

HOUSE FINANCE COMMITTEE
January 26, 2026
1:33 p.m.

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CALL TO ORDER

Co-Chair Josephson called the House Finance Committee meeting to order at 1:33 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, Office of the Governor; Dom Pannone, Administrative Services Director, Department of Transportation and Public Facilities; Ryan Anderson, Commissioner, Department of Transportation and Public Facilities.

PRESENT VIA TELECONFERENCE

Marie Marx, Legislative Counsel, Legislative Legal Services.

SUMMARY

PRESENTATION: FY 26 VETOES BY THE OFFICE OF MANAGEMENT AND BUDGET

Co-Chair Josephson reviewed the meeting agenda.

^PRESENTATION: FY 26 VETOES BY THE OFFICE OF MANAGEMENT AND BUDGET

LACEY SANDERS, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, provided opening remarks related to the governor's vetoes in the FY 26 budget. She detailed that the budget passed by the legislature at the end of the previous session was built on a much higher dollar value based on the [Department of Revenue] spring revenue forecast released in March that included an [oil price] of \$68.00 per barrel. She elaborated that in June, the Office of Management and Budget (OMB) had worked closely with the Department of Revenue (DOR) in monitoring the significant decline and volatility in the price of oil. By the time the governor was addressing the bills through the veto review process and signing them into law, DOR provided an updated oil price projection of \$64 per barrel, reflecting a decrease of almost \$4.00 per barrel. The DOR website included a letter from the former commissioner outlining the status at the time and providing several scenarios such as a \$5 increase and \$5 decrease to give people a general idea where the remainder of the year would be. She relayed that the governor had taken the situation seriously and wanted to ensure the state was not in a position of substantial deficits; therefore, he had proposed vetoes totaling almost \$122 million in the operating and capital budgets.

Ms. Sanders referenced three spreadsheets in members' packets (copy on file) that had been released the previous June when the [budget] was signed into law. The first was the OMB HB 53 veto summary spreadsheet, a one-page summary encompassing the vetoes associated with the operating budget. She was available for questions on the document.

Co-Chair Josephson asked if members had questions about the operating budget vetoes. He asked for verification that the operating budget vetoes totaled \$57.5 million in unrestricted general funds (UGF).

Ms. Sanders responded affirmatively.

Co-Chair Josephson asked how much was coming back to the legislature as supplemental requests.

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Ms. Sanders highlighted two supplemental items on the spreadsheet that were included in governor's budget released on December 11. The first was the capitalization of the Disaster Relief Fund on row 24. The veto was about \$10.3 million and retained \$13 million. She detailed that OMB worked with the Department of Military and Veterans Affairs (DMVA) during the review and disasters had been costing the state approximately \$1 million per month. The governor's budget included a \$40 million request. She highlighted that Typhoon Halong was a substantial cost to the state. The second pertained to a veto of approximately \$26 million for fire suppression shown on line 27. The veto retained \$47.5 million in the budget for fire response. The governor's budget included two notifications to the legislature to address fire totaling \$55 million. She explained that it was not the full number and the administration would be talking to the legislature about future requests to address the remainder of costs associated with the Fire Suppression Fund. Similarly with the Disaster Relief Fund, the costs were not all incurred in one year. Some of the costs associated with the Fire Suppression Fund were related to shoring up prior year processes.

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Representative Galvin observed that the spreadsheet included several vetoes in education. She recalled that the governor had requested some of the items and the legislature had been careful not to add funding above the requests. She referenced line 1 labeled "highest priority teacher recruitment: mentorship, apprenticeship..." She had heard repeatedly that the item was a top priority. Additionally, a bill was passed by the 33rd legislature to give teacher incentive payments for national board certification and it was zeroed out by the governor. She highlighted that the statute had passed, but it had never been funded. She was concerned about the \$500,000 cut that she noted would not make or break the bank. She asked for an explanation.

Ms. Sanders responded that OMB took the veto review process very seriously. The items had been zeroed out due to declining revenue.

Representative Galvin had heard that with other vetoes ways had been found to ensure services were kept whole one way or another. She wondered if the same thought had been applied to the two specific aforementioned vetoes. She asked if positions had been moved to ensure there was money in order to follow the statute that was passed.

Ms. Sanders replied not to her knowledge.

Representative Hannan referred to the Disaster Relief Fund including the \$40 million supplemental request and remaining fund balance of \$13 million after the veto. She asked if she could presume the cost for disasters for the fiscal year was \$53 million.

Ms. Sanders answered that the funds were not for the specific year. She explained that disasters covered multiple years and OMB worked closely with DMVA. She confirmed that \$53 million was the total appropriation amount.

Representative Hannan asked what the governor's FY 27 budget requested for the Disaster Relief Fund.

Ms. Sanders answered that the governor's budget included \$24 million for FY 27, which was based on the ten-year average. She highlighted the difference between the ten-year and five-year average. She explained that the ten-year average included the 2018 earthquake and both more recent typhoons. She remarked that it was one way to address the number. She was open to conversations about "what is the correct approach."

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Representative Hannan asked if there was a higher average when including the earthquake of 2018 than there was when a five-year window was used the past session.

Ms. Sanders answered that the five-year and ten-year were similar, but she would follow up with more detail.

Representative Bynum asked about five-year averages versus ten-year averages, specifically related to disasters. He asked if other factors were considered. For example, there were models the state could reference to determine projections for a year in terms of what forest fire,

wildfire, or hurricane relief would look like. He asked if those factors were being considered. Alternatively, he wondered if OMB only looked at a five-year average and if costs ended up exceeding the appropriated amount, an additional request was made in the supplemental budget, or if the appropriation was too much, it would be vetoed.

Ms. Sanders responded that specific to fire, the Department of Natural Resources (DNR) had a very experienced team looking at the data about what a fire year was anticipated to look like based on historical information. The proposed FY 27 budget used the same amount from the prior year. She explained that the fund was being capitalized and the funding was not lapsing on an annual basis. She stated that based on the amount needed from year to year, the state should strive toward some kind of average funding amount that would cover multiple years that may include high and lower cost years. She noted that the fund was new and hopefully the trend line would start stabilizing with deposits to cover the high and low years.

Representative Bynum asked if the department was taking information from department experts into consideration.

Ms. Sanders replied affirmatively. She had met with the department on that type of information.

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Co-Chair Josephson looked at the repeal of statehood defense funds from previous years on line 19. He looked at the associated note on the same line and thought it sounded similar to the debate over the Juneau Access Road that the dollars were obligated. He stated it could be a murky set of facts in other instances and perhaps the current instance could be disputed. He asked about the administration's position on the legislature's efforts to claw back undisputed, unobligated, unspent funds. He asked for the administration's position on the legality of striking dollars in a circumstance where there was no dispute they were not spent.

Ms. Sanders replied that she is not an attorney and deferred any legal inquiries or analysis to the Department of Law (DOL). She referenced a memorandum provided by Co-Chair Josephson in members' packets addressing questions regarding repeals and the governor's veto of those line

items [memorandum from Marie Marx, Legislative Counsel, Legislative Legal Services, dated June 24, 2025] (copy on file). She shared the memo with DOL and the department was currently reviewing it. From OMB's perspective, the line item veto was appropriate in the current case. She deferred and further comments or remarks to DOL.

Co-Chair Josephson did not recall whether he had routed the opinion memo through OMB the previous summer. He considered a scenario where the legislature tried to claw back what it deemed to be unspent dollars and spent them in an entirely different area. He asked if the governor could strike that item because it would be a new purpose. He wondered if the governor was allowed to strike the item because it was the same dollars. He thought it was apropos of "part of the reason we're here on the Department of Transportation issue."

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Representative Hannan looked at item 10, a \$1 veto under DOR. She noted the item was a structure in the budget with directive language to decommission the [Anchorage] office the Alaska Permanent Fund Corporation (APFC) created the previous year without legislative funding or structure. She asked what structure remained for the funding of a second APFC office that had never received legislative authority or appropriation.

Ms. Sanders replied that it was the administration's view that management and administration of functions and programs within agencies was at the discretion of the administration. She relayed that staff continued to work out of the Anchorage office. The prior year's appropriations spent from one appropriation as was the case in the current year.

Representative Hannan asked for verification that the office in Anchorage was not located in the state office building and was located in a separate facility with a separate lease.

Ms. Sanders apologized that she did not know the physical location. She relayed that it was co-located previously in the Department of Environmental Conservation (DEC) space, but she did not know if it was still the case. She would follow up with the information.

Co-Chair Josephson noted that Legislative Legal Services was available online if needed.

Representative Galvin observed that nine of the 29 lines in the spreadsheet were directly related to education or childcare. She emphasized that one-third of the vetoes were taking away services for children. She asked if the administration had determined education had been taken care of [in other ways]; therefore, it had decided to take funding from the areas [identified in the vetoes]. She was looking to understand the reason behind the vetoes directly impacting children.

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Ms. Sanders responded that she did not have anything else to add.

Representative Stapp asked when the administration had encumbered funding that was later reappropriated by the legislature. He understood there was a time delay on the CASR [Capital Appropriation Status Report]. He stated that the report came out in November and typically money was encumbered quickly to get construction projects out the door.

Ms. Sanders answered that OMB had an intensive process that departments underwent to go through the Capital Appropriation Status Report (CASR). She explained that a date was selected when OMB pulled information from the state's accounting system reflecting a point in time. The departments worked through their process to go through project by project to provide updates, followed by a review by OMB, with a public report due to the legislature in January. There was a significant time delay between when OMB pulled information from the state's accounting system and reporting it to the legislature. She elaborated that by the time the legislature worked on its versions of the capital and operating budgets in March to May, the information was up to six months old. She thought there was an opportunity to work with the legislature to get more detailed information or updates. She did not believe state agencies had the capacity to go through an entire CASR review because it took a significant amount of time, especially for agencies like the Department of Transportation and Public Facilities (DOT) and the

Department of Commerce, Community and Economic Development (DCCED). Ensuring there was more accurate information for the legislature to make decisions was something the state could work towards to prevent a situation where departments were continuing to work on projects where funds had been obligated through legal contracts between November and March/April.

Representative Stapp thought it was fairly understandable they would operate on a time delay. He stressed that the CASR was a huge report. He asked if anyone reached out to OMB to ensure a contract had not been signed before reappropriating the money.

Ms. Sanders responded that she had not been contacted with any updated information, but it did not mean there were not many conversations occurring. She hoped they could get the most updated information in a formal process to the legislature to ensure everyone was on the same page.

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Representative Stapp thought it seemed weird not to reach out to the OMB director. He understood that "obviously you're not going to always have all of the information." He hoped in the future that legislators would remember there were many moving pieces in the administration and the legislature did not want to be in the business of micromanaging the departments. He hoped the legislature would contact the administration in the future when the circumstance arose.

Representative Tomaszewski referenced the memorandum from Legislative Legal Services attorney Marie Marx addressed to Co-Chair Josephson dated June 24, 2025 (copy on file). He had not previously seen the memo and asked if Co-Chair Josephson had solicited a response from the governor or attorney general.

Co-Chair Josephson replied, "No." He elaborated that the memo raised some key separation of powers issues. He noted that the committees that would normally take up separation of powers issues were Legislative Budget and Audit (LB&A) and Legislative Council. He sat on LB&A, but no motion had been made yet relative to the issue. He stated that the vetoes had been made at the time the memo was prepared. He explained that sharing the memo with the administration at

the time would not have led the administration to reverse the vetoes; therefore, he had not shared the memo with the administration.

Representative Bynum remarked that he had not seen the memorandum previously. He asked to hear from Legislative Legal Services about what the question actually was and how it was important to the current conversation. Additionally, he was interested in hearing DOL's opinion about the subject in layman's terms.

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MARIE MARX, LEGISLATIVE COUNSEL, LEGISLATIVE LEGAL SERVICES (via teleconference), stated her understanding of the question. She believed Representative Bynum was asking for an explanation of the memorandum in plain language.

Co-Chair Josephson agreed.

Ms. Marx explained that the question the memo aimed to answer was whether the governor's constitutional veto power included the ability to strike language that did not appropriate a sum of money, such as striking language that repealed previously enacted appropriations. She relayed that the topic had not been directly addressed by the Alaska Supreme Court. However, in a 2001 case that talked about what an appropriation item was and what the governor's veto power encompassed, the court ruled that reducing meant lessening an amount and striking meant lessening an item to nothing. She thought there was a real issue about what power the governor had to strike language repealing an appropriation. She explained that striking a repeal meant raising the amount of the appropriation instead of lessening the appropriation.

Co-Chair Josephson asked about a scenario where monies were repealed or there was an attempted claw back based on facts known by the legislature that the funds were unspent and held. He asked if the governor could veto the reappropriated dollars from the repeal. He asked if the governor could strike the new expenditure but not the Session Law of Alaska (SLA) language from the previous year.

Ms. Marx answered that the scenario provided by Co-Chair Josephson was an interesting nuance and was not what had

occurred under the current circumstance. She explained that if the legislature made a new appropriation using money that was unspent, the governor would have the power to reduce the amount or strike the entire appropriation as long as the quantitative effect was to diminish the amount appropriated. The court ruled in the Knowles case [Alaska Legislative Council v. Knowles, 2001] that the power the governor had was to diminish the amount appropriated. She believed the governor had the constitutional power to veto an appropriation item as long as that occurred.

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Representative Hannan stated that the largest reappropriated money was DOT money from previous projects to be used as federal matching funds. She noted the reappropriation had been vetoed. She asked if DOT had been asked to provide information on whether the funds were fully expended or obligated.

DOM PANNONE, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, replied that the Legislative Finance Division (LFD) and some legislative staff reached out for new balances in the CASR related to some of the reappropriations and matching funds. The department provided updated balances and a letter advising that match balances were needed for August redistribution. He explained that the balances had already been incorporated into the project delivery plan and the age did not negate the need for a new additional match requested by DOT. He did not recall a conversation about other reappropriations of projects used in DOT's match, such as Cascade Point [in Juneau] and a project in the Mat-Su. He added that some of the other reappropriations were not DOT appropriations and he could not speak to them.

Representative Hannan asked if the other body's capital [budget] chair's office reached out to ask for accurate up-to-date data before the reappropriation of DOT money for what was Juneau Access money at the time before it was put in the capital budget as a reappropriation.

Mr. Pannone responded that he was not aware of a request from either body. He noted that there was a slide dedicated to the Juneau Access project [also known as the Cascade Point project].

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Co-Chair Schrage asked when the Cascade Point project was encumbered. He asked if it was after the legislative budget came out.

Mr. Pannone looked at slide 6 pertaining to Cascade Point in a PowerPoint presentation titled "House Finance Committee: Department of Transportation and Public Facilities," dated January 26, 2026 (copy on file). The slide showed the project timeline beginning in April 2021. He explained that the slide showed the \$4.5 million spent to date on design prior to the reappropriations. He highlighted the engineering and feasibility and 35 percent design build. He elaborated that DOT was in the process of going to contract out the work prior to the reappropriations. He did not have the specific contract date on hand, but it was prior to the effective date of the bill and any action taken on the bill. He deferred to the commissioner for additional comment.

RYAN ANDERSON, COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, referenced slide 6 showing the Cascade Point timeline. He relayed that the project delivery process involved making numerous commitments ahead of time. He explained that a significant investment had been made by the time the department awarded contracts. He highlighted that \$4.5 million had been spent on Cascade Point to date.

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Representative Hannan asked why DOT did not request to have the money previously appropriated to the Juneau Access project reappropriated to Cascade Point. She remarked it would have avoided confusion for the legislature to know the money was being spent. She stated her understanding the legislature asked repeatedly how much money remained in the fund and there was no updated money. She observed that DOT's timeline showed the money was obligated and she wondered why the legislature was not asked to reappropriate the funds in order to have accurate information to work from.

Commissioner Anderson responded that he was not aware of being asked for the balances for Cascade Point prior to the reappropriation. The department had always gone forward

with the understanding that the scope of the reappropriations was a fit for the Cascade Point project.

Co-Chair Schrage asked how the administration interpreted the legislative intent if the funds were reappropriated to meet federal match.

Ms. Sanders answered that she did not want to speak on behalf of the legislature. She explained that the narrative behind the reappropriation was to utilize balances of projects to meet the [federal] match. The administration did not want to put the state in a position where the match was not available because the funds the funds had been obligated or were no longer available because they had already been spent. She explained it would create a situation where the state could not meet its federal obligations; therefore, the action taken was to veto the appropriations and come back to the legislature with a request for unrestricted general funds (UGF) to meet the obligation.

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Co-Chair Schrage believed the legislature made it clear that it felt that meeting federal match was more of a priority than putting up the funds for the Cascade Point project. He would not speak to the administration's intent, but it appeared the effect was to not meet the federal match, go back to the legislature to find a different funding source, and to move forward with Cascade Point anyway. As the appropriating branch of government, he found it very problematic and difficult to find trust through the appropriating process. He stressed the need to work more closely in the next year to ensure there was clear communication [between the administration and legislature] while navigating the process. He followed up on Representative Stapp's line of questioning and relayed that there was communication with the departments on many of the reappropriations. He stated it was necessary to figure out a way to get clearer information from the administration.

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Representative Stapp asked what happened when the state had a contract and it pulled the money. He asked if the state was legally obligated to the contract. He considered a

scenario where the state put a project out to bid, awarded the contract, and took the money to spend elsewhere.

Commissioner Anderson answered that it would be a breach of contract. He thought it would set a dangerous precedent across the contracting community to be unsure the money would be there when the state signed a contractual obligation. The department worked hard to make sure that the contracts were solid and that the state had a good reputation.

Representative Stapp asked if the contracts had clauses specifying the state had to pay once locked into an agreement. He questioned whether the state could arbitrarily break contracts. He thought people in the industry would not like it if the state started breaking contracts "willy nilly." He asked if there were penalties for breaking contracts.

Commissioner Anderson considered scenarios where there was intent to award a contract. He emphasized that there was a great contracting community in Alaska and contractors took a lot of risk ahead of time when securing materials due to long lead times and mobilizing equipment. He stated it was tough in Alaska and there was a fair amount of money on the line. The last thing the department wanted was to pull the rug out from under a contractor. He relayed that once a contract was signed, the state had a legal obligation to the payments.

Co-Chair Josephson responded it was the reason the House Finance Committee filed a supplemental bill. He remarked that the point was important.

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Representative Stapp stated his biggest fear was a situation where the state was in the behavioral process of putting out RFPs and pulling them after awarding a bid. He believed it would undermine the faith of the contractor industry in Alaska. He separately had a question about the Fairbanks armory that caught fire a couple of days back. He noted the building was on the veto list for upgraded maintenance. He relayed there had been money for the modernization for the barracks. He hoped the modernization had not occurred prior to the fire.

Ms. Sanders answered that the fire had been brought to her attention earlier in the afternoon. She expected that as with most fires that occurred in state facilities there would be a process of ensuring that insurance covered the cost associated with the fire. The modernization component did not move forward due to the veto. She offered to follow up with additional information.

Representative Stapp thought there was a bright side to the veto because rather than spending the money on the modernization, the building caught fire before the funding was spent.

Representative Allard appreciated the work DOT did in Eagle River. She stated that her sidewalks were cleared and there were no ruts on the road. She stated that the legislature reappropriated funds the previous session and pulled funds from projects that were underway. She voted against the action taken. She asked if it impacted the governor's choice to stop the reappropriation of the funds with a veto.

Commissioner Anderson confirmed that after the legislative action, DOT had numerous questions about the status of the projects and how it would work. He agreed it had been a concern.

Representative Allard remarked that there were consequences when the legislature took certain actions. She believed Commissioner Anderson was indicating there were consequences to the actions of reappropriating the funds.

Commissioner Anderson agreed.

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Co-Chair Schrage referenced the commissioner's remark about long lead times necessary for contractors to gear up for the season. He believed lead times were likely substantial even for urban projects. He wondered how much notice contractors needed ahead of time for projects going to bid for a coming summer in Western Alaska.

Commissioner Anderson answered that it varied depending on the type of work. For example, projects involving transportation of steel products that had to be fabricated had their own timeframe. He highlighted the rural aviation

program for Western Alaska and explained that when DOT received grants and went to bid in the August/September timeframe, it took all winter and sometimes the next summer to get mobilized for the following fall.

Representative Bynum highlighted that there was substantial discussion about the readiness of the contractor workforce to do construction for Alaska and provide quality projects. He remarked that in the past several years there had been substantial volatility in the funding available for capital projects. He asked Commissioner Anderson to talk about situations where there was volatility in available funding and the legislature was only trying to meet the minimum match versus the scope of need and how it impacted the quality and availability of contractors in the state.

Commissioner Anderson answered that he recalled talking about the issue the previous year. There had been concern from the House Finance Committee about DOT getting projects on the street. The department really pushed to get the projects on the street, and it had a record distribution of \$183.5 million in August. The department had a capital program year that exceeded \$1 billion by leveraging every tool available including capital and federal funds. He stated the contractors in Alaska were pretty phenomenal and tended to work in different areas of expertise in rural areas such as Western Alaska and the Dalton Highway and in urban areas. He stated the importance of keeping the constant workloads to enable contractors to keep work going in different areas. The department was working on the new Statewide Transportation Improvement Program (STIP), which would be a topic coming up in the near future. He remarked on the importance of maintaining the balance of work when looking at how the federal funds were allocated.

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Co-Chair Josephson asked if the contracts reminded recipients that they were subject to appropriation. He understood there was an appropriation in the context under discussion. He assumed the contracts included the language.

Commissioner Anderson answered that he would follow up. He stated there was specific contract language in terms of reasons for default and termination. He noted the department used very standard contract language.

Representative Hannan looked at the Fairbanks barracks and asked where Camp Carol and Camp Denali were located.

Ms. Sanders replied that both were located on Joint Base Elmendorf-Richardson (JBER).

Representative Hannan noted that one of the vetoes was \$2.5 million in highway maintenance on the Dalton Highway between mileposts 76 and 89. She asked if any maintenance was done on that stretch of highway. She did not believe it was the "big slough," which she thought was at mile 150 or 170. She assumed there was a specific project need. She wondered if the maintenance was done with other revenues since the money was vetoed.

Commissioner Anderson replied that mile 70 was north of the Yukon River bridge on the Dalton Highway. The department had done a lot of work up in the area and was leveraging preventative maintenance funding on the Dalton Highway. He relayed that the federal highway agency was working with DOT related to the Alaska gasline and DOT may be able to do an aggregate stockpiling program along the entire length of the Dalton Highway to ensure it was ready for what came next. The department had annual work on the majority of the highway. He would follow up with information on work done between the specific mileposts the past summer.

Representative Hannan had driven the Dalton Highway in a commercial rig the past summer. She shared that the ongoing frustration of the driver was that the pile of gravel had been sitting in the same spot for five weeks. The driver wondered why the gravel was not being used to fill potholes. She relayed that the driver thought the gravel would sink into the tundra if it was not spread on the road. She added that the driver joked about personally spreading the gravel if DOT did not do it. She clarified she was not advocating for that.

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Representative Bynum understood there would be another opportunity to have a long conversation about the budget, DOT's needs, and some of his concern over how investment was being made in the state through capital spending. He believed the maintenance portion of infrastructure was overlooked frequently, which could extend the life of projects and create continuity between projects. He had a

lot of concern about the issue and believed the state was underfunding capital projects. He referenced a question by the co-chair that he thought made it sound like DOT was issuing contracts without an appropriation in place. He asked if that was taking place. He understood the state did intent for projects to gear up, which were pending appropriation, and contracts were put out once the appropriation was secured. He asked if it was general practice for the department to enter a contract without an appropriation in place.

Commissioner Anderson responded that the funds were always in place and backed by an appropriation before DOT issued a contract. The funds were encumbered so there was no other competition for the money.

Representative Bynum considered that perhaps an opportunity where the state would not continue a contract was a situation where a contract had multiple phases that were pending appropriation. For example, DOT may put a contract out for phase 1 work with the option to extend or award pending future appropriations.

Commissioner Anderson replied with an example where the Federal Aviation Administration issued staged grants in Western Alaska. He elaborated that one year the department would receive a grant for a certain scope of work and the department received assurance from the federal government that it would provide funding for the second phase the following year. The department structured the contracts with a way out if for some reason they did not work out.

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Representative Stapp viewed the Dalton Highway as the most important transportation corridor in Alaska because it represented the heartbeat of Alaska's industry. He asked for the commissioner's perspective.

Commissioner Anderson shared that he had also been up the Dalton Highway in a 10,000 gallon fuel tanker. He remarked that it was a challenging environment and the distance was 500 miles from Fairbanks to Prudhoe Bay. He noted that the last 30 to 40 miles into Prudhoe Bay was likely the most beautiful paved road around. He elaborated that it took over \$100 million to get there. He detailed that the state had invested over \$500 million in the Dalton over the past

ten years. He relayed that the department was planning \$500 million for the STIP over the next ten years. He explained that it was a limited resource and the department continued investing on the capital side. He noted that the department would love to have state funds and years back there had been some substantial state appropriations. He expounded that DOT had done some amazing work up on the Dalton Highway because it was possible to move much quicker with the state funds to get heavy maintenance done. The department was trying to work with the Federal Highway Administration to see if it could get more flexibility to do more of that work. The challenge was the limited resource the department was balancing across the state. He agreed that the Dalton Highway was important for the state.

Representative Stapp acknowledged the importance of every transportation system in the state. He had a particular love for the Dalton Highway as a resident of the Interior. He stated that the department's stance was on the consistency of fund sources. He observed that some of the vetoes were things the legislature decided to appropriate with general funds as opposed to funding through some type of reappropriation mechanism. For example, he pointed to a veto that occurred because the fund source was Alaska Industrial Development and Export Authority (AIDEA) funds that were reappropriated for something as critical as the Dalton Highway as opposed to UGF for something like window replacements at Mt. Edgecumbe High School. He directed a question to Ms. Sanders and asked whether general funds or reappropriations through a state-owned enterprise were a more consistent fund source.

Ms. Sanders replied that it was a hard question to answer. She relayed that as the state's fiscal situation had continued to decline, she frequently asked whether there were projects on the CASR that could potentially be reappropriated for another purpose. She stated that the items should be evaluated; there were many items on the list and old items on the list, but it was important to be thoughtful about what "we're saying" is no longer a priority in the state and what should be a priority. She did not believe there was any opposition to reappropriations, but it was necessary to ensure there was revenue behind a reappropriation prior to putting it forward. She elaborated that OMB did not want to put a reappropriation forward that had zero dollars because there would be no revenue to use toward a new item. The last time

she looked at the funding sources list there were between 350 and 400 fund codes. Some of the funds were constitutionally required and some were statutorily designated because the legislature determined something was an important use. She thought it was important to evaluate items on a case by case basis. For example, she had seen appropriations made from the Higher Education Investment Fund for purposes that were outside of the statutorily designated program. She recognized that perhaps there was a good reason [to use the funding on something else] in a given year to meet some purpose. She did not want to say there was a right or wrong, but she thought it was important to evaluate each appropriation to ensure it prioritized need. She was not saying the Dalton Highway was unimportant. The administration recognized the importance of the particular items. The administration determined it did not want to use AIDEA reserves for purposes outside what had been statutorily designated.

Representative Stapp understood. He thought it was interesting that the legislature chose to use reappropriation funds for something as important as the Dalton Highway. He looked at line 17 of the spreadsheet as an example showing \$1.3 million in general funds for the National Historic Preservation Fund. He thought it would have made sense for the legislature to fund the Dalton Highway work with general funds due to its importance and fund the preservation fund with reappropriation funds. He noted it was the purpose behind his question about the reliability of fund sources.

Representative Moore lauded the department for its work during a robust construction season in the Mat-Su the previous summer. She remarked that Alaska's construction season was limited in scope and fragile. She asked about the impact of the funds being vetoed and the importance of capturing the funds again.

Commissioner Anderson believed everyone recognized the value of Alaska's construction season. He relayed that the department had secured over \$1.3 billion for projects across the state including Mat-Su, Fairbanks, Anchorage, the Parks Highway, Sterling Highway, Dalton Highway, etcetera. He remarked that driving the highways in the construction season was a bummer due to delays, but the projects kept the state's infrastructure in good condition and kept the contracting community healthy. He stated that

Alaska had a lot to be proud of with its infrastructure, highway, and airport systems. The state met all of its pavement and bridge federal performance measures. The department had a good team of in-house and contract engineers working on the bridges and making sure they were in good condition. There were times when DOT recognized challenges and it could move quickly to make repairs. He relayed that some projects took five to seven years to get through the process, and it was important to avoid disrupting the funding flow. He explained that when funding started changing, engineers stopped work, and began working on something else, which resulted in lost time, money, and opportunity to improve state infrastructure. He highlighted the importance of stability in order to get projects across the finish line and keep Alaska moving.

Representative Moore asked about the administration's fiscal rationale for vetoing the funds.

[2:43:02 PM](#)

Ms. Sanders replied that the conversation around the STIP had to do with whether the funds were obligated and there was something in place where reappropriating funds meant the money was no longer available. The administration decided to deny the reappropriation of funds for other projects and to ask for the general funds directly to meet the state match in order for projects to continue and to allow more projects to move forward.

Representative Moore stated it was unfortunate.

Representative Hannan relayed that the truck driver she had ridden with had asked why DOT kept paving the last 30 miles of the Dalton Highway instead of graveling and blacktopping. The driver noted that the pavement would last two or three years due to the conditions in the Arctic.

Commissioner Anderson replied that the pavement had been put in place after the road had washed out in 2015. He noted the pavement had been in place for eight years, which was pretty good. He stated that typically Arctic pavement lasted 15 years and could last 20. He explained that there were a lot of maintenance savings in the operating budget. He highlighted there was a lot of dust on the Dalton Highway in the summer. He elaborated that the road surface could lose anywhere from one quarter to three quarters of

an inch annually. The paved surface reduced the piles of gravel needed for surfacing and saved a lot of funds. Additionally, the department had minimal staff with maintenance camps every 30 to 40 miles on the Dalton Highway. When sections were paved it enabled staff to work on more challenging gravel sections that DOT did not always get to. The department would pave more if it could. There were some areas where it would cost hundreds of millions of dollars to make areas stable to pave due to the need to raise embankments and insulate. He did not have the statistics on hand but he believed about 40 percent of the Dalton Highway was paved. There was a big push in the early 2000s when he started at DOT to pave the entire highway, but it only got so far. The department was not actively looking to pave the entire highway. He noted that DOT listened to the truckers; there were areas it would like to do more.

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Co-Chair Schrage referenced the discussion about long lead times for the construction industry and the certainty needed to plan for a construction season. He stated that actions by the administration over the past summer had given certainty to the Cascade Point project to some degree. He highlighted that the action jeopardized hundreds of millions of dollars in federal match necessary for the upcoming construction season. He asked when the general funds needed to be put forward to provide contractors the certainty they needed to plan for the work in a fiscally responsible manner given the long lead times for construction combined with the uncertainty surrounding the upcoming construction season.

Commissioner Anderson when the situation occurred, DOT identified that it had over \$30 million in match funds from the prior year. He pointed to slide 5 of the PowerPoint showing the Surface Transportation Program match timing and federal deadlines. He relayed there was a plan in Amendment 2 to the STIP that went out to public notice that included the amount DOT thought it would have for the full match. The department had not finalized the amendment when the reappropriations followed by the governor's vetoes occurred. When the department finalized Amendment 2 it had to reflect the amount of available match, which reflected DOT's plan for the year. The department had the bigger plan with the additional match, but when looking at the project

delivery schedules there was about \$800 million to \$850 million in projects and authorizations for programs, utilities, and many different elements of project delivery. The department had the match to get through July 1 with a healthy construction season. After July 1, the department would be missing out on additional funds. The department was not slowing down and as projects came available the department would advertise them.

Co-Chair Josephson remarked that the committee would hear different testimony the following day and he found it hard to know what was accurate.

Representative Bynum looked at the Cascade Point project timeline and funding considerations on slide 6. He considered the Alaska Marine Highway System (AMHS) and the Cascade Point project and how the two were linked. He noted that the slide primarily addressed stage 1. He had received a lot of feedback from constituents when an appropriation had been put towards building the section of road associated with the project. There was a lot of concern about the highway system and how the particular plan would link into the long-term situation with AMHS. He had numerous conversations with the AMHS Board about long-range vision and construction of new mainliners. Additionally, he wanted to have discussions about southern reconnection to Hyder and reestablishing the connection to Prince Rupert. He stated that Cascade Point was a big obligation and he thought there may be a bit of misunderstanding about how it played into the bigger vision for the marine highway. He asked the commissioner to speak about the specific decision and how it impacted Cascade Point and how following on stages would fit into the long range plan for AMHS.

[2:52:28 PM](#)

Commissioner Anderson replied that the long range plan for AMHS was recently finished and was a good plan. One of the elements recognized that to reduce operating costs long-term, extending roads and shortening ferry runs was part of the approved plan. He stated that Cascade Point made the most of the road infrastructure to reduce the length of the runs in north Lynn Canal to reduce the time and cost of running the ferries.

Representative Bynum understood there had been major issues with operating the current fleet, keeping boats in the

water and moving. He thought there was a bit of a disconnect with his community and understanding where the project was going and how the funding may or may not be directly impacting keeping vessels underway. He understood the desire to deploy for a long-term plan, but he was trying to understand how the specific piece of work would play into the goal and how it was different than the monies being used for AMHS itself. He thought people forget that it was part of highway money with highway match as opposed to keeping a vessel on the water and going to a port.

Commissioner Anderson replied that the department could follow up with a list of the different funding types it leveraged for AMHS. The department had done more and more with all of its funding types to ensure the ferry system was running and in good repair. He stated that AMHS Director Craig Tornga had done an amazing job on the maintenance side with a 98.5 percent vessel uptime for 2024 and 2025. The department had been investing in overhauls. He noted that some of the ferry overhauls were going longer because more work was being done. The department was trying to ensure it was set up as it tackled the idea of new mainliners and replacing old vessels one at a time. He relayed that the department advertised for construction the Tustumena replacement vessel the previous Friday. He detailed that the cost would exceed \$300 million. He elaborated that the Tustumena was over 60 years old and the replacement was needed. He stated there was some good momentum and good things taking place.

[2:55:23 PM](#)

Representative Bynum asked the department to incorporate the necessary stages of work, particularly related to Cascade Point, into its future presentations to the committee.

Co-Chair Schrage considered whether his previous question had been answered. He had asked when the general funds would need to be provided as match to reclaim the close to \$600 million in federal funds. He asked how much money was at stake.

Commissioner Anderson deferred the question to Mr. Pannone.

Mr. Pannone turned to slide 5 to answer the question. He explained that when DOT projected its match it included

federal funds at varying rates and advanced construction and August redistribution. Beyond July 1, DOT was looking to capture \$400 million to \$500 million in projects and to ensure the department captured reasonable August redistribution beyond July 1.

Co-Chair Schrage considered the \$400 million to \$500 million in jeopardy. He had asked when the funds were needed in order to ensure the state did not lose out on the federal funds. He referenced the department's statement that it was good through July 1 before it would potentially be missing out on opportunities. He thought that was the date when construction would start. He asked when the funds needed to be provided for construction companies to be able to deploy projects after July 1.

Commissioner Anderson replied that prior to securing funds the department built out the plans, environmental documents, utilities, and secured the right-of-way. Once the work was completed, DOT certified the project and sent it to the FHA to secure the federal funds and lock in the match. He relayed that the process was happening currently and all the way through until the end of the federal fiscal year on September 30. He explained that it was a continuing process and timeline. He detailed that some of the projects may be certified after July 1 and would not be advertised until after certification and the securing of funds. He relayed that it may be October or November [before a project was advertised] and those projects would be for construction in 2027.

Co-Chair Schrage remarked that the conversation was bringing up more questions. He asked if the department needed the funding in hand to certify a project.

Commissioner Anderson answered that the department certified the project and then asked the federal government for authorization for the funds to build the project.

Co-Chair Schrage asked about the \$400 million to \$500 million in jeopardy. He asked if those projects were all certified.

Commissioner Anderson replied, "No."

Co-Chair Schrage asked what was required to get the projects certified and out to bid.

Commissioner Anderson responded that the design, stamps, plans, specifications, estimates, environmental documents, land acquisitions, and utility agreements all had to be secured. There were a group of projects currently going through the process.

[3:00:15 PM](#)

Co-Chair Schrage asked for verification that the certification process was underway and was the only thing holding things up. He asked for verification that the department did not need more money and once it finished its internal process and certified the projects, the projects would go out to bid and the state would be able to take advantage of the \$400 million to \$500 million in federal funds.

Commissioner Anderson replied that along with that was the federal fiscal year, apportionments, and the department's authority. He shared that DOT only received a certain amount of authority annually to make the obligations. He elaborated that the department had a tentative advertise schedule online showing projects and when DOT anticipated they would be delivered for construction. He explained that DOT believed it had enough match for certified and secured projects between the present day and July 1. After July 1, most of the match would be used up.

Representative Stapp thought committee members wanted the department to get as many projects out to bid as possible. He stated that members wanted to know if DOT currently needed more money to get as many projects as possible to contractors.

Commissioner Anderson replied that based on DOT's projections, the current match would allow projects to be bid and uninterrupted through July 1. After July 1, the department would not have the match to continue the program for projects from July to September.

[3:02:52 PM](#)

Representative Stapp was hearing Commissioner Anderson say that DOT had enough match for the current projections. He asked if the department was projecting fewer projects going

out to bid in the current year when compared to the prior year.

Commissioner Anderson answered that DOT was predicting the year would be very similar to the prior year. He stated that the past year after the direction the department received from the legislature and others, it leveraged the advanced construction tool that enabled DOT to authorize projects at present and pay them in the future. The department was intending to do the same thing in the current year, but it would not have the match to do the full program.

Representative Stapp asked if Commissioner Anderson would like to know the money was available sooner or later.

Commissioner Anderson replied that the department always liked to have certainty; however, when the department looked at its projections and targets for project delivery in relation to the supplemental, it did not believe there would be a disruption through July 1.

Representative Galvin thanked the commissioner for his work. She looked at slide 5 and understood there were funds the department had that helped with matching funds. She stated that some of the projects that her constituents in midtown Anchorage thought were going to happen had been pulled off the table. She highlighted that 40 percent of Alaska's population was located in Anchorage and she was all in for making sure the Dalton Highway, ferries, and everything else were working. She appreciated meetings held with DOT and Anchorage Metropolitan Area Transportation Solutions (AMATS) to determine what could be improved in Anchorage. She stated that the biggest concern was around high volume and high intensity accident areas, some involving pedestrians.

Representative Galvin highlighted that there were some traffic calming projects taken off the table, which she believed could total around \$30 million. She shared that her constituents had made resolutions annually asking the state to do better. She underscored that state roads had seen the most accidents. She relayed that approximately 17 pedestrians had died in Anchorage, which was more than in most other cities when comparing per capita. She emphasized that the city was in the red zone and her district was in "the reddest of the red zone." She hoped to meet with the

department to learn what she could do for constituents and Anchorage to feel the state was doing the best, especially on state roads. She read individuals' names into the record who had been killed walking in Anchorage including: 30 year old Sandra Blix, 33 year old Francis Katongan, 53 year old Evan Larson Jr, 79 year old Gladys Graf, 34 year old Donna Nielsen, 34 year old Lorraine Williams, 65 year old Carl Schmidt, 49 year old Janice Tom, 43 year old Wonpen Tawthaisong, 54 year old Eric Black, 33 year old Aaron Cleveland, 85 year old Clara Mattice, 63 year old Arthur Stepetin Jr, and 46 year Jason Felder. She emphasized that half of the accidents were in her district. She asked what was going on with traffic calming measures, which included lights, putting trees in the right space, and more. She asked what legislators should be doing differently to make sure Anchorage was not dropping off.

[3:09:07 PM](#)

Commissioner Anderson replied that any death on Alaska's highway system was tragic. He relayed that the department paid close attention to safety and wanted to make safety work in Anchorage. The \$30 million referenced was highway safety improvement funding. He had been told by his project delivery teams that they could not deliver an Ingra/Gambell [streets] project in the current year. He noted that a number of legislators wrote a letter [about the issue]. The department met with the mayor of Anchorage and had come up with a plan. He detailed that the department revised the plan, put the \$30 million back in, and had talked to its teams about different ways to resource the project to get it finished in the current year.

Representative Galvin thanked the commissioner. She understood that around \$30 million of the \$77 million originally headed to Anchorage had been restored. She noted that her district got one of the many projects. She believed A Street was the only project that received funding (among the many) in her district. She did not know if the department would patch up an area near Northern Lights Boulevard, Benson Boulevard, or Minnesota Drive. She shared that she spent half a day driving with DOT in Anchorage and had been told that the department paid a lot of attention to data. She was given a list of the locations of the "high cost" accidents with substantial damage to people and vehicles. She emphasized that half of the accidents on the list were in her district, yet she

believed only one project was restored. She thought half of the funds had been restored and she was grateful DOT worked with the mayor to make it happen and she was asking for more. She stated that if there was approximately \$1 billion, she hoped the department would strive to follow the data and she encouraged DOT to include the districts' data. She referred to the individuals who had been killed in traffic accidents and stressed that they all had mothers and many had children. She remarked that they were not all from Anchorage and some were from rural Alaska. She stressed that the state could do better for the community. She would work together with the department and AMATS on the department's responsibility of keeping the economic engine going and keeping people safe.

[3:12:48 PM](#)

Co-Chair Schrage thanked the department for being present. He had many concerned constituents and he referenced a "meet the match" letter. He relayed that he had never seen a similar coalition. He asked if there were projects that would not occur in the coming summer if the additional match that was vetoed was not provided by July 1.

Commissioner Anderson answered that it was possible depending on how quickly projects could be delivered. The department's current projections showed it would be ok. He noted there was one factor with the August redistribution. He elaborated that plans were due in May and July was the deadline for the department to have a final plan for what federal funding it was capable of securing. He shared that the \$183.5 million [in federal funds] was a record in 2025 and was more than the department ever thought possible. The initial estimate from FWA was about \$66 million for the current year, but DOT would be requesting significantly more. He relayed that there were some variables.

Co-Chair Schrage thought the commissioner seemed very calm about the situation. He perceived that the commissioner did not appear worried and as long as the money was received by July there was no problem. He was trying to reconcile it with the Meet the Match letter he had received from what he viewed as an unprecedented coalition of businesses who were very concerned about the state's ability to provide the match to secure the federal funds. He asked why there was concern and uncertainty from industry when he gathered from the commissioner's testimony that everything was fine.

Commissioner Anderson answered that the industry had to be worried because it was their livelihood. He understood the industry perspective and confirmed the importance of having certainty. He stated that having the matching funds in place provided certainty for the fiscal year. He elaborated that if DOT did not receive the additional match requested in the supplemental on July 1, there would be projects that did not go on the street. He explained that if the match was available early it would add more certainty and the department did not object to that. The department submitted a supplemental request based on what it saw with its projections.

[3:16:18 PM](#)

Representative Allard referenced incidents happening in Anchorage. She was getting annoyed that DOT was blamed. She stated there was a leadership problem in Anchorage. She believed when the assembly voted to remove crosswalks and allow people to cross anywhere it would wreak havoc on state and municipal roads. She had heard a legislator tell DOT it would have blood on its hands, which she found atrocious. She relayed there was an interchange coming off of Eagle River that she had been fighting for over the past eight years. She noted that the problem had existed for 15 years. There was \$8 million designated for the project, but it had been siphoned down. She elaborated that initially the project cost was \$22 million and it was now up to \$55 million. She stated that no one in Anchorage cared about the road because it was located in Eagle River. She asked if fixes to roads would guarantee it would solve deaths that should never have happened. She did not believe people were recognizing that individuals who hit the people who had died were also traumatized. She shared that her daughter had witnessed a deadly accident and was devastated. She thought it was an [Anchorage] leadership issue.

Commissioner Anderson answered that the safety piece could not just be engineering and projects. He relayed that enforcement mattered. He highlighted work done to improve response times. Additionally, the department had put a lot of money into educating people, reflective gear, and more. He agreed that there were many factors involved and it took everyone. He stated that DOT could not solve the problem on its own.

3:19:07 PM

Representative Tomaszewski stated it was incredibly devastating when any life was lost, especially tragically and unnecessarily. He noted that DOT relied on a lot of data. He noted that the Anchorage Assembly decriminalized jaywalking in 2023. He wondered if it impacted the number of deaths that occur in the middle of the road. He did not expect DOT to have the particular data. He suggested that looking at the data related to the assembly's decision would be a place to start to determine whether perhaps the decision was a mistake.

Representative Bynum appreciated that industry would come speak to the committee the following day to share its concerns or excitement about opportunities ahead. He asked the commissioner to listen to the hearing the following day to have a response in the future.

Commissioner Anderson replied affirmatively.

3:20:58 PM

Representative Stapp referenced a new overpass that had been put in over the Richardson Highway that went over the train tracks near his house. He had never seen numerous cars flipped over in the ditch until the overpass had been put in. He understood the overpass was built to improve safety, but the train came once per day at around 2:00 a.m. He now frequently saw cars flipped over coming off the overpass. He wondered about the methodology used for safety. He could not prove it, but he thought the overpass appeared to be much more dangerous than the train tracks ever were.

Commissioner Anderson replied that typically overpasses were installed to reduce conflicts with railroads. The department was currently working on the Parks Highway to get all grade separations for all railroad tracks across the board because there was a pretty serious conflict. He would follow up with any data.

Co-Chair Josephson thanked the presenters. He reviewed the schedule for the following day.

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ADJOURNMENT

3:22:47 PM

The meeting was adjourned at 3:22 p.m.