

HOUSE FINANCE COMMITTEE
March 20, 2025
2:50 p.m.

2:50:07 PM

CALL TO ORDER

Co-Chair Josephson called the House Finance Committee meeting to order at 2:50 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 Jimmie
Representative DeLena Johnson
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

Lacey Sanders, Director, Office of Management and Budget;
Representative Ashley Carrick, Sponsor; Cadence Conner,
Staff, Representative Ashley Carrick; Representative Andrew
Gray, Sponsor.

PRESENT VIA TELECONFERENCE

Abel Bult-Ito, Faculty, University of Alaska Fairbanks,
Fairbanks.

SUMMARY

HB 10 ADD FACULTY MEMBER UNIV BOARD OF REGENTS

HB 10 was HEARD and HELD in committee for further
consideration.

HB 36 FOSTER CHILDREN PSYCHIATRIC TREATMENT

HB 36 was REPORTED out of committee with eight "do pass" recommendations, two "no recommendation" recommendations, and with one previously published fiscal impact note: FN1 (DFCS) and one previously published zero fiscal impact note: FN2 (JUD).

HB 53 APPROP: OPERATING BUDGET; CAP; SUPP

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

HB 54 APPROP: CAPITAL/SUPPLEMENTAL/FUNDS

HB 54 was HEARD and HELD in committee for further consideration.

Co-Chair Josephson reviewed the meeting agenda.

#hb53

#hb54

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. 54

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

[2:51:15 PM](#)

Representative Johnson asked if a Committee Substitute (CS) would be heard.

Co-Chair Josephson responded that it would not be heard today.

[2:51:44 PM](#)

LACEY SANDERS, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, introduced the PowerPoint presentation "Office of Management and Budget FY2026 Governor Amended Budget," dated March 20, 2025 (copy on file). She began on slide 2 and the updated fiscal summary which incorporated the amendments for FY 25 and FY 26. The summary also incorporated the updated spring revenue forecast from the Department of Revenue (DOR). She began by speaking about FY 25. The grand total for supplementals was \$460 million, and \$91.4 was Unrestricted General Funds (UGF). The capital supplementals totaled \$500,000 of UGF and \$69.9 thousand for total funds. There was a grand total of \$91.4 million of UGF and \$529.8 million for all funds. The surplus deficit was at the bottom, and with the addition of the supplementals the overall deficit was just under \$165 million.

Ms. Sanders continued that for FY 26, the overall total for operating amendments was brought to \$314.7 million, \$46.2 million of which was UGF. For capital amendments, the total was \$12 million, with \$11.6 million in UGF. With the addition of the amendments that had been submitted earlier, the overall deficit was brought to \$1.65 billion.

Ms. Sanders continued to slide 3 to address the newly submitted amendments. On March 5, there was a packet of amendments that was submitted to the legislature to address Executive Order (EO) 136, that would have created the Department of Agriculture. The amendment packet had reversed out the total of \$2.7 million for the addition of 13 positions and provided a transfer of existing vacant positions to support the EO.

Ms. Sanders continued that in the March 13 amendments there were 3 packets of bargaining unit agreements or salary adjustments. There were three agreements put forward. The first was under the Department of Corrections (DOC) and involved the Alaska Correctional Officers Association (ACOA) had an agreement as a result of an interest arbitration award that provided an 11 percent increase for FY 26 that totaled \$14.4 million. Under the Department of Education and Early Development (DEED), the collective

bargaining unit agreement for the Teachers' Education Association - Mount Edgecumbe (TEAME) resulted in an increase of a median of 5.46 percent for FY 26. The cost was \$24.2 thousand in General Funds (GF) and a total of \$167.5 thousand.

Ms. Sanders shared that under the University of Alaska (UA) and United Academics there was a collective bargaining agreement that was reached and voted upon by the UA Board of Regents, which included a 2.75 percent increase for FY 26. She noted that the state was working on the remaining 6 collective bargaining unit agreements that were outstanding as well as one for UA. The amendments for salary adjustments would be brought to the legislature as the agreements were signed.

[2:56:55 PM](#)

Representative Galvin thought it was important to follow the information with some analysis. She commented that the correctional officers had a salary increase of 11 percent and the one teacher salary adjustments for Mt. Edgecumbe was 5.4 percent, while the university was at about 2.7 percent. She noted that throughout the two years she had been at the legislature, increments had been approved again and again, but the teachers that served the children of the state had not received the same sort of increases.

Representative Johnson responded that she could not comment because she was seeing a snapshot in time. She did not think the correctional officers should receive less to keep them on par. She asked about the 11 percent increase and asked if there was a change in the number of personnel.

Ms. Sanders responded that the number only affected the 11 percent that was part of the interest arbitration. There had been an arbitration outcome that resulted in a one-year increase of 11 percent for FY 26, and the parties would have to go back to the negotiating table for future years.

Representative Bynum asked for clarification that the outcome was not tied to any appropriation but was an agreement put in place regardless of the appropriation that the legislative body made.

Ms. Sanders responded that an agreement had been reached for the three increases, which were brought forward to take action on in the back of the bill. There was also an appropriation request to fund the costs associated with the agreements.

Representative Bynum understood that the agreement was agreed to but still needed approval.

Ms. Sanders answered in the affirmative.

3:00:01 PM

Representative Hannan commented that the legislature did not have the authority to approve an arbitration but had the authority to appropriate the funding of the settlement. She clarified that the settlement was reached between the employees and the administration, who had the authorization to approve and negotiate. The legislature's authorization was to fund it.

Co-Chair Josephson relayed that if the legislature had to approve the agreements, then over the previous 60 meetings it had missed a lot of meetings.

Ms. Sanders responded that there was a reference at the back of the operating budget that gave the legislature had the ability to approve the agreements that had been reached. She did not have the bill in front of her. She noted that the reference allowed that the legislature could make a decision to not include the agreement, and the agreement would be considered no longer valid. She relayed that the legislature did have a role, but it was at the end of the process.

Co-Chair Josephson asked if the legislature had ever asked for an adjustment in the history of the state. He stressed that the legislature did not attend the contract meetings and did not know what was negotiated. He proposed that if the meeting was voided by the legislature, the parties would go back to the bargaining table and presumably there would still be inflationary adjustments and workplace considerations. He asked if his understanding was correct.

Ms. Sanders said "yes." She responded that the legislature was not part of the negotiating process, but there was a role for the legislature to play in the appropriation

process. The language was in the back of the bill to vote it up or down.

3:02:50 PM

Ms. Sanders continued to slide 4 and the governor's amended capital requests. She relayed that each year in the governor's original budget, there was a placeholder for the Statewide Transportation Improvement Program (STIP) for both the federal funds as well as the state match required. In the amendment process, the administration brought forward the allocations listing out the projects under the plan. She referenced a large spreadsheet (copy on file) that listed each of the projects. She noted that it included advanced construction projects and the remaining other funds, which were receipts for community contributions for the projects as well as an additional \$215 million to allocate all of the projects through an amendment for the committee's consideration.

Ms. Sanders continued to slide 5 and the operating supplemental requests that were brought forward in the March 13 package. The first was for DOC for two items for \$4.6 million. The first was for community residential centers. There were two contracts recently finalized for the Tundra Center in Bethel and the Seaside Center in Nome, which resulted in a \$2 million increase for FY 25. There was a corresponding amendment in the governor's FY 26 budget that accounted for the increases in the next fiscal year, which would bring both years into alignment with the agreed contracts.

Ms. Sanders explained that the second item had to do with physical health care within DOC. She relayed that the number of individuals entering correctional facilities with complex and fragile medical conditions was increasing, requiring a higher level of care and more specialized medical attention. There was a need to have round-the-clock booking available as well as ensuring that there were adequate healthcare staff on site to address the increased needs. Under the Department of Health (DOH) there was a lapse extension, which showed as a \$0 appropriation for the department's Homeless Information Management System, which allowed for the multi-year appropriation to be carried into the next fiscal year to continue the work on the project.

Ms. Sanders listed that lastly, under "special appropriations," there was an appropriation for \$2.7 million to the Division of Retirement and Benefits (DRB). The item was identified as a fast track supplemental given the urgency and was related to the security breach that occurred late the previous year. The breach had delayed retirement contributions into individuals' accounts, which had impacted investment returns for participants. To correct the matter, DRB was depositing the contributions into the employees' accounts and crediting them for the lost interest associated with the earnings. The project was currently underway and was hoped to be processed very quickly before the close of the fiscal year.

[3:06:41 PM](#)

Representative Galvin asked about the security breach and delayed payment. She wondered if the state had any insurance to cover the issue. She thought the state paid for security measures to keep data secure and wondered if there was any sort of contract or way of paying for the item through arbitration.

Ms. Sanders was not aware of any insurance policy that would cover the issue.

Representative Galvin thought it seemed that when the state purchased technology for help, that there would be some sort of agreement that nothing would happen. She referenced individual purchase of identity theft protection.

Ms. Sanders agreed to follow up with the Office of Information Technology (OIT) to hear about options, and with DRB to see if such a policy had been considered or explored.

Representative Allard asked to go back to slide 3. She asked about the \$14 million for DOC and noted that there was 146 vacant positions. She wondered about the movement of vacant positions.

Ms. Sanders responded that when there was a vacant position, DOC had to have a person at the post to cover its facilities. She explained that it could result in having to cover the cost of paying overtime, which came at an increased cost. She thought it was important to remember

that DOC had to have a person filing the role, which could cost more than having a person that was in the position.

Representative Allard relayed that she would look for more information and revisit the matter at a later time.

3:10:17 PM

Representative Hannan asked to go back to the special appropriation for the loss of earnings on retirement contributions. She referenced a press release that discussed the effect on the Public Employees' Retirement System (PERS) and the Teachers' Retirement System (TRS) Alaska Retirement Management (ARM) Board allocation. She had heard from constituents that the effect was mostly on those in the defined contribution (DC) system, in a time of a booming economy when the contributions should have been invested with substantial earnings. She asked if there was a sense of how much of the special appropriation was going to individual's defined contributions versus into the PERS/TRS allocations.

Ms. Sanders responded that she could share a detailed spreadsheet and an analysis on how the calculations were made. She relayed that the information had been broken down between PERS and TRS and the supplemental annuity plan (SBS), but not between defined benefit (DB) and DC plans. She relayed that the lost interest earnings were generated using the United States (U.S.) Department of Labor's voluntary fiduciary correction program calculator. The calculation had been received for each date to determine what should have been deposited in each account. She would follow up to provide the calculation information.

Representative Hannan applauded the administration for its action on the matter. She had heard from constituents that they had concerns about missed returns. She understood that there had been no litigation, and the administration was taking care of the error. She considered that the situation was a costly error, but she thought it was the right decision.

3:13:09 PM

Representative Allard referenced DOC and understood that the 146 positions that were vacant had to be there by law.

She asked for clarification on Ms. Sander's earlier comments related to overtime.

Ms. Sanders responded that the term used was staffing minimums. There were national acceptable levels of staffing to cover a certain number of individuals in each facility in the institutions. The staffing levels ensured the safety of the inmates and the employees. When the department had vacancies, it had to bring on another officer to fill staffing minimums to ensure the correct number of people were in place 24 hours per day.

Representative Allard asked if the individuals being discussed were already staff and were temporarily holding an empty spot.

Ms. Sanders responded that the staff in question were existing employees (correctional officers) that were already doing the job and generally had a week on and a week off schedule. The individuals would be paid overtime when vacancies required the employee to work on their normal week off. She continued that the department was trying to fill vacancies so as to not have to pay the escalated overtime costs.

Representative Allard understood that there were 146 vacant positions, but they were not being filled. She understood that there were people already in a position that were brought back and required \$18.6 million in overtime.

Ms. Sanders noted that the \$14 million number was the 11 percent increase to pay all employee salaries. She relayed that Representative Allard was correct in that DOC was bringing officers already hired to fill vacancies to meet the minimum standard. She emphasized that the department was actively working to recruit across the state to fill the vacancies. She noted that there was constant turnover and there were constant new hires coming on.

Representative Allard understood that they were not filling vacancies, but rather there were people already in a position that were being paid overtime with the funds.

Ms. Sanders responded in the affirmative.

[3:17:19 PM](#)

Co-Chair Schrage wanted to follow up on Representative Hannan's remarks to commend the administration for making the employees whole with respect to delayed contributions and earnings. He referenced reporting in the Anchorage Daily News and thought the Alaska Municipal League (AML) had expressed concern that while the employees had been made whole, the state's unfunded pension liability had been negatively impacted by the delayed contributions. He asked Ms. Sanders to comment. He understood that the state would have paid down unfunded the liability earlier if the breach and subsequent delay had not happened.

Ms. Sanders responded that she was not aware of the comments in the article referenced. She relayed that she had not made a connection between the delay and the unfunded pension liability. She offered to follow up at a later time.

Co-Chair Schrage wanted to note the concern.

Ms. Sanders continued to slide 6 and the capital supplemental request. There was one amendment submitted for the Department of Military and Veterans Affairs (DMVA) for a scope change for an older capital project of approximately \$90,000 for the Interior Alaska Veterans' Cemetery in the Fairbanks area. The appropriation was originally to address ditch mitigation, and was no longer required. The amendment requested an adjusted scope so the funds could be used on work to establish the cemetery.

Representative Tomaszewski clarified that the original funds were for ditch mitigation for the former site of the cemetery, and the amendment proposed to shift the funding to the new cemetery site.

Ms. Sanders responded in the affirmative.

Co-Chair Josephson thanked Ms. Sanders.

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

HB 54 was HEARD and HELD in committee for further consideration.

[3:20:39 PM](#)
AT EASE

[3:21:05 PM](#)

RECONVENED

Co-Chair Foster took over chairing the meeting. He relayed that he would try to get through the agenda quickly.

#hb10

HOUSE BILL NO. 10

"An Act relating to the Board of Regents of the University of Alaska."

[3:22:08 PM](#)

REPRESENTATIVE ASHLEY CARRICK, SPONSOR, gave a brief overview of HB 10. She informed that the legislation simply added an additional faculty member seat to the UA Board of Regents. She requested that her intern provide an answer to a question that was asked previously.

[3:22:41 PM](#)

CADENCE CONNER, STAFF, REPRESENTATIVE ASHLEY CARRICK, responded to a question from an earlier meeting. The question related to the qualifications that were needed to be appointed to the UA Board of Regents. According to AS 14.40.13(a), each regent shall be a resident of the United States and of the state. The requirement was the only qualification needed.

Co-Chair Foster relayed that the committee would hear invited testimony.

[3:23:30 PM](#)

ABEL BULT-ITO, FACULTY, UNIVERSITY OF ALASKA FAIRBANKS, FAIRBANKS (via teleconference), relayed that he was President of the University of Alaska Fairbanks (UAF) Faculty Senate, a member of the UA Faculty Alliance, and was a Professor of Neurobiology and Neurophysiology at UAF. He spoke in strong support of the bill. He thanked the sponsors. He asserted that adding a faculty member to the board was vital for providing meaningful context for diverse student experiences, potential ramifications of poor decisions, and to help the educational environment at the university. He thought most members were decades

removed from college experiences and lacked understanding and experience in the modern and often highly technical educational environment.

Mr. Bult-Ito emphasized that faculty taught students and knew what issues were important to students. He noted that faculty lacked the ability to communicate insights and experiences to the board in a meaningful manner without a seat at the table. He noted that faculty also provided students with research experiences, which were life-changing for students. He discussed research funding obtained by faculty and the knowledge necessary to achieve the funding. He thought faculty needed to communicate research intricacies to the board in order to provide context for making informed policy decisions. He stressed that having a faculty presence would build trust between the board and faculty and would benefit all students.

[3:27:09 PM](#)

Co-Chair Foster OPENED public testimony.

Co-Chair Foster CLOSED public testimony.

[3:27:52 PM](#)

Representative Bynum hoped for more insight related to why adding a faculty member to the board would be good for UA as a whole. He noted that the sponsor statement referred to stakeholder groups, and he understood that the Board of Regents was to give direction to UA as a whole and guide its mission. He was trying to understand how it would be positive to have a faculty member on the board, which was supposed to give direction to faculty.

Representative Carrick responded that the legislation came at the request of many years of UA faculty members having limited opportunities to provide testimony or input to the board. Faculty desired to have a seat at the table as part of UA's mission. She relayed that in researching the legislation she found there were several state university systems that had a voting member that was a tenured faculty member. She had heard board members at other universities be supportive of the idea and agree with the same concepts expressed by Professor Bult-Ito. She relayed that the idea was to offer the real dialogue with the board of regents, in the same form that the student member did, and provide

parity in the two groups that formed the backbone of the system.

Representative Bynum understood that the bill proposed to add a seat onto the board, which would make it a 12-member board. He asked if there was an idea about how the board would perform if a seat were to be added rather than substituted.

Representative Carrick thought the question would be a good policy call for the House Finance Committee or another committee. She wanted to see the stakeholder group represented. She thought substituting a seat would be diluting the power of the current regents that were not the student or faculty regent. She was not necessarily opposed to the idea but clarified that the way the bill was structured was to add a stakeholder while not diluting any current members power.

Representative Bynum asked if there was consideration to adding the seat as a non-voting member.

Representative Carrick relayed that the idea had been discussed in the past. She noted that a full voting member of the board had access to executive sessions and to travel with the board, which were conferred currently on the student regent. She reiterated the idea of parity. She noted that there was a student regent that had to occasionally recuse themselves from difficult votes.

[3:32:39 PM](#)

Representative Allard asked about the faculty alliance, which she thought was for faculty advocacy. She thought the board was more for oversight rather than operations. She would prefer a faculty member to be non-voting and thought there was conflict of interest with unions and other issues. She asked the sponsor if the faculty board member would give operational input.

Representative Carrick responded that the mission statement of the university was to inspire learning; advance and disseminate knowledge through teaching, research, and public service; and to emphasize the North and its diverse peoples. When she considered who guided the overall culture of the campuses and learning community and university system, it was both the student and faculty populations.

Representative Carrick acknowledged that here were some operational decisions made by the board, but even more so an advisory capacity over system operations and governance. She thought faculty had a strong voice to add to the conversation. She stressed that the faculty seat was not to substitute or infringe on the rights of current regents or their experience. She knew many regents were very experienced and had a lot to offer. The additional seat was meant to add to the decision-making process. She thought if every member of the board was asked, the addition of a student regent had offered a deeper perspective.

Representative Allard understood the mission statement. She emphasized that the faculty members already had a faculty alliance and could already bring issues to the board.

Representative Carrick emphasized that there was currently no slated opportunity for faculty to speak to the board of regents. The faculty alliance was allowed to make one very brief report at certain board meetings. The board only offered one hour of public testimony at the beginning of some meetings. The board did not take public testimony on agenda items. She shared that often times the public testimony would be completely filled up before the meeting had even begun, and faculty were included in the public testimony. She thought faculty would agree with the statement that it did not have enough opportunities to connect with the board and to make its constituency issues known.

Representative Allard asked if it was possible for faculty to send an email for written testimony.

Representative Carrick responded that she would ask the committee to consider the weight of in-person spoken testimony versus written testimony.

Representative Allard understood where the sponsor was coming from. She thought there could be things that could not pass with a board membership of 12.

Co-Chair Foster set an amendment deadline for March 28 at 5:00pm.

HB 10 was HEARD and HELD in committee for further consideration.

#hb36

HOUSE BILL NO. 36

"An Act relating to the placement of foster children in psychiatric hospitals; relating to the care of children in state custody placed in residential facilities outside the state; and amending Rule 12.1(b), Alaska Child in Need of Aid Rules of Procedure."

[3:37:57 PM](#)

REPRESENTATIVE ANDREW GRAY, SPONSOR, offered a brief overview of the bill. The bill would make it so that a foster child (child in custody of the Office of Children's Services [OCS]) would have a hearing in front of a judge within seven days if they had been admitted into an acute psychiatric facility. He explained that in these cases, OCS was acting as the "parent," yet it had not played the same role as a parent would have played for its child. He asserted that children had been held for too long and sometimes without good reason. The bill aimed to close the loophole. There were no guidelines in statute that covered when a such a case would be reviewed.

[3:39:26 PM](#)

Co-Chair Foster OPENED public testimony.

Co-Chair Foster CLOSED public testimony.

[3:40:09 PM](#)

Representative Tomaszewski liked the bill, and he had no objection to moving the bill from committee.

Co-Chair Josephson also liked the bill and agreed with Representative Tomaszewski's suggestions. He noted that there had been three audits of OCS and there was a myriad of ways that the office had not followed the law. He referenced HB 151 sponsored by former Representative Les Gara. He referenced a provision that stated that if children were not taken into custody, parents should be given referrals for services. He asked how the bill would get enforced.

Representative Gray referenced *Kwinhagak v. State of Alaska* [a 2024 case where the Alaska Supreme Court found delays in child welfare proceedings violated procedural due process], which found the current way of doing the hearings were incorrect. He noted that the courts were hearing the decision in seven to ten days after a change of practice in the previous year. He explained that the bill would be putting into statute what was already happening. He understood that sometimes laws were passed but not enforced. He pondered that the topic needed to be revisited. He thought the issue should be revisited to ensure the children were getting hearings in the time the bill dictated.

Representative Bynum appreciated the sponsor bringing the bill forward.

Representative Allard thanked the sponsor.

[3:44:07 PM](#)

AT EASE

[3:44:41 PM](#)

RECONVENED

Representative Tomaszewski MOVED to REPORT HB 36 out of committee with individual recommendations and the accompanying previously published fiscal notes. There being NO OBJECTION, it was so ordered.

HB 36 was REPORTED out of committee with eight "do pass" recommendations, two "no recommendation" recommendations, and with one previously published fiscal impact note: FN1 (DFCS) and one previously published zero fiscal impact note: FN2 (JUD).

[note: Co-Chair Schrage was absent from the vote]

Co-Chair Josephson relayed that there were several days on the schedule for next week committed to taking up a supplemental budget to pay the FY 25 debt and items the governor sought as supplementals. He relayed that the committee would consider a CS.

Co-Chair Foster reviewed the agenda for the following day.

Representative Tomaszewski asked about the mention of the six additional contract negotiations coming forward. He asked if the contracts would be in the revised governor's budget.

Co-Chair Josephson responded that the items would be in the FY 26 budget.

#

ADJOURNMENT

3:47:05 PM

The meeting was adjourned at 3:47 p.m.