

HOUSE FINANCE COMMITTEE  
April 10, 2025  
6:36 p.m.

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CALL TO ORDER

Co-Chair Josephson called the House Finance Committee meeting to order at 6:36 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

Alexander Schroeder, Staff, Representative Andy Josephson;  
Alexei Painter, Director, Legislative Finance Division.

PRESENT VIA TELECONFERENCE

Marie Marx, Legal Counsel, Legislative Legal Services.

SUMMARY

HB 30 OFFICE OF ENTREPRENEURSHIP

HB 30 was SCHEDULED but not HEARD.

HB 34 AK INNOVATION COUNCIL

HB 34 was SCHEDULED but not HEARD.

HB 53            APPROP: OPERATING BUDGET; CAP; SUPP

CSHB 53(FIN) was REPORTED out of committee with one "do pass" recommendation, one "do not pass" recommendation, and nine "amend" recommendations.

Co-Chair Josephson reviewed the meeting agenda. He noted they would not be hearing HB 30 or HB 34.

#hb53

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."

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Co-Chair Josephson asked for a motion to rescind action on moving out HB 53 version 34-GH1462/I.

Co-Chair Schrage MOVED to RESCIND prior action on reporting out HB 53 [Secretary Note: CSHB 53(FIN) was reported out of committee on April 3, 2025, at the 1:30 p.m. meeting. See separate minutes for detail].

Representative Stapp OBJECTED. He spoke to his objection. He noted that approximately one week ago the majority of the committee voted to report the bill from committee. He wondered why the majority of the committee wanted to rescind its action.

Co-Chair Josephson believed the details would become clear in the second motion to adopt a new committee substitute (CS).

A roll call vote was taken on the motion.

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

OPPOSED: Johnson, Stapp, Allard, Bynum, Tomaszewski

The MOTION PASSED (6/5). There being NO further OBJECTION, the prior action to report the bill from committee [on 4/3/25] was RESCINDED.

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Co-Chair Schrage MOVED to ADOPT the proposed committee substitute for HB 53, Work Draft 34-GH1462\Q (Marx, 4/10/25).

Representative Stapp and Representative Johnson OBJECTED.

Representative Johnson spoke to her objection. She stated that the CS had just been received. She thought it included a \$680 Base Student Allocation (BSA) and a 75 percent/25 percent (75/25) Permanent Fund Dividend (PFD). She deduced that the bill appeared to contain some trickery and possible legal concerns. She noticed some fund changes and a waterfall provision. She believed that it was intentionally written to "fool the public."

Co-Chair Josephson explained that the bill contained a \$1000 "backstop BSA."

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Co-Chair Josephson asked his staff to explain the changes in the committee substitute (CS).

ALEXANDER SCHROEDER, STAFF, REPRESENTATIVE ANDY JOSEPHSON, explained the changes in the CS. He explained that version Q was essentially the same as the bill that reported out of committee in the prior week including all of the amendments adopted by the committee. The CS included three modifications. He delineated that the first modification was on page 60, lines 21 through 24, Section 10, subsection (c)(1) and (2) and changed the Percent of Market Value (POMV) draw to a 75/25 percent split. He delineated that 25 percent or \$949,722,100 million was allocated to the PFD payments, 75 percent was appropriated to the General Fund (GF) or \$2,849,166,298 billion totaling \$3,798,888,398 billion appropriated from the Earnings Reserve Account (ERA). The total remained the same amount as what was included in the previous version of the bill. The PFD amount would be roughly \$1,420. The second modification was on page 66 through 67, lines 23 through line 2, Section 15(f) and changed the fund source for the one-time BSA

increase to be split so that \$680 of the increase totaling \$172 million was expended from Unrestricted General Funds (UGF) and \$320 or \$81 million was appropriated from the Public School Trust Fund. He added that if a bill was adopted with a statutory BSA increase under \$1000 the Public Education Investment Funds would be expended first to pay the difference. The third modification was on pages 86 through 87, lines 24 through line 1. He reported that Section 34 changed the distribution of revenue exceeding \$6.3 billion from a 50/50 percent split between an energy relief check and Statutory Budget Reserve (SBR) deposit to the following: 40 percent to an energy relief bonus, 30 percent to a one-time BSA increase in FY 2027 and 30 percent to the SBR. The total impact of the changes was \$1.6 billion savings in UGF reflecting an 85 percent reduction to the deficit in the governor's budget requests.

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Representative Stapp asked to hear from the Legislative Finance Division (LFD). He asked what the deficit amount in the CS was.

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, replied that the amount depended on the assumptions about the capital budget. He detailed that under the governor's capital budget the deficit would be \$350 million and under the Senate Finance Committee version it would be approximately \$110 million.

Representative Stapp remarked that the CS traded one deficit budget for another. He believed that it "raided" the Public School Trust Fund, which was typically a 5 percent draw and used it to offset the foundation formula. He asked what level of draw the amount in the CS would be. Mr. Painter replied that the current balance was \$845 million, therefore it was roughly 10 percent of the value of the fund. Representative Stapp asked for confirmation that the fund helped offset the foundation formula. Mr. Painter replied affirmatively. Representative Stapp believed that the provision would "raid" the Public School Trust Fund to get one-time money to schools out of funds meant for the foundation formula. Mr. Painter confirmed that the Public School Trust Fund was used for the foundation formula. Representative Stapp asked if the legislature was allowed to "raid" the trust fund. He asked if there was a legal opinion on the matter.

Co-Chair Josephson disputed the premise of the question and did not believe the action was a raid. He calculated the POMV draw at roughly 10 percent and noted the fund had grown \$73 million. He cautioned that Marie Marx, Legislative Counsel, Legislative Legal Services was not given enough time to prepare a full legal opinion but provided a statement. He read from the statement:

"If the principle was substantially diminished that revenue source may no longer exist."

Co-Chair Josephson deduced the debate was whether 9.5 percent of the fund was considered a substantial diminishment.

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Representative Johnson thought that 9.5 percent seemed like a substantial amount. She asked if it was a POMV type fund that was set up similar to the Permanent Fund ERA. Mr. Painter responded in the affirmative and offered that there was a 5 percent POMV draw from the fund. Representative Johnson asked how it would correspond to the Permanent Fund. She asked what the appropriate draw was from the Permanent Fund. Mr. Painter answered that it was also 5 percent.

Representative Johnson noted the draw was almost double what had been considered to be a safe amount to draw from the trust fund. She deduced from Ms. Marx statement that she was not comfortable with the amount. She wanted to hear from a trust attorney.

Co-Chair Josephson doubted they could do that during the current evening meeting.

Co-Chair Schrage asked what the impact on the fund would be if the governor vetoed the current education bill or vetoed the appropriation. Mr. Painter replied that if the governor signed the bill the provision would not have an effect. However, if he vetoed the bill the provision would become effective.

Representative Johnson interjected and objected to presuming how the governor might act.

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Co-Chair Schrage restated his question. He wondered whether it would reduce the draw from the fund if the final amount of education funding was below a \$1000 BSA. Mr. Painter replied that the way the language was structured the first draw outside the formula amount would be up to \$81 million from the trust fund. He elaborated that if the statutory BSA decreased to \$680 or less the full amount from the trust fund would be drawn before GF dollars.

Representative Allard asked if Legislative Legal Services was online.

MARIE MARX, LEGAL COUNSEL, LEGISLATIVE LEGAL SERVICES (via teleconference), relayed that she was available for questions.

Representative Allard asked for her opinion on what she considered was an "illegal draw." Ms. Marx replied that given the short time she had to review the issue she knew the Public School Trust Fund was created as a substitute for a federal land trust. She expounded that the state was under a trust obligation to maintain the trust for the benefit of the state school system. She did not know the extent the changes in the bill would impact the trust. Presently, she could only caution the committee that in the past there had been significant litigation over land trusts and the specific education trust in the Kasayulie case [Willie and Sophie Kasayulie et al., v. State of Alaska, 1997].

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Representative Allard presumed that Ms. Marx had never encountered the situation with the education trust before. Ms. Marx replied that for confidentiality reasons she could not say what had or had not been addressed on the issue. However, she shared that she had personally never addressed the issue. She indicated that trust law was a complicated area of law, and the issue would benefit from either a trust law expert either through the Department of Law (DOL) or in the private sector.

Co-Chair Josephson asked if the objection was maintained.

Representative Johnson maintained her objection. She reiterated her concerns about the CS particularly regarding the trust. She voiced that when dealing with a public trust, actions should be transparent and legal. She restated her disapproval of the way the CS was brought forward and over the fund source changes.

Co-Chair Schrage understood there were concerns with the proposal. He offered that it was done in an attempt to try to find a workable solution to a broader group than the previous bill. He asked Mr. Painter if there was a further process by which the bill could be adjusted if valid concerns were brought forward. Mr. Painter answered that the bill's next stop was the House floor and then to the other body.

Representative Stapp voiced that the budget was unfunded and raided the Public School Trust Fund, which was established by congress in 1915, and the commissioner of the Department of Revenue was the fiduciary of the trust. He guessed that the commissioner was not consulted on the matter. He offered "simple" suggestions to balance the budget. He was not in favor of adopting an unfunded budget and felt that passing out the CS was a "folly" by the majority members.

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Representative Josephson believed that Representative Stapp impugned the motive of some committee members. He noted that Representative Stapp had an opportunity to reduce the PFD but chose not to do so.

Representative Bynum appreciated the effort to attempt a compromise that would result in a more balanced budget. He understood there were tremendous concerns about the potential legalities of using the Public School Trust Fund revenue to make up the difference in the BSA portion of the bill. He stated there was a part of him that wanted to be able to move a budget that was more balanced. He remarked that the process during the present day had been rapid. He knew that many conversations had occurred among legislators to try to determine how to reach a balanced budget. He shared that a part of him wanted to vote yes on the CS because it came close to obtaining a balanced budget; however, there was another part of him that determined he had to vote no.

Representative Tomaszewski interjected and asked if there was an amendment deadline for the new CS. Co-Chair Josephson replied in the negative. Representative Tomaszewski remarked that the CS was shared with the committee only 30 minutes prior. Co-Chair Josephson answered that the committee had taken up 96 amendments on the budget. Representative Tomaszewski objected.

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AT EASE

[7:00:57 PM](#)

RECONVENED

Representative Johnson strongly objected and asked the Co-Chair to follow a public process.

[7:01:16 PM](#)

AT EASE

[7:01:30 PM](#)

RECONVENED

Co-Chair Schrage WITHDREW the motion to adopt the CS.

Co-Chair Schrage MOVED to REPORT CSHB 53(FIN), version 43-GH1462\I out of committee with individual recommendations and with authorization to the Legislative Finance Division and Legislative Legal Services to make any necessary technical and conforming changes.

Representative Allard and Representative Stapp OBJECTED.

A roll call vote was taken on the motion.

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

OPPOSED: Johnson, Stapp, Allard, Tomaszewski, Bynum

The MOTION PASSED (6/5).

There being NO further OBJECTION, CSHB 53(FIN) was REPORTED out of committee with one "do pass" recommendation, one "do not pass" recommendation, and nine "amend" recommendations.

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ADJOURNMENT

The meeting was adjourned at 7:03 p.m.