do legally, which is what the bill would cover. The legislature could also make an appropriation with intent and guidelines around the appropriation. He highlighted a capital project as an example where the legislature was very specific that funding was required to be used for resurfacing a bridge in Juneau versus an appropriation for road work in Southeast Alaska. Depending on how specific the appropriation was drove the department's ability to spend the money.

Co-Chair Josephson relayed that he would seek a legal opinion on the topic.

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^DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

[2:01:32 PM](#)

LISA KELLER, STAFF, REPRESENTATIVE ALYSE GALVIN, reviewed the subcommittee recommendations for the Department of Education and Early Development (DEED) (copy on file).

The House Finance Budget Subcommittee for the Department of Education and Early Development submits the following recommended operating budget for FY26 to the House Finance Committee.

RECOMMENDATIONS

Fund Source: (dollars are in thousands)
Unrestricted General Funds (UGF) \$103,458.0
Designated General Funds (DGF) \$33,463.1
Other Funds \$38,757.3
Federal Funds \$266,705.2
Total \$442,383.6

Compared to the FY26 governor's amended budget proposal, subcommittee recommendations represent an increase of \$1,550.0 (+1.5 percent) in UGF.

Positions:
Permanent Full-time 281

Permanent Part-time 13
Temporary 12
Total 306

BUDGET ACTIONS

The House Finance Budget Subcommittee for Department of Education and Early Development reviewed the FY26 budget request and adopted all items and changed the following:

A decrement of \$1,000.0 from UGF to Alaska Native Science and Engineering Program (ANSEP).

An increment of \$1,000.0 in UGF for Alaska EXCEL.

An increment of \$500.0 in UGF for Parents as Teachers.

An increment of \$400.0 in UGF for Imagination Library.

An increment of \$650.0 in UGF for Statewide Library Electronic Doorway (SLED).

SUBCOMMITTEE RECOMMENDATION

The subcommittee is forwarding the following recommendation for the full committee's consideration:

That the Public Library Assistance Grant Program be maintained at \$7.0 per service outlet for each library. There are currently 82 outlets, at a total cost of \$574.0.

SUBCOMMITTEE AMENDMENTS

The chair set an amendment deadline and welcomed amendments from all members. The subcommittee received six amendments. Three amendments were withdrawn and three amendments failed.

ATTACHED REPORT

The House Finance Budget Subcommittee for the Department of Education and Early Development adopted the attached report:

House Finance Department of Education and Early
Development Budget Action Report.

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Representative Hannan was confused by the subcommittee recommendations on the library assistance grant. She asked if it was included in the budget action items.

Ms. Keller replied that it was already in the budget and there had been some problems the previous year where the program felt threatened; therefore, the subcommittee chair wanted to ensure the funding would be maintained. The subcommittee had received assurances the increment would be maintained.

Representative Hannan stated her understanding that the subcommittee recommended full funding of the library grant program again in FY 26. She asked for verification the subcommittee recommendation was flagging the item to ensure the full committee was aware of the item.

Ms. Keller replied affirmatively.

Co-Chair Foster realized that the amendment process would be the time to debate the merits of increments and decrements. He saw an increment for EXCEL for \$1 million and increments for Parents as Teachers, SLED, the Imagination Library, the statewide library Electronic Doorway. However, he observed there was a decrement for Alaska Native Science and Engineering Program (ANSEP). He knew the executive director had been in Juneau asking for funds. He found the decrement surprising and wondered why it had been included.

Ms. Keller replied that it had been a painful discussion. She relayed that ANSEP was well loved. She detailed that the program was in the base budget. She noted that EXCEL was not in the base budget, and it was facing a loss of federal funds. The program was struggling. The subcommittee had learned that EXCEL served a lot more students and kids without a minimum acceptance criterion. The subcommittee was in strong support of ANSEP, but it had been a painful decision to decrement a program in order to save another one.

Co-Chair Foster asked for verification that the EXCEL program targeted students who needed to be more challenged, similar to a gifted and talented program.

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Ms. Keller clarified it was the opposite. She explained that ANSEP was for gifted and talented students whereas EXCEL involved many kids from rural areas who could live on campus. She stated it was a very inspiring program to see. She clarified that kids did not need to meet a minimum criteria and targeted kids from rural areas who may need a bit more help to get them placed correctly as they grew older. She noted that some of the students went on to vocational technician programs and some went on to college.

Co-Chair Foster asked if the primary focus of the EXCEL program was for rural kids.

Ms. Keller replied affirmatively.

Representative Stapp stated that typically ANSEP funding went to the University of Alaska Fairbanks and other public entities. He asked if EXCEL programs were nonprofit based, state based, or a combination.

Ms. Keller replied that the particular ANSEP program under discussion was for high school students who were likely heading for college. She did not know whether EXCEL was a for-profit or nonprofit entity. She could follow up with the information.

Representative Stapp clarified that he did not need to know the details. He noted that the ANSEP program was through public school. He wondered whether funding to the EXCEL program was a public or private direction of money.

Ms. Keller deferred to Representative Galvin.

Representative Galvin answered that it was a nonprofit serving 902 students the previous year. The program was open to 7th to 12th graders and there was no specific minimum GPA necessary.

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^DEPARTMENT OF HEALTH

2:11:23 PM

ERIN PAGE, STAFF, REPRESENTATIVE ANDY JOSEPHSON, reviewed the subcommittee recommendations for the Department of Health (DOH) (copy on file):

The House Finance Budget Subcommittee for the Department of Health held a total of five meetings consisting of department and division budget presentations and discussions on the Governor's proposed and amended budget. Based on those considerations, the Subcommittee made some changes to the Governor's operating budget items and added several new items. The Subcommittee submits the following recommended operating budget for FY26 to the House Finance Committee:

RECOMMENDATIONS

Fund Source	(dollars are in thousands)
Unrestricted General Funds (UGF)	\$1,076,026.3
Designated General Funds (DGF)	\$48,780.9
Other Funds	\$109,023.0
Federal Funds	\$2,602,272.9
Total	\$3,836,103.1

Compared to the FY26 Adjusted Base, the Subcommittee recommendation represents an increase in Unrestricted General Funds of \$32,475.7 (3.2 percent) due to the Governor's items and an increase of \$33,665.0 (3.3 percent) related to the Subcommittee's items. The combined UGF increase is \$66,140.7 (6.5 percent). For other funding sources, the Subcommittee recommendation reflects a decrease of \$6,162.1 (-11.2 percent) in Designated General Funds, an increase of \$11,143.7 (11.4%) in Other funds, and an increase of \$253,600.9 (10.8%) in Federal funds. The increase across all fund sources is \$324,723.2 (9.2 percent).

POSITIONS

Permanent Full-Time (PFT)	1566
Permanent Part-Time (PPT)	2
Temporary	55
Total	1623

Compared to the FY26 Adjusted Base, the Subcommittee recommendations represent an increase of 19 PFT positions (1.2 percent) within the Department, all of which are the result of items in the Governor's Proposal. There are no changes in PPT or Temporary positions.

BUDGET ACTIONS

The Subcommittee members reviewed the Governor's proposed transactions in detail. After consideration, the Subcommittee made changes to two of those transactions. The Subcommittee added several new transactions.

Highlights (dollars are in thousands):

The following two items in the Governor's proposal were adjusted by the Subcommittee:

- Reversal of \$250.0 UGF (GF/MH) decrement that removed support for Aging & Disability Resource Centers. This reversal funds the final year of a temporary increment supporting aging and disability resource centers. Restoring this funding aligns with the recommendation of the Mental Health Trust.
- Reversal of \$45.0 UGF (GF/MH) decrement that removed support for continued work on the State's implementation and use of the National Core Indicators, an effort among states to standardize the collection of performance and outcome measures for home and community-based services. Restoring this funding aligns with the recommendation of the Mental Health Trust.

The following items were added by the Subcommittee:

- \$7,725.0 UGF increment to continue support for child-care grant programs for place-based and home-based childcare centers. This item corresponds to several years of previous temporary increments with a small adjustment for inflation. It is intended to provide direct operating grants through the Child Care Grant Program, in the Child Care Program Office.
- \$75.0 UGF one-time increment to support a safe gun storage media campaign. This funding is

appropriated to the Division of Public Health in its Chronic Disease Prevention and Health Promotion allocation.

- \$1,500.0 UGF increment to community grant funding in Senior & Disabilities Services. This item is intended to support adult day services and respite care.
- \$3,000.0 UGF increment to community grant funding in Senior & Disabilities Services. This item is intended to restore senior center services and hours that have been cut due to insufficient revenue.
- \$2,700.0 UGF increment to account for the effects of inflation on early intervention & infant learning programs. This allocation has not been adjusted since 2017.
- \$1,100.0 UGF increment to support an increase in the daily rate for temporary assisted living facilities, as covered in the General Relief allocation. This item is intended to be used by the Department to increase the daily rate in those facilities from just over \$109.32 to \$120.
- \$500.0 UGF and \$500.0 Federal Funds temporary increment intended to support a rate increase for private-duty nurses, who provide in-home care for medically fragile patients who would otherwise need to be hospitalized. This rate has not been adjusted since 1998. The increase is temporary because these services are expected to be rebased in the next 2 to 4 years.
- \$13,750.0 UGF temporary increment intended to support provision of certain highly- utilized clinic behavioral health services subject to the upper payment limits of the Centers for Medicare & Medicaid Services (CMS), such as individual therapy, crisis services, and integrated mental health and substance abuse disorder assessment. The increase is temporary to facilitate re-evaluation of these rates after re-basing occurs in these and other behavioral health services.

SUBCOMMITTEE AMENDMENTS

The Chair set an amendment deadline and welcomed amendments from all members. The chair received 48 amendments. The subcommittee adopted one amendment and

rejected eight amendments. Thirty-nine amendments were not offered or withdrawn.

Adopted Amendment (dollars are in thousands):

- \$3,020.0 UGF increment intended to expand grant funding for early intervention services for infants and toddlers with disabilities and their families under Part C of the federal Individuals with Disabilities Education Act (IDEA). This funding is intended to extend service provision to infants and toddlers with delays of 25 percent or more in one developmental area. Because of funding constraints, current service provision is limited to infants and toddlers with delays of 50 percent or more.

ATTACHED REPORTS

The House Finance Budget Subcommittee for the Department of Health adopted the attached Budget Action Report for the Department of Health. This report incorporates agency totals, transaction comparisons for the FY26 Adjusted Base to the House Subcommittee Proposal, and transaction comparisons for the FY26 Governor's Amended Proposal to the House Subcommittee Proposal.

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Representative Stapp looked at line 72 adding temporary funding to increase rates. He observed the request was accompanied by federal matching receipts. He asked if the rate increase would take the reimbursement rate higher than the upper payment limit allowed to provide the service. Typically, it meant amending the state plan for Medicaid. He elaborated that amending the reimbursement rate above the upper payment limit it was an automatic denial from the Centers for Medicare and Medicaid Services (CMS). He asked if there had been consideration of putting the item in the grants line instead of the Medicaid line. He asked if the subcommittee had received clearance on the upper payment limit with the department.

Ms. Page answered that to her knowledge it was not subject to the upper payment limit. She stated it was an expected Medicaid rate. She offered to look into whether there would be any impact on the neutrality.

Representative Stapp believed it looked like the same line item for Medicaid Services on line 73. He observed that there was no federal match listed. He believed the service would fall under the innovation/1115 waiver.

Ms. Page replied that it would not fall under the 1115 waiver. She clarified that the services to be funded were explicitly outside the waiver and would not impact the cost neutrality of the programs. She elaborated that the funding would support items that went above rates that exceeded the upper payment level supported by Medicaid. There would be no federal match.

Co-Chair Josephson referenced line 72 and noted there had not been a rate adjustment in 27 years. He relayed that his office could follow up on whether there was any breach of the upper payment limit.

Ms. Page added that the rate had been supported by the Division of Health.

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Representative Tomaszewski observed that just over \$33 million had been added to the DOH budget. He asked where the money was coming from.

Co-Chair Josephson answered that it could come from new revenue. He noted that the other body was entertaining new revenue. The funding could also come from the Constitutional Budget Reserve (CBR), or other cuts.

Representative Stapp looked at line 42 related to the safe storage media campaign. He stated that the department had a robust budget for marketing, which was in the millions. He noted that \$75,000 was not a large ask for funding a marketing campaign, but he wondered whether there was a reason to not use existing funds used by the department for marketing. He asked if it was a messaging appropriation to do a specific thing.

Co-Chair Josephson replied that officials at the Municipality of Anchorage were looking at a similar program and recommended between \$50,000 to \$100,000. The State of Texas had a \$500,000 campaign called Keep Them Safe. He

relayed that the subcommittee chose the middle number [of the range] given by municipal officials.

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^DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

[2:24:31 PM](#)

BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER, reviewed the subcommittee recommendations for the Department of Military and Veterans Affairs (DMVA) (copy on file):

The House Finance Budget Subcommittee for the Department of Military and Veterans Affairs submits the following recommended operating budget for FY2026 to the House Finance Committee:

RECOMMENDATIONS:

Fund Source: (dollars are in thousands)
Unrestricted General Funds (UGF) \$17,664,600
Designated General Funds (DGF) \$28,500
Other Funds \$13,951,200
Federal Funds \$34 582 000
Total \$66,226,300

The Unrestricted General Fund difference from FY26 Adjusted Base to the House Subcommittee budget recommendation is a decrease of \$359,000 of Unrestricted General Funds, which is 2 percent below the FY26 Adjusted Base.

Positions:

Permanent Full-time 282
Permanent Part-time 0
Temporary 3
Total 285

BUDGET ACTION:

The House Finance Budget Subcommittee for the Department of Military and Veterans Affairs reviewed the FY2026 Governor's budget request, including amendments, and recommends the following actions:

- Accept the Department's transaction for Homeland Security and Emergency Management. This includes the following items:
- Replace \$800.0 thousand of excess Federal Authority with Interagency Receipts and Capital Improvement Project Receipts.
- Approve the transaction for \$200.0 thousand of Interagency Receipts for State Active Duty for Counterdrug Training, Outreach, and Education for Drug Prevention.
- Approve the structure change creating a new allocation for the Facilities Rent - Non-State Owned to in accordance with Alaska Statute 37.07.020(e)

The Subcommittee took the following additional actions in the Department of Military and Veterans Affairs FY2026 Governor's budget request:

- Denied the following for Office of the Commissioner:
 - A new position and transfer authority for a Program Manager to oversee the Alaska State Defense Force.
 - \$175.0 thousand for expanding the operations Alaska State Defense Force, Naval Militia, and Civil Air
- Removed all funding for the Alaska State Defense Force
 - \$359.5 thousand of Unrestricted General Funds
 - \$40.7 thousand of Interagency Receipts

ATTACHED REPORTS:

The House Finance Budget Subcommittee for the Department of Military and Veterans Affairs adopts the attached report:

The House Finance Subcommittee for the Department of Military and Veterans Affairs Budget Action Report

[2:28:25 PM](#)

Representative Stapp referenced the deletion of the State Defense Force. He knew there was at least one former member of the legislature who would be disappointed to see the

decrement because he was a member. He knew the defense force had been active in disaster response across the state. He asked if its deletion would impact the ability to respond to emergencies.

Co-Chair Foster agreed. He stated that a lot of the work [of the defense force] went to efforts for rural Alaska. He had voted against the removal of the funding. He stated it had been a bipartisan effort to remove the funding in order to spend funding elsewhere.

Mr. Anderson added that the department agreed that early disaster response could be impacted by the removal of the Alaska State Defense Force. The department was on the record during the subcommittee stating that early deployment of assets on the ground could be impacted.

[2:30:16 PM](#)

Representative Tomaszewski asked for examples of some of the things the defense force had recently responded to. He thought that some people may not be familiar with the entity's work.

Mr. Anderson replied that a recent example was the early deployment in response to the Typhoon Merbok storm in western Alaska [in 2022]. He elaborated that the defense force had arrived earlier than all other deployments. Additionally, anytime wildfires required roads to be blocked off and traffic to be diverted the work was done by the defense force in order for wildland and public safety officers to be utilized for other portions of the response.

Co-Chair Schrage did not know a lot about the defense force. He thought many of the duties being described sounded like things that were typically handled by the National Guard. He asked if the redundancy had been discussed. He had recently heard anecdotal testimony that in some of the recent deployments of the defense force that local communities did not know who they were. He stated there had been confusion over the work and who the defense force was. He clarified he was not saying the defense force did not do good work.

[2:32:12 PM](#)

Mr. Anderson confirmed that the conversation arose. He addressed duplicity of services and agreed there were some duplicative services; however, it also posed the question about at what point national guardsmen were activated in volunteer status. He relayed the department had testified that early on it was easier to get the defense force individuals out first followed by the National Guard. Another issue pertained to the availability of the National Guard for volunteer status. He explained that if for some reason the National Guard was activated and deployed in other areas [outside of Alaska], the defense force would be the only response available [to issues in-state]. He stated the department understood there was an optical issue with some of the assumptions that could be made when the defense force was deployed. He confirmed that anecdotally it was a challenge, and he believed the department would try to improve on it.

^DEPARTMENT OF CORRECTIONS

2:34:10 PM

HUNTER MEACHUM, STAFF, REPRESENTATIVE SARA HANNAN, reviewed the subcommittee recommendations for the Department of Corrections (DOC) (copy on file):

The House Finance Budget Subcommittee for the Department of Corrections submits the following recommended operating budget for FY26 to the House Finance Committee:

RECOMMENDATIONS

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$434,792.1
Designated General Funds (DGF)	\$13,980.6
Other Funds	\$28,725.3
Federal Funds	\$9,071.5
Total	\$486,569.5

Compared to the FY26 governor's amended budget proposal, subcommittee recommendations represent an increase of \$567.5 (+0.1 percent) in Unrestricted General Funds (UGF).

Positions:

Permanent Full-time 2,124
Permanent Part-time 0

Temporary 0
Total 2,124

BUDGET ACTION

The House Finance Budget Subcommittee for the Department of Corrections reviewed the FY26 budget request and adopted all items and added:

- An increase of \$567.5 in UGF in the Population Management Appropriation, Regional and Community Jails Allocation to partially address the shortfall for community jails.

Some budget items of note are: (dollars are in thousands)

- \$3,904.7 increase in UGF for supervisory standby pay granted to supervisors by the Alaska Public Employees Association Supervisory Union's collective bargaining agreement.
- \$249.0 increase in UGF for tablet program for inmates.
- \$195.0 increase in UGF to fully fund the Dillingham jail.

Recommended Intent Language

I am forwarding the following pieces of intent language for consideration:

- It is the intent of the legislature that the Department of Corrections prepare a report to the legislature that analyzes the possibility of closing an institution and submit it to the Co-chairs of the Finance Committees and the Legislative Finance Division by December 20, 2025. The report should examine which institutions would produce the most cost savings if they were closed, estimate the long-term cost savings associated with closing those institutions, and what transition costs would be needed, including capital costs.
- It is the intent of the legislature that the Department of Corrections submit a report to the Co-chairs of the finance committees and to the Legislative Finance Division by December 20,

2025, which includes the following: the total annual cost of operating each community jail that delineates fixed and marginal costs, the average utilization of each jail for state and local inmates, and the amount that each community jail received in fiscal year 2025. The report should also include a proposed formula for the Community Jail allocation that fully funds the fixed costs of each community jail, and the marginal costs associated with state inmates.

ATTACHED REPORT

The House Finance Budget Subcommittee for the Department of Corrections adopted the attached report:

House Finance Department of Corrections Budget Action Report

[2:38:11 PM](#)

Co-Chair Josephson asked what was meant by marginal cost [associated with inmates].

Ms. Meachum deferred the question to LFD.

CONNOR BELL, FISCAL ANALYST, LEGISLATIVE FINANCE DIVISION, replied that regional community jails housed people incarcerated on local and state charges. The marginal cost was the fixed cost of running an institution as well as the incremental cost for each person in the facility on state charges versus local charges. The intent was not to reimburse community jails for inmates housed on local charges.

Co-Chair Josephson asked if the only communities with local charges were Juneau and Anchorage.

Mr. Bell replied that he would follow up on the question.

Representative Hannan referenced whether a person was being held on state or local charges. She believed there were 14 community jails and in her mind some of them did not have the ability to do local charges that would hold a person in jail; however, the phrase continued to come up. She relayed that she was recommending the intent language but understood the subcommittee did not have control over that.

She stated there had been substantial dialog on the topics in subcommittee. She highlighted that the DOC budget had grown substantially in recent years. There was a lot of interest and talk about holding the cost down, but the legal obligations the state had to people in its custody were substantial in terms of conditions and services provided. She remarked that the state could not merely shut a jail without knowing what it would cost. She highlighted there had been intent language included in the budget the previous year, but it had been asked in a "yes or no" way; therefore, the department had responded that it would not save the state money to shut a jail. The intent language in the current recommendation asked for more specifics in order for the legislature to learn why the state would not save any money by shutting an institution.

[2:41:35 PM](#)

Ms. Meacham clarified that the language was identical to language in the prior year budget, but DOC did not answer with a sufficient analysis.

Representative Hannan believed DOC would understand that members of the subcommittee were not satisfied with the department's short answer. The intent was to ask the question again to receive details for the legislature to understand the situation. She noted the flip side was the legislature continued to hear that communities with community jails were carrying a burden that the state had an obligation to fund. She explained that if communities shut their community jails the cost would be completely borne by the state. She detailed that there had been a back and forth conversation about the topic between the legislature and the department in the past several years. She stated there had been some resolution and a few of the communities felt much more satisfied with the amount of reimbursement; however, members of the subcommittee continued to ask why there were different rates of reimbursement. The subcommittee believed there were areas that should have some more detailed evaluation and a single year's finance ability to drill down on the topic was limited.

[2:43:08 PM](#)

Representative Stapp reminded the committee that the LFD director had talked to the committee about the prior year's

intent language, which appeared to match the current year's intent language. He thought the department was intentionally woefully out of compliance with the direction it was given the previous year. He thought the committee should consider what sort of action to take when a department was willfully not obeying the directions it received through the legislature. He asked if the subcommittee had given any thought to the issue.

Representative Hannan stated that it was her understanding that intent language in the budget was never binding on an agency. She stated there had been a lot of discussion between the subcommittee and department that the legislature was not satisfied with the information provided and that the subcommittee would reprise that. The subcommittee had taken a field trip to Lemon Creek Correctional Center the previous day. She explained it was one of the facilities where the number of beds was vastly different from the number of beds that were operational because there was currently major renovation due to a facility collapse security risk. The subcommittee had been told there was one 20-bed unit with one person in it because the individual was a maximum security female inmate who had to be held separately from other females. She furthered that if the goal was to save money overall, they needed an understanding of the entire system. She did not think it was a malicious intent of the department to defy the legislature. She believed DOC felt so strapped with the ongoing issues they faced that they thought the answer was satisfactory. She believed the department now understood that the answer was not satisfactory. She elaborated that the Community and Regional Affairs Committee would continue to look at the topic and she believed if there was not a much better explanation and understanding to all members of the legislature that the recommendation from the subcommittee in one year's time would be vastly different.

^DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

[2:46:51 PM](#)

TIM CLARK, STAFF, REPRESENTATIVE SARA HANNAN, reviewed the subcommittee recommendations for the Department of Transportation and Public Facilities (DOT) (copy on file):

The House Finance Budget Subcommittee for the Department of Transportation and Public Facilities

held a total of five meetings and submits the following recommended department operating budget for FY26 to the House Finance Committee.

Unrestricted General Funds \$122,719.9
Designated General Funds \$52,132.3
Other Funds \$468,824.0
Federal Funds \$5,599.9
Total \$649,276.1

Compared to the FY26 Governor's Amended budget proposal, the Subcommittee recommendations represent an increase of \$114.6 (0.1 percent) in Unrestricted General Funds, for a total of \$114.6 (0.0001765 percent) in all funds.

Positions: 2,334

Permanent Full-Time 2,334
Permanent Part-Time 223
Temporary 96
Total 2,653

BUDGET ACTIONS

The subcommittee adopted all of the governor's proposed Budget Action items and added one item:

- Item 7: Adds One Vehicle Inspection Position at Richardson Highway Northbound Weigh Station to Expand Operational Hours.
- This added position requires an additional appropriation of \$114.6 in Unrestricted General Funds.

Additional Budget Items of Note

- Item 6: This funds the development of a Dalton Highway Safety Training program to equip personnel with the necessary skills to manage hazardous materials, perform accident response, and maintain safety in the event of incidents involving LNG and other heavy cargo being transported along the highway. (\$250.0 UGF One Time Increment)
- Items 3, 10, 14, and 20: Across all regions of the state, these items increase funding for planners and engineers to monitor degradation over time, prioritize projects, and make informed

funding decision that support the long-term sustainability and safety of Alaska rural airports. (\$100.0 AirptRcpts Increment)

- Item 22: This funding change returns the \$2.9 million cost of operating the Whittier Tunnel to the federal government. The department was successful in arguing that the Whittier Tunnel is a necessary road for the Alaska Marine Highway System, allowing for 100 percent federal funds participation for operations.

Mr. Clark elaborated on Item 22 and characterized it as a win for DOT. He explained that the department was successful in arguing that the Whittier Tunnel was a necessary road for the Alaska Marine Highway System (AMHS), allowing for 100 percent federal funds participation for operations. He expounded that there was a two-year period where the operational costs were shunted to the state. Following an appeal, the federal government was resuming to pick up the cost. He continued to review the subcommittee recommendations.

- Items 23 through 29: These items transition the Alaska Marine Highway System from a calendar-year fiscal year to the July-through-June fiscal year, with two-year (FY2026- FY2027) appropriations. The multi-year structure would maintain the planning advantages inherent in calendar-year budgeting while eliminating the cost and administrative burden of twice-per-year agency closeouts of the budget.

SUBCOMMITTEE AMENDMENTS

The chair welcomed amendments from all members. One was offered and debated and was not adopted.

RECOMMENDED INTENT LANGUAGE

The chair forwards the following intent language to the Finance Committee for its consideration:

It is the intent of the legislature that the Northern Region Director position shall be filled. The position should be the sole job title held by this individual within the Department of Transportation and Public Facilities.

Explanation:

It is the subcommittee's understanding that the responsibilities of the Northern Region Director are now borne by an individual who is filling significant multiple roles at the agency. The subcommittee anticipates the duties of the Northern Region Director will be more effectively fulfilled by someone not already burdened with significant additional responsibilities.

ATTACHED REPORT

The House Finance Budget Subcommittee for the Department of Transportation and Public Facilities forwards the attached report:

The House Finance Subcommittee for the Department of Transportation and Public Facilities Budget Action Report

[2:52:16 PM](#)

Representative Stapp supported the intent language and thought it was sad the legislature had to tell the department to fill a director position. He asked about item 7 pertaining to an additional position for the Richardson Highway Northbound Weigh Station. He stated it was located across the street from his house. He did not know why another person at the specific weigh station was needed. He asked what the subcommittee discussion had been on the topic.

Mr. Clark replied that the weigh station was currently short staffed. He detailed that other weigh stations in the region could be open from 14 to 16 hours per day or longer whereas the Richardson station was only currently open about 8 hours per day. The hope was that additional staffing would mean the weigh station could increase its operational hours and cover more vehicles.

Representative Stapp remarked that there were also weigh stations located in Tok and Fox and the odds of not weighing at some point along the route were very slim. He asked if the department had requested an additional position or if it had been added by the subcommittee.

Mr. Clark replied that the amendment came from a member of the subcommittee with close knowledge of the situation.

[2:54:29 PM](#)

Co-Chair Foster stated his understanding that Item 7 was different than the governor's proposal. He looked at the additional budget items of note included in the above narrative and assumed the items had all been included in the governor's budget.

Mr. Clark agreed.

Co-Chair Foster looked at Item 22 and believed the \$2.9 million in state UGF would be replaced with federal funding.

Mr. Clark replied it was also his understanding. He would defer to LFD if the answer was different.

[2:55:49 PM](#)

Co-Chair Josephson confirmed the committee was receiving indication from LFD that Mr. Clark's answer was correct.

Representative Bynum asked who had provided the intent language in the report.

Co-Chair Josephson asked if he was talking about the DOT subcommittee report.

Representative Bynum replied affirmatively.

Mr. Clark replied that the intent language originated with Representative Ashley Carrick.

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 schedule for the following meeting.

ADJOURNMENT

2:56:55 PM

The meeting was adjourned at 2:57 p.m.