

HOUSE FINANCE COMMITTEE  
March 28, 2025  
1:31 p.m.

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CALL TO ORDER

Co-Chair Josephson called the House Finance Committee meeting to order at 1:31 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 DeLena Johnson  
Representative Will Stapp  
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative Nellie Unangiq Jimmie

ALSO PRESENT

Heidi Teshner, Acting Commissioner, Department of Education and Early Development; Hannah Lager, Administrative Services Director, Department of Commerce, Community and Economic Development; Kevin Worley, Administrative Services Director, Department of Corrections; Ken Alper, Staff, Representative Andy Josephson; Representative Julie Coulombe.

SUMMARY

HB 53        APPROP: OPERATING BUDGET; CAP; SUPP

HB 53 was SCHEDULED but not HEARD.

HB 55        APPROP: MENTAL HEALTH BUDGET

HB 55 was SCHEDULED but not HEARD.

HB 56        APPROP: SUPPLEMENTAL; FUND CAP

HB 56 was HEARD and HELD in committee for further consideration.

Co-Chair Josephson reviewed the meeting agenda.

#hb56

HOUSE BILL NO. 56

"An Act making supplemental appropriations; making appropriations to capitalize funds; and providing for an effective date."

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Co-Chair Josephson asked individuals from the administration to come to the table.

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HEIDI TESHNER, ACTING COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, introduced herself.

Co-Chair Josephson noted the sponsorship of the bill. He asked whether the governor supported the bill.

Ms. Teshner replied in the affirmative.

Co-Chair Josephson asked whether there were changes the governor wished to see in the bill.

Ms. Teshner replied in the negative.

Co-Chair Josephson asked whether the governor was aware that the state had no source for funding the bill other than the Constitutional Budget Reserve (CBR).

Ms. Teshner answered yes, based on how the budget had been submitted so far this session.

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Co-Chair Schrage asked whether there was anything in the supplemental the governor did not want included in the supplemental budget bill.

Ms. Teshner answered not to her knowledge.

Co-Chair Schrage asked whether the governor supported drawing from the CBR to fund the items in the supplemental budget.

Ms. Teshner replied in the affirmative.

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Co-Chair Josephson asked Ms. Teshner to remind the committee of the most significant items in HB 56, other than the indebtedness.

Ms. Teshner noted \$142 million for Medicaid, \$29 million for the Disaster Relief Fund, \$13 million for the Fire Suppression Fund, additional receipt authority for federal and University receipts, the orphaned wells in the Capital Budget, and the Alaska Marine Highway System.

Co-Chair Josephson asked about the orphan wells section and whether the section pertained to receipt authority to receive federal dollars.

Ms. Teshner deferred to Ms. Lager.

HANNAH LAGER, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, replied that the section was for federal receipt authority for grants received by the Alaska Oil and Gas Conservation Commission.

Co-Chair Josephson asked whether the line item totaled \$65 million.

Ms. Lager replied that there were a series of different federal awards in the budget for the commission. She said that they had received \$25 million for orphan wells and had the grant in hand and were applying for different federal grants.

Co-Chair Josephson understood that there was no cost to the state.

Ms. Lager replied in the affirmative.

Representative Hannan asked when federal authority was given so late in the fiscal year if the award would carry over into the next fiscal year.

Ms. Teshner replied in the affirmative.

Co-Chair Josephson noted that Representative Bynum, Representative Stapp, Representative Johnson, and Representative Tomaszewski has joined the meeting.

Co-Chair Josephson queried the impact if the fast-track items were not adopted.

Ms. Teshner shared that the Disaster Relief Fund was a high priority item, and the balance was low. She believed that it needed to be funded to address FY 25 obligations.

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Representative Bynum asked about the disaster relief money and whether there were other items of high importance or other items that could be excluded from the fast-track bill.

Ms. Teshner answered that the original fast track items were the disaster relief fund, fire suppression, and retirement benefits were of the highest priority.

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Co-Chair Schrage asked whether, excluding the original three items that were not in the fast-track, the consequences of not passing the bill.

Ms. Teshner replied that there were several items that had pending obligations. She said that grants could not be issued without federal receipt authority on the books. She noted the increased costs departments were trying to navigate on existing budgets. She said that the hope was that they would receive the supplemental items to close out a balanced budget at the year's end.

Co-Chair Schrage asked about the impact to departments if funds were not appropriated. He asked whether the

administration would be forced to claw back action by the departments.

Ms. Teshner answered that the administration would not be able to meet some of its obligations. She spoke to the Alaska Performance Scholarship Grants, which would have to be revoked from grantees if funding were withheld. She warned that federal grants might not be issued.

Co-Chair Schrage stated he was trying to get a better idea of the impacts of not funding the fast-track supplemental. He was shocked that the Alaska Performance Scholarship funding was in the supplemental. He believed that it would be a tragedy if they had to take a promised scholarship back from a student. He asked what other grants and scholarships could be at risk if the bill were not to pass.

Ms. Teshner reiterated Ms. Lager's testimony that AOGCC and food security grants would be in jeopardy. She contended that OMB had worked with agencies over the budget to only put forward items that were absolutely necessary in the supplemental.

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Representative Galvin understood that the items in the budget were "absolute must haves".

Ms. Teshner responded that what was before the committee was what the governor had determined to be a FY25 obligation.

Representative Galvin surmised that delaying funding for the items in the fast-track would cause "chaos" because the state would not meet its obligations.

Ms. Teshner realized that the bill is referred to as the "fast-track" supplemental. She said that aside from the three items originally identified as fast-track items, the requests were normal supplemental requests; the funding would be needed before June 30, 2025, to meet current obligations.

Representative Galvin expressed concern for funding of the scholarships. She wondered whether the department had been in talks with the university to craft a contingency plan for student who may lose those scholarships.

Ms. Teshner replied that conversations had occurred. She said that there was an agreement that students would receive the scholarships to attend school under the premise that the supplemental was forthcoming.

Representative Galvin asked about jail operations being underfunded. She asked for verification that the jail would not close.

KEVIN WORLEY, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF CORRECTIONS, asked for a repeat of the question.

Representative Galvin complied.

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Mr. Worley responded that the amount was \$195,000 for regional and community jails. Jails in Dillingham and Seward had been taken out and some funds were added back in conference committee. He said that the add back had shorted funding for Dillingham. The department was \$195,000 short based on contracts already signed with communities.

Representative Galvin asked what happened to the community such as Dillingham. She queried the repercussions of the shortfall.

Mr. Worley replied that the \$195,000 would be a shortage on contracts that would be paid to the communities.

Representative Galvin understood it was up to the community to decide how the shortfall would be handled.

Mr. Worley replied in the affirmative.

Representative Stapp asked about the difference between the fast track and the supplemental.

Ms. Teshner replied that the fast-track items were the items the administration hoped would be passed early in session and the normal supplemental would come later in the legislative process.

Representative Stapp cited page 3 of the bill, \$50,000 for subsistence research. He asked about the impact of separating out the item from the fast-track and back to the regular supplemental.

Ms. Teshner answered that the item was federal receipt authority that was needed prior to June 30, 2025.

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Co-Chair Foster looked at the budget transaction detail on page 19, Disaster Relief Fund at \$29 million and the Fire Suppression Fund at \$13.1 million. He asked about the third item.

Ms. Teshner replied that it was the Department of Administration, Section 8, Corrective Contribution to the retirement accounts.

Co-Chair Foster asked for the amount.

Ms. Teshner replied that it was not to exceed approximately \$2,679,460.

Co-Chair Foster looked at \$3.3 million in UGF for DOC population management. He asked about the consequences of not including it in the fast track.

Mr. Worley asked whether Co-Chair Foster was referring to the authority for supervisory standby pay.

Co-Chair Foster replied affirmatively.

Mr. Worley replied that employees were contractually granted standby pay.

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Co-Chair Josephson asked if the funds should be expedited or signed into law in June.

Mr. Worley replied they would continue to make payroll would help meet payment obligations through the fiscal year.

Co-Chair Foster thought the department needed the money to pay standby pay for FY25. He asked if the item was not funded in the fast-track, could the department make it until the end of the fiscal year.

Mr. Worley responded that the funds were needed during FY25 to cover standby pay needs for correctional officers,

probation and parole officers, and nursing staff. He said that most was within population management and there were no extra funds to cover the standby pay.

Co-Chair Foster summarized that without the fast-track request the department would not be able to fund the finds to hold them over into the next fiscal year.

Mr. Worley agreed.

[1:58:02 PM](#)

Representative Johnson stated it was not unusual to roll the supplemental in with the regular budget. She did not think that the funding of supplemental items was unusual.

Co-Chair Josephson restated the question.

Ms. Teshner answered that the fast-track was intended to fund things quickly in the event of an emergency. She agreed that supplemental requests were a normal part of the budget process.

Co-Chair Josephson asked about the state's indebtedness. He asked what happens to the \$80 million. He asked whether the treasury could cover it if the bill did not move. He asked if checks would bounce or there would be outstanding bills.

Ms. Teshner replied that currently the bills were before the legislature and the departments were operating within the authority granted to them. She said that the administration would have to work within the legislature's process.

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Representative Stapp asked whether the administration was projecting any lapses on other services in the personnel services line or other service lines.

Ms. Teshner answered there was a lapse report put forward by OMB. She stated that there were regular quarterly projection meetings on the topic and balances were being monitored.

Representative Stapp stated they had been going through the budget and it was clear many departments were struggling

with hiring for vacant positions. He said that the OMB lapse report had not projected many lapses. He felt that OMB's assumptions were off.

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Ms. Teshner responded that there had been supplemental requests that did not get forwarded to the legislature. She explained that if an agency had vacant positions, they would be asked whether they could fund the request through their vacancies. She relayed that the legislature was only seeing what was critically needed by agencies to make their current year obligations.

Representative Stapp stated the situation created another real problem which was how much money would be needed in a supplemental if all vacancy positions were filled.

Ms. Teshner replied that money would not be approved if it was going to cause a department a deficit.

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Representative Stapp stated his understanding that if a department was actively recruiting a vacant position, it would be removed from the lapse report. He felt that there was always a lapse in personal services line money.

Ms. Teshner replied that she would not phrase it that way. She shared that if a position had been vacant for 10 years, they would question the necessity of the position. OMB had been working with agencies to review long-standing vacancies to understand the need and if something could be repurposed before adding to the budget.

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Representative Stapp wanted to understand where the money was going. He thought that the budgeting for positions exceeded the number of positions that were filled. He argued that departments had lapsed funding for vacancies every year during his tenure.

Ms. Teshner contended that this was not the case for all agencies. The items before the committee were for things agencies had determined needed more funding. She stated there would most likely be a lapse at the end of the year

in personal services, but they did not have that information yet.

[2:10:41 PM](#)

Representative Galvin understood that if a department ran out of funds for something that was needed, they would shift personal services funds around.

Ms. Teshner replied that if they had an obligation to meet, they would look across all budget line items to determine which funds could be moved.

Representative Galvin asked whether OMB kept track of which items moved and what that money funded.

Ms. Teshner replied that they did track movements of money.

Representative Galvin asked for verification the bill included needs the state had after the process of pulling from other areas in departmental budgets.

Ms. Teshner agreed.

Representative Galvin asked for verification that was what the bill was.

Ms. Teshner agreed.

[2:13:13 PM](#)

Representative Johnson did not know whether she had ever had so much concern at this point in the process. She asked about the sense of how accurate the accounting was within administrative departments. She thought that sometimes more money than was anticipated lapsed.

Ms. Teshner answered they were confident in the budget tracking system.

Representative Johnson reiterated that sometime there was more of a lapse than anticipated.

Ms. Teshner replied there were cases where more than expected was lapsed.

Co-Chair Josephson recognized that Representative Allard had joined the meeting. He recognized Representative Julie Coulombe in the audience.

2:15:12 PM

AT EASE

2:17:27 PM

RECONVENED

Co-Chair Josephson asked whether any of the committee members had questions about the CBR language. He thanked Ms. Teshner for her time.

Representative Hannan asked for a repeat of the page.

Co-Chair Josephson cite page 18, section 16, asked for explanation of section 16.

KEN ALPER, STAFF, REPRESENTATIVE ANDY JOSEPHSON, discussed the CBR language in the bill:

**\* Sec. 16.** CONSTITUTIONAL BUDGET RESERVE FUND. (a) If, after the appropriation made in sec. 55, ch. 7, SLA 2024, the unrestricted state revenue available for appropriation in fiscal year 2025 is insufficient to cover the general fund appropriations that take effect in fiscal year 2025 that are made in this Act, as passed by the Thirty-Fourth Alaska State Legislature and enacted into law, and the general fund appropriations that take effect in fiscal year 2025 that are made in ch. 7, SLA 2024, ch. 8, SLA 2024, and ch. 9, SLA 2024, not including the appropriations made in sec. 56, ch. 7, SLA 2024, the amount necessary to balance revenue and general fund appropriations that take effect in fiscal year 2025 that are made in this Act, as passed by the Thirty-Fourth Alaska State Legislature and enacted into law, and the general fund appropriations that take effect in fiscal year 2025 that are made in ch. 7, SLA 2024, ch. 8, SLA 2024, and ch. 9, SLA 2024, not including the appropriations made in sec. 56, ch. 7, SLA 2024, is appropriated to the general fund from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska).

(b) If, after the appropriation made in (a) of this section, the unrestricted state revenue

available for appropriation in fiscal year 2025 is insufficient to cover the general fund appropriations that take effect in fiscal year 2025, not including the appropriations made in sec. 56, ch. 7, SLA 2024, the amount necessary to balance revenue and general fund appropriations that take effect in fiscal year 2025, or to prevent a cash deficiency in the general fund in fiscal year 2025, not including the appropriations made in sec. 56, ch. 7, SLA 2024, not to exceed \$7,543,900, is appropriated to the general fund from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska).

(c) The appropriations made from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) in (a) and (b) of this section are made under art. IX, sec. 17(c), Constitution of the State of Alaska.

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Representative Johnson stated it was great to have the language in the budget.

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Co-Chair Josephson asked whether the \$7.5 million was technically not requested by the administration, but it was to avoid a second supplemental.

Mr. Alper agreed. He said that the \$80 million shortfall in the previous year's budget was an estimate and was covered by subsection (a).

[2:25:54 PM](#)

Representative Bynum asked for verification that subsection (b) was a buffer and subsection (a) was the potential shortfall, plus all the additional requests.

Mr. Alper answered in the affirmative.

Co-Chair Josephson discussed housekeeping.

HB 56 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

2:27:18 PM

The meeting was adjourned at 2:27 p.m.