

HOUSE FINANCE COMMITTEE  
March 26, 2025  
1:35 p.m.

[1:35:42 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 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

Caroline Hamp, Staff, Representative Calvin Schrage; Alexei Painter, Director, Legislative Finance Division; Michael Partlow, Budget Analyst, Legislative Finance Division; Representative Ashley Carrick; Alexander Schroeder, Staff, Representative Andy Josephson; Rob Carpenter, Deputy Director, Legislative Finance Division; Representative Elxie Moore; Representative Justin Ruffridge; Representative Jubilee Underwood; Representative Bill Elam; Representative Andrew Gray, Representative Rebecca Schwanke.

PRESENT VIA TELECONFERENCE

Marie Marx, Legal Counsel, Legislative Legal Services.

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.

HB 56        APPROP: SUPPLEMENTAL; FUND CAP

HB 56 was SCHEDULED but not HEARD.

Co-Chair Josephson reviewed the meeting agenda. He noted that Amendments 5 through 13 were a mixture of language amendments and associated numbers amendments, and Amendments 14 through 93 were numbers amendments. He reminded members that Amendment L 1 had been adopted, Amendment L 2 had been tabled, Amendment L 3 had been adopted, and Amendment L 4 had been taken up and discussed and the motion remained on the table.

#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."

^AMENDMENTS

[1:37:37 PM](#)

Co-Chair Josephson WITHDREW the motion to adopt Amendment L 4 [see minutes from 3/25/25 at 1:30 p.m. for detail].

[1:37:54 PM](#)

Co-Chair Schrage MOVED to ADOPT Amendment N 14 (copy on file):

Agency: Various  
Appropriation: Various  
Allocation: Executive Branch

Transaction Details  
Title: Delete funding for all UGF Governor amendments  
Section: Section 1  
Type: Dec

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	0.0
Miscellaneous:	-85,056.6
	-85,056.6

Positions  
Permanent Full-Time: 0  
Permanent Part-Time: 0  
Temporary: 0

Funding (Amounts are in thousands)  
1004 Gen Fund -85,056.6

Explanation  
Returning the budget to reflect the Adjusted Base in UGF by removing all Governor UGF increments.

Representative Stapp OBJECTED.

Representative Stapp asked for clarification on Amendment L 4. He remarked that the amendment was a substantial language amendment and he understood that the intention was for the committee to move forward to discuss numbers

amendments. He asked if Amendment L 4 would be reconsidered before or after the rest of the language amendments had been considered.

Co-Chair Josephson responded that he planned to return to Amendment L 4 and the other language amendments that sought to amend Amendment L 4 after the committee considered Amendment N 14.

Co-Chair Schrage explained that Amendment N 14 deleted all funding for all unrestricted general fund (UGF) governor amendments in the budget. He stated that it was a rather painful amendment for him to offer given the size of the decrement. He stated that he had looked at the stack of 96 amendments that had been offered in the committee and he observed that there was clearly an appetite from the committee to make significant reductions to the budget. He stated that there had been discussion in the committee and elsewhere about the need for the state to live within its means and to not unsustainably draw from savings. He stated that he had noticed a lack of willingness to discuss alternative ways to fund the budget.

Co-Chair Schrage stated that the amendment allowed the committee to make some progress in "right-sizing" the budget and it would allow members to prioritize the most important items for the government to focus on in the budget, including the education of children. He remarked that the committee was aware that the Base Student Allocation (BSA) bill [HB 69] had been passed out of the House and was currently moving its way through the Senate. The amendment allowed the committee to ensure that Alaskans who were in need and who were supported by the Permanent Fund Dividend (PFD) were able to receive a meaningful and sustainable check.

Co-Chair Schrage stressed that it pained him to offer the amendment because it would mean that there would be substantial reductions in the legislature's ability to serve people throughout the state. He reiterated that he had offered the amendment because the committee seemed to have a strong interest in making reductions to the budget, especially in light of the revenue forecast that had come out a couple of weeks prior. He stated that the amendment was an unallocated cut that would demonstrate to the administration that the state should return to the budget totals that were passed by the legislature in 2024.

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Representative Stapp relayed that the way he read the amendment, it deleted all UGF for governor amendments. He understood that Co-Chair Schrage's explanation indicated a return to the prior year's budget to reflect the adjusted base in UGF by removing all government increments. He thought that it did not appear to be an unallocated cut. He asked if Co-Chair Schrage could list the itemization of what the effect of the amendment would be.

Co-Chair Schrage requested that Legislative Finance Division (LFD) staff come forward and address the question.

1:42:28 PM

CAROLINE HAMP, STAFF, REPRESENTATIVE CALVIN SCHRAGE, stated that she had recently given Co-Chair Schrage a list of all the items that were in the governor's amendments in UGF. She relayed that she could go through the list if it was the will of the committee.

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AT EASE

1:43:43 PM

RECONVENED

Co-Chair Josephson recognized that Representative Elexie Moore was present.

Co-Chair Schrage apologized for the confusion and noted that he had skipped a step in the process. He stated that when he had originally requested the amendment to be drafted, it was his intent for it to be an unallocated cut. He agreed that the amendment was somewhat ambiguous as it was currently written. He stated that he would move a conceptual amendment to address the problem and fulfill the original intent of the cut being unallocated, which would allow the administration the discretion he intended to provide.

Co-Chair Schrage MOVED to ADOPT conceptual Amendment 1 to Amendment N 14 (copy on file):

DEPARTMENT: Executive Branch-Wide Unallocated  
Appropriation  
APPROPRIATION: Executive Branch-Wide Unallocated  
Appropriation  
ALLOCATION: Branch-Wide Unallocated

DELETE: \$78,586.2 UGF (1004)

ADD INTENT LANGUAGE: It is the intent of the legislature that the unallocated reduction be implemented in a manner that results in a minimum number of state employee layoffs and that it is geared toward finding internal agency and department efficiencies. It is the intent of the legislature that no supplemental funding be requested during the next regular session to fill the unallocated reduction.

EXPLANATION: The reduction reflected in this amendment is the sum of Unrestricted General Funds in Governor amendments from his December 2024 proposed budget and subsequent FY26 amendments. The calculation does not include General Fund/ Mental Health (GF/MH) funding, increments that were removed or modified in HCS 1, or increments in the Judiciary Agency. It does include new temporary increments (IncT's and IncM's) above the Adjusted Base.

Representative Stapp OBJECTED.

Co-Chair Schrage requested an at ease to distribute copies of the amendment.

[1:44:29 PM](#)

AT EASE

[1:46:16 PM](#)

RECONVENED

Co-Chair Schrage explained that conceptual Amendment 1 to Amendment N 14 added intent language. He read the intent language from the conceptual amendment (copy on file).

Representative Stapp MAINTAINED the OBJECTION to the conceptual amendment. He thought that there was a vast material difference between the amount of money in the conceptual amendment and the underlying amendment. He preferred the underlying amendment because it allowed the

committee to inform the public of the specific items being cut, which he believed was the proper approach. He relayed that he was not certain an unallocated cut could be made without specifying the details. He noted that a similar approach had been deemed unacceptable in the previous year because it was the responsibility of the appropriating body to detail the specific cuts. He asked what accounted for the \$9 million UGF difference.

Co-Chair Schrage responded that the explanation section of the conceptual amendment stated that the calculation did not include general fund mental health funding, which were increments that were removed or modified. He explained that the calculation included new temporary increments above the adjusted base, which accounted for the difference in the amount.

Representative Galvin commented that the amendment was a lot to digest but she understood that big changes needed to be made. She believed there were many good elements in government and that the governor had likely requested many positive items across various departments. She relayed that she valued good government and the opportunities it provided to grow the economy. She thought that communities were stronger and projected greater stability when they functioned efficiently. However, she stressed that it was important to support the children of the state, whether through a PFD that assisted vulnerable families or through school funding. The amendment was difficult for her to support but she would stand behind it.

Representative Allard relayed that she would like Co-Chair Schrage to discuss the impact of the amendment on the following departments: the Department of Administration (DOA), the Department of Commerce, Community and Economic Development (DCCED), the Department of Corrections (DOC), the Department of Education and Early Development (DEED), the Department of Environmental Conservation (DEC), the Department of Family and Community Services (DFCS), the Department of Fish and Game (DFG), the Department of Health (DOH), the Department of Labor and Workforce Development (DLWD), the Department of Law (DOL), the Department of Military and Veterans Affairs (DMVA), the Department of Natural Resources (DNR), the Department of Public Safety (DPS), the Department of Revenue (DOR), the Department of Transportation and Public Facilities (DOT), the University of Alaska (UA), and the Alaska Court System (ACS). She

requested that Co-Chair Schrage provide more detail on the reasoning behind the cuts and what the cuts entailed.

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AT EASE

1:52:07 PM

RECONVENED

Co-Chair Josephson shared that he appreciated Representative Allard's question, but the committee was considering an amendment to an amendment.

Co-Chair Schrage replied that it would take a considerable amount of time to go through each of the governor's increments in detail. The legislature needed to pass a budget on a tight schedule, which was why the amendment to the amendment provided flexibility to the administration. The approach allowed the governor to determine where cuts should be made and preserve funding for higher-priority items while recognizing that resources were scarce. He stated that departments should operate within the funds they had in the previous year's budget.

Representative Allard commented that she agreed with portions of Co-Chair Schrage's remarks but thought it was important to fully discuss the proposed cuts now rather than delay the discussion. She stated that further postponement would take more time, especially if the legislature went into a special session. She believed that avoiding the details at the current stage in the budget cycle was not transparent and was effectively pushing the matter off without public discussion.

Representative Johnson stated that she found the situation puzzling. She described the budget as "cobbled together and engineered for failure." She thought that the amendment appeared to be an unallocated reduction of the total additions and was consisting entirely of UGF. She did not think the cut was large enough to balance the budget. She planned to introduce an amendment to cut all of the subcommittee additions, which she thought would be an appropriate follow-up to the amendment. She clarified that she would vote in favor of the amendment, but she hoped there would be larger reductions that would balance the budget. She requested a legal opinion on how the

unallocated cuts would be incorporated into the budget and how the reductions would be distributed.

Co-Chair Josephson noted that an attorney was not currently present to provide a legal opinion. He suggested that Mr. Alexei Painter respond instead.

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ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained that he could not engage in legal discussion but could address the practicality of the amendment. He noted that when a branch-wide unallocated cut had been implemented in the past, it was specific to the executive branch and could not be applied to the judicial branch or legislative branch. He stated that the Office of Management and Budget (OMB) would have to determine where to spread the negative amount. He added that the legal question that arose concerned the power of appropriation, which would be best answered by an attorney. He explained that the reduction would be left to the discretion of the governor's office or OMB.

Co-Chair Josephson asked whether the underlying amendment would restrict the administration within each agency or if it could find the reductions in different departments. For example, the amendment called for \$85 million in cuts, excluding the amounts mentioned in the intent language, with a specific example of \$2.162 million in DOA. He asked if the administration could take the amount from another department to meet the goal or if it would be required to take the amount from DOA.

Mr. Painter responded that the underlying amendment was ambiguous because it listed out the agencies, and it was unclear whether there would be a new designation of "executive branch-wide unallocated" or an actual allocation to departments. He explained that the conceptual amendment clarified that it was one unallocated "bucket." He noted that if LFD was instructed to write budget legislation that included the underlying Amendment N 14, the division would need to make assumptions, which it preferred to avoid. He stated that LFD's preference was for the committee to clarify on the record what was intended in the underlying amendment compared to the conceptual amendment because the current language was ambiguous.

Representative Tomaszewski asked who was going to "clean up the chaos." He commented that the amendment would place significant pressure on each agency. He characterized the situation as a "well-oiled disaster" and questioned whether it would resemble "roughhouse boxing" in determining how to meet the required amounts. He asked who would make the cuts and expressed disbelief at the level of strain that would be placed on the agencies to decide which entity would absorb which reductions. He asserted that the situation was unusual and difficult to understand.

Co-Chair Josephson noted that Ms. Marie Marx from Legislative Legal Services (LLS) was on the line and available for questions.

Co-Chair Foster expressed support for Amendment N 14. The amendment would cut \$78 million and it was fiscally conservative. He addressed the question of how the reduction would affect each department, noting that the committee had spent January, February, and March hearing from every department on their budget increments. He expressed satisfaction with the explanations received and stated that the governor would ultimately determine where the cuts would be made. He reiterated that it was a \$78 million cut and he supported the amendment.

Co-Chair Josephson asked for confirmation that Representative Johnson wanted to hear from Ms. Marx.

Representative Johnson responded in the affirmative. She asked if she should move a conceptual amendment to remove the subcommittee additions before or after the vote.

[2:01:18 PM](#)

AT EASE

[2:01:59 PM](#)

RECONVENED

Co-Chair Josephson explained that the committee would need to address the first conceptual amendment before moving a second conceptual amendment. He asked Representative Johnson to repeat her question to Ms. Marx.

Representative Johnson asked how the executive branch would determine and implement the cuts, and what duties the executive branch would be responsible for in the process of

making the reductions. She asked how an unallocated cut would be distributed throughout a department and if it would be legal.

MARIE MARX, LEGAL COUNSEL, LEGISLATIVE LEGAL SERVICES (via teleconference), responded that the amendment was somewhat unclear. She understood that the amendment would delegate the appropriation power of the legislature to make unallocated cuts to the governor. She noted that the power belonged solely to the legislature and could only be exercised by the legislature. She emphasized that if the legislature failed to provide the executive branch with sufficient guidance in making the cuts, it would be allowing the governor to act with a legislative appropriation power, which was unconstitutional. She clarified that the state constitution provided that the legislature appropriated the money and enacted the laws, while the executive branch executed the laws. She acknowledged Representative Johnson's second question and stated that the method of implementation was more of a practical matter than a legal one and should be addressed by LFD.

[2:05:13 PM](#)

Representative Allard asked if granting the executive branch appropriation power and allowing negotiations to happen later would be completely unconstitutional.

Co-Chair Josephson remarked that the committee could debate whether there was a difference between describing something as twice unconstitutional or completely unconstitutional, but there was no difference in his opinion. He believed Ms. Marx's comments were not about negotiation with the governor, but about directing the governor to determine the specifics independently. He explained that even though there was a negative appropriation, making the appropriation was still a form of legislative power, and the legislature could not delegate that authority.

Representative Allard responded that she had never seen a finance committee cut everything the governor had requested in such a large amount, then direct the executive branch to determine the details and return to the legislature. She understood that Co-Chair Schrage had indicated that the governor could identify priorities and return to the legislature with recommendations. She stressed that the

responsibility of appropriation belonged to the legislature. She advised the committee to address the issue immediately. She asked for an explanation of each proposed cut and the reasons for the cuts. She asserted that the issue was not directly tied to the original amendment because of the magnitude of the reduction.

Co-Chair Foster relayed that he was curious about the possibility of the legislature ceding its appropriation power to the executive branch, which he understood to be a constitutional issue. He asked whether there had been any court decisions on the matter and how much guidance the legislature would need to provide to meet the constitutional threshold. He asked for clarification on whether there had been any precedent set in court cases.

Ms. Marx responded that the case most often cited was the State v. Fairbanks North Star Borough (FNSB) case, in which the Alaska Supreme Court (ASC) examined the implementation of a statute that permitted the governor to reduce appropriations.

Co-Chair Foster interjected and asked Ms. Marx to slow down. He indicated that all he had heard was that the case involved FNSB and that he had missed the rest.

Ms. Marx confirmed that the case was State v. FNSB. She stated that it was often cited to demonstrate that the legislature needed to articulate some principles to guide the executive branch. She explained that the exact parameters of the requirement had not been fully developed in case law in Alaska. She added that if an amendment turned the matter over to the executive branch without guidance, the situation would be similar to the issue in the FNSB case where there was no guidance on how cuts should be distributed. She stressed that the case was found the situation to be unconstitutional.

[2:10:15 PM](#)

Co-Chair Foster asked if a conceptual amendment specifying that the reduction would apply only to the increments the governor had made over the prior year's budget would provide enough direction.

Ms. Marx responded that there was no definitive answer in case law. She speculated that the hypothetical conceptual

amendment specifying reductions only to the increments the governor made over the previous year's budget would provide more guidance. She thought that such guidance would make it more likely that a court would uphold the amendment if challenged, unlike the precedent in the cited case. She noted that the issue in the court case was similar because it involved a statute and unallocated reductions. She reiterated that it would be more likely to be upheld by a court if the legislature provided guidance, such as indicating specific reductions the governor should make.

Co-Chair Josephson asked Ms. Marx whether providing a specific dollar amount in the amendment would require an explanation of what items constituted the dollar amount, such as a \$32 million cut proposed for DOH.

Ms. Marx responded that reductions were typically made in the budget's numbers section by appropriation allocation. She recommended providing guidance similar to what had been done in past years when reducing budget items, specifically in the numbers section. She added that providing a high level of guidance would reduce legal risk and the more guidance provided, the less risk there would be that a court would find the reduction unconstitutional.

Representative Hannan shared her understanding that specific guidance with a dollar amount would meet the legal requirement.

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Co-Chair Schrage thought that it seemed ambiguous whether the amendment was legal. He noted that unallocated cuts were not legal unless guidance was provided, but there was some guidance included in the amendment. He relayed that the more guidance provided, the more legally sound the amendment would be. The committee faced multiple constitutional obligations, including passing a balanced budget, and current budget still included a full PFD. He emphasized the need to reconcile the budget. He did not think the committee would be able to pass a constitutionally valid budget without implementing the proposed decrement. The situation was dire due to falling oil prices and reduced state revenue, which meant that severe reductions were necessary. He asserted that the amendment provided the administration maximum flexibility to find inefficiencies department by department and to

continue to provide services under constrained revenue conditions. He asked if Ms. Marx or LFD knew if there was precedent for the approach in the amendment. He thought the approach was necessary and believed it would withstand scrutiny.

Co-Chair Josephson suggested that Mr. Painter respond first. He clarified that information about case law precedence had already been provided, but that Co-Chair Schrage was asking about historic precedence.

Mr. Painter responded that he did have the information readily available. He noted that there had been a year within the last decade when the legislature enacted an unallocated reduction, though it was not as large as the current one. He recalled that the intent language in the amendment mirrored language included in a budget around FY 16 or FY 17, though the language did not ultimately pass. He noted that there was some precedent, but he could not recall exact amounts or years without further research.

Representative Stapp explained that when he heard terms like maximum flexibility, he thought it suggested less guidance on the unallocated cut. He asked what prevented the executive branch from cutting the entire \$78 million from the foundation formula for education.

Ms. Marx responded that the governor's veto power was a separate constitutional authority that was distinct from the legislature's appropriation and lawmaking powers. She added that nothing in the bill affected the governor's veto power.

[2:17:37 PM](#)

Representative Stapp relayed that he was concerned that the conceptual amendment effectively delegated legislative responsibility by instructing the governor to make cuts. He questioned again whether the governor could apply the entire \$78 million cut to education funding under an unallocated cut.

Ms. Marx responded that the amendment's guidance to the governor remained unclear. She explained that if the legislature specified the sources of reductions, it would not constitute an unallocated reduction. However, delegating the decision to the governor raised

constitutional issues. She clarified that permitting the governor to make cuts within the total allocation would be a true unallocated reduction.

Representative Stapp asked Ms. Marx whether reverting to the underlying amendment with detailed agency-specific cuts would provide better guidance.

Ms. Marx replied that it was a policy decision for the legislature. She explained that her role was to advise on constitutional implications and risks. She affirmed that offering clear direction on cuts would mitigate constitutional risk.

Co-Chair Josephson asked if Amendment N 14 contained adequate detail to avoid an improper delegation challenge.

Ms. Marx responded that the level of detail lessened constitutional risk but court precedent did not clearly define sufficient guidance. She added that past budgets provided direction at the department, appropriation, and allocation levels. She suggested that LFD could provide additional detail.

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Representative Allard asked if Co-Chair Schrage intended to cut the subcommittee add of \$41 million.

Co-Chair Schrage responded that the cut was not in the current amendment but it could arise in a future amendment.

Representative Johnson expressed appreciation for the creative approach to budgeting and fiscal responsibility, but she remained uncertain whether the amendment would achieve its goals. She was leaning toward supporting the amendment, but was concerned about its constitutionality. She asked if voting to approve the amendment would mean denying salary contracts.

Mr. Painter responded that the amount cut by the amendment was based on increments that excluded salary adjustments. He explained that funding for salary adjustments would remain in the budget and adopting the amendment would not deny salary contracts.

Representative Bynum asked for clarification on whether the \$85 million cut would provide the governor or departments full discretion to allocate reductions across department lines, or if reductions were limited to specific amounts by department. He sought a clearer understanding of the amendment's practical impact.

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Mr. Painter replied that the underlying amendment was ambiguous. He clarified that the conceptual amendment to create a single unallocated appropriation would be applicable to all executive branch agencies. Without the conceptual amendment, it was unclear whether multiple unallocated appropriations by agency were intended. He recommended either adopting the conceptual amendment or clarifying how the appropriation bill should be structured.

Representative Bynum noted that the final portion of the amendment's intent language stated that no supplemental funding should be requested during the next regular session to fill unallocated reductions. He asked how the intent language would apply in practice. He acknowledged that intent language was not legally binding. He reiterated that he would like clarification on the practical effect of the language.

Co-Chair Schrage responded it was his understanding that the language served to discourage spending beyond the approved amount with the expectation of returning for supplemental appropriations. He added that it required curtailing spending to fulfill the reductions outlined in the underlying amendment and that the budget should reflect the reductions.

Representative Allard asserted that the amendment was a representation of the legislature being lazy. She emphasized that it was the legislature's responsibility to break down the budget to the best of its ability. She had not received an answer regarding the specifics of what Co-Chair Schrage intended to cut. She insisted that providing such transparency was the committee's duty.

Co-Chair Schrage responded that while he would have preferred to go through the budget line by line, he acknowledged the reality of time constraints. He mentioned that there was already discussion about a special session.

He noted that public sentiment strongly opposed special sessions and desired the legislature to complete its work within the standard 121-day session. The fiscal reality was challenging due to a lowered revenue forecast not only for the current fiscal year but also for the following year. He stated that the amendment effectively instructed the governor to "get it done" by finding areas for government cuts to achieve a smaller, more efficient government within available revenues. He acknowledged that the approach might not be the most precise but argued that it gave the governor discretion to use his knowledge and experience with departments to make targeted cuts. He admitted that the process would not be easy but insisted that living within fiscal constraints required such measures. He reiterated his intent to give the governor the tools needed to complete the work promptly and responsibly.

[2:28:39 PM](#)

Representative Johnson suggested facetiously that the legislature should simply skip its responsibility, avoid a Constitutional Budget Reserve (CBR) vote, and delegate all authority to the governor, who might resort to impoundment. She declared she was unwilling to relinquish the legislature's responsibility and affirmed her commitment to continuing the legislative process.

Representative Allard clarified that she had not meant to imply that there should be a special session. She hoped to resolve the issues during the current session to avoid a special session. She thought that no one wanted there to be a special session and stressed that the specific cuts in the amendment needed to be transparent. She remarked that the public still lacked information about the cuts and the committee should provide clarity. She suggested that Co-Chair Schrage was avoiding the question.

Co-Chair Josephson noted that the plan was that the committee would take a brief at ease shortly. He understood that Ms. Marx had twice indicated the amendment was unconstitutional, but she also seemed to suggest that the second page of the amendment might offer sufficient guidance to withstand a legal challenge. He asked Ms. Marx to clarify her position on the amendment. He acknowledged that she could only rely on the FNSB case for legal guidance.

Ms. Marx responded that forming a legal opinion was difficult without seeing the precise language of the amendment. She added that to the extent the amendment included the term "unallocated," it likely leaned toward being unconstitutional. However, if the amendment simply made reductions in specific appropriations and allocations, it would probably provide enough guidance to withstand a legal challenge. She reiterated that it would be difficult to provide a definitive opinion without seeing the actual language of the amendment.

Co-Chair Josephson noted that the language provided appeared to be intent or summary language rather than the actual budget numbers.

Ms. Marx agreed and explained that the language might appear differently in the numbers section.

Representative Bynum asked for clarification on whether a sequestration applying a specific percentage cut evenly across all budget line items would differ constitutionally from an unallocated cut. He asked if a percentage cut such as 1 percent or 2 percent applied across non-formula funds or general fund matches would be considered allocated. He wondered if a specific cut would avoid the constitutional issue of delegating authority.

Ms. Marx responded that the problem of constitutionality would remain even with a percentage reduction. The legislature would still be delegating significant decision-making authority if it were to instruct the governor to reduce the budget by a certain percentage and leave the decision of where the cuts occurred to the governor. She explained that the more guidance given to the governor, the less constitutional risk there would be. She clarified that a percentage cut still involved delegating many decisions and would not substantially reduce the constitutional concerns.

Representative Bynum asked if a 1 percent cut line by line across the budget would be considered allocated or if it would still be an unconstitutional delegation.

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Ms. Marx replied she did not know how a court would rule. She explained that specifying a percentage cut with a

corresponding dollar amount for each line item decreased constitutional risk significantly because it gave more direction to the governor.

Co-Chair Josephson asked Mr. Painter if the state would be unable to claim matching funds from the federal government if the cut affected federal matches.

Mr. Painter replied that it would be impossible to predict without knowing which reductions would be made. He noted that Medicaid had the largest increment in the budget and that its federal matching rate was approximately 60 to 70 percent. If the governor chose to reduce Medicaid funding, the state could lose proportional federal matching funds, potentially pushing costs to future years. Reductions in other areas would have different impacts depending on the funding source. He reiterated that it would be impossible to know what the impact on other fund sources would be.

Representative Stapp asked if it mattered legally or practically if the committee made one large unallocated cut totaling the full \$1.9 billion deficit instead of the current \$78 million. He wondered if the committee could simply approve one large cut and finish its business for the year.

Mr. Painter responded that he was not an attorney and could not answer legal questions. He explained that from a practical standpoint, the UGF in the numbers section totaled about \$3.3 billion, with the rest reflected in the language section. He noted that there was no UGF in the numbers section for the K-12 formula and he was uncertain whether an unallocated cut could be placed in the numbers section with offsetting language. He expressed doubt that such an approach could be taken but noted that a \$1.1 billion cut would amount to roughly one-third of agency operations. He was unsure how the administration would achieve such a large reduction from a practical standpoint.

Co-Chair Josephson noted that there was a \$32 million cut to the adjusted base for DOH, which was a substantial amount of federal dollars. He asked if his understanding was correct.

Mr. Painter responded in the affirmative. The largest of the items in DOH was Medicaid, which included \$19.6 million in UGF. He estimated the federal matching rate to be in the

60 to 70 percent range. He explained that any reduction in Medicaid funding would reduce federal matching dollars. However, it was unclear if expenditures could actually be reduced or only delayed because Medicaid was a formula program. He suggested that there could be issues with implementation.

[2:38:56 PM](#)

AT EASE

[3:17:49 PM](#)

RECONVENED

Co-Chair Josephson recognized that Representative Bill Elam and Representative Justin Ruffridge were in the audience. He stated that conceptual Amendment 1 to Amendment N 14 was before the committee. He asked Co-Chair Schrage what he wished to do.

Co-Chair Schrage stated that conceptual Amendment 1 to Amendment N 14 had been intended to provide the administration with additional flexibility in addressing the cut outlined in the underlying amendment. After hearing the discussion, he believed the conceptual amendment had reduced some of the support for the underlying amendment.

Co-Chair Schrage WITHDREW conceptual Amendment 1 to Amendment N 14.

Representative Stapp OBJECTED.

Representative Johnson OBJECTED.

Representative Johnson stated that she objected because she did not believe that support had decreased. She remarked that withdrawing the amendment due to decreased support was not a compelling reason. She suggested that withdrawing it on constitutional grounds would be a different matter. She confirmed that she would vote in favor of the amendment because she wanted to make cuts to the budget and wanted it on the record that her support had not diminished. She emphasized that the withdrawal should not be based on a belief that there were too many opposing votes amongst members. She clarified that she would not be voting against the amendment and expressed her support for the budget cut effort.

[3:19:54 PM](#)

Representative Allard stated that she did not want Co-Chair Schrage to think she was not a "fiscal hawk." She thought that the amendment was a significant cost-cutting measure and she supported it.

Representative Bynum asked Co-Chair Schrage how the withdrawal of the conceptual amendment would ultimately impact Amendment N 14 as a whole, and how the committee would proceed.

Co-Chair Schrage responded that his intention was to ensure that the decrement moved forward. He stated that if the committee wished to adopt conceptual Amendment 1, he would welcome its adoption.

Representative Stapp expressed his appreciation to Co-Chair Schrage for bringing forward the conceptual amendment. He understood that there was trust in the governor to make the cuts, and the committee should proceed accordingly if it intended to pass the responsibility to the governor.

[3:21:24 PM](#)

AT EASE

[3:23:19 PM](#)

RECONVENED

Co-Chair Schrage WITHDREW the MOTION to withdraw conceptual Amendment 1 to Amendment N 14.

Co-Chair Josephson asked if there was further objection to the adoption of the conceptual amendment.

Representative Hannan OBJECTED. She was not in support of the conceptual amendment because she thought allowing a cut to be taken from one department or another was awkward. She was in support of the underlying Amendment N 14 and thought that it was likely that the legislature would provide the governor with more guidance on specific cuts. She clarified that she wanted there to be more specific cuts to the departments than would be provided by the conceptual amendment.

[3:25:31 PM](#)

AT EASE

3:27:41 PM

RECONVENED

[Although not explicitly stated, the OBJECTION was MAINTAINED.]

A roll call vote was taken on the motion.

IN FAVOR: Jimmie, Allard, Johnson, Tomaszewski, Stapp, Bynum, Foster, Schrage, Josephson  
OPPOSED: Hannan, Galvin

The MOTION PASSED (9/2). There being NO further OBJECTION, conceptual Amendment 1 to Amendment N 14 was ADOPTED.

3:29:03 PM

Representative Stapp MOVED conceptual Amendment 2 to Amendment N 14. The amendment would increase the unallocated cut by an additional \$300 million.

Co-Chair Schrage OBJECTED.

Representative Stapp asserted that if the committee wanted to tell the executive branch that it should be able to make unallocated cuts, \$78 million was not sufficient to address the deficit. He believed that the governor should be given more authority to make unallocated cuts.

Co-Chair Josephson asked if anyone else wanted to comment on conceptual Amendment 2 to Amendment N 14.

Representative Allard expressed her support for the conceptual amendment. She thought it was a good approach and that the legislature should trust the governor.

Co-Chair Foster asked if the \$300 million amount corresponded to any specific calculation and how the figure had been determined.

Representative Stapp responded that the amount was intended to eliminate the current budget deficit and was not tied to any particular factor. He noted that he wanted to follow the same approach as the earlier unallocated cut proposal in the first conceptual amendment, but he wanted to make it more impactful to help balance the budget.

Co-Chair Schrage relayed that he appreciated the intent of the conceptual amendment because it aligned with the goal of his original amendment to move toward a balanced budget. However, he cautioned that tripling the unallocated cut from \$78 million to over \$300 million would place an excessive burden on the governor, requiring reductions that he believed were too high. He opposed the conceptual amendment while acknowledging its good-faith intent.

Representative Allard asked if Representative Stapp intended the amendment to help streamline what had been done previously.

Representative Stapp replied that he did not know what had been done previously but wished to continue in the same direction.

Representative Galvin relayed that she would not support the amendment. She believed the intent of Amendment N 19 had been to acknowledge the lack of surplus under the current forecast and that it would be better to return to the 2024 levels instead of adding \$300 million in cuts. She noted that she was more comfortable with the approach of returning to previous funding levels and she thought the idea would be understood by the public. She had seen the university weather a one-third budget cut, which she characterized as disastrous. She could not imagine making a similar cut again.

Representative Johnson thought that the conceptual amendment represented a substantial move that would achieve the necessary progress. She asserted that it challenged traditional standards and expressed appreciation for the attempt to address the fiscal challenges.

[3:33:31 PM](#)

AT EASE

[3:33:59 PM](#)

RECONVENED

Representative Bynum requested to hear from LFD before a vote was taken. He asked for a brief overview of the projected overall impact of the amendment.

Mr. Painter explained that UGF totaled slightly more than \$3 billion in the numbers section. He stated that the reduction in the conceptual amendment would be approximately \$300 million and was roughly 10 percent of the numbers section appropriations for agencies.

[3:34:59 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Tomaszewski, Bynum, Stapp, Johnson, Allard  
OPPOSED: Hannan, Jimmie, Galvin, Schrage, Foster, Josephson

The MOTION to adopt conceptual Amendment 2 to Amendment N 14 FAILED (5/6).

[3:35:56 PM](#)

Representative Allard MOVED conceptual Amendment 3 to Amendment N 14. She explained that the amendment would change the cut to \$100 million.

Co-Chair Josephson OBJECTED.

Co-Chair Schrage reiterated the concerns he had expressed during the discussion of the prior conceptual amendment. He stated that members of the committee had already voiced apprehension that the underlying amendment placed departments under significant strain, and he thought the reduction was excessive. He emphasized the importance of ensuring that departments could continue to operate effectively without risking the loss of meaningful function, while also working toward a balanced budget.

Representative Stapp relayed that he supported the amendment because it was a reasonable compromise between the underlying amendment and his previous conceptual amendment, which was a cut that he acknowledged might have been excessive. He reminded the committee that the current deficit was \$1.9 billion. He argued that the committee needed to make more cuts. He reiterated that he would support the conceptual amendment.

Representative Allard asked if Mr. Painter could share what percentage of the numbers section the conceptual amendment would constitute.

Co-Chair Josephson noted that he could respond to the question. He believed it was approximately 3 percent.

Representative Bynum thought the amendment needed to be clear as to whether it made the reduction an additional \$100 million or if it made the reduction \$100 million total. He remarked that it was unclear as currently written.

Representative Allard replied that the conceptual amendment would add \$100 million and would not reduce the original number. She argued that the legislature should aim to cut roughly 3 percent in the departments. She asserted that a 3 percent cut would not be detrimental because commissioners, directors, and deputy commissioners in the departments could effectively make decisions about cuts without the legislature's input. She suggested that the committee could invite the departments to appear before the committee to discuss where the department wanted the cuts to occur.

Co-Chair Josephson commented that he was unsure whether Ms. Marx would agree with Representative Allard's statements.

[3:39:09 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Bynum, Tomaszewski, Allard, Stapp, Johnson  
OPPOSED: Hannan, Jimmie, Galvin, Schrage, Foster, Josephson

The MOTION to adopt conceptual Amendment 3 to Amendment N 14 FAILED (5/6).

[3:39:56 PM](#)

Representative Johnson explained that she wanted to move a conceptual amendment to decrease the subcommittee additions. She relayed that the additions totaled \$41,906,000, with one department receiving \$33 million in a single increase. She stated that she wished to act in the spirit of fiscal responsibility and efficiency.

Representative Johnson MOVED to ADOPT conceptual Amendment 4 to Amendment N 14.

Co-Chair Josephson OBJECTED.

Co-Chair Schrage OBJECTED. He acknowledged the intent of the amendment and recognized the challenging budget situation. He explained that he would prefer to address the matter as a separate amendment, beginning with the underlying amendment and removing some of the increments originally used as a starting point for the budget. He reiterated that further reductions might be necessary, but he preferred to address the reductions in a separate amendment to allow for more discussion on the impacts of the decrements.

Co-Chair Josephson noted that he had a list of the amendments that would be eliminated by conceptual Amendment 4. For example, approximately six to ten institutions within DFCS that conducted forensic interviews by trained professionals in cases of alleged sexual abuse would close due to the department cuts. He stated that he did not want to participate in such a cut. He suspected that some senior centers might also need to close. He relayed that the list of potential impacts was long. He reiterated that he did not support the amendment.

[3:42:47 PM](#)

AT EASE

[3:43:43 PM](#)

RECONVENED

Representative Johnson noted that there had been a request to look at the items individually. She stated that she was willing to set the conceptual amendment aside until later in the budget process because some of the reductions were already included in other amendments that were before the committee. She wanted to reserve the right to bring the matter forward again if possible.

Co-Chair Josephson explained that leaving the matter open could create a parliamentary issue. He stated that if the conceptual amendment was withdrawn, the committee could move forward on Amendment N 14 and other conceptual amendments to Amendment N 14 could not be introduced. However, he believed that a member could later rescind action on Amendment N 14.

Representative Bynum understood that if a member tabled an item, the motion would table both the amendment to the amendment and the amendment itself, which would place

everything on hold. He thought that Amendment N 14 could be held until the committee pulled it from the table, voted on it, and returned to the underlying amendment.

Co-Chair Josephson remarked that he had never seen such a process occur in his 13 years in the legislature.

Co-Chair Schrage noted that the committee had a large stack of amendments to address and he believed that several were similar to the underlying amendment. He proposed that the committee use one of the upcoming amendments that would be rendered moot if the underlying amendment passed to offer any additional conceptual amendments.

Representative Hannan commented that she had written decrement amendments that had not yet been addressed. If Amendment N 14 were adopted, she would not offer some of her upcoming amendments because the upcoming amendments had dollar values that were intended to bring the budget back to the governor's adjusted base. She noted that she intended her upcoming amendments to be specific allocations, while Amendment N 14 was unallocated. She would not want to reduce a specific program and also remove the same dollar amount from the department. She clarified that if Amendment N 14 passed, she would not offer the decrement amendments; if it failed, she would.

Co-Chair Josephson stated that he respected the opportunity for Representative Johnson to fine-tune the conceptual amendment and explained that there would be multiple opportunities during the process. He asked if the option was satisfactory.

Representative Johnson WITHDREW conceptual Amendment 4 to Amendment N 14.

Co-Chair Josephson asked if the objection to Amendment N 14 as amended was maintained.

Representative Johnson MAINTAINED the OBJECTION.

Representative Jimmie asked for clarification on what the vote was on.

Co-Chair Josephson acknowledged that the proceedings had been complicated. He explained that the committee had started the meeting by discussing Amendment N 14, which had

been amended, resulting in a cut of \$78,586,000. He stated that the committee would vote on that amount. He noted that other conceptual amendments had failed and clarified that the question before the committee was whether to cut \$78,586,000 from the budget.

[3:48:38 PM](#)

AT EASE

[3:49:02 PM](#)

RECONVENED

A roll call vote was taken on the motion to adopt Amendment N 14 as amended.

IN FAVOR: Bynum, Tomaszewski, Allard, Stapp, Johnson, Hannan, Jimmie, Galvin, Schrage, Foster, Josephson

OPPOSED: None

The MOTION PASSED (11/0). There being NO further OBJECTION, Amendment N 14 as amended was ADOPTED.

[3:50:13 PM](#)

AT EASE

[3:50:42 PM](#)

RECONVENED

Co-Chair Josephson stated that the committee would now proceed through amendments in a typical sequential manner. He noted that members had been introduced to Amendment L 2 the previous day and had had an opportunity to review it.

Co-Chair Josephson MOVED to ADOPT Amendment L 2 (copy on file). [Due to the length of the amendment, see copy on file for details.]

Representative Stapp requested clarification on the amendment. He recommended that the committee proceed either with numbers amendments or language amendments rather than alternating between the two. He asked whether the committee would go through all the language amendments during the current meeting.

Co-Chair Josephson confirmed that Amendment L 1 had been adopted and Amendment L 2 had been tabled. He asked if there were any conceptual amendments to Amendment L 2.

[3:52:14 PM](#)

AT EASE

[3:52:28 PM](#)

RECONVENED

Co-Chair Josephson asked if there were any objections to the motion to adopt Amendment L 2.

Representative Stapp OBJECTED.

[3:52:46 PM](#)

AT EASE

[3:53:22 PM](#)

RECONVENED

Representative Stapp MOVED to ADOPT conceptual Amendment 1 to Amendment L 2. He explained that the amendment would be a technical change related to a numbers amendment that would be considered later. The conceptual amendment would delete the intent language about Medicaid services on page 7 of Amendment L 2. He intended to shift the appropriation made in subcommittee from the Medicaid services line to the grants line. He acknowledged that adopting the conceptual amendment without also changing the funding source would create problems because Amendment L 2 was a language amendment. He noted that the committee would need to revisit and revise the language later.

Co-Chair Josephson replied that it made sense and suggested that it might be possible to "kill two birds with a single stone."

[3:54:21 PM](#)

AT EASE

[3:55:42 PM](#)

RECONVENED

Co-Chair Josephson recalled that Ms. Megan Wallace from LLS had previously explained that the aforementioned numbers amendment that had not been discussed yet could have the effect of supplanting and replacing the intent language in question if it were adopted.

Representative Stapp was amenable to the possibility.

Co-Chair Josephson asked if there were any further objections to Amendment L 2.

Representative Johnson OBJECTED.

Representative Johnson understood that the changes were all related to language.

Co-Chair Josephson clarified that the changes were not all language changes, but were wordage and intent language changes.

Representative Johnson asked for confirmation that Amendment L 2 was intent language.

Co-Chair Josephson responded in the affirmative.

Representative Johnson relayed that she wanted to highlight that the intent language change made in subcommittee was "half" of intent language. She stated that she did not intend to divide the question because doing so would take too long. She noted that positions would be added.

Co-Chair Josephson asked to which page she was referring.

Representative Johnson responded that she was referring to page 1, item 1, of Amendment L 2. She remarked that the committee was talking about adding positions and stated that she did not know if positions had been added in the numbers section. She believed there had been an attempt to create a whole new department in the budget, which could not be done. She emphasized that the administration had many vacant positions and plenty of options to move people around within the departments. She relayed that she would probably vote against the amendment because she believed there was more work to be done.

Co-Chair Josephson noted that there was a later amendment that, if adopted, would have the effect of deleting the intent language. He expressed hope that the possibility would provide some comfort.

Representative Johnson MAINTAINED the OBJECTION.

[3:58:58 PM](#)

AT EASE

4:00:05 PM

RECONVENED

Co-Chair Josephson noted that there was an objection to Amendment L 2 and asked if it was still maintained. He reiterated that there was an upcoming amendment that would remove the numbers portion and the language portion would be removed as a result.

Representative Johnson stated that she would wait to address the matter when the upcoming amendment was considered.

Representative Johnson WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment L 2 was ADOPTED.

Co-Chair Josephson MOVED to ADOPT Amendment L 4 (copy on file). [Due to the length of the amendment, see copy on file for details.]

4:01:06 PM

AT EASE

4:02:18 PM

RECONVENED

Representative Stapp OBJECTED.

Co-Chair Josephson MOVED to ADOPT conceptual Amendment 1 to Amendment L 4 (copy on file):

Page 1, lines 1 - 3 of the amendment:  
Delete all material.

Page 29, lines 7 - 15 of the amendment:  
Delete all material.

Renumber the following bill sections of the amendment accordingly.

Page 29, line 25 of the amendment:  
Delete "28 - 34, and 36"  
Insert "28 - 33, and 35"

Page 30, line 10 of the amendment:  
Delete "Section 35"  
Insert "Section 34"

Page 30, line 12 of the amendment:  
Delete "secs. 37 and 38"  
Insert "secs. 36 and 37"

Representative Bynum OBJECTED.

Co-Chair Josephson explained that conceptual Amendment 1 to Amendment L 4 would remove the language section item that provided for a CBR fund draw to balance the FY 26 budget. He recalled that questions had arisen in previous meetings regarding why the language was removed in the first committee substitute for the budget [HCS 1 for HB 53 (copy on file)]. He noted that the governor had included language in his budget stating that the CBR would provide funding to pay out a full PFD. The language had been removed and then effectively restored.

Co-Chair Josephson explained that the committee had initially removed the language in deference to public statements from the Senate indicating that it was not prepared to entertain a CBR draw. However, given the fiscal realities, it seemed imprudent to exclude language in the budget that would pay for a CBR draw, particularly with a budget that was approximately \$1.8 billion out of balance with a full PFD. He stated that the language had been added in Amendment L 4. He had heard resistance from within the committee to adding the CBR draw language back to the budget bill. He explained that conceptual Amendment 1 was drafted to address the concerns. He emphasized that the budget the committee adopted would not be the final version because it still needed to be addressed on the House floor and be further considered by the Senate. He explained that a vote on how to fund any shortfall in the final version of the budget would eventually be required. He offered the conceptual amendment to remove the CBR draw from the bill. He thought it was likely premature and potentially distracting to have the ultimate funding discussion at the current budgetary stage. He asked if there was any objection to conceptual Amendment 1 to Amendment L 4.

[4:04:36 PM](#)

Representative Stapp OBJECTED for discussion. He stated that he supported not drawing from savings. He observed that it was unusual to remove the CBR, then reinstate it, and then remove it again, but he would support conceptual Amendment 1 because he believed the state was not in a position to draw from savings in the current fiscal year. He added that the next fiscal year would likely be worse, especially with potential instability in federal funding. He thought drawing from savings should be done only at critical moments.

Representative Stapp WITHDREW the OBJECTION.

[4:05:44 PM](#)

Representative Bynum OBJECTED. He asked how the budget would be balanced if the language allowing the use of the CBR were removed.

Co-Chair Josephson replied that the answer lay principally in the conference committee process. He stated that there were only about four main elements at play, aside from extraneous funding sources. He asserted that other funding sources would not be sufficient without an Earnings Reserve Account (ERA) overdraw, which he strongly opposed. He noted that Co-Chair Schrage had mentioned a lower dividend as one possible approach and other members supported a lower BSA increase, though he was not among them. He remarked that there were upcoming amendments to reduce the dividend, along with other assorted ways to achieve a balanced budget.

Representative Bynum asked for confirmation that there were upcoming amendments that would reduce the PFD.

Co-Chair Josephson affirmed that there were amendments in the packet to reduce the PFD.

[4:07:16 PM](#)

Representative Johnson OBJECTED. She stated that she was unsure if the situation was strategic confusion or something else. She remarked that the language kept being added and removed. She noted that CBR language could be included in the conference committee. She questioned whether the plan was to pass an unbalanced budget out of the committee, as the budget did not contain a CBR draw and

she was unaware of any other possible funding sources. She remarked that the approach appeared to set up the passage of an unbalanced budget. She asked if the plan was to move an unbalanced budget out of committee.

Co-Chair Josephson responded that the future would determine the outcome.

Representative Johnson asserted that she should not have to rely on the future or a "crystal ball." She thought Co-Chair Josephson should have a sense of the direction the committee was headed.

Co-Chair Josephson assured Representative Johnson that she would have a voice in the process and that there would be other amendments. The matter would likely be resolved by a conference committee due to \$68 oil.

Representative Johnson characterized the situation as a "top-tier train wreck."

Co-Chair Josephson asked if there was further objection.

Representative Johnson asked for clarification on the status of the language in the conceptual amendment. She asked if the CBR language would be in or out.

Co-Chair Josephson responded that the CBR language would be out if the amendment was adopted.

Representative Johnson MAINTAINED the OBJECTION.

[4:09:15 PM](#)

Representative Allard expressed that the situation was a "topnotch catastrophe" and stated that she had expected there to be a balanced budget. She asked if it was Co-Chair Josephson's intention to move out a balanced budget.

Co-Chair Josephson explained that both bodies' current budgets "suffered from some red ink." He remarked that the committee still had work to do.

Co-Chair Schrage asserted that the goal was to pass the best budget possible, and the committee still had many amendments to consider. He stated that while all three Co-Chairs bore responsibility for the process, every committee

member also shared in the responsibility. He expressed hope that there would be a balanced budget but acknowledged the challenging fiscal situation, reduced revenues, and lack of leadership on new revenue options. He remarked that the committee would do the best it could under the circumstances.

[4:11:04 PM](#)

AT EASE

[4:18:30 PM](#)

RECONVENED

Co-Chair Josephson remarked that he was reminded of something that was elementary but often forgotten. He noted that the question had been whether the committee intended to send out an unbalanced budget. He stated that the governor had provided a balanced budget that would have substantially depleted the state's savings. He explained that one could say the governor's budget was balanced, but it was balanced on the back of the CBR. He noted that in recent history, the committee had advanced an operating budget out of committee with a \$900 million deficit. He emphasized that the committee was still in an early stage in the process.

Representative Bynum stressed the importance of ensuring that the state had a balanced budget. He noted that the committee still had a large number of amendments ahead and a significant amount of work remaining. He wondered if the committee could wait to vote on the motion and leave the language in place for the time being. He suggested that if the committee reached an agreement on a balanced budget, then removing the language might be appropriate.

Co-Chair Josephson asked whether there were any other objections to conceptual Amendment 1 to Amendment L 4.

Representative Johnson OBJECTED. She understood that a member of the majority had indicated earlier in the day that the member was comfortable with spending the earnings down to zero, which would eliminate the PFD completely. She asserted that drawing down the CBR would effectively eradicate all funds from the dividends and the earnings. She was not in support of the approach.

[4:21:07 PM](#)

A roll call vote was taken on the MOTION to ADOPT conceptual Amendment 1 to Amendment L 4.

IN FAVOR: Hannan, Jimmie, Stapp, Galvin, Schrage, Foster, Josephson

OPPOSED: Bynum, Tomaszewski, Allard, Johnson

The MOTION PASSED (7/4). There being NO further OBJECTION, conceptual Amendment 1 to Amendment L 4 was ADOPTED.

[4:21:55 PM](#)

Co-Chair Josephson asked whether there were any other conceptual amendments to Amendment L 4 as amended.

Representative Stapp MOVED to ADOPT conceptual Amendment 2 to Amendment L 4.

Co-Chair Josephson OBJECTED for discussion.

Representative Stapp explained that the conceptual amendment would delete all material on page 3, lines 9 through 18 of Amendment L 4, which was subsection (b) related to Alaska Industrial Development and Export Authority (AIDEA) language. He noted that the budget had never previously included the AIDEA language. He relayed that the amendment directed AIDEA's receipts to specific areas, which he believed the agency already had the authority to do and had done in the past. He stated that he was unsure if he wanted the language included because he was not certain of what the ramifications would be if the subsection was included in the intent language.

Co-Chair Josephson requested that Mr. Painter describe the ramifications of removing subsection (b).

Mr. Painter explained that the language had not historically been included in the budget. He noted that the language was conceptually similar to language long included in the budget for the Alaska Housing Finance Corporation (AHFC), which appropriated the corporation's earnings back to the corporation and allowed the board of directors to determine how the funds were spent. He noted that the concern was not with implementing similar language for AIDEA, but the concern was whether its funds required an appropriation under the constitution. He suggested that the

matter could be addressed by legal counsel. He explained that subsection (b) would give AIDEA's board the ability to transfer funds between accounts under existing statutory authority. He stressed that the question was whether an appropriation was also required. He noted that the language allowed for the appropriation, which was not currently in the budget.

Co-Chair Josephson asked if the effect of the language was that AIDEA would be able to continue operating as it already was, with no change to its operations.

Mr. Painter replied that it should have no effect on AIDEA's operations or flexibility. He stated that he had not spoken directly with AIDEA about the language, but that the language granted the board authority it already possessed under statute.

Co-Chair Josephson suggested that the language functioned as a statement that the legislators were the appropriators. He asked if his understanding was accurate.

Mr. Painter responded that the language communicated that any earnings needed be an appropriation to avoid the dedication of funds. The constitution stated that all funds were expenditures of the state and that the funds required an appropriation. He reiterated that the language appropriated the funds to AIDEA to spend according to its statutory authority.

[4:25:57 PM](#)

Representative Bynum expressed support for the amendment. He relayed that he would feel more comfortable if there was an opportunity to discuss with AIDEA the potential impacts. He wanted to avoid any unintended consequences from retaining the language and thought it did not appear to have been fully vetted for possible effects. He added that AIDEA had expressed concerns about the potential future impacts if such language were included in the budget, and he did not want there to be unintended consequences.

Representative Stapp remarked that since the language did not appear to have any substantive effect, it should not be included in the budget unnecessarily. He encouraged members to support the conceptual amendment.

[4:27:16 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Bynum, Tomaszewski, Allard, Stapp  
OPPOSED: Hannan, Jimmie, Galvin, Schrage, Foster,  
Josephson

Representative Johnson was absent from the vote.

The MOTION to adopt conceptual Amendment 2 to Amendment L 4  
FAILED (4/6).

[4:28:10 PM](#)

Representative Bynum MOVED to ADOPT conceptual Amendment 3  
to Amendment L 4.

Representative Hannan OBJECTED for discussion.

Representative Bynum explained that the conceptual  
amendment would delete \$5 million and insert \$10 million on  
page 12, line 28 of Amendment L 4.

Representative Hannan asked if the language was related to  
backfill Alaska Marine Highway System (AMHS) language.

Representative Bynum responded in the affirmative.

Representative Hannan WITHDREW the OBJECTION. She explained  
that she needed to know what the subject was because it had  
not been discussed yet.

Representative Stapp OBJECTED for discussion. He asked why  
\$10 million was needed instead of \$5 million.

Representative Bynum responded that providing an additional  
safety net for AMHS had not been done before but he thought  
it was necessary.

Representative Allard OBJECTED.

[4:30:12 PM](#)

AT EASE

[4:31:51 PM](#)

RECONVENED

A roll call vote was taken on the motion to adopt conceptual Amendment 3 to Amendment L 4.

IN FAVOR: Johnson, Bynum, Hannan

OPPOSED: Jimmie, Galvin, Stapp, Allard, Tomaszewski, Foster, Schrage, Josephson

The MOTION to adopt conceptual Amendment 3 to Amendment L 4 FAILED (3/8).

4:33:08 PM

Co-Chair Josephson asked if there was any further discussion about Amendment L 4.

Representative Tomaszewski commented that since the CBR language had been effectively removed, the intent of the amendment was to reduce the PFD down to "nearly nothing." He indicated that he would vote against the amendment.

Co-Chair Schrage responded that the dividend was not mentioned in the amendment and that the budget could be balanced in a number of different ways. The outcome was not a foregone conclusion, as the legislature had many tools and options available, several of which had been discussed earlier in the meeting.

Co-Chair Josephson commented that the body of the budget bill retained a full dividend.

Representative Stapp asked whether the title on page 1, line 2 of Amendment L 4 would need to be changed because the CBR language had been removed. He questioned whether it was considered a technical change because the title language remained but the CBR was no longer in the bill.

Co-Chair Josephson asked Mr. Painter to clarify whether the change would be considered technical and conforming or if the title was problematic. He noted that the bill still included a full PFD and asked if the dividend would technically be funded from the general fund as the bill was currently written.

4:35:06 PM

AT EASE

4:35:36 PM

RECONVENED

Mr. Painter replied that the dividend was funded directly through the ERA. He confirmed that the remaining ERA balance, or the remaining percent of market value (POMV) draw beyond the dividend, was sent to the general fund. He clarified that the dividend appropriation would not go through the general fund, as the funds came directly from the ERA.

Co-Chair Josephson added that the amendment provided for a fully funded dividend.

Representative Allard asked if it would be impossible to pass out a balanced budget if a full dividend were included. She stated that she understood there was still much to review.

Co-Chair Josephson replied that there was a term in court called "asked and answered" and he thought that he had already addressed the question as well as he could.

Representative Stapp commented that he wanted to ensure the committee was making the best possible decision. He remarked that the amendment represented a fully funded dividend but a completely unfunded government, which he believed was the most accurate way to describe the situation.

Representative Tomaszewski asserted that the committee was engaging in "precision-level guesswork." He stated that describing the amendment as including a fully funded dividend was misleading to constituents because it did not reflect the state's overall fiscal reality. He thought clarity was important.

Co-Chair Josephson expressed appreciation for Representative Tomaszewski's remarks and noted that it was an important point.

4:38:14 PM

A roll call vote was taken on the motion to adopt Amendment L 4 as amended.

IN FAVOR: Hannan, Tomaszewski, Galvin, Jimmie, Foster,  
Schrage, Josephson  
OPPOSED: Allard, Johnson, Stapp

The MOTION PASSED (8/3). There being NO further OBJECTION,  
Amendment L 4 was ADOPTED as amended.

[4:38:59 PM](#)

Co-Chair Josephson stated that the committee would proceed  
to Amendment 5 then take a short break.

Representative Stapp MOVED to ADOPT Amendment L 5 (copy on  
file):

Transaction Details

Title: Add Funds for UAF to Achieve R1 Research Status  
(FY26-FY27)  
Section: Language  
Type: MultiYr

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	0.0
Miscellaneous:	7,500.0
	7,500.0

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

1226 High Ed	7,500.0
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Explanation

These funds would be used to assist the University of  
Alaska Fairbanks campus to achieve R1 Research Status  
as defined by the Carnegie Classification of  
Institutions of Higher Education. The \$7.5 million  
will be funded from the Higher Education Investment  
Fund (1226) which will provide additional motivation  
for UAF to succeed in their pursuit of R1 Research

status and if successful, provide a return on investment to the University of Alaska in the form of higher enrollment and additional research grants.

Co-Chair Josephson OBJECTED for discussion.

Representative Stapp explained that the amendment concerned funding for the R1 [the highest level of research activity] classification at UA. He noted that the item was currently in the capital budget and used general fund dollars. The amendment would replace the general fund dollars with Higher Education Investment Fund (HEIF) dollars to reduce pressure on the budget. He stated that the balance of HEIF was a little over \$400 million and acknowledged that a \$7.5 million withdrawal might be excessive. He indicated that he was open to discussion and possible changes.

Co-Chair Schrage MOVED to ADOPT conceptual Amendment 1 to Amendment L 5 to reduce the amount to \$5 million.

Representative Galvin OBJECTED for discussion.

Co-Chair Schrage stated that the conceptual amendment was offered in a cooperative spirit after consultation with Representative Stapp and with the university. He believed that the approach addressed the main concerns.

Representative Galvin expressed appreciation for the collaboration between members from Fairbanks and Anchorage. She stated that she had not yet heard from the higher education representatives and wanted to know whether \$5 million might still be too high. She noted that there had been an increase in recipients of popular scholarships and expressed concern about depleting the fund. She asked for clarification regarding the potential impact.

Representative Stapp responded that the draw on the fund was probably too high and he suggested that LFD could provide more detail. He thought the draw was a little over 5 percent based on the individuals who were "overutilizing" scholarships. He was not sure how the rate would be maintained. He shared that his objective was to ensure the committee could fund items that were changed and vetoed during the conference committee process in the prior year. He thought that the amendment was the best way to accomplish the goal. He agreed on a broader level that continuing to draw from HEIF would not be beneficial, but

he intended for the amendment to be the final use of the fund in order to complete the project.

Representative Galvin noted that there was a backup document that was distributed to the committee (copy on file) that more clearly outlined the relevant figures. The document made her more comfortable with the amendment and she was in support of the amendment, particularly the \$5 million amount. She acknowledged the importance of the scholarships but also recognized the potential for the program to eventually generate returns that would exceed the \$5 million investment. She shared that she would vote in favor of the conceptual amendment.

[Although not explicitly stated, Representative Galvin WITHDREW the OBJECTION.]

There being NO further OBJECTION, conceptual Amendment 1 to Amendment L 5 was ADOPTED.

[4:44:14 PM](#)

Co-Chair Josephson MOVED to ADOPT conceptual Amendment 2 to Amendment L 5 (copy on file).

[Due to the length of the amendment, see copy on file for details.]

Representative Stapp OBJECTED.

Co-Chair Josephson stated that he was aware of the counterarguments but believed that the people of Alaska could not wait for the executive branch and the legislature to align on the issue of education. He emphasized that people needed to live their lives and move forward. He recounted attending a forum with former Alaska Governor Sean Parnell in Anchorage a year or two earlier, during which he had met with student athletes. He explained that Governor Parnell and the regents were seeking \$5 million, with \$4 million to be split evenly between the campuses. He noted that the University of Alaska Anchorage (UAA), where he had earned a master's degree and taught previously, would receive \$2 million for its sports programs. He added that the University of Alaska Fairbanks (UAF) would also receive \$2 million.

Co-Chair Josephson acknowledged the challenging fiscal environment but believed there was a valid economic argument for the funding. He explained that athletics generated benefits similar to other industries, such as increased purchasing power, home buying, and overall economic activity. He noted that Governor Parnell had reported positive impacts in athletics due in part to designated general fund ticket purchases and heightened alumni engagement.

Representative Stapp MAINTAINED the OBJECTION.

Representative Bynum expressed appreciation for the proposed use of the funding but stated that he could not support the amendment. He thought it was a good cause but there were too many competing priorities. He argued that there was tremendous opportunity for the legislature to address backlog maintenance at the university and other facilities throughout the state, as well as address education funding. He asserted that if it was a priority for the university, it could find a different route to fund it other than UGF.

Co-Chair Josephson clarified that it was multi-year item and not a base item. He explained that it would be time-limited to two years.

Representative Allard relayed that she supported the amendment because she thought sports was a way to recruit students to come up to Alaska.

[4:48:26 PM](#)

A roll call vote was taken but VOIDED due to an incorrect tally.

[4:50:30 PM](#)

AT EASE

[4:55:37 PM](#)

RECONVENED

Co-Chair Josephson recognized that Representative Andrew Gray, Representative Rebecca Schwanke, and Representative Bill Elam were in the room.

Co-Chair Josephson clarified that funding in the conceptual amendment would cover the same time span as the underlying Amendment L 5, which was FY 26 to FY 27.

[4:56:33 PM](#)

A roll call vote was taken on the motion to adopt conceptual Amendment 2 to Amendment L 5.

IN FAVOR: Galvin, Johnson, Stapp, Allard, Tomaszewski, Foster, Schrage, Josephson  
OPPOSED: Hannan, Bynum, Jimmie

The MOTION PASSED (8/3). There being NO further OBJECTION, conceptual Amendment 2 to Amendment L 5 was ADOPTED.

[4:57:53 PM](#)

Co-Chair Josephson asked if there was additional discussion about Amendment L 5 as amended.

Representative Allard OBJECTED.

Representative Bynum asked for clarification that conceptual Amendment 2 to Amendment L 5 that had just been adopted was in addition to Amendment L 5 itself. He understood that the conceptual amendment was additional funding for the R1 research status for FY 26 through FY 27, which had been amended to \$5 million, and that Amendment L 5 as amended included an additional \$4 million for another purpose.

Co-Chair Josephson responded in the affirmative.

Representative Stapp noted that as a reminder to the public, the funding for the R1 appropriation was already in the capital budget. He explained that the committee had reduced the general fund appropriation for the item and replaced it with funds from HEIF, which he believed was a good use of higher education money.

Representative Allard MAINTAINED the OBJECTION.

[4:59:18 PM](#)

A roll call vote was taken on the motion to adopt Amendment L 5 as amended.

IN FAVOR: Johnson, Tomaszewski, Stapp, Galvin, Foster,  
Schrage, Josephson

OPPOSED: Jimmie, Allard, Hannan, Bynum

The MOTION PASSED (7/4). There being NO further OBJECTION,  
Amendment L 5 was ADOPTED as amended.

5:00:40 PM

AT EASE

5:20:40 PM

RECONVENED

Co-Chair Schrage would not be offering Amendment L 6 and  
Amendment L 7 (copy on file).

Co-Chair Schrage MOVED to ADOPT Amendment L 8 (copy on  
file):

Agency: University of Alaska  
Appropriation: University of Alaska  
Allocation: Troth Yeddha' Campus

Transaction Details

Title: UAF Alaska Center Unmanned Aircraft System  
Integration (ACUASI) (FY26-FY28)  
Section: Section 1  
Type: IncT

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	0.0
Miscellaneous:	2,000.0
	2,000.0

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

1004 Gen Fund	2,000.0
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Explanation

Appropriates \$2,000,000 to the University of Alaska Fairbanks (UAF) as a IncT for Fiscal Years ending June 30, 2026, June 30, 2027, and June 30, 2028 (totaling \$6,000,000).

UAF conducts many of the testing operations needed to support the full integration of drones with traditional aircraft in United States airspace and develop the workforce needed to support this emerging industry in Alaska. The UAF and its partners across the University of Alaska system are working to develop a drone economy in Alaska.

This effort includes developing educational pathways into this emerging industry, working with the Federal Aviation Administration to develop rules and regulations that will allow the safe integration of drones with traditional aviation in Alaska, supporting the development and testing of technologies for Alaskan missions created by Alaskan companies, and determining the potential economic and social benefits of the technology to Alaskans, especially those in rural communities.

Representative Stapp OBJECTED.

Co-Chair Schrage explained that the amendment moved the UAF drone program to the operating budget. The amendment would appropriate \$2 million to the base budget for FY 26 through FY 28, totaling \$6 million over three fiscal years. He explained that to date, the program had received \$26 million in state funds, including \$6 million in 2024, \$10 million in 2023, and \$10 million in 2022, funded through both the capital and operating budgets. He relayed that he offered the amendment in recognition of the state's difficult fiscal environment. He noted that the amendment spread the appropriation over multiple years rather than providing the funding in the capital budget up front, which maintained more of the state's cash position in the current year where it was most needed.

Representative Stapp observed that Amendment L 9 appeared to accomplish a similar objective. He noted that he did not know if his point was procedurally appropriate. He requested an explanation of the difference between the two

amendments. He indicated that he would likely remove his objection after the explanation.

Co-Chair Schrage agreed that an explanation was worthwhile and invited Mr. Michael Partlow from LFD to address the question.

[5:23:04 PM](#)

MICHAEL PARTLOW, BUDGET ANALYST, LEGISLATIVE FINANCE DIVISION, explained that the difference between the two amendments concerned the timing of the appropriations. He stated that Amendment 8 appropriated \$2 million in the current year and maintained the amount in the budget for the following three years. In contrast, Amendment L 9 would provide the full appropriation up front and give the program three years to spend the money. He summarized that Amendment L 8 spent less in the current fiscal year and added recurring funding to the budget, while Amendment L 9 provided the full appropriation immediately and allowed expenditures over the same period of time.

Representative Johnson asked if a multi-year appropriation in the capital budget allowed the money to be spent over several years. She understood that the funds typically lapsed at the end of the fiscal year in the operating budget. She requested clarification on how the process worked.

Mr. Partlow responded that appropriations could be structured across multiple fiscal years in the language section of the operating bill. He clarified that Section 1 usually contained single-year appropriations, but the operating budget could include specific language to allow funds to be spent over several years.

[5:24:43 PM](#)

Representative Stapp WITHDREW the OBJECTION. He asked what the capital appropriation amount was.

Mr. Partlow responded that he did not have the number offhand.

[5:25:06 PM](#)

AT EASE

5:26:02 PM  
RECONVENED

Representative Hannan OBJECTED.

Representative Bynum asked why the funding was being moved into the operating budget rather than the capital budget.

Co-Chair Schrage responded that the original appropriation in the capital budget had been \$7.5 million. He indicated that the legislature did not have the funds to provide the amount up front to the university given the state's tight fiscal situation. He stated that by moving the item into the operating budget, the legislature could fund the program incrementally, put less money toward the program in the current year, and protect the state's financial position.

Representative Bynum asked what would happen to the program if future budgets became constrained and the program became unfunded.

Co-Chair Schrage replied that if the financial position continued to decline, the legislature would continue to face the same problem whether the money was provided in the current year or in future years. He remarked that the legislature should continue to evaluate which programs were funded. He stated that the amendment offered an opportunity to review the funding year by year and prioritize the limited resources available.

Representative Hannan WITHDREW the OBJECTION.

Representative Allard OBJECTED.

5:28:28 PM

A roll call vote was taken on the motion to adopt Amendment L 8.

IN FAVOR: Hannan, Bynum, Johnson, Tomaszewski, Stapp, Galvin, Foster, Schrage, Josephson  
OPPOSED: Allard, Jimmie

The MOTION PASSED (9/2). There being NO further OBJECTION, Amendment L 8 was ADOPTED.

5:29:37 PM

AT EASE

5:34:03 PM

RECONVENED

Co-Chair Schrage would not be offering Amendment L 9 (copy on file).

5:34:17 PM

Co-Chair Schrage MOVED to ADOPT Amendment L 10 (copy on file):

Agency: University of Alaska  
Appropriation: University of Alaska  
Allocation: Troth Yeddha' Campus

Transaction Details

Title: UAF Agriculture and Food Systems for Alaska's  
Economic Sustainability (FY26-FY28)  
Section: Section 1  
Type: IncT

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	0.0
Miscellaneous:	1,000.0
	1,000.0

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

1004 Gen Fund	1,000.0
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Explanation

Appropriates \$1,000,000 for the University of Alaska Fairbanks for research into agriculture and food systems for Alaska's economic sustainability for

fiscal years ending June 30, 2026, June 30, 2027, and June 30, 2028 (totaling \$3,000,000).

Alaska agricultural research will become more agile as Alaska faces increasing food security demands and the need for industrial growth and expansion to help all Alaskans live better lives. Investment in agricultural research by Alaska will open more opportunities for diversified research production, meet federal capacity grant funding needs, and become a viable place for collaborative agricultural research with other states and nations.

Representative Stapp OBJECTED.

Co-Chair Schrage explained that the amendment aimed to move the UAF agriculture and food systems for Alaska economic sustainability project from the capital budget to the operating budget. The amendment would appropriate \$1 million to the base for FY 26 through FY 28, totaling \$3 million dollars over the three fiscal years. He remarked that the research project would be more appropriately placed in the operating budget rather than the capital budget.

Co-Chair Josephson asked whether the governor had originally placed the item in the capital budget.

Co-Chair Schrage responded in the affirmative.

Representative Stapp WITHDREW the OBJECTION.

Representative Johnson OBJECTED. She asked whether a vote in opposition to the amendment meant voting for the item to remain in the capital budget. She asked if the item would simply return to the capital budget if the amendment was not adopted.

Co-Chair Josephson responded that he was confident that the item would remain in the capital budget if the amendment was not adopted.

Co-Chair Schrage confirmed that if the amendment failed, the item would remain in the capital budget at a higher amount. He relayed that the state's total UGF budget, including both operating and capital, would be higher if the amendment were to fail. He clarified that adopting the

amendment would reduce UGF spending in the upcoming fiscal year and preserve funds and flexibility for future fiscal years while spreading the investment over time.

Representative Johnson asked for clarification on whether the item would remain in the capital budget.

Co-Chair Schrage responded that it was UGF in the capital budget, but at a higher dollar amount. He emphasized that moving the appropriation to the operating budget would decrease the appropriation for the upcoming fiscal year while maintaining flexibility for future investment.

Representative Johnson commented that she understood.

Representative Johnson MAINTAINED the OBJECTION.

[5:37:42 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Galvin, Hannan, Jimmie, Foster, Schrage, Josephson

OPPOSED: Stapp, Allard, Tomaszewski, Bynum, Johnson

The MOTION PASSED (6/5). There being NO further OBJECTION, Amendment L 10 was ADOPTED.

[5:38:34 PM](#)

Co-Chair Schrage did not offer Amendment L11 (copy on file).

Representative Stapp did not offer Amendment L 12 (copy on file).

[5:38:54 PM](#)

Representative Tomaszewski MOVED to ADOPT Amendment L 13 (copy on file):

Transaction Details

Title: Extend Arctic Winter Games Grant through FY26

Section: Language

Type: Lang

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	0.0
Miscellaneous:	0.0
	0.0

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

Explanation

Changing to extend the Arctic Winter Games Grant from June 30, 2025 through the fiscal year ending June 30, 2026

Page 13 line 23, following "DEVELOPMENT."  
Insert "(a)"

Page 13 following line 26:

Insert a new subsection to read:

"(b) Section 35(/), ch. 7, SLA 2024, is amended to read:

(/) The sum of \$150,000 is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to Arctic Winter Games Team Alaska for Arctic Winter Games events for the fiscal years [YEAR] ending June 30, 2025, and June 30, 2026."

Co-Chair Schrage OBJECTED for purposes of discussion.

Representative Tomaszewski explained that the amendment concerned the Arctic Winter Games grant. He stated that the funding had been included in the prior year's budget, but the games had not been held in 2025 and the funding had not been used. He noted that the Arctic Winter Games would take place in 2026 and the amendment would allow the existing funding to be used. He emphasized that the amendment would have no cost to the FY 26 budget since the funding was already in place. The amendment simply changed the year in which the funding could be utilized.

Co-Chair Schrage WITHDREW the OBJECTION.

5:39:40 PM

AT EASE

5:44:06 PM

RECONVENED

Representative Hannan stated that her recollection was that the \$150,000 appropriation had been made at the end of the previous year's session to backfill the 2024 Arctic Winter Games held in the Matanuska-Susitna Valley. She expressed surprise that the current amendment suggested that none of the funds had been spent the previous year. She noted that the 2026 Arctic Winter Games would be held in Whitehorse and asked whether any money from the previous year's appropriation had been spent or if the funds were simply sitting in the account. She wondered if the money might revert to the state if the amendment were not adopted, because the funding was a grant to an organization rather than general fund revenue.

Co-Chair Josephson asked if LFD could clarify the situation and the balance of the account.

Mr. Painter replied that he did not know the balance but shared that the last games had been held in March of 2024, while the appropriation did not take effect until July 1, 2024. The funds could not be used for the 2024 games because the games had already concluded. He explained that the appropriation was made to Team Alaska, which incurred expenses associated with participation regardless of the location of the games. He emphasized that he did not know how much of the appropriation had been spent so far in the current year.

Representative Hannan relayed that she would vote in opposition to the amendment. She remarked that there had been an extensive campaign to rush the appropriation for FY 24 to assist the program. She thought that it felt misleading. She expressed concern that the current amendment made it appear as though the funds had not been spent, while the prior urgency suggested otherwise. She felt misled because none of the funds had been spent and there was desire to hold on to the funds for the next two years.

Co-Chair Josephson advised that Representative Hannan was not suggesting anyone had been intentionally misleading, but that the program had been misleading.

Representative Hannan responded in the affirmative. She asserted that the legislature was led to believe that the fiscal situation was desperate and that securing sponsorships for the program had been difficult.

Representative Johnson recalled that the funding had been appropriated by the Senate. She emphasized that the grant was for the organization as a whole rather than an event at a specific location. The funds covered expenses like the athletes' uniforms and travel. She stated that she did not feel misled and highlighted the importance of maintaining consistent support for the program over time to ensure that local athletes throughout Alaska could participate.

Co-Chair Josephson asked Mr. Painter to confirm that accounting was being done for the grant.

Mr. Painter confirmed that DCCED managed the grant and paid the invoices.

[5:49:05 PM](#)

Representative Allard explained that her daughters had been invited to the Arctic Winter Games, but the event had been canceled due to the COVID-19 pandemic. She noted that the organization had incurred substantial upfront expenses and had not yet been reimbursed. She recalled that a prior reimbursement of approximately \$275,000 had been authorized by the Anchorage Assembly to cover some of the costs. She added that the current funding would support scholarship funds for the next cycle. The organization needed funds in advance to pay deposits for hotels, flights, buses, and uniforms and without the funding, the organization could not provide the necessary arrangements for the participating children and teenagers.

Representative Hannan relayed that she had changed her position on the amendment. She had recently heard from two legislators who offered the amendment the prior year. She explained that DCCED had not permitted the Arctic Winter Games to use grant funds for uniforms, which had been the original intent of the amendment. By moving the funding to

the next fiscal year, the organization would be able to cover the cost of uniforms that had already been purchased but had not been reimbursed.

Representative Hannan WITHDREW the OBJECTION.

Co-Chair Schrage OBJECTED.

Co-Chair Josephson asked for clarification that the Arctic Winter Games wanted to use the funding to pay for uniforms and that DCCED did not want to provide the money.

Representative Hannan explained that as it was written in the prior year's budget, DCCED stated that it was not allowed to pay for the uniforms.

Co-Chair Josephson thought that the amendment did not seem that restrictive.

Representative Galvin suggested moving a conceptual amendment to explicitly allow use of the funding for uniforms and travel. She thought a conceptual amendment could ensure that there was consistency with the original intent of the grant and avoid restrictions that might still apply under DCCED's rules.

Representative Tomaszewski stated that he did not object to broadening the amendment to allow the organization to use the funds for travel and uniforms. He thought that a clarification would ensure that students would not face logistical difficulties when traveling to Whitehorse.

Co-Chair Schrage explained that he had raised an objection because there was some uncertainty about the history and the specific amount required for uniforms. He emphasized that while he supported the Arctic Winter Games and the ability for participants to obtain uniforms, he did not think there was clear and consistent information regarding the funding needs. He requested to set the amendment aside temporarily to gather more information before voting. He understood that in the previous year, the House had included in the budget \$300,000 in UGF for ongoing annual support of Team Alaska for the Arctic Winter Games. He observed that in previous years, grants to the organization had been ad hoc and determined annually. He suggested that if the conference committee agreed with the House, the grant could become an automatic annual appropriation. He

reiterated that he did not have the clarity he needed on the situation. Although the \$150,000 request might not seem significant, the state's fiscal situation was difficult and he was concerned that the funding might be better used elsewhere.

Co-Chair Josephson noted that Representative Ashley Carrick was present in the audience.

[5:54:41 PM](#)

Mr. Painter explained that he had received additional information from OMB while the committee was deliberating. According to OMB, the current scope of the Arctic Winter Games grant was broad enough to encompass uniforms. He noted that no funds had yet been spent, but the grant agreement was still being finalized. He explained that the extension would allow the funding to be extended into the next fiscal year, and uniforms fell within the scope of the grant.

Co-Chair Josephson asked for confirmation that the \$150,000 request was not exclusively for uniforms or travel and it could also cover accommodations or other expenses.

Mr. Painter confirmed that the department was currently coordinating with the grantee to define the exact scope of the grant.

Representative Stapp suggested that the committee might be overanalyzing the issue. He noted that the Arctic Winter Games had received a \$300,000 grant, but the organization could not obtain full reimbursement within the original timeframe. He stated that the amendment simply allowed additional time to expend the funds, which the organization might have already covered on its own. He asserted that there was no apparent harm in providing a longer duration for use of the funds.

Co-Chair Josephson commented that he did not see the harm in it either.

[5:56:29 PM](#)

AT EASE

[5:56:59 PM](#)

RECONVENED

Co-Chair Josephson relayed that the committee would allow Representative Carrick to speak on the amendment, which was unusual. He offered reassurance that he would not make a habit of the situation.

Representative Carrick expressed appreciation for the committee's indulgence. She recalled that in the prior year, she and former Representative Mike Cronk had jointly offered a \$150,000 amendment on the House floor for the Arctic Winter Games. She clarified that the amendment was a direct grant to a named recipient through DCCED, intended for expenditures related to the 2026 games. She explained that the intent had been to use the funding in 2025 for uniforms for the 2026 team. However, DCCED had informed the Arctic Winter Games that because the amendment language specified the 2026 games, the funds could not be spent in 2025. She encouraged the committee to support the amendment, which extended the budgetary authority and provided flexibility for reimbursement of the uniforms, which the organization had already purchased through other means.

Co-Chair Josephson asked whether there were any additional matters to address regarding the item.

Representative Allard emphasized the importance of the funding, noting that almost 2,500 athletes from Alaska participated in the Arctic Winter Games. She highlighted that Alaska was the only U.S. state invited to compete alongside international participants. She remarked that the funding was a high priority relative to other state expenditures, such as park maintenance.

Representative Bynum stated that he intended to propose a conceptual amendment but requested a brief at ease before proceeding.

[5:59:36 PM](#)

AT EASE

[5:59:48 PM](#)

RECONVENED

Co-Chair Josephson announced that the committee would be at ease for approximately 30 minutes.

6:00:04 PM

AT EASE

6:44:50 PM

RECONVENED

Co-Chair Josephson noted the committee was on Amendment L 13. He asked if there was more discussion.

Representative Bynum OBJECTED.

Representative Bynum MOVED to ADOPT conceptual Amendment 1 to Amendment L 13.

Representative Hannan OBJECTED for discussion.

Representative Bynum explained that the conceptual amendment would add \$5 million for tourism marketing for FY 26. He noted that it was a DCCED marketing and tourism appropriation and he had been seeking the most appropriate location to present the amendment. Tourism was one of the pillars of Alaska's economy and a highly competitive sector, and the \$5 million appropriation would go directly to marketing, not to administrative costs or overhead. He remarked that marketing produced a return between nine to twelve times the dollars invested. He pointed out that other states were spending significantly more, with Montana allocating \$5 million annually, Utah allocating \$20 million, and Hawaii allocating \$60 million. He stressed that it was imperative for Alaska to remain competitive both nationally and globally. The Alaska tourism industry was a major economic driver and the second largest industry for private employers in the state, employing one in ten Alaskans. He stated that in 2023, 2.5 million visitors came to Alaska, generating more than \$5 billion in economic activity. He explained that data from the Alaska Travel Industry Association (ATIA) showed that for every \$1 invested in tourism marketing, the state received \$9 to \$12 in visitor spending. He stated that a \$5 million investment could generate between \$45 million and \$60 million in new spending that would benefit local businesses, restaurants, tourism operations, and communities statewide. He added that ensuring a robust economy was essential while other industries faced challenges.

Co-Chair Josephson asked for clarification that the conceptual amendment directed \$5 million to ATIA.

Representative Bynum confirmed that the ultimate goal was to direct the funding to ATIA.

Co-Chair Josephson asked if the amendment would apply to a multi-year FY 25 to FY 26 appropriation and whether the governor could spend the funds as early as June of 2025 if the bill were signed on June 1.

Representative Bynum responded that his intention was for the funding to apply only to FY 26.

Representative Galvin expressed appreciation for the amendment and for ATIA's work. She stated that although she strongly supported ATIA, she would not support the amendment because her research indicated that ATIA could find support through another avenue. She acknowledged the importance of discussing the high return on investment and understood that ATIA's work was highly valuable to the economy. She remarked that it was comparable to the strong return seen in early learning. She added that historically, ATIA had been tied to car rental tax revenues. She explained that about 70 percent of car rental tax dollars came from out-of-state travelers and that the original intent was to direct those funds to ATIA. She noted that during difficult fiscal times, the funding arrangement had changed. She reiterated that she appreciated the amendment, though she would not be voting in favor of it.

[6:51:14 PM](#)

Representative Stapp observed that the underlying amendment was in the language section. He thought that if it was not a multi-year appropriation, it would be difficult to insert it into the language section.

Co-Chair Josephson noted that he had a similar concern. He asked Mr. Painter to provide clarification.

Mr. Painter replied that the conceptual amendment would add an unrelated item in a different fiscal year. He explained that the underlying amendment referred to a supplemental language item applying from FY 25 to FY 26. He was not certain if the conceptual amendment would add the \$5 million to the base or as an IncT. He relayed that the

conceptual amendment could be placed in the bill if it was the will of the committee. He added that the one point needing clarification was whether it would be permanent or an IncT.

Co-Chair Josephson understood that the conceptual amendment was manageable. He asked Representative Bynum what his intent was in terms of the longevity of the appropriation.

Representative Bynum responded that his intention was for it to be a single-year appropriation and not a multi-year item.

Representative Allard remarked that her concern was that the conceptual amendment would be included within Amendment L 13. She explained that she would vote no on the conceptual amendment, which would in turn prevent her from supporting the underlying Amendment L 13. She asserted that it would jeopardize her ability to vote in favor of Amendment L 13, which she regretted, and wished that there was a better placement for the conceptual amendment.

[6:53:46 PM](#)

Representative Johnson commented that she shared the same concern as Representative Allard. She expressed uncertainty whether the intent of the conceptual amendment was to undermine the Arctic Winter Games funding, which was how it appeared.

Representative Hannan stated that she would not support conceptual Amendment 1 to Amendment L 13. She explained that it had taken her time to understand that Amendment L 13 did not add money or create new spending, but rather extended the appropriation at zero cost. She noted that she could support the underlying amendment, but she could not support adding the \$5 million in the current budget.

Co-Chair Foster shared that he supported both measures. He emphasized that by voting in favor of the ATIA funding, he was not attempting to undermine the Arctic Winter Games funding.

Representative Bynum relayed that the state had a seafood industry that had received \$10 million in allocations because of its recognized importance to economic growth. He asserted that tourism was no less important, especially

given the current condition of the economy. He added that the request had been made in prior years and had been included in budgets consistently, demonstrating that it produced economic growth and a return on investment.

A roll call vote was taken on the motion.

IN FAVOR: Bynum, Tomaszewski, Josephson, Foster

OPPOSED: Johnson, Hannan, Jimmie, Allard, Galvin, Stapp, Schrage

The MOTION to ADOPT conceptual Amendment 1 to Amendment L 13 FAILED (4/7).

[6:56:25 PM](#)

Co-Chair Josephson noted that Amendment L 13 was before the committee.

Co-Chair Josephson WITHDREW the OBJECTION. There being NO further OBJECTION, Amendment L 13 was ADOPTED.

Co-Chair Josephson reminded members that Amendment 14 had already been addressed.

Co-Chair Schrage did not offer Amendment N 15 (copy on file).

Representative Jimmie did not offer Amendment N 16 (copy on file).

Representative Bynum did not offer Amendment N 17 (copy on file).

Representative Stapp did not offer Amendment N 18 (copy on file).

Representative Stapp MOVED to ADOPT Amendment N 19 (copy on file).

[Due to the length of the amendment, see copy on file for details.]

Co-Chair Josephson OBJECTED for discussion.

[6:58:55 PM](#)

Representative Stapp remarked that he considered the amendment an actual cut, unlike the earlier unallocated cut. He noted that he had provided an OMB handout to accompany the amendment (copy on file). He relayed that each year, the committee received a lapse report from OMB which outlined how much money from the prior year's departmental appropriation would lapse back into either the waterfall funds for capitalization of AlaskaCare, or into the CBR.

Representative Stapp pointed out that the amendment proposed to cut vacant positions that had remained unfilled for more than two years, although DOA had informed him that one of the positions had been filled that day. He directed the committee's attention to the OMB handout, which indicated that DOA was not projected to lapse any funds. When appropriations were passed, the committee budgeted positions above the vacancy factor and a not at 100 percent staffing level. He stated that when examining unfilled positions in state government, the vacancy rate was substantially higher than the vacancy factor, which resulted in more money being budgeted than was theoretically necessary to hire employees.

Representative Stapp asserted that two years was too long for a position to remain unfilled and urged departments either to hire for unfilled positions or to disclose how personnel services funds were being used. He emphasized that personnel services reports often reflected expenditures for overtime or other types of pay. He added that departments should inform the legislature how much funding was needed for overtime, specific letters of agreement, or contracts, so the legislature could budget accurately rather than assuming funds would lapse when OMB reports indicated otherwise. He highlighted that OMB reported an anticipated lapse of only \$1.9 million, which he believed was implausible given the number of vacant positions. He asserted that the question should be divided. He stated that DOA had informed him that it had filled the chief of information technology position earlier that day. He noted that he had required DOA to provide evidence that the position had been filled.

Representative Stapp MOVED to ADOPT conceptual Amendment 2 to Amendment N 19, which would delete page 2 of the amendment. There being NO OBJECTION, conceptual Amendment 2 to Amendment N 19 was ADOPTED.

Co-Chair Josephson asked for an explanation of the intent of the conceptual amendment.

Representative Stapp clarified that the conceptual amendment removed the vacant deputy commissioner position and the vacant benefits technician position, leaving two positions remaining.

Representative Hannan noted that page 2 of Amendment N 19 included more than one position with different cost values. She asked which position had been filled and funded.

Representative Stapp acknowledged the oversight. He stated that he had mistakenly cut two positions instead of one, but that the conceptual amendment had already passed and had deleted page 2. He remarked that he was willing to let it go for the sake of the argument.

Co-Chair Josephson understood that page 1 of Amendment N 19 referred to a vacant deputy commissioner and a chief operating officer, while page 2 referred to removing a vacant technology architecture specialist. The bottom of page 2 also referenced the removal of a vacant attorney position. He expressed uncertainty regarding how many positions were being discussed.

Representative Stapp stated that he would attempt to clean the amendment up. He asked for a second "bite at the apple."

Representative Stapp MOVED to RESCIND action on conceptual Amendment 1 to Amendment N 19.

There being NO OBJECTION, the action was rescinded.

Representative Stapp MOVED to ADOPT conceptual Amendment 2 to Amendment N 19. He explained that the conceptual amendment would remove only the deletion of the one position that had been filled by DOA, which was the chief of information technology position.

Co-Chair Josephson clarified that the conceptual amendment did not remove a deputy commissioner, a publication specialist, or an attorney.

Representative Stapp responded that was incorrect. He requested a brief at ease to write the amendment clearly.

7:06:19 PM

AT EASE

7:07:18 PM

RECONVENED

Representative Stapp MOVED to ADOPT conceptual Amendment 2 to Amendment N 19.

Representative Stapp thanked the committee for the second opportunity. He explained that page 2 of Amendment N 19 included an allocation for the chief information officer position within the Office of Information Technology (OIT), which had been filled. He relayed that the conceptual amendment would "delete the deletion" of the position from the underlying amendment.

Representative Hannan remarked that she should have raised the issue earlier when she first realized there was a discrepancy. She commented that Representative Stapp referred to the position as the chief information officer, but the actual job title was technology architecture specialist. She emphasized the need to ensure that the committee was not deleting the chief information officer allocation.

Representative Stapp confirmed that Representative Hannan was correct. He explained that the technical title of the position was technology architecture specialist. He remarked that the chief information officer would appreciate the clarification.

Representative Galvin asked whether OIT been consulted. She sought to understand if the funds for the unfilled position were being used to contract out the work. She noted that contracting often occurred with positions that departments intended to fill but could not, and she emphasized the importance of understanding whether the funds were supporting contracted services.

Representative Stapp clarified that the conceptual amendment would simply prevent the deletion of the position, and that the broader question about contracting would relate to the underlying amendment.

Co-Chair Josephson summarized that before the committee was conceptual Amendment 2 that would maintain the underlying Amendment N 19 in its current form, except that it would delete the removal of the vacant technology architecture specialist, which had been filled. He noted that the change would result in the elimination of five positions.

7:10:33 PM

AT EASE

7:12:56 PM

RECONVENED

Co-Chair Josephson remarked that he had reviewed the PCN sheet showing positions that were vacant for greater than six months. He highlighted that the Public Defender Agency (PDA) was listed on the sheet as OPA [Office of Public Advocacy].

Representative Hannan relayed that although she had not served on the DOA subcommittee that year, she had in the past. She recalled that OPA worked diligently to hire and retain attorneys and frequently had to contract out attorneys. She explained that she could not support the amendment. She emphasized that when the committee had passed Amendment 14 and provided unallocated cuts to the departments, her expectation would have been that vacant positions would be cut and used as part of the vacancy rate reduction. She could not support eliminating an expansion of OPA, which had been hard fought, given the existing backlog of OPA cases and obligations due to court rulings involving children and guardianships that required each child to have an individual attorney. She reasoned that although the money had not lapsed, it was likely still needed to meet the obligations. She reiterated that she would not support Amendment N 19.

Representative Allard expressed her support for the amendment. She asserted that commissioners who had testified before the committee had admitted that vacancies existed and that some of the vacant positions had been used for overtime. She believed that cutting the positions would force departments to return to the committee and explain why the positions were vital. She argued that if the positions were truly vital, they would have been filled and active recruitment would have been underway. She also

contended that while it had been suggested that Amendment 14 gave the governor the authority to manage unallocated cuts, in her six years of experience she did not recall departments actually cutting vacancies. She insisted that departments should justify the importance of positions directly to the legislature and taxpayers. She maintained that departments had used the money for other purposes. She remarked that despite asking repeatedly, she had not received documentation of what the positions were intended for, except from OMB. Based on OMB's findings, she concluded that the positions should be eliminated.

[7:16:32 PM](#)

Representative Galvin asked if anyone had reached out to DOA and received a response about the positions. She explained that she asked because during her own subcommittee work, she had encountered similar circumstances where positions were unfilled. She had sought information from the Alaska Oil and Gas Conservation Commission (AOGCC) and other agencies to understand the gaps and vacancies more fully. When AOGCC did not have a good explanation, a decrement had followed.

Representative Stapp explained that DOA provided the committee with a report annotating all the PCNs, how many months the positions had been vacant, whether the departments were hiring, and administration updates. He remarked that the reason he had offered a conceptual amendment was because DOA informed him that it had hired an individual for the position. He confirmed that he had asked DOA to prove that the position had been filled, which the department had done. He recalled that the commissioner of DNR recently testified that positions were intentionally left unfilled and that the funds were used for other purposes. He commented that if the amendment were adopted, it would force the departments to be more transparent with the use of money. He agreed with Representative Hannan that OPA was important, but explained that if it was contracting out services, it needed to inform the legislature that it was doing so rather than reporting that it was attempting to hire staff. He stressed that the only way the legislature would know how departments were actually using their personnel services allocations was if they were required to show that information in the budget line items.

Representative Stapp remarked that he always asked the same questions: where did the money go, and what did the money do. He stated that if a department needed to contract out a service, the department needed to disclose it. He emphasized that part of his goal was transparency. He pointed out that OMB provided a lapse report showing that no money would lapse. He relayed that his question was whether the positions were being hired for or not, and if not, he argued that the funds should lapse.

[Although not explicitly stated, conceptual Amendment 2 to Amendment N 19 was ADOPTED.]

7:19:48 PM

Co-Chair Josephson MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Johnson, Stapp, Allard, Tomaszewski, Bynum  
OPPOSED: Jimmie, Hannan, Galvin, Foster, Schrage, Josephson

The MOTION to adopt Amendment N 19 FAILED (5/6).

7:20:51 PM

AT EASE

7:21:18 PM

RECONVENED

Co-Chair Josephson MOVED to ADOPT Amendment N 20 (copy on file):

Agency: Commerce, Community & Econ Dev  
Appropriation: Alaska Energy Authority  
Allocation: Rural Energy Assistance

Transaction Details

Title: Data Library Administration, Hosting,  
Expansion, and Digitization

Section: Section 1

Type: IncOTI

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	250.0

Commodities:	0.0
Capital Outlay:	0.0
Grants:	0.0
Miscellaneous:	0.0
	250.0

Positions	
Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)	
1219 Engy Tech	250.0

#### Explanation

Amendment #4 would remove this funding from the language section of the bill and this amendment will add it back to the numbers section. The funding will provide for continued digitization of AEA records to be added to the online repository.

Last session, AEA received a \$200.0 IncOTI for this data project using AEA Receipts.

Representative Stapp OBJECTED.

Co-Chair Josephson asked to hear from Mr. Painter. He believed the amendment was essentially a cleanup item and related to a library system that had been widely used. He asked Mr. Painter to explain transactionally what the item entailed.

Mr. Painter responded that the governor's original budget included a reappropriation of a past appropriation to the Emerging Energy Technology Fund (EETF) to pay for the cleanup item in the amendment through a supplemental. He explained that EETF had historically been repealed and legally appropriating from a fund that did not exist in statute made it troublesome for the drafters. However, the administration indicated that an appropriation was still needed to release the remaining balance from the fund, despite its repeal. The best solution was to treat the appropriation as an FY 26 numbers item using the fund code for EETF. He explained that the governor's original request had been for \$225,000, but the amount had been increased to \$250,000 in order to capture the entire balance. He emphasized that the fund was inactive and had been repealed

in statute, and the amendment was intended only to clear the final balance for the data library project.

Co-Chair Josephson confirmed that it was not an addition by the legislature but rather a redirection of funds from a repealed source. He asked Mr. Painter if the \$25,000 increase had been his recommendation.

Mr. Painter responded in the affirmative. He explained that the adjustment had been made in order to ensure the full balance was captured. He reiterated that the action achieved the same purpose as the governor's original proposal but in a different fiscal year, through the numbers section, and with a modest increase.

Representative Hannan observed that the explanation in the amendment made reference to Amendment L 4, which she believed might have been a cutting and pasting error. She pointed out that the explanation also mentioned that the Alaska Energy Authority (AEA) had received \$200,000 in the previous session as a one-time increment for the same data project. She asked if the increment was the previous attempt to clear the fund that had not succeeded, or whether it had been a separate situation. She inquired if the fund still held money. She noted that the source was not UGF and asked if it represented a fund source swap rather than a UGF add.

Mr. Painter responded that Amendment L 4 was the previously discussed language amendment that deleted the governor's supplemental language. The amendment under consideration replaced that language with other language with the same function. He confirmed that the reference to the prior session's \$200,000 increment was intended to show that the project had been ongoing. He added that AEA receipts represented another fund code, while the amendment was tied to a designated general fund code.

[7:25:16 PM](#)

[Although not explicitly stated, the OBJECTION was WITHDRAWN.]

There being NO further OBJECTION, Amendment N 20 was ADOPTED.

Representative Jimmie MOVED to ADOPT Amendment N 21 (copy on file).

Co-Chair Josephson OBJECTED for discussion.

Representative Jimmie explained that Amendment N 21 removed \$577,200 and three new full-time positions for a proposed Office of Entrepreneurship. She argued that the state should not allocate money to assist individuals in generating private income. She thought that such an idea might be appropriate during times of surplus but not under current fiscal conditions.

Representative Bynum understood that the Office of Entrepreneurship had been added through the supplemental process. He recalled that it had not been pending further action but had already been inserted into the budget. He asked if his understanding was correct.

Co-Chair Josephson replied that that during the subcommittee process for DCCED, a member had sought to create an Office of Entrepreneurship. The item creating the office had since been removed from the budget, but the associated funds were not removed. He added that there was another bill that was currently pending that was topically similar.

Representative Bynum remarked that he was satisfied with the explanation. He understood that conforming changes would be made to the budget if necessary.

Representative Galvin commented that she appreciated the intent behind the amendment, but she agreed that it was not the right time for an investment in a new office. She cautioned that if action was not taken soon, the state risked continuing in a downward financial spiral.

Representative Tomaszewski observed that future amendments appeared to restore the item creating the office. He asked if it was the intention to add the item back in the next amendment.

[7:29:14 PM](#)

AT EASE

[7:30:33 PM](#)

RECONVENED

Co-Chair Josephson shared that the Office of Entrepreneurship was potentially going to be created in a different committee substitute. He asked to hear from his staff.

ALEXANDER SCHROEDER, STAFF, REPRESENTATIVE ANDY JOSEPHSON, explained that N Amendment 22 changed the title from the Office of Entrepreneurship. He clarified that the amendment decremented the positions and then restored them under the title "Add positions to develop and lead efforts to diversify and grow Alaska's economy." He emphasized that the goal had not been to eliminate the positions but rather to retitle them so that the appropriation more accurately reflected the appropriation.

Representative Tomaszewski asked if the same individuals would be performing similar work under the new title.

Mr. Schroeder responded in the affirmative.

Co-Chair Josephson explained that the answer to Representative Tomaszewski's question was that if N Amendment 21 was adopted, he would withdraw N Amendment 22.

Co-Chair Josephson WITHDREW the OBJECTION.

Representative Stapp OBJECTED. He remarked that he would likely support the amendment but wanted to clarify that part of the role of government was to support growth in the private sector.

A roll call vote was taken on the motion.

IN FAVOR: Hannan, Tomaszewski, Bynum, Johnson, Galvin, Jimmie, Stapp, Foster, Schrage  
OPPOSED: Allard, Josephson

The MOTION PASSED (9/2). There being NO further OBJECTION, Amendment N 21 was ADOPTED.

Co-Chair Josephson WITHDREW Amendment N 22 (copy on file).

Representative Jimmie did not offer Amendments N 23, 24, 25, and 26 (copy on file).

[7:34:54 PM](#)

Representative Stapp MOVED to ADOPT Amendment N 27 (copy on file). [Due to the length of the amendment, see copy on file for details.]

Co-Chair Josephson OBJECTED for discussion.

Representative Stapp explained that he was working department by department through multi-year vacancies. He relayed that the amendment listed several positions identified as vacant in the information provided by OMB. He drew attention to lapse reports from OMB dated March 6, 2025 (copy on file) which also showed that the positions remained vacant. He pointed out that departments were not projecting lapses, which he found notable because the funds were either used to hire personnel or were expected to lapse. He questioned where the money appropriated for the positions was going if the positions remained unfilled and OMB was not projecting a lapse.

Representative Tomaszewski stated that the committee faced an underfunded budget and emphasized that when positions remained vacant, it was necessary to be diligent with available funds. He expressed support for the amendment and encouraged addressing the issue, which he considered to be a significant problem.

Representative Johnson remarked that she was experiencing a sense of "déjà vu." She recalled proposing an amendment to remove the same position a couple of years prior, but the position seemed to be returning again because the department had been unable to fill it. She remembered commenting at that time that actuaries commanded high salaries and she had questioned whether the department would be able to fill the position. She expressed support for the amendment. She understood the duties had been contracted out instead of employing a full-time actuary. She thought it was important to shift some vacant positions into contract labor or something similar. The current budget did not seem to reflect what was happening in practice and she remarked that it was interesting to see the issue resurface.

Co-Chair Josephson pointed out that much of the funding was not from the general fund. He asked whether the money for the utility engineering analyst position under the

Regulatory Commission of Alaska (RCA) would lapse back to the RCA since it originated from the commission's receipts.

Representative Stapp responded that his assumption was that RCA receipts would lapse back to the RCA, unless the funds were part of an interagency transfer. He would defer to Mr. Painter to provide a clearer answer.

Co-Chair Josephson invited Mr. Painter to address the question.

[7:39:12 PM](#)

AT EASE

[7:41:01 PM](#)

RECONVENED

Mr. Painter responded that RCA receipts included carry-forward language in the operating budget, which allowed any unspent amounts to carry forward for use in the following year. He clarified that RCA fees were intended to approximately equal the cost of regulation and if receipts were reduced, fees would eventually be adjusted downward. In the short term, reducing the receipts would likely result in a greater amount of funds carried forward.

Representative Galvin shared that she had asked the DCCED commissioner for a clearer explanation of all of the vacancies. She recalled that the actuary position had been significant. During a previous committee meeting, the department strongly expressed to the committee that it needed the actuary work completed. The department had been unable to hire someone and had relied on contract work, which was more expensive. She explained that the department had been in the process of rebasing the position in order to change the way the positions were paid. She believed the same approach had applied to another position as well. She understood that the commissioner intended to retain the positions.

Representative Hannan remarked that there were five positions included in Amendment N 27. Only one of the positions was funded with general funds, which was within AOGCC. She acknowledged that there was some general fund money in the commissioner's office, but the remaining positions were funded by receipts or statutory designated fees. She argued that eliminating the positions would

create "chaos" without achieving meaningful savings. She further commented that because Amendment 14 had already passed, she did not support adding additional targeted cuts that removed authority while offering little savings. She emphasized that only one of the positions was funded with general funds. She asserted that cutting receipt authority would not achieve savings but would impair operations.

Co-Chair Josephson agreed that it was concerning that most departments had not lapsed any significant funds. He emphasized that Representative Stapp had made a strong case for transparency and the committee's right to understand how funds were used.

Representative Stapp stated that, with respect to Representative Hannan's comments, interagency receipts likely originated from general funds or designated program receipts at some point, which was typically how departments moved money between agencies to fund positions. He emphasized that eliminating the positions did not actually cut funds. He stressed that the central issue was transparency. He reiterated that the legislature funded departments to hire state employees, and if departments chose instead to contract out the work, the departments must communicate the choice to the legislature.

Representative Johnson recalled that she had received a similar message from the department about the importance of the actuary position approximately four years earlier.

Co-Chair Josephson MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Galvin, Johnson, Stapp, Allard, Tomaszewski, Jimmie, Galvin, Bynum

OPPOSED: Hannan, Schrage, Foster, Josephson

The MOTION PASSED (7/4). There being NO further OBJECTION, Amendment N 27 was ADOPTED.

[7:47:15 PM](#)

Co-Chair Josephson noted that the adoption of Amendment N 21 had the effect of deleting a portion of the language in Amendment L 2 that Representative Johnson had previously asked about. He explained that there had been intent

language relating to the entrepreneurship positions, and those positions would be stricken because of the adoption of Amendment N 21.

Representative Stapp MOVED to ADOPT Amendment N 28 (copy on file):

Agency: Commerce, Community & Econ Dev  
Appropriation: Community and Regional Affairs  
Allocation: Community & Regional Affairs

Transaction Details

Title: Provide Grant Funding for Air Vitalize Initiatives  
Section: Section 1  
Type: IncOTI

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	164.0
Miscellaneous:	0.0
	164.0

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

1140 AIDEA Div	164.0
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Explanation

This one-time increment is meant for the division to provide grant funds to AirVitalize. This organization focuses on the issue of air pollution. The organization states that they are on the shortlist for the Environmental Protection Agency (EPA) for federal funding. Once the startup funds are granted, they should be able to be approved.

Co-Chair Josephson OBJECTED for discussion.

Representative Stapp explained that the amendment provided a one-time increment of \$164,000 through the grants line to an organization called AirVitalize, utilizing the AIDEA dividend as the funding source. He elaborated that the organization reported that it was on the short list for applying for and receiving an Environmental Protection Agency (EPA) grant for air quality innovation. He emphasized that as a resident of Fairbanks, a community regularly challenged by air quality issues, he believed that small innovations could meaningfully assist in addressing air quality challenges.

Representative Hannan remarked that she appreciated the concept of utilizing AIDEA receipts. She asked whether the grant would still move forward if AirVitalize did not receive the federal EPA grant funding. She noted that the committee had frequently discussed the uncertainty of federal grants.

Representative Stapp responded that the grant would move forward regardless of federal funding. He stated that he had been assured the amendment itself would open additional opportunities for the organization even without federal support.

Co-Chair Josephson asked Mr. Painter for clarification. He stated that AIDEA dividends typically fell into the general fund and were available for general use. He recalled a dividend amount of approximately \$32 million in prior years and asked whether the amendment would reduce that amount slightly.

[7:49:59 PM](#)

Mr. Painter replied that the dividend for the current year was \$20 million. He explained that there was language in the appropriation bill directing any unspent dividend to lapse to the general fund, meaning that the fund source was UGF. He stated that it did not materially affect the budget whether the funds were spent or lapsed because both counted as UGF.

Co-Chair Josephson recalled that the approximately \$32 million was correct for a prior year, when the percentage had been set between 25 and 50 percent.

Mr. Painter responded that he believed Co-Chair Josephson's memory was correct.

Co-Chair Josephson asked Representative Stapp if AirVitalize was located in Fairbanks.

Representative Stapp responded that the organization was not based in Fairbanks. He described it as an innovative small startup focused on developing strategies to help communities facing particulate matter (PM) 2.5 challenges.

Representative Bynum asked what other communities besides Fairbanks might be affected.

Representative Stapp answered that the impact would depend on which administration was leading the EPA. He observed that historically, multiple Alaskan communities had faced PM 2.5 restrictions. He stated that the Matanuska-Susitna Valley was on the radar, but Fairbanks remained the most well-known example because of its long-standing struggles due to climate and topography. He acknowledged that other communities were also affected, but he was unable to list them specifically.

[7:52:05 PM](#)

Representative Johnson stated that her district of Palmer was not at the same stage as Fairbanks, but she was working to learn as much as possible. She observed that any place with low-lying land and wood stoves became increasingly at risk. She expressed hope that Fairbanks would set an example and determine how to manage compliance so that the federal government would not need to intervene. She added that she did not know whether the amendment would have any direct impact on her district.

Representative Galvin asked Representative Stapp to clarify what the \$164,000 would purchase. She asked if it would fund one large outside air filter for an entire city, if it would apply to individual houses, and what level of certainty there was regarding the effectiveness of the technology.

Representative Stapp responded that the purpose of the amendment was to provide AirVitalize with a seed grant to pursue innovative research and proof-of-concept strategies to mitigate PM 2.5. He emphasized that the funding would

not purchase air filters to distribute around a community, but if such a measure would assist in alleviating EPA restrictions, he would consider offering it as an amendment as well.

[7:54:12 PM](#)

Co-Chair Schrage understood that the implication was that if current trends continued to be the same as they were under the President Biden administration, EPA policies would remain the same. He expressed uncertainty whether the implication was correct. He asked whether AirVitalize was a for-profit or nonprofit organization.

Representative Stapp responded that he was not sure.

Representative Bynum asked why the AIDEA dividend had been chosen as the funding source.

Representative Stapp responded that given the nature of the budget, he believed there would be little interest in using general fund dollars, which was why he had selected the AIDEA dividend as a somewhat unconventional source. He acknowledged that Co-Chair Josephson had quickly pointed out that the dividend was ultimately deposited into the general fund.

[7:55:43 PM](#)

AT EASE

[7:58:58 PM](#)

RECONVENED

Co-Chair Josephson MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Tomaszewski, Stapp, Schrage

OPPOSED: Hannan, Bynum, Jimmie, Galvin, Johnson, Allard, Foster, Josephson

The MOTION to adopt Amendment N 28 FAILED (3/8).

Representative Stapp MOVED to ADOPT Amendment N 29 (copy on file):

Agency: Commerce, Community & Econ Dev

Appropriation: Community and Regional Affairs  
Allocation: Community & Regional Affairs

Transaction Details

Title: Reduce Grant Funding to Alaska Legal Services  
Section: Section 1  
Type: Dec

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	-100.0
Miscellaneous:	0.0
	-100.0

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

1004 Gen Fund	-100.0
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Explanation

Alaska Legal Services receives 10% of the total filing fees collected from the Alaska Court System as provided in statute for the Civil Legal Services Fund (1221). In FY 24, that amount was increased to 25% in the final version of the budget. However, Alaska Legal Services also receives a grant of \$400,000 from UGF from the Community & Regional Affairs Division. This amendment seeks to reduce that amount by \$100,000.

Co-Chair Josephson OBJECTED for discussion.

Representative Stapp explained the amendment. He noted that the committee had previously discussed Alaska Legal Services (ALS) and how it received funding. He relayed that the amendment reduced the grants ALS received every year from the state by \$100,000. The intent was for the funding source to ultimately be the Civil Legal Services Fund (CLSF). He remarked that it was "fairly sloppy" to provide ALS with funds in the base budget in the grants line and then also provide ALS with funds from CLSF. He added that

if the amendment passed, he would be willing to look at increasing the bill's allocation from CLSF by an equivalent amount.

Representative Hannan stated that she opposed the amendment. She thought that there had been an error in the explanation section of the amendment. She emphasized that ALS had only received 10 percent the previous year, not 25 percent. She recalled that HB 161 [proposed in 2024] would have increased the allocation to 25 percent, but the bill did not pass and the allocation was 10 percent. She noted that the historical document distributed to the committee (copy on file)[including a chart titled "Alaska Legal Services Corporation Funding History] showed that the state had provided a general fund appropriation in most years, with the exceptions of 2006, 2007, and 2008. She explained that CLSF had been intended as an attempt to stabilize funding, but it was her understanding that it could not be drawn upon exclusively by ALS because other entities also had the legal right to access it. She stressed that ALS was important and needed to remain funded at a level sufficient to serve Alaskans in poverty who required legal representation.

Representative Allard remarked that the amendment had previously come before the House Judiciary Committee, where she had examined the issue in detail. She recounted that she had received numerous complaints regarding the legal services provided by ALS. She asserted that some individuals who should have been evicted from their homes had taken advantage of the system, leaving landlords responsible for costs of seven to nine months of rent before eviction proceedings concluded. She argued that many people had misused the system and she would not support the amendment. She maintained that ALS needed to operate like most nonprofit organizations and raise funds from outside sources rather than depending on government support.

Co-Chair Josephson commented that he understood ALS was a federal entity.

Representative Johnson recalled that something had changed the previous year regarding the funding structure, although she could not recall the details. She asked whether the allocation had increased to 25 percent as suggested in the amendment, or whether something else had occurred.

Co-Chair Josephson explained that in the previous session, he recalled telling then House Speaker Representative Cathy Tilton that HB 161 was a good bill and he had asked to hear it on the House floor. He noted that the clock "ticked away" and the bill was not heard in time. He asked if it was Representative Hannan's bill.

8:04:04 PM

Representative Hannan replied that HB 161 had not been her bill. She suggested that it might have been rolled into another bill, but she confirmed that it had been anticipated in the budget as if it were going to pass. She explained that when the bill did not pass, the allocation was reduced back.

Representative Johnson asked Mr. Painter to clarify the details. She remarked that it seemed that money had been placed into the base budget, and she wanted clarification on the exact amount.

Mr. Painter responded that Representative Johnson's recollection was correct in that there was a change in CLSF. He explained that the CLSF portion had previously been included in the language section of the budget but had been moved into the numbers section the prior year. He stated that the change had not altered the total amount, only the method of funding.

Representative Johnson asked what the total funding amount was.

Mr. Painter responded that he did not recall.

Representative Johnson explained that she was trying to clarify if there had been any increase in the base amount. She reiterated that she recalled a change but could not remember the exact figure. She noted that ALS had requested an increase from 10 percent to 20 percent for many years, but the request had never been approved. She questioned whether there was a compelling reason to approve the increase in the current year.

Co-Chair Josephson recalled that the bill had been scheduled to be heard on the House floor in the prior year and it was anticipated that the bill would be adopted, but

the legislative session had ended at midnight before action could be taken.

8:06:24 PM

ROB CARPENTER, DEPUTY DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained that the total amount in the budget for ALS included approximately \$326,000 from CLSF and an additional \$400,000 from the general fund within the Division of Community and Regional Affairs (DCRA) under DCCED. He stated that the total amount was more than \$700,000.

Representative Johnson asked if the two amounts would remain the same or if an additional 15 percent would be added on top of the 10 to 25 percent.

Co-Chair Josephson clarified that the amendment reduced the total to \$300,000.

Representative Galvin relayed that she would not be supporting the amendment. She emphasized that the matter extended beyond homeowners or landlords not receiving rent payments. She reminded the committee that it had heard testimony from individuals working in the domestic violence and sexual assault field who described the importance of the services for many women. She shared that the ALS had existed since 1967 and noted that her mother had used its services. She underscored her strong feelings about recognizing the broader scope of the organization's work. She thought that a long waitlist was concerning, as it meant that many people were not receiving assistance. She shared that her husband had used similar services to recover his security deposit when he was a college student. She stressed that many individuals faced unfair treatment and needed affordable legal services and that ALS performed excellent work.

Representative Allard remarked that she believed the program could be cut and noted that it was a 501(c)(3) organization. She asserted that nonprofits needed to align with their communities and raise their own funds rather than relying on government support.

Representative Bynum asked whether there had been incremental changes in funding between FY 24, FY 25, and FY 26.

Mr. Carpenter responded that there had not been an increase to his knowledge. He noted that there had been attempts in recent years, including an increment in FY 24 that was vetoed by the governor, but there had been no change in funding in the previous year.

Representative Bynum remarked that the program had been flat funded.

Representative Stapp explained that the amendment was a targeted cut, though he acknowledged that targeted reductions were not typically preferred. He observed that the legislature often preferred to pass decisions along to the executive branch. He believed that it was more efficient to rely on a dedicated fund such as CLSF. He relayed that the organization currently received \$400,000 in general funds through the grants line in the base budget. He suggested that HB 161 could likely have passed the previous year if time had not run out. He argued that it created confusion from a budgetary perspective to maintain appropriations from both the general fund and a specialty fund. He indicated that if the legislature were serious about making cuts, it should begin aligning fund sources so that future legislators could clearly understand where money originated and how it was used.

Co-Chair Josephson MAINTAINED the OBJECTION.

[8:11:33 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Tomaszewski, Stapp, Allard

OPPOSED: Jimmie, Johnson, Hannan, Galvin, Bynum, Foster, Schrage, Josephson

The MOTION to adopt Amendment N 29 FAILED (3/8).

[8:12:24 PM](#)

Representative Stapp MOVED to ADOPT Amendment N 30 (copy on file). [Due to the length of the amendment, see copy on file for details.]

Co-Chair Josephson OBJECTED for discussion.

Representative Stapp explained that the amendment removed \$1.1 million from DEC's air quality allocation and redirected the money to be used for reimbursement for property owners subjected to the Division of Air Quality's (DAQ) energy certification mandates. He recalled that DEC required energy rating inspections for home sales in Fairbanks and the Interior. He estimated the burden on the community to be about \$1.1 million for the inspections, which no other part of the state was required to pay. He expressed the hope that DEC would assume the burden.

Co-Chair Josephson asked if the issue was specific to Fairbanks.

Representative Stapp responded that it was a state mandate imposed by the department. He referred to earlier discussion of PM 2.5 and explained that homeowners in the containment area in the Interior were required to pay for private energy ratings whenever a home was sold. He stated that the requirement increased costs for sellers and reduced profits. He argued that since the mandate originated from DEC, the department's services line should be reduced by \$1.1 million to create reimbursable grants for affected homeowners.

Co-Chair Josephson observed that the requirement appeared to apply only to Fairbanks residents because of the PM 2.5 problem, while residents of Juneau were not subject to the same mandate.

Representative Stapp confirmed that no other community was required to pay the same costs.

Representative Allard asked who within DEC recommended or pushed for the requirement.

Representative Stapp responded that it was part of the state-managed mitigation plan for the non-attainment area in Fairbanks. He questioned the validity of the connection between energy ratings and air quality pollution. He reiterated that if the state required his constituents to pay a cost that no one else faced, the state should provide a mechanism for reimbursement.

Representative Allard asked if Representative Stapp knew the PCN number.

Representative Stapp declined to answer.

[8:15:51 PM](#)

Representative Galvin asked for more information about the cost of an energy rating, how many certifications were required per year, and what calculations were used to reach the \$1.1 million estimate. She asked which services DEC would stop providing if funds were redirected.

Representative Stapp responded that according to the department's FY 24 actuals, the amount came from the allocation inside the result delivery unit (RDU) component, which covered supplies, copiers, and similar expenditures. He noted that the actuals were about \$1.5 million off from the department's budget, which indicated to him that the actual expense in the line item had not been sufficient for what was budgeted. He concluded that about \$1.1 million was left over to reimburse residents of the Interior for energy inspections. He thought the calculations were simple because inspections cost a homeowner about \$900, and by multiplying that by the average number of homes sold each year in the Interior, the result was about \$1.1 million.

Representative Galvin commented that apparently some of the funds allocated for supplies and copiers had not been used. She asked whether the funding would normally go back to UGF or if it could be used to pay for extra certifications.

Representative Stapp replied that his understanding was that appropriated money had to remain in its line item, but he suggested that Mr. Painter might need to clarify.

[8:18:26 PM](#)

Mr. Painter responded that he had reviewed the actuals for FY 24 for the allocation in question. He clarified that different fund sources were involved, including 1004 general funds, which were not used for funds matching. He stated that the funds primarily related to increments received in FY 24 for creating a plan for Fairbanks air quality containment. He reported that the final budget for non-match UGF was \$1,914,800, and actual expenditures were \$1,913,600. He explained that the department had spent all but \$1,200 thousand of its non-match UGF. He added that while the department may have lapsed other fund sources,

such as federal authority, but the department did not lapse significant amounts of general funds in FY 24.

Representative Bynum asked what other mechanisms were in place to stop the activity from happening.

Representative Stapp asked Representative Bynum to clarify what he meant.

Representative Bynum understood that the mandate forced homeowners to comply and it only impacted residents in Representative Stapp's community. He asked what measures outside of the amendment would need to be taken to stop the requirement.

Representative Stapp responded that his hope was that budgetary motivation might influence the department's appeal process with the EPA.

Representative Bynum asked what capacity the department had to establish, operate, and maintain a grant or rebate program if the amendment were to pass. He questioned whether the department had explored how grants could be administered to homeowners.

[8:21:33 PM](#)

Representative Stapp replied that when the legislature established grants, sometimes allocations were sent to other departments for management. He remarked that the department had not appeared concerned about Fairbanks homeowners' ability to pay for inspections when it imposed the mandate. He expressed that he hoped the legislature's intent would be sufficient to ensure the department determined how to administer the program.

Representative Galvin stated that she understood Representative Stapp's frustration. However, she could not support the amendment because all but \$1,200 of the available funds had been spent. She explained that the exception was the federal grants, which would have been more complicated to use because the grants were tied to specific rules and guidelines.

Representative Allard asked how many Alaskans were actually impacted.

Representative Stapp responded that there were a little under 100,000 people living in FNSB. He noted that not everyone lived in the containment area, and he estimated that around 50,000 people were likely impacted. He clarified that the containment area was not the entirety of the borough.

Representative Allard asked if DEC was specifically targeting Fairbanks and nowhere else, and if so, whether it meant individuals would be expected to afford an additional fee.

Representative Stapp replied that the inspections cost about \$900. He explained that the argument for the inspection was that it was intended to improve air quality, but he maintained that energy ratings were not relevant to air quality. He asserted that if the state compelled his community to undergo such inspections, DEC should cover the costs rather than residents of his community.

[8:24:15 PM](#)

Representative Allard asked what would happen if a resident received a one-star or two-star energy rating, such as in the case of drafts blowing through windows, and what DEC expected people to do if they were given a low rating.

Representative Stapp replied that the rating itself did not matter. He explained that the requirement was simply to obtain an energy rating when selling a house, regardless of the score.

Representative Hannan clarified that the amendment would remove money from the DEC budget, but it would be administered through a grant program at DCCED. She explained that the issue was that a new grant program needed to be created. She asked whether the amendment allowed sufficient time and resources to create a new program.

Representative Stapp responded that the amendment would take money from the DEC allocation and move it to DCRA, which was the appropriate location for direct grant lines. He stated that residents of Fairbanks had not been asked if they could afford the inspections. He added that he had not asked the department how it would reimburse residents because his intent was to require the department to do so,

just as residents had been required to pay for the inspections.

[8:26:37 PM](#)

Representative Bynum thought that if the amendment passed, it would be important to inform Fairbanks residents that AHFC also provided an energy rating and grant program. He added that there were qualifications for the grant program that should be considered when the department implemented its own program. He highlighted that another agency within the state conducted similar work, but for a select group of people.

Representative Tomaszewski remarked that the inspection requirements represented an egregious overreach of government in the lives of the people of Fairbanks. He emphasized that the issue involved not only money but also time. He explained that during the process of selling a home, time could jeopardize a sale, and scheduling an energy rater while complying with additional requirements created significant problems for homeowners. He stressed that the mandate was an excessive use of government power and expressed full support for the amendment. He was a former energy rater, and he thought the process was invasive, especially considering that a rater would be required to enter a home without true permission of the homeowner simply because it was mandated. He thought the requirement contradicted American principles and urged that the committee send a strong message that it was not the way to treat the people of any community.

[8:28:58 PM](#)

Representative Stapp thought the committee had discussed the issue in depth. He reiterated that he intended to follow up with Mr. Painter regarding the discrepancy between OMB's reported actual expenditures and the management plan. He clarified that he had not claimed that money had lapsed, only that there was a difference between the expenditures, the FY 26 management plan, and the FY 26 adjusted plan. He stressed that the government should make an effort to consult Alaskans and assist them in meeting the mandate rather than impose it outright. He urged support for the amendment.

Co-Chair Josephson asked whether the requirement stemmed from the PM 2.5 issue and if the inspection was intended to gather data for another purpose.

Representative Stapp responded that he did not know the full intent, but he confirmed that it involved issues with PM 2.5.

Co-Chair Josephson MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Tomaszewski, Stapp, Allard, Jimme, Johnson, Hannan, Galvin, Bynum, Foster, Schrage, Josephson  
OPPOSED: None

The MOTION PASSED (11/0). There being NO further OBJECTION, Amendment N 30 was ADOPTED.

8:31:29 PM

AT EASE

8:40:47 PM

RECONVENED

Representative Hannan MOVED to ADOPT Amendment N 31 (copy on file). [Due to the length of the amendment, see the copy on file for further details.]

Co-Chair Josephson OBJECTED for discussion.

Representative Hannan explained that the amendment removed funding that had been added to the budget in FY 21 for five office assistant positions that were tasked with photocopying inmate mail. She acknowledged that there might have been more employees doing the job, but there were five positions identified in the budget that were defined as performing the task. She stated that the amendment reduced the DOC budget by \$69,300.

Representative Stapp asserted that the total funding amount was incorrect. He explained that he had been looking at one of the positions and thought that the total amount was \$372,000. He remarked that he had either missed the positions when examining the vacant position list or the positions were filled. He asked if the positions had been filled.

Representative Hannan replied that the answer was unclear because the positions were funded as photocopier positions, but there were no employees whose jobs consisted of photocopying and no other duties.

Co-Chair Josephson asked if it was for incoming or outgoing mail.

Representative Hannan responded that she did not know.

Co-Chair Josephson asked if Representative Hannan knew what the purpose of the task was.

Representative Hannan responded that the purpose was to restrict smuggling contraband through the mail.

Representative Galvin added that she was familiar with the concept. She had visited six different prisons and learned that the practice had been to copy all incoming mail and provide inmates with copies due to concerns about contraband coming into the prisons. She explained that the concern was that the paper or the ink might have been used to smuggle contraband. She noted that there had been no examples of smuggling happening, and her staff had researched the issue and found that contraband did not usually come through the mail on a national level. She stated that she understood why Representative Hannan proposed removing the positions because it was difficult to track whether the practice had been helpful. She added that she had heard from inmates who expressed concern about the practice because they had been unable to receive original copies of artwork from their children.

[8:44:10 PM](#)

Representative Bynum remarked that although he wanted to increase efficiencies in DOC and other departments, the amendment seemed like a significant change. He stated that he wanted to learn more about the potential impacts before supporting the change.

Representative Tomaszewski asked how much mail came in and out of correctional facilities. He thanked Representative Hannan for bringing forward the decrement because every dollar saved was helpful.

Representative Johnson asked if the issue was related to drugs being smuggled into prisons in the mail. She recalled that there had been a presentation from DOC a few years earlier when the department requested funding for photocopiers and related positions, which the legislature did not approve. She thought she had seen somewhere that the department proceeded with the practice regardless.

Representative Hannan explained that Representative Johnson's comments had been the impetus for the amendment. She recounted that when the department first requested funding for the program, the assertion had been that photocopying would stop drugs from entering prisons. She emphasized that the legislature had not approved the money or the positions, yet the department implemented the program anyway. When DOC was asked if drug smuggling had been reduced, the answer had been that smuggling rarely happened through the mail. She asserted that money appropriated to DOC should have been directed toward the explicit and focused goals of corrections. While the cost for the program was not large, the overall department budget was significant. She noted that there had initially been concerns regarding the handling of legal correspondence. She explained that legal correspondence could not be opened or photocopied, which had slowed the process of getting communications to inmates.

Co-Chair Josephson observed that Representative Hannan had stated the program was not funded, yet it was being cut. He asked for clarification.

Representative Hannan responded that the department had managed to absorb the cost within its budget without explicit authorization.

A roll call vote was taken on the motion.

IN FAVOR: Allard, Tomaszewski, Galvin, Jimmie, Hannan, Johnson, Foster

OPPOSED: Bynum, Stapp, Schrage, Josephson

The MOTION PASSED (7/4). There being NO further OBJECTION, Amendment N 31 was ADOPTED.

Representative Hannan did not offer Amendment N 32 (copy on file).

Representative Jimmie did not offer Amendments N 33, 34, 35, or 36 (copy on file).

[8:49:47 PM](#)

Representative Bynum did not offer Amendment N 37 (copy on file).

Representative Stapp MOVED to ADOPT Amendment N 38 (copy on file):

Agency: Corrections  
Appropriation: Population Management  
Allocation: Statewide Probation and Parole

Transaction Details  
Title: Facilitating Efficiencies in the Department  
Wordage Type: Intent  
Linkage: Allocation - Statewide Probation and Parole

Wordage  
It is the intent of the legislature that funding be transferred from other allocations in Population Management in a manner that adequately funds the Statewide Probation and Parole allocation.

Co-Chair Josephson OBJECTED for discussion.

Representative Stapp explained that although Amendment N 38 was slightly out of order, he still wanted to offer it. He clarified that he had a later amendment to close a prison and that Amendment N 38 was an intent language amendment. He explained that Amendment N 38 would add language to allow funding to be transferred from other allocations within population management to adequately fund state probation and parole. He remarked that it made more sense to attempt to cut the prison first before moving intent language.

Co-Chair Josephson asked if Representative Stapp knew which later amendment he was referring to.

Representative Stapp responded that it was Amendment N 41.

Co-Chair Josephson asked if Representative Stapp would withdraw Amendment N 38 so that the committee could first discuss Amendment N 41.

Representative Stapp WITHDREW Amendment N 38.

Representative Stapp MOVED to ADOPT Amendment N 41 (copy on file):

Agency: Corrections  
Appropriation: Population Management  
Allocation: Statewide Probation and Parole

Transaction Details

Title: Reduce Funding for Population Management to Address Efficiencies at Institutions  
Section: Section 1  
Type: Dec

Line Items (Amounts are in thousands)

Personal Services:	-19,231.0
Travel:	-226.0
Services:	-98.0
Commodities:	-345.0
Capital Outlay:	0.0
Grants:	0.0
Miscellaneous:	0.0
	-19,900.0

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

1004 Gen Fund	-19,900.0
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Explanation

The FY25, the Legislature provided intent language to the Department to prepare a report that analyzed the possibility of closing an institution with the goal of cost-savings. Since the Department has failed to provide such analysis, this amendment aims to defund almost the entire allocation for Statewide Probation and Parole. Since Departments have the authority to move funds between allocations, the Department has the opportunity to facilitate the shutdown of an institution in order to fund this allocation.

Co-Chair Josephson OBJECTED for discussion.

Representative Stapp explained that Amendment N 41 would close a prison and was a decrement of \$19.9 million. He reminded the committee that in the prior year, intent language had been added to the budget to direct DOC to evaluate whether cost savings could be achieved through the closure of a prison and the consolidation of the staff and prisoners. He recalled that Mr. Painter had previously indicated that the department had not fulfilled the requirements of the intent language. He explained that the committee had requested DOC to provide a detailed report to determine whether closing a prison would truly save money. Since the department had not provided the information, he believed the legislature should attempt to close a prison.

[8:52:45 PM](#)

Co-Chair Josephson asked if the purpose of the amendment was to ensure that statewide parole and probation remained funded in the event of a prison closure. He highlighted that the amount associated with the amendment was approximately \$19.9 million.

Representative Stapp responded that it was the purpose of the earlier intent language [Amendment N 38]. He clarified that he had not named a specific prison in the amendment because such specificity often provoked opposition from communities. He relayed that his intent was not to target a particular facility, but rather to eliminate funding for one prison and instruct the department to determine which one to close.

Co-Chair Josephson noted that his only concern was that that he had never sat on the DOC subcommittee, and he did not know if the prison population had reduced enough to warrant a closure. He noted that the Palmer Correctional Center had previously been closed and later reopened. He explained that he could not support the amendment without more information.

[8:54:29 PM](#)

Representative Hannan remarked that while she appreciated the intent, the DOC subcommittee had already recommended a renewed request for a detailed analysis of prison closure options. She explained that the number of beds and prisoners could not be viewed in isolation because

different classifications of inmates required different housing. For example, unsentenced prisoners could not be housed with sentenced prisoners, and maximum-security inmates could not be mixed with medium-security inmates. In addition, two maximum-security inmates sometimes could not be placed in the same facility. She emphasized that without a thorough analysis, the legislature could not responsibly make a policy decision to close a prison.

Representative Hannan continued that it was unclear whether closing a facility would save money because additional costs might arise if more expensive beds were required elsewhere. She cautioned that poor planning could also lead to litigation if incompatible inmates were forced to be housed together. She could not support the amendment but believed DOC should take the number of budget amendments concerning its operations seriously. She noted that the high number of DOC-related amendments demonstrated that there was legislative concern over the department's growth.

Representative Bynum asked whether the legislature had received an explanation from DOC on the status of the request for the report.

Co-Chair Josephson understood that the report was inadequate.

Representative Stapp replied that he was not sure if the committee needed to rehash the point. He explained that the legislature had included intent language that instructed the department to provide information that it did not provide.

[8:57:32 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Johnson, Allard, Tomaszewski, Stapp, Bynum  
OPPOSED: Hannan, Jimmie, Galvin, Foster, Schrage, Josephson

The MOTION to adopt Amendment N 41 FAILED (5/6).

Representative Stapp WITHDREW Amendment N 38. [N Amendment 38 had already been withdrawn.]

Representative Bynum did not offer Amendment N 39 (copy on file).

Representative Stapp MOVED to ADOPT Amendment N 40 (copy on file). [Due to the length of the amendment, see the copy on file for further details.]

Co-Chair Josephson OBJECTED for discussion.

Representative Stapp explained that the amendment followed the same idea he had mentioned earlier to examine vacant positions in every department. He noted that there were positions that had been vacant for two or more years within different allocations, but mainly in DOC. He added that the total value of the cuts was approximately \$2.9 million in vacancies. He noted that OMB's lapse report for DOC was zero, even though there were vacant positions that had not been filled. He indicated that it was difficult to understand how the department continued to claim that no money would lapse when there were spreadsheets of vacant positions.

9:00:07 PM

Representative Galvin asked if Representative Stapp had talked with DOC about the vacancies. She agreed that the overtime costs were frustrating. She recalled that DOC had testified that it had applicants for the vacant positions, but the applicants were not qualified. She remarked that while the department likely wanted to hire people, it had not done so. She asked Representative Stapp if the department had told him directly that it was not attempting to fill the positions. She also asked if there were legal requirements to maintain a certain number of staff per inmate. She suggested that it would be helpful to hear from legal counsel or someone with expertise on the requirements. She understood that overtime expenses were extremely high and thanked Representative Stapp for offering the amendment.

Co-Chair Josephson asked if the removal of an "MTSL journey" on page 3 of the amendment referred to a journeyman position.

Representative Stapp replied that he had a large spreadsheet he could reference and he could provide an answer if the committee went at ease for a moment.

Co-Chair Josephson declined. He understood that the amendment would remove mental health clinicians,

psychiatric nurses, probation officers, maintenance superintendents, and correctional officer positions, although he understood that many were unfilled. He asked if there were any other questions. He added that this would be the last amendment of the evening. [He later corrected this statement.]

Representative Hannan remarked that she could not support the cuts. She explained that of all the agencies, DOC was one where many of the positions were mandated by law. She emphasized that the state had legal obligations to provide services and supervision of inmates, and vacancies required overtime. She noted that when the positions were filled, the budget would actually decrease. She thought it was similar to the public health sector in that it was difficult to retain employees such as dental hygienists, yet the services still had to be provided, either through paying overtime or contracting the positions out. She stressed that in DOC, staffing ratios were mandated and overtime levels were significant. She added that the DOC subcommittee had spent considerable time examining the issue and was requesting additional details in the hope of identifying more targeted reductions. However, she could not support the amendment because it would only create further legal and functional problems for the department.

Co-Chair Josephson corrected himself and noted that the committee had one additional amendment and would proceed to Amendment N 43.

Representative Stapp explained that there were many examples of vacant positions within DOC, and some had been vacant for two to three years. The duties of the vacant positions were performed through overtime. He noted that the positions were posted on Workplace Alaska. For example, there was a correctional officer position at Spring Creek Correctional Center in Seward that had been vacant for one to two years. The position was posted on Workplace Alaska and the duties were covered through overtime. The duties of other vacant positions were performed by a contractor while the position remained posted and under recruitment. He noted that there was a long list of examples.

Co-Chair Josephson MAINTAINED the OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Bynum, Stapp, Johnson, Allard, Tomaszewski  
OPPOSED: Hannan, Jimme, Galvin, Schrage, Foster, Josephson

The MOTION to adopt Amendment N 40 FAILED (5/6).

[9:06:12 PM](#)

Representative Stapp did not offer Amendment N 42 (copy on file).

Representative Jimmie MOVED to ADOPT Amendment N 43 (copy on file):

Agency: Education & Early Dev  
Appropriation: Education Support and Admin  
Allocation: Student and School Achievement

Transaction Details

Title: Restore Funding for Alaska Native Science and Engineering Program  
Section: Section 1  
Type: Inc

Line Items (Amounts are in thousands)

Personal Services:	0.0
Travel:	0.0
Services:	0.0
Commodities:	0.0
Capital Outlay:	0.0
Grants:	1,000.0
Miscellaneous:	0.0
	1,000.0

Positions

Permanent Full-Time:	0
Permanent Part-Time:	0
Temporary:	0

Funding (Amounts are in thousands)

1004 Gen Fund	1,000.0
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Explanation

ANSEP funding was reduced in subcommittee. The proposed cuts would lead to:

- 20% reduction in ANSEP student enrollment
- Cancellation of Nome Acceleration Academy
- Layoff of 11 staff positions

- Reduce student scholarships and support
- Stifle community partnerships

ANSEP is a cost-effective way to prepare students for and ensure student success in the university environment. The longitudinal model it has developed is especially critical for students from rural and remote areas of the state. Per-credential, the program is less expensive than a traditional university education.

Co-Chair Josephson OBJECTED for discussion.

Representative Jimmie explained that the amendment restored funding for the Alaska Native Science and Engineering Program (ANSEP), which had been cut in the subcommittee process. She emphasized that the program transformed lives and provided proven pathways for rural students to become engineers, scientists, and leaders. The program also helped students build confidence, connect students to careers, and kept talent in Alaska. She asserted that ANSEP met a true need in the workforce. She explained that the ANSEP request was paired with a decrement in N Amendment 50, which she would offer later. She remarked that spending \$1 million without a responsible offset was not smart fiscal policy, and she took the responsibility seriously.

Co-Chair Josephson WITHDREW the OBJECTION.

Representative Bynum OBJECTED. He remarked that he had heard excellent reports about the program and thought that the educational opportunities it offered was exactly what Alaska needed. He asked whether the proposed restoration to ANSEP's prior level of funding was sufficient for the program as it operated or if more funding would be advantageous if the program expanded. He asked if there would be opportunities for growth.

Representative Jimmie responded that the program had been fully funded before being cut by \$1 million. She relayed that another funding source had been identified to restore the \$1 million.

Co-Chair Josephson asked if Representative Jimmie was suggesting funding beyond the \$1 million restoration.

Representative Bynum asserted that he valued educational programs and emphasized that he remained passionate about increasing educational opportunities in Alaska. He expressed interest in considering additional funding in the future.

Representative Bynum WITHDREW the OBJECTION.

Co-Chair Josephson OBJECTED for discussion.

Co-Chair Foster explained that ANSEP had invited him to visit earlier in the year. At the time of his visit, the program had been pursuing a \$1 million increment and its leaders were surprised to discover that the subcommittee had reduced the funding by \$1 million instead. He clarified that N Amendment 43 merely restored the reduction, rather than providing new funding. He added that program leaders had indicated interest in expansion, which had been part of the reason it invited him to visit. He emphasized that there had been genuine interest in growth.

[9:10:36 PM](#)

Co-Chair Josephson WITHDREW the OBJECTION.

There being NO further OBJECTION, Amendment N 43 was ADOPTED.

Co-Chair Josephson WITHDREW Amendment N 44 (copy on file).

[9:11:21 PM](#)

AT EASE

[9:11:42 PM](#)

RECONVENED

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 announced that the following morning's 9:00 a.m. meeting was cancelled. He reviewed the schedule for the following afternoon.

#

ADJOURNMENT

9:12:27 PM

The meeting was adjourned at 9:12 p.m.