

HOUSE FINANCE COMMITTEE
January 23, 2026
1:35 p.m.

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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 Elexie Moore
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative Nellie Unangiq Jimmie

ALSO PRESENT

Lacey Sanders, Director, Office of Management and Budget;
Bonnie Jensen, Administrative Services Director, Department
of Fish and Game.

SUMMARY

OVERVIEW: GOVERNOR'S FY 27 OPERATING BUDGET BY THE OFFICE
OF MANAGEMENT AND BUDGET

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Co-Chair Josephson reviewed the meeting agenda.

OVERVIEW: GOVERNOR'S FY 27 OPERATING BUDGET BY THE OFFICE
OF MANAGEMENT AND BUDGET

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LACEY SANDERS, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, introduced the PowerPoint presentation, "Overview of the FY2027 Governor's Budget" dated January 23, 2026 (copy on file). She began on slide 2 and gave a brief overview of the FY 26 budget. She stated that she would walk through the operating budget, the capital budget, and the supplemental appropriations that were included in the budget on December 11, 2025. She explained that she would start with reviewing the FY 26 budget from the previous year. At the time the FY 26 budget was signed, the spring revenue forecast assumed an oil price of \$68 per barrel and included a total unrestricted general fund (UGF) budget of just over \$6 billion. The result was a projected surplus of approximately \$141 million.

Ms. Sanders explained that during the FY 26 budget process, the administration worked with the Department of Revenue (DOR) to assess market conditions related to oil prices. She stated that when the budget was passed, oil prices were already declining significantly. The decline drove much of the work conducted during the veto review process with the governor to determine a level of spending that would be sustainable in future years. She suggested that committee members might recall that the former DOR Commissioner Adam Crum issued a letter outlining multiple scenarios regarding oil prices at the time.

Ms. Sanders stated that the fall revenue forecast was released in December of 2025. She noted that the committee had received presentations from both the Department of Natural Resources (DNR) and DOR regarding production and revenue forecasts. She explained that the fall forecast included an oil price of \$65.48 per barrel, which represented a decrease of \$2.52 from the previous spring forecast. She stated that the decrease resulted in approximately \$193 million less in revenue available to the state. Based on the fall forecast, the state faced an overall deficit of approximately \$52 million before accounting for any supplemental appropriations. The presentation also included a brief snapshot of the supplemental appropriations that were included in the budget on December 11, 2025, for the purpose of comparison. She stated that the supplementals totaled \$294 million and noted that she would discuss the items in more detail on later slides.

Ms. Sanders relayed that if the state had continued at \$68 per barrel as projected in the spring, the overall deficit would have been \$153 million. The total overall deficit in the fall of 2026 was \$346 million, which included the \$52 million deficit related to oil and the additional supplementals that were presented.

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Representative Bynum asked if the fall oil price of \$65.48 took into consideration the account fluctuations prior to the forecast. He asked whether the \$65.48 figure accounted for previous fluctuations as well as assumptions going forward for the remainder of the fiscal year.

Ms. Sanders responded that DOR was responsible for the revenue forecast and incorporated actual oil prices that had occurred leading up to December. The revenue forecast was based on the actual prices and a projection for the remainder of the year. She noted that oil prices had been as low as \$60 per barrel and were approximately \$65 per barrel at the time of the meeting. The department tracked prices closely and an updated spring forecast would be issued later in March of 2026 to capture December, January, and February prices.

Ms. Sanders advanced to slide 3 and explained that the spring 2025 forecast projected approximately \$67 per barrel for the FY 27 budget. She noted that the fall forecast reduced the projection by \$5 to \$62 per barrel, which represented an approximate \$119 million decrease in UGF revenue projected for the following year. During budget development discussions with the governor, the focus had been on how to move forward in light of declining oil prices and uncertainty at the federal level. She stated that the governor directed the administration to start from the base budget and focus on contractual obligations and statutory requirements. She noted that the result was a "slim" budget for the year.

Ms. Sanders explained that the base budget approach involved removing onetime items from the prior year budget totaling approximately \$46 million. She explained that \$55 million had been added for contractual agreements and approximately \$22.8 million had been added for statutory obligations such as debt and retirement. She relayed that the result was an overall FY 27 budget of just under \$6.1

billion. She noted that the budget reflected a surplus of \$269 million using the spring forecast and \$150 million using the fall forecast. She shared that the governor's proposed budget for FY 27 included the statutory Permanent Fund Dividend (PFD). The dividend reflected a \$1.7 billion increase over the prior year's dividend amount, which resulted in an overall deficit of approximately \$1.5 billion. She noted that the governor's proposed budget drew from the Constitutional Budget Reserve (CBR), which had a balance of approximately \$3 billion. She advanced to slide 4 which provided a brief snapshot of the fiscal summary. She explained that the summary reflected UGF only.

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Representative Hannan commented that she did not see a slide specifically addressing the supplementals and noted that only some calculations of the base budget appeared to exclude the supplementals. She asked for clarification in order to track the surplus and deficit calculations.

Ms. Sanders responded that she would walk through each supplemental item and explain whether it was incorporated into the proposed FY 27 budget.

Ms. Sanders moved to slide 5, which provided a visual representation used each year to compare the FY 26 and FY 27 UGF budgets from least to greatest. She noted that the Legislative Finance Division (LFD) maintained its own version of the graph that was commonly referred to as the swoop graph. The graph also highlighted formula-funded programs for the current year. She added that the presentation always emphasized that the K-12 foundation formula and Medicaid comprised a substantial portion of the budget.

Ms. Sanders continued to slide 6 and stated that she would walk through several budget highlights. She noted that the House Finance Committee (HFC) and the finance subcommittees would review each agency budget in greater detail during the budget process. She began by reviewing the Department of Administration (DOA) and explained that the Division of Personnel (DOP) had completed the statewide information technology classification study and was working on the associated implementation plan. She stated that the budget included an increase to address the estimated cost. She explained that the Office of Management and Budget (OMB)

had completed the estimate based on DOP's allocation of positions affected by the classification changes. The division was implementing the study using a phased approach.

Ms. Sanders relayed that there was a significant change involving the transition of Shared Services of Alaska (SSA) back to individual departments, including accounts payable. She explained that the transition was occurring statewide and that employees were returned to their respective agencies. She stated that services would again be performed at the department level. She noted that a departmental review and survey identified duplication and redundancies in the centralized process. The change was intended to expedite travel reimbursements and other transactions. She noted that corresponding changes appeared throughout the budget for all departments.

Ms. Sanders added that payroll services were also being transitioned back to eight departments. As part of the survey, there was a query about how payroll services were being performed. The survey revealed that many agencies with more complex and technical payroll contracts preferred to have the employees returned to the departments to maintain a centralized focus on payroll processing for their respective agencies. She noted that agencies such as the Department of Corrections (DOC) had contracts that tended to be more complex. The employees in the payroll positions would move from DOA back into the respective departments, and payroll would be processed within those departments. She stated that DOA would continue to lead the process, provide support for administrative functions, and ensure consistent application of rules across agencies.

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Representative Tomaszewski asked how the process would work in terms of positions. He wondered whether each department would need additional positions to process payroll and if the positions in DOA would be eliminated.

Ms. Sanders responded that the Division of Finance (DOF) had identified the positions that would return to the departments. Each department taking on payroll would determine its organizational structure for either the returning employees or the vacant positions being transferred. She explained that a group of positions with

current employees would remain in DOF to process payroll for agencies whose services were not returned. She emphasized that no new positions were being added and described the process as a reorganization rather than an expansion.

Representative Stapp asked whether there was a plan to document best practices or conduct an after-action review for the payroll decentralization. He noted that the process of centralizing and decentralizing services had occurred multiple times and suggested that future efforts could benefit from a record of what worked and why changes were made.

Ms. Sanders responded that in her over 20 years of service with the state, she had observed multiple organizational shifts and reversals. She agreed that it was a good opportunity to document the experience to prevent the problem from reoccurring in the future.

Representative Galvin asked for clarification about the phased implementation of the new classification study. She asked for more information on the timing and proportion of changes planned for FY 27 and subsequent years.

Ms. Sanders responded that the salary study had been completed and DOA was working on next steps. She explained that the statewide information technology classification study was incorporated into the FY 27 budget, including the associated costs, and that implementation would proceed in phases to manage adjustments across agencies. The phased approach meant that DOP began with classes that did not have an associated cost change. She explained that the intent was to break the large study into groups as the process moved forward, so that by July 1, 2026, employees would be placed in their correct classifications, or as close as possible.

Representative Galvin asked whether the approach involved no change in funding and only a change in classification. She wondered whether the intent was to ensure employees were appropriately titled based on their duties.

Ms. Sanders responded in the affirmative.

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Representative Hannan remarked that the budget books for the finance subcommittees she chaired reflected a different situation. She noted that the information technology (IT) classification study for the Department of Environmental Conservation (DEC) and the Department of Transportation and Public Facilities (DOT) included increments for implementation of the IT classification study. She understood that the IT reclassification and the salary study were two separate efforts and that the IT reclassification was included in the base budget for FY 27 across departments as submitted.

Ms. Sanders responded that Representative Hannan's understanding was correct. She clarified that she had been referring to DOA beginning its work in the current fiscal year on classes that did not have an associated cost.

Representative Hannan asked whether Ms. Sanders' explanation applied to the salary study.

Ms. Sanders responded that she had been referring to the IT study and explained that it was being broken into phases.

Representative Hannan stated that the budget books she had reviewed showed an increase. She clarified that she was referring to FY 27.

Ms. Sanders responded that Representative Hannan's understanding was correct.

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Ms. Sanders continued on slide 6 and explained that the December 11 budget included the transfer and establishment of the Department of Agriculture. She stated that the budget books reflected the transfer of funding and positions from DNR to the new Department of Agriculture.

Representative Hannan understood that at the time the budget was developed, the governor intended to implement Executive Order (EO) 137. She noted that a court order prohibited implementation and the Department of Agriculture did not legally exist. Although an appeal was pending before the Supreme Court, it was not on an expedited schedule and it was unlikely the matter would be resolved before the budget process concluded within the next 120

days. She asked whether OMB would amend the budget to reflect the situation.

Ms. Sanders responded that no amendment was planned. She explained that the governor had moved forward with the appeal and she would defer to the Department of Law (DOL) for legal questions.

Representative Hannan asked which committee member oversaw the DNR budget.

Co-Chair Josephson responded that it was Co-Chair Schrage.

Ms. Sanders continued to review the Department of Commerce, Community, and Economic Development (DCCED). She highlighted two items, beginning with the \$2.2 million associated with the Alaska Gasline Development Corporation (AGDC) for operating funding related to the Alaska liquefied natural gas project (AKLNG). She explained that the amount was the same as the prior year, had previously been carried forward as a one-time item, and was restored for FY 27. Additionally, there was funding for the Power Cost Equalization (PCE) program within the Alaska Energy Authority (AEA) that totaled \$44.3 million.

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Ms. Sanders continued on slide 7 and began with detailing budget highlights under Department of Education and Early Development (DEED). She explained that pupil transportation was funded using the full statutory formula funding for school districts. There was an increase of \$3.3 million and \$1.6 million from the Higher Education Investment Fund (HEIF) for the Alaska Performance Scholarship (APS) and the Alaska Education Grants (AEG). She further noted that the bill included a one-time appropriation of approximately \$129 million to recapitalize HEIF in the amount used to cover the deficit in prior closed fiscal years. She emphasized that it was a one-time appropriation, was not carried forward into the following year, and was funded from the Constitutional Budget Reserve Fund (CBRF).

Ms. Sanders continued to discuss highlights within the Department of Health (DOH). She stated that the Senior Benefits Payment Program (SBPP) continued to be fully funded based on the statutory formula. She noted a \$2.7 million increase in federal receipts associated with

several grants within the Division of Public Health (DPH), which increased receipt authority to allow those funds to be distributed and utilized. She also noted an increase in federal authority to support the Crisis Contact Center (CCC) in FY 27.

Ms. Sanders addressed the Department of Labor and Workforce Development (DLWD) and stated that the budget included a \$1.4 million increase in UGF to support the Workers' Safety and Compensation Administration (WSCA) account. When the reverse sweep was not completed several years earlier, the balance of the account was swept into the general fund. She stated that the division had reduced workers' compensation rates over the years, resulting in reduced revenue to the account and a shortfall for ongoing operations.

Co-Chair Josephson asked whether DOH had indicated that a supplemental item for Medicaid cost overruns would be submitted as an amended supplemental. He noted that the item was estimated at approximately \$34 million.

Ms. Sanders responded that by December 15 every year, DOH transmitted a Medicaid projection. She explained that the timing did not allow the item to be included in the budget at release and that a supplemental was brought forward annually based on the projection. She confirmed that a Medicaid supplemental would be submitted.

Co-Chair Josephson asked whether OMB would amend the supplemental budget in early February to include additional Medicaid funding.

Ms. Sanders responded that statute required the governor to transmit the supplemental request to the legislature by February 3. She stated that a bill would be submitted on that date that would include all supplemental costs, including Medicaid, consistent with prior practice. She added that an updated Medicaid projection would be provided to the legislature by February 15. She acknowledged that the timing was not ideal.

Co-Chair Josephson asked for more information about the increased draws on HEIF. He understood that the governor wanted the legislature to restore funds drawn in the amount of approximately \$130 million in the current fiscal year. He asked which entity should be consulted regarding the

longevity of the fund in its current depleted status and whether the inquiry should be directed to OMB or DEED.

Ms. Sanders responded that OMB could coordinate a response. She stated that projections were monitored and that LFD maintained its own projections. She noted that OMB worked closely with DOR and had projections regarding the impacts of not returning funds to HEIF. She stated that the impacts would begin in FY 28. The increases for APS and AEG were due to legislative changes and increased utilization of the programs. She explained that the increases were projections based on student eligibility and that actual outcomes could vary based on utilization.

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Ms. Sanders moved to slide 8. She stated that the budget included two deposits under the Department of Military and Veterans Affairs (DMVA): a \$40 million supplemental and a base FY 27 deposit of \$33 million, of which \$24 million was UGF. She relayed that the state had experienced an increase in disasters impacting Alaska, such as Typhoon Halong and continued impacts from the recent winter storm in Southeast. She explained that the budget used a 10-year average for FY 27 as the methodology for the disaster relief deposit. She remarked that it was not possible to predict future disasters and the associated costs.

Co-Chair Josephson commented that the committee would request a comprehensive accounting of federal reimbursements and unreimbursed costs prior to the end of the legislative session. He asked whether a summary could be provided identifying which departments incurred costs, including DEC, DOT, and DMVA.

Ms. Sanders responded that a summary could be provided. She stated that DMVA was working with the federal government to determine reimbursable and nonreimbursable costs. She added that departments had been asked to track their disaster response costs and she reiterated that the information could be compiled.

Representative Hannan asked about the use of a 10-year average for disaster relief funding. She stated that the legislature had used a five-year average in the prior year and speculated that the five-year average was higher than the 10-year average. She asked whether the administration

had calculated the difference. She understood that disaster relief remained underfunded.

Ms. Sanders responded that she did not have the difference between the five-year and 10-year averages currently available. She confirmed that the legislature had used a five-year average in the prior session. She stated that the difference could be provided, but emphasized the inherent unpredictability of disaster-related costs. She stated that the administration was attempting to apply a consistent methodology moving forward.

Ms. Sanders continued to DNR's notable budget highlights. She explained that DNR was maintaining programs that were previously included in the capital budget. The administration reviewed the proposed capital items to ensure that the items were truly capital appropriations and to determine if certain items should instead be reflected in the operating budget as ongoing operational expenses. She explained that the budget included the continuation of the National Historic Preservation Fund (NHPF) grant and the Critical Minerals Mapping Initiative's (CMMI) Earth MRI Program. She stated that both were federally funded projects. She noted that NHPF required a \$1.3 million state match. She explained that the items were previously included in the capital budget and were now reflected in the operating budget.

Ms. Sanders addressed the third bullet under DNR which related to the Fire Suppression Fund (FSF). She stated that two disaster declarations had been transmitted to the legislature during the year, totaling \$55 million. The amount included for FY 27 was \$47.5 million. She noted that projecting fire seasons across the state remained difficult but depositing fire funding into FSF helped reduce recurring funding challenges and allowed for smoother budgeting across fiscal years. If excess funding were ever available, it would carry forward to the following year. She added that DNR continued to work with partner agencies on reimbursement processes that were often delayed.

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Ms. Sanders then discussed the items under the Department of Public Safety (DPS). She stated that funding for body cameras and car camera operations and equipment had previously been included as a capital project and was now

moved into the operating budget. She explained that the funding supported ongoing maintenance, replacement of damaged equipment, and continued operation of the program. The budget also included a \$550,000 increase to expand training and certification support for law enforcement officers and village police officers. She noted that some participants paid to attend training provided through the academy.

Representative Stapp asked about the \$1.3 million allocated for body and car cameras. He asked how many officers and vehicles were included.

Ms. Sanders responded that statistics could be provided. She stated that the funding supported operational costs as well as data storage requirements. She would follow up with a detailed breakdown.

Representative Stapp asked whether the funding included software costs.

Ms. Sanders confirmed that software was included.

Co-Chair Josephson asked if the budget treated the \$55 million in funding for fire disaster declarations funding as requiring ratification.

Ms. Sanders responded that following discussions with LFD Director Alexei Painter, the administration did not submit a transaction for the items because the funding had already been approved by the legislature. She stated that the amounts would be incorporated into the supplemental summary of overall changes as previously appropriated funding. She explained that the legislature could take additional action if it chose to ratify the approvals. She stated that prior budgets had not included a specific line item for disaster declarations and explained that the administration sought to avoid double counting or presenting the funding as a new request.

Co-Chair Josephson agreed that accurate characterization could be important for future legislatures and administrations. He stated that ensuring payment was the primary concern and the legislature had other "battles to fight."

Ms. Sanders continued to slide 9 and discussed budget items under DOT. She explained that several reductions occurred across the department during the prior session and that the budget included increments to restore funding levels to where they were prior to the reductions. There was \$5.2 million to restore funding levels for highways, aviation, and maintenance, \$1.3 million to replace one time funding used in the prior year from the Alaska Housing Capital Corporation, and an increase of \$1.8 million in motor fuel tax receipts for statewide guardrail and roadside hardware repair. She added that the budget also included \$420,000 in motor fuel tax receipts for statewide wayside maintenance.

Ms. Sanders continued to statewide items. She reiterated that the recapitalization of HEIF under DEED was included in the amount of \$129.6 million. She added that the governor's budget included \$2.3 billion in general funds to provide the full statutory PFD of approximately \$3,600 per Alaskan and included \$1.4 billion for Permanent Fund inflation proofing from the earnings reserve account (ERA) into the Permanent Fund principal.

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Representative Tomaszewski asked for more information about maintenance needs on the Dalton Highway and noted that there had been prior discussion regarding 80-foot sections of pipe. He asked whether additional maintenance funding was anticipated in the next budget.

Ms. Sanders responded that no additional funding was currently directed outside of the federal programs administered by DOT. She acknowledged that the area required extensive work and maintenance.

Representative Tomaszewski asked for confirmation that there was nothing planned.

Ms. Sanders confirmed that no additional funding was presently planned.

Co-Chair Josephson asked for more information about the statewide guardrail and roadside hardware repair funding. He noted that LFD had reported that the appropriation could exceed available motor fuel tax revenue. He asked whether the item should be funded as a supplemental or through general funds.

Ms. Sanders responded that the item was treated as a receipt authority. She stated that if revenue was not collected or was insufficient, the funds could not be spent. She explained that the revenue source would need to be closely monitored to ensure alignment with project activity. She would follow up with DOT because there might be a difference in information between the administration and LFD.

Ms. Sanders moved to slide 10, which provided a brief snapshot of the capital budget for FY 27. She stated that the governor's direction was to provide the bare minimum for capital projects and ensure that the funds provided the match expected from the federal government. She explained that the general fund match totaled \$128 million, representing approximately 82 percent of the capital budget. She noted that the majority of the funding was allocated to DOT. She stated that just over \$20 million was included for DOR. She would detail each project relating to the Alaska Housing Finance Corporation (AHFC) and matching projects for federal wastewater under DEC.

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Ms. Sanders continued to slide 11 and reviewed significant budget items within DCCED. She explained that the budget included a \$15.3 million capital project using Ocean Ranger receipts to be appropriated to AEA for a cruise ship port terminal electrification project. She stated that she did not recall which project or communities were next, but DEC would administer the project through AEA.

Ms. Sanders addressed DEC items. She explained that federal programs were included for the availability of safe water and wastewater infrastructure projects, as well as the Alaska Clean Water and Alaska Drinking Water grant funding. She stated that the programs had a required state match.

Ms. Sanders next addressed the Department of Fish and Game (DFG). She explained that the budget included a continuation of \$3.3 million for the Gulf of Alaska Chinook Salmon Program, \$825,000 for the Alaska Marine Salmon Program, and \$6.8 million in federal receipts for Pacific Coastal Salmon Recovery Fund activities.

Co-Chair Josephson asked for more information about the nexus between the Ocean Ranger Program and air quality improvements in ports of call.

Ms. Sanders responded that Ocean Ranger receipts could be used for four projects associated with the cruise ship industry. She understood that a federal law required port electrification and the project would reduce air pollution by allowing cruise ships to plug into shore power rather than operate on fuel or diesel.

Co-Chair Foster asked why funding for Western Alaska genetic testing studies was not included in the budget.

Ms. Sanders deferred the question to her colleague.

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BONNIE JENSEN, DIRECTOR, ADMINISTRATIVE SERVICES DIVISION, DEPARTMENT OF FISH AND GAME, asked for clarification on whether Co-Chair Foster was referring to the South Peninsula study that was included in the prior year's capital budget.

Co-Chair Foster clarified that he was referring to genetic testing for Western Alaska salmon. There were ongoing concerns related to declines and subsistence fishing closures on the Kuskokwim and Yukon rivers. He explained that genetic testing had been cited as necessary to determine stock origin and noted that a request for additional funding had been submitted by members of the Bush Caucus. He had not seen funding for that purpose in the current budget and acknowledged that a follow up might be necessary.

Ms. Jensen responded that she would need to contact the Division of Commercial Fisheries (DCF) to obtain a list of genetics projects.

Ms. Sanders added that she would follow up. She relayed that there had been \$500,000 for a chum salmon study and stated that the funding source might have changed.

Ms. Sanders moved to slide 12. The budget included an annual Alaska Mental Health Trust Authority (AMHTA) item under DOH for home modifications and upgrades to retain housing in the amount of \$1.2 million. Additionally, the

DMVA budget included several federally funded projects, including \$5 million for public protection and infrastructure support, \$26.8 million for the State Homeland Security Grant Program (SHSGP), and \$25 million for deferred maintenance, replacement, and renewal that was specific to armories across the state. She added that the budget also included \$1.8 million in federal receipts for Air National Guard modernization and sustainment. The availability of federal funding allowed the department to address several of its outstanding needs.

Ms. Sanders continued to DNR items and explained that the budget included a continuation of the Nationwide Forest Inventory (NFI) for the Susitna and Tanana Valleys in the amount of \$1.9 million in timber receipts. The budget also included a continuation of the Land and Water Conservation Fund Grant (LWCF) program totaling \$4.8 million, as well as \$12 million in federal receipts for cooperative forestry and fire programs. She noted that many of the projects were continuations from previous years.

Ms. Sanders moved to slide 13 and relayed that the DNR budget included \$22.9 million from the AHFC dividend received to be used for housing programs. She explained that these were standard housing programs that were administered annually by AHFC, such as teacher housing and senior housing.

Ms. Sanders then addressed the highlighted budget items for DOT. She explained that the budget included \$70.2 million in state general funds to provide the match for the Statewide Transportation Improvement Program (STIP). The item was associated with the prior year veto of a reappropriation and the funding would allow the department to meet the federal matching requirement in FY 26. She added that the budget also included a continuation of the federal program match for highways and aviation totaling \$107.8 million in state general funds.

Ms. Sanders explained that the DOT budget proposed a change related to statewide deferred maintenance, renovation, and repair. She explained that responsibility had previously fallen to the governor, but the administration worked closely with DOT to administer the funds across state agencies. She explained that the proposed change would move the appropriation directly to DOT to reduce administrative transfers and allow the department to administer the funds

directly. She added that the budget also included \$27.5 million for Alaska Marine Highway System (AMHS) vessel overhaul, annual certification, and shoreside facilities rehabilitation.

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Representative Hannan asked for more information about the \$26 million cost for statewide deferred maintenance, renovation, and repair funding. She asked if there was a list of projects the funding was intended to cover.

Ms. Sanders responded that a statewide facilities council conducted an annual process to rank projects across state facilities. She explained that all state agencies submitted project lists, which were prioritized and ranked, and the funding was administered based on the prioritization. She offered to provide the most recent list to the committee and noted that the list was updated on a recurring basis to ensure the highest needs were addressed.

Representative Hannan relayed that she was trying to understand how many projects could be addressed with \$26 million. She noted that in the prior year, the funding had only covered a small number of top-ranked projects.

Ms. Sanders asked if Representative Hannan was referring to school major maintenance, which was a separate issue.

Representative Hannan responded that she was not.

Ms. Sanders responded that she would follow up with the project list and provide it to the committee.

Representative Tomaszewski asked for a breakdown of what was being planned and prepared for maintenance on the Dalton Highway. He noted that the question might be better suited for DOT. He explained that he had raised questions about the highway throughout his time in the legislature and believed there should be a stronger focus on maintenance. He stated that constituents did not want new construction projects or major reconstruction, but instead wanted the road bladed and kept flat so large trucks could travel safely. He noted that the highway had numerous potholes.

Ms. Sanders responded that she would follow up with the information.

Representative Hannan asked where the Fairbanks Pioneer Home (FPH) ranked on the deferred maintenance list. She stated that Mr. Painter had previously warned that the building was at risk of structural failure and that it was not receiving sufficient maintenance. She expressed concern that the facility could reach a point where it was effectively derelict. She asked if the facility was now ranked at the top of the list so the state could address the issue before it became uninhabitable.

Ms. Sanders responded that replacement of FPH would not be included on the deferred maintenance list. She offered to follow up with more information.

Representative Hannan understood that FPH remained on the maintenance list but it was ranked so low that it was not receiving funding. She reiterated the concern that if the building was neither being maintained nor replaced, its condition would continue to deteriorate. She recalled that the estimated cost associated with the facility had previously been approximately \$18 million.

Ms. Sanders responded that she would follow up with additional details.

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Ms. Sanders moved to slide 14, which provided an annual snapshot of budgeted positions compared to filled positions. The graph on the right side showed comparisons by agency. She advanced to slide 15, which displayed vacancy rates by department as of December of 2025. She reported that the statewide vacancy rate was approximately 15.3 percent.

Representative Galvin remarked that she had several questions related to DEED. She appreciated DEED being included on the bar graph on slide 5 because it helped the public understand how much funding was associated with the department. She asked for confirmation that the vacancy rate of 18.5 percent reflected only DEED as a state agency and not school districts. She also asked if the salary adjustments shown on slide 3 were tied to labor agreements and applied to employees across departments.

Ms. Sanders responded that the salary adjustments reflected in the budget applied only to state employees and were associated with labor agreements.

Representative Galvin asked whether the vacancy and salary information reflected all educators statewide. She noted that educator compensation was handled separately through the foundation formula and that each school district was responsible for paying any salary adjustments.

Ms. Sanders responded in the affirmative.

Representative Galvin asked if the foundation formula itself included any adjustment for teacher salaries in the current year.

Ms. Sanders responded that the state provided funding to school districts through the foundation formula, but each district determined how to allocate the funds for its own operations. She explained that the formula did not include changes related to contractual salary adjustments made by individual school districts.

Representative Galvin asked for confirmation that the formula was not changing in the current year and that there was \$0 included to account for salary agreements across the 53 districts.

Ms. Sanders responded in the affirmative.

Representative Galvin asked if districts received differing amounts based on student counts. She understood that the districts were otherwise working within the same statutory framework. She remarked that other departments operated differently than school districts and that districts were required to find the funds within their existing allocations to cover any salary adjustments.

Ms. Sanders responded that it was incumbent upon each school district to determine its operational priorities. She explained that the base student allocation (BSA) was set in statute and could only be adjusted through legislation.

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Representative Galvin thanked Co-Chair Josephson for allowing the extended discussion. She asserted that it was important for the public to understand why teacher salary negotiations were difficult. The lack of inflationary or other adjustments within the formula made it challenging for districts to maintain services while absorbing increased costs.

Ms. Sanders moved to slide 16, which addressed work that was underway pursuant to Administrative Order (AO) 359, related to budget efficiency, and AO 360, related to regulatory reform. She stated that she would not read through each bullet but would summarize the efforts. She explained that OMB had developed a grants dashboard for AO 359. The dashboard was publicly available and provided both historical and current information on state-administered grants, including recipients and dollar amounts, in order to improve transparency regarding state spending.

Ms. Sanders explained that the administration had been working with several departments that administered permitting and licensing programs to review existing processes and technology. She noted that DNR and DCCED had collaborated with the administration on the effort and two reports had been produced. The first identified just over 50 opportunities to improve licensing and permitting processes statewide. The second outlined roadmaps describing how the state could move from current practices to improved systems by leveraging resources to streamline operations and modernize processes.

Ms. Sanders explained that all state agencies were working through their regulatory reform packages and plans under AO 360. She stated that the plans were intended to be posted online at the beginning of February of 2026. She explained that the governor's office was working closely with DOL on each department's regulatory package to ensure compliance with the requirements to reduce regulations. She remarked that the process had been eye-opening, noting that regulations were often adopted in response to statutes and laws and remained in place for many years without review. She stated that the effort provided an opportunity to examine existing regulations, reduce unnecessary burdens on industry and individuals, streamline processes, modernize requirements, and move toward a regular cycle of regulatory review.

Representative Galvin remarked that the initiatives reflected innovation and increased transparency. She asked whether the grants dashboard would include funding related to the Rural Health Transformation Program (RHTP).

Ms. Sanders responded that the dashboard was intended to be comprehensive and include grants statewide. She added that DOH was working to ensure transparency in how RHTP monies were allocated or awarded and noted that the department might also provide additional dashboards on its own website.

[2:42:19 PM](#)

Co-Chair Foster expressed support for the regulatory reform initiative. He observed that members of the public were often frustrated by outdated or burdensome regulations. He asked how individuals could submit suggestions for eliminating or updating obsolete regulations.

Ms. Sanders responded that agencies were incorporating public comment periods as part of the regulatory reform process and that members of the public could submit feedback directly to departments. She added that she would consider additional mechanisms for receiving public input, such as submissions being made through legislators or directly to her office.

Co-Chair Josephson asked how departments would calculate whether they had achieved a 15 percent reduction in regulations. He asked if removing minor or obsolete provisions would count toward the threshold, such as archived cassette tapes.

Ms. Sanders responded that such changes would count toward the regulatory reduction target. She explained that updating outdated regulations constituted a meaningful process change that affected Alaskans and therefore qualified under the reform effort.

[2:45:27 PM](#)

Representative Bynum remarked that the discussion had been helpful. He stated that he shared similar concerns and sought confirmation that the intent of the regulatory reform initiative was to make it easier to do business in

Alaska and improve efficiency, rather than merely modernizing regulations without reducing burdens.

Ms. Sanders responded that the intent of the effort was to identify and remove regulations that were burdensome, inefficient, or unnecessarily complex. She emphasized that the focus was on reducing barriers, streamlining processes, and improving outcomes for Alaskans.

Representative Bynum asked whether the administration anticipated communicating progress and successes to both the legislature and the public as reforms were implemented.

Ms. Sanders responded in the affirmative.

Co-Chair Foster expressed support for the effort and commented that even incremental progress represented movement in the right direction.

Co-Chair Josephson asked whether there were additional amended supplemental items that could be shared or if the committee should wait.

Ms. Sanders responded that she could not currently share more details because OMB was still working through the process and awaiting the governor's approval. She noted that February 3, 2026, was the statutory deadline for transmitting supplementals. She was willing to return to the committee to walk through the supplementals once released.

[2:48:33 PM](#)

Representative Bynum noted that there were concerns about some items that were not included in the budget, specifically the federal disparity test for education. He asked what the administration anticipated if the state's appeal was unsuccessful.

Ms. Sanders responded that a determination had not yet been made regarding the case. She explained that once a decision was issued, the matter would be brought before the legislature for incorporation into the budget. She stated that the issue was premature and therefore not included.

Representative Bynum expressed concern that a decision could occur late in the budget process. He asked what the

plan would be if the appeal was not successful and a decision occurred near the end of the budget cycle. He stressed that it was a major issue that the legislature could not ignore.

Ms. Sanders responded that the budget was still a proposal and there was a lot of work that had yet to be done. She anticipated that there would be a forthcoming committee substitute. She remarked that the legislature was the appropriating body and it was at their discretion whether they wanted to include an appropriation in the budget.

Representative Bynum expressed a high level of concern regarding the current budget and how spending priorities affected Alaskans. He emphasized that decisions about where funds were allocated were significant and noted that the thin capital budget raised substantial concerns. He asserted that the state's capital needs would not be resolved by inaction and that the committee should consider how to communicate the importance of the capital program both to Alaskans and to the administration.

[2:51:28 PM](#)

Co-Chair Josephson reviewed the agenda for the following day's meeting.

ADJOURNMENT

[2:51:45 PM](#)

The meeting was adjourned at 2:51 p.m.