

HOUSE FINANCE COMMITTEE  
January 27, 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

Ken Alper, Staff, Representative Andy Josephson; Alexei Painter, Director, Legislative Finance Division; Alicia Kresl, Executive Director, Associated General Contractors of Alaska; Representative Julie Coulombe.

PRESENT VIA TELECONFERENCE

Rebecca Logan, CEO, Alaska Support Industry Alliance, Anchorage; Scott Vierra, Director of Business Development, North Star Terminal, North Star Equipment Services, Anchorage.

SUMMARY

HB 283      APPROP: SUPPLEMENTAL

HB 283 was HEARD and HELD in committee for further consideration.

OVERVIEW: OVERVIEW: GOVERNOR'S FY27 BUDGET BY THE LEGISLATIVE FINANCE DIVISION

Co-Chair Josephson reviewed the meeting agenda.

#hb283

HOUSE BILL NO. 283

"An Act making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

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KEN ALPER, STAFF, REPRESENTATIVE ANDY JOSEPHSON, introduced the bill. He referred to an Excel spreadsheet titled "Summary of HB 283: Fast Track Supplemental Budget" (copy on file). He explained that HB 283 was a committee bill introduced under the House Finance Committee (HFC), but all items originated from the governor. When the governor introduced his fiscal plan and budget in December of 2025, and January of 2026, the supplemental items affecting the current fiscal year were embedded within the regular operating and capital budgets rather than presented as a standalone supplemental budget. Based on input from the construction industry and other stakeholders, it was determined that a supplemental budget needed to be passed quickly to ensure that funding could be secured. The decision was made to extract the supplemental items from the governor's operating and capital budget bills and create a separate committee bill containing only the supplemental items. He relayed that the intent was to move the bill on an expedited basis.

Mr. Alper stated that the spreadsheet reflected the contents of the bill. He would walk through the items included in the bill, explain how they were funded, and describe how they related to other legislation. He noted that if the bill passed, the corresponding items would be removed from amended versions of the operating and capital budget bills.

Mr. Alper relayed that the first purpose of the bill was to provide a funding source for a known budget deficit associated with expenditures that had already been approved. He recalled that when the budget passed at the end of the prior legislative session, projections indicated a surplus even after the governor's vetoes and the subsequent overrides in August of 2025. He stated that the expectation at the time was for approximately \$130 million more in revenue than in known expenditures. The shift moved the state from an anticipated surplus of approximately \$130 million to a known deficit of approximately \$51 million based on the most recent revenue forecast. He explained that the bill would fund the deficit before addressing individual supplemental items.

Mr. Alper stated that almost all items in the bill originated in the governor's budgets, but there was one exception. The first item on the spreadsheet indicated that there was a Medicaid line item in Sections 1 through 3 of the bill that came to the committee in a report from the Department of Health (DOH). He stated that the item represented a relatively precise figure and reflected a known shortfall in the state match for the Medicaid program. He stated that Medicaid was one of the largest programs in the state budget, with more than \$700 million in unrestricted general funds (UGF) and close to \$2 billion overall when federal funds were included. Based on information from DOH, the program was projected to be short by \$36.4 million. The amount was expected to appear in the next round of the governor's supplemental proposals but was not included in the governor's budgets as introduced in December of 2025.

Mr. Alper stated that the remaining line items on the spreadsheet originated in the governor's budgets. The next item, in Sections 4 through 6, was the federal Department of Transportation (DOT) matching funds, primarily for the highway program. He stated that the funding replaced money that was previously appropriated through reappropriations and was later vetoed by the governor. He stated that the \$70 million item represented matching funds that could leverage up to \$700 million in federal construction funding. The intent was to secure the funding so that contracts could be executed and work could proceed during the upcoming construction season.

Mr. Alper stated that the next item was a reappropriation that redirected previously appropriated funding to serve as a match for the United States Department of Energy's State Energy Program in the amount of \$650,000. He noted that the item did not represent new money and had been included by the governor in the capital budget as a supplemental item. He stated that the committee relocated it into the bill when the supplemental items were separated from the operating and capital budgets.

Mr. Alper explained that Section 8 of the bill contained a \$40 million capitalization of the Disaster Relief Fund (DRF). He stated that the amount reflected the governor's estimate of the need for the remainder of the fiscal year. He relayed that additional DRF appropriations appeared in the operating budget for FY 27. He added that recent disasters were expected to generate significant costs, such as Typhoon Halong. He noted that additional testimony would address the interaction between state disaster funding and federal disaster assistance.

Mr. Alper stated that the next item in the bill addressed the Fire Suppression Fund (FSF). The item was unusual due to inconsistencies in information provided by the administration to the committee.

Co-Chair Josephson recognized that Representative Julie Coulombe had joined the audience.

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Representative Galvin asked whether the \$69.695 million item referenced represented a ten-to-one match, given the discussion of leveraging \$700 million in federal funding.

Mr. Alper responded that most highway programs operated on a 90-10 match structure, meaning that each dollar of state funding leveraged nine dollars in federal funding. The fiscal summaries and tables assumed a \$55 million fire suppression expenditure. For the most part, the money had already been spent under the terms of a disaster declaration related to summer fires. He stated that the purpose of the appropriation was to cover expenditures that had already occurred.

Mr. Alper relayed that the governor had not included the \$55 million fire suppression line item in his proposed

budget. He understood that the administration had intended to use ratification as a different mechanism to address the expenditure, but he did not know whether it remained the administration's intent. Based on guidance from the Legislative Finance Division (LFD) and historical legislative practice, it was determined that including the item as a line item in the budget was the clearest approach. He stated that doing so clarified that the legislature was capitalizing FSF to meet its needs and to account for expenditures that had already occurred.

Mr. Alper stated that the next line items in Section 9(a) and 9(b) related to the oil and hazardous substance release prevention and response funds. He explained that the funds supported spill cleanup and spill response activities and were maintained by two revenue sources: a per-barrel surcharge on North Slope oil production and a tax of slightly less than \$0.01 per gallon on refined fuels administered through the motor fuel tax by the Department of Revenue (DOR).

Mr. Alper stated that the revenue was collected over the course of the year and then appropriated at the end of the year into the management funds administered by the Department of Environmental Conservation (DEC). He noted that it was a routine activity and was always handled as a supplemental item. He clarified that the item was moved into the supplemental bill rather than leaving it in the operating budget because it was a supplemental item. The item did not represent new revenue and merely placed existing revenue into its statutorily designated accounts. He stated that an explicit legislative appropriation was required each year because dedicated funds were not permitted.

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Mr. Alper relayed that the next line item, Section 9(c) of the bill, was a fund transfer to refill the Higher Education Investment Fund (HEIF). He stated that the fund functioned as an endowment supporting programs such as performance scholarships and the Washington, Wyoming, Alaska, Montana, Idaho (WWAMI) program. He stated that HEIF totaled approximately \$400 million when fully funded. He explained that HEIF had been used at the end of FY 25 to balance the supplemental budget because no other funding source was available. There had been broad agreement from

the governor, the Senate, and House leadership that the fund should be replenished. He stated that the amount required was slightly less than \$130 million and that the bill restored the fund to its prior balance to prevent recurring overdrafts in future years.

Mr. Alper noted that the total of all items in the bill was just under \$382.3 million. He understood that members might have seen a prior figure of \$346 million when the governor first introduced the budget. The total consisted of approximately \$294 million of "new stuff" in the governor's budget plus the known \$51 million deficit. He stated that the bill added approximately \$36 million for Medicaid, bringing the total to approximately \$382 million. He relayed that the bill proposed funding the total amount through the Constitutional Budget Reserve (CBR). The approach was consistent with the governor's proposed funding method, though it was structured differently. The governor's proposal totaled approximately \$280 million, consisting of \$246 million plus some additional headroom. He stated that HB 283 did not include any headroom and was capped at approximately \$382 million. He stated that final passage would require a three-quarters vote to access CBR.

Co-Chair Josephson asked for clarification that the aforementioned \$294 million was not for new budget items. He noted that the items were not new expenditures but were simply not "red ink."

Mr. Alper responded that by new items, he meant items that were newer than those contained in the prior year's budget. He stated that the \$51 million deficit reflected expenditures already authorized in the prior budget. There were three line items before the committee that had been identified by the governor as needs, in addition to the approximately \$36 million Medicaid item, which was the newly added component.

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Representative Tomaszewski asked for more information about HEIF. He understood that approximately \$129 million had been withdrawn to balance the budget in the prior year and asked whether the fund had ever been used to balance the budget. He stated that Mr. Alper had indicated a desire to avoid recurring withdrawals from the fund.

Mr. Alper responded that HEIF supported programs such as the Alaska Performance Scholarship (APS) education grants, and the WWAMI program. The programs were structured around expected earnings when the fund balance was approximately \$400 million. He explained that if the fund balance were reduced to approximately \$270 million, earnings would fall short of annual program demand, resulting in withdrawals exceeding earnings and gradual erosion of the fund balance. He stated that the purpose of the proposed recapitalization was to prevent that outcome.

Representative Tomaszewski asked whether the fund had ever been used in the same manner as it had been used in the prior year.

Mr. Alper responded in the negative and added that to his knowledge, the first instance of the fund being used to balance the budget was in the prior year.

Co-Chair Josephson noted that there had been one instance in which the fund was swept.

Mr. Alper appreciated the comment. He noted that Co-Chair Josephson had been part of many conversations over the years about what was subject to the CBR sweep at the end of every fiscal year. He noted that the reverse sweep vote did not occur in either 2020 or 2021 and HEIF was wiped for a period of months, but it was subsequently reconstituted to its full amount during the following legislative session.

Co-Chair Josephson remarked that the year during which the reverse sweep vote did not occur must have been 2021 because the state had surpluses and high oil prices in 2022. He noted that HEIF was an important enough priority to the legislature to be recapitalized in 2022.

Mr. Alper agreed and added that approximately \$400 million had been restored to the fund in 2022.

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Representative Hannan asked for more information about Section 5 of the bill, related to the Department of Transportation and Public Facilities (DOT) match. She noted that page 6 of the bill included mention of both a \$69.695 million match amount and \$459,000 in program receipts. She asked for clarification that the \$459,000 amount did not

represent UGF. She asked for confirmation that the program receipts were not dependent on the match funds being allocated.

Mr. Alper responded that he was not certain that he could fully answer all of the questions. He noted that Section 4, page 5 of the bill provided additional detail. He explained that the \$69.695 million item was identified as federal program match associated with the primary highway program, while the smaller \$459,000 amount was categorized as statewide federal program receipts. He stated that both items functioned as match components but were treated differently within the budget structure. He suggested that someone from DOT or LFD provide more information. He noted the summary spreadsheet included both the \$69.695 million figure and the \$459,000 figure.

Representative Hannan commented that the committee had heard the federal match described both as approximately \$70 million and \$69 million. If the program receipts simply needed to be included in the supplemental, she wanted the receipts to be included to ensure that the state was maximizing its federal match. However, if the item was ongoing, she did not want it included in the supplemental because it could inflate the bill. She requested comment from LFD.

Co-Chair Josephson added that the item had been identified as a supplemental item in the operating budget. He requested that LFD Director Alexei Painter clarify the issue.

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ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, responded that Section 5 listed \$459,000 as UGF receipts, and the same title appeared in Section 6. He explained that the items were not match funds but were standalone appropriations within the statewide federal programs category. He explained that the \$459,000 item was unrelated to the federal highway match. The appropriations had been funded in the prior year's capital budget using Alaska Industrial Development and Export Authority (AIDEA) reserve funds, which were subsequently vetoed. He explained that the current proposal simply restored the appropriations as UGF, independent of any federal match requirements.

Representative Hannan asked for clarification that it was not match funding, but was still a supplemental item needed to restore funding that had been vetoed.

Mr. Painter confirmed that the item had no relation to match funding. He stated that it was a separate supplemental item identified by the governor because it had been vetoed in the prior year. He emphasized that the item would not affect the receipt of federal funds and consisted solely of UGF.

Co-Chair Schrage asked Mr. Alper for clarification on his earlier description of the bill as containing "new items." He thought it was important to clarify that the items were not new policy initiatives, but either costs that were incurred after passage of the budget or costs that had been vetoed and therefore unfunded. He stated that items such as fire and disaster expenses reflected obligations that had already occurred and were not forward-looking expenditures.

Mr. Alper agreed that the distinction was important and appreciated the clarification. He stated that supplemental requests, by definition, reflected costs that already existed and generally had already been incurred. He explained that the supplemental bill was intended to pay for those known obligations. He noted that the transportation match enabled access to available federal funds, but it still addressed an existing need rather than initiating new spending. He added that many of the disaster and fire suppression items had been included in the legislature's budget the prior year but were vetoed, and therefore the items now required restoration through the supplemental process.

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Co-Chair Schrage asked whether all of the items before the committee had been proposed in the governor's budget and were items that the governor wanted to be funded in the current budget.

Mr. Alper responded by directing members' attention to the rightmost column in the summary spreadsheet labeled "source." He explained that the column identified where each item had appeared in other appropriations or documents.

Co-Chair Josephson asked for clarification on the Medicaid match listed on row 2 of the spreadsheet. He noted that OMB Director Lacey Sanders had appeared before the committee on January 23, 2026, and had indicated that the amount would be submitted as an amendment, possibly on February 2 or February 3 of 2026. He asked if Mr. Alper had the same understanding as Ms. Sanders.

Mr. Alper responded that the governor was required to transmit supplemental requests to the legislature on day 15 of the legislative session, which fell early the following week. He stated that he had heard Ms. Sanders give the same explanation. He confirmed that the Medicaid match amount listed was the figure expected to be transmitted. There was a report from DOH that listed the same information. He noted that Mr. Painter would be presenting later in the meeting and would discuss pending budget issues more broadly. He stated that the amount was expected to appear in the next round of the governor's supplemental requests.

Representative Stapp asked for more information about the intent and timeline for the bill. He understood that it was an HFC bill and that supplemental budgets were structured differently by the governor. He asked whether the bill was intended to function as a fast-track supplemental.

Mr. Alper responded that pulling the items out and introducing them separately implied a fast-track approach. He thought the question was ultimately a policy matter better addressed by the chair.

Representative Stapp asked what the status was of the prior year's fast-track supplemental appropriation bill. He asked whether it remained in the Senate Finance Committee (SFC).

Mr. Alper responded that his understanding was that it remained in SFC.

Representative Stapp stated that he asked the question because bills were often described as fast-track but did not always move quickly. He relayed that he also had questions for Mr. Painter regarding the DOT federal match.

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Representative Stapp asked Mr. Painter to walk through the total amount of UGF needed to meet the federal match

requirements, prior to considering the approximately \$69 million from the prior fiscal year.

Mr. Painter responded that the total amount requested by the governor was approximately \$96 million across the two federal programs. He noted that he was rounding the number because he did not have the precise figures in front of him. He stated that approximately \$30 million had already been obtained. He clarified that the combined request exceeded \$100 million.

Representative Stapp asked how much money in total was the "fiscal kabuki" that was tying the AIDEA receipts to the funding source.

Co-Chair Josephson stated that he was aware of Representative Stapp's feelings about the AIDEA funding. He noted that the governor had proposed using AIDEA receipts to fund the dividend program in his first calendar year in office. He thought the comment was unnecessary. He shared that he had recently taken a class on civility that Representative Stapp had also attended. He requested that members ask questions as politely as possible.

Representative Stapp stated that he would refrain from using the word "kabuki." He clarified that he did not intend the remark as an accusation and meant it as a reference to an unorthodox process. He wanted to return to the substance of his question because he believed it was important. He asked how much funding from a source such as AIDEA receipts had been used for that particular line item, in total, out of approximately \$100 million.

Mr. Painter responded that he understood the direction of the question. He explained that AIDEA receipts were not used for match and were instead used for other projects. He stated that of the match requested by the governor that had been funded with other fund sources, approximately \$41 million consisted of reappropriations of older projects. He specified that it included approximately \$37 million from the Juneau Access Improvements (JAI) Project, approximately \$3 million from an older earthquake project, and about \$1 million from several smaller projects.

Mr. Painter explained that there had been an additional \$20 million to \$21 million of match that was categorized as "old match," which DOT had testified had not materially

affected project delivery and primarily signaled that match was available. He stated that there was also approximately \$7 million in match that was not funded because the Senate version of the budget had included additional reappropriations that were removed by HFC without replacement. In total, approximately \$27 million in matching funds had not been funded by the legislature, either intentionally or through the veto process. He relayed that the \$41 million gap resulted from vetoes of other projects.

Representative Stapp stated that the explanation addressed his concern. He understood that the state had initially been short on match funding and the veto process had increased the shortfall. He asserted that the sequence of events led to the state's current situation. He asked if he had made a fair assessment.

Mr. Painter agreed that it was a fair assessment. He explained that the legislature had made an intentional policy decision to not fully fund match, with the expectation that the department could use match that was already on hand. He noted that the department had testified that it could operate through FY 26 even with a greater level of underfunding than originally intended by the legislature, which illustrated the point the legislature had sought to make the prior year. The current situation reflected a combination of intentional underfunding and additional shortfalls caused by vetoes.

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Co-Chair Josephson asked Mr. Painter to clarify that when he referenced the department's statements about operating with reduced funding, he was not taking a position on whether contracts would be let efficiently, whether delays would occur, or whether employees could be affected. He asked if Mr. Painter was simply relaying the department's testimony.

Mr. Painter responded in the affirmative. He added that there was a difference between being underfunded by \$26 million and being underfunded by \$70 million in terms of potential impacts.

Co-Chair Josephson announced that the committee would move to invited testimony on the bill.

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ALICIA KRESL, EXECUTIVE DIRECTOR, ASSOCIATED GENERAL CONTRACTORS OF ALASKA, relayed that the Associated General Contractors of Alaska (AGCA) represented more than 600 general contractors, specialty contractors, suppliers, and service providers statewide. She expressed appreciation for the opportunity to provide clarity on the timeline and operational realities associated with the state transportation match. She understood that the committee had heard two separate messages over the past few weeks. She explained that the industry had emphasized the urgency of securing the match as soon as possible, while DOT had stated that it had sufficient funding to operate through July of 2026. She explained that both statements were true.

Ms. Kresl stated that the department had the ability to carry its current reduced construction program through July of 2026. She shared that the program had been submitted to the Federal Highway Administration (FHA) under Statewide Transportation Improvement Program (STIP) Amendment 2 and reflected a scaled-down set of projects and funding levels based on the limited match currently available. She explained that the department was working with the resources it had and that funding could be extended into July under the constrained plan.

Ms. Kresl stated that the difference between securing the match immediately versus later in the session was not about whether the department could function. The difference was whether the department, FHA, contractors, and communities had the certainty and planning time needed to maximize work during the short 2026 construction season and beyond. The project development process included design, environmental approvals, federal authorization, advertisement, bidding, and award, all of which followed a strict timeline. She stated that when match funding arrived late, those steps were compressed or deferred entirely, introducing unnecessary risk and disruption.

Ms. Kresl relayed that when funding arrived late, construction industries and agencies shifted from planning mode into "scramble mode." She stated that the department had worked extremely hard the prior year to push projects forward after early delays in program delivery. She noted that the department had also secured a historic level of

August redistribution, from which Alaska would benefit significantly. She added that uncertainty around traditional match funding disrupted project sequencing, contractor workforce planning, the availability of equipment and materials, and the ability to secure the maximum amount of August redistribution. She stated that late funding also reduced flexibility.

Ms. Kresl explained that if a project finished early, the department might not be able to advance another project later in the construction season. If a project experienced unexpected cost increases, the department might delay or halt another planned project because it could not rely on unsecured match funding later in the year. She explained that under a constrained budget, there was little ability to adjust, absorb changes, or accelerate work, which ultimately harmed industry and the economy. She stated that while the department had accurately described its ability to stretch the reduced program through July, industry was focused on the opportunity cost, including projects that could not be advanced and planning time that could not be recovered.

Ms. Kresl stated that she recognized the difficulty of the legislature's task, but few financial decisions offered the guaranteed return on investment associated with the 90-10 match. She stressed that early clarity on match funding strengthened the entire system by allowing the department to plan and obligate funds efficiently, which provided federal highway officials with confidence in the state's ability to deliver, gave contractors sufficient lead time to hire and mobilize, and provided communities with greater certainty regarding project delivery.

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Co-Chair Josephson appreciated the consistency between industry and departmental testimony. He asked Ms. Kresl to provide background on her professional experience and whether she had previously seen match funding arrive so late.

Ms. Kresl responded that she had served as the executive director of AGCA since 2018. She had never seen match funding arrive as late as it had recently. She recalled that the last time Alaska missed its standard funding

timeline was around 1985. She stated that the situation was unprecedented.

Representative Allard asked what Ms. Kresl thought was the reason for the delay.

Ms. Kresl responded that the delay resulted from a breakdown in the budgeting process during the prior year.

Representative Bynum emphasized that capital projects in Alaska supported families, maintained a stable workforce, and strengthened the construction industry. He indicated that he supported the construction industry. He asked Ms. Kresl to describe her interactions with DOT regarding certainty and potential disruptions. He asked for more information about the overall level of confidence heading into the summer construction season.

Ms. Kresl responded that DOT had provided monthly tentative advertising schedule updates over the past year to the contracting community and the public. She explained that the process was still early for the 2026 construction season, but the most recent update showed a list of projects ready to proceed. She stated that the next several weeks would be important in determining how the project delivery timeline would unfold.

Representative Bynum commented that he had a professional background in hydropower and the long planning horizons often required for infrastructure projects. He asked what level of forecasting and lead time the construction industry needed to plan effectively and whether six months was sufficient.

Ms. Kresl responded that the required lead time depended on several factors, including project type, location, complexity, and workforce needs. She explained that some projects could proceed quickly if contractors already had equipment and personnel mobilized or if the project was located on the road system. She added that for larger and more complex projects in Alaska, six months to one year of lead time was preferred, if not more.

Representative Bynum asked how insufficient lead time impacted project cost or quality.

Ms. Kresl responded that she could not speak to project quality, stating that contractors always aimed to deliver high-quality work. She explained that shortened timelines created challenges for both contractors and DOT and reduced opportunities to address issues through advanced planning.

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Co-Chair Schrage thanked Ms. Kresl for her testimony and stated that he had reviewed the Meet the Match Coalition letter (copy on file). He remarked on the breadth of the coalition supporting the letter and noted that many of the organizations listed were not typically seen together. The letter appeared to reflect an unprecedented level of consensus. He asked whether Ms. Kresl had seen a letter with that level of agreement on what was needed and the need to advocate on the issue.

Ms. Kresl responded that the letter was remarkable but that assembling it was not difficult. She explained that every organization that was contacted, including those initially viewed as unlikely participants, immediately agreed to sign on to the letter. She stated that the response signaled that the issue extended beyond the construction industry. She explained that the construction industry provided access to all industries and communities across the state and that the issue affected everyone, not just contractors.

Representative Allard asked for a copy of the letter to be distributed to all members.

Co-Chair Schrage stated that the letter had been emailed to all legislators but he could ensure that it would also be posted on BASIS. He listed some of the organizations represented in the letter, including the Alaska Chamber, Alaska Miners Association (AMA), AGCA, Alaska Trucking Association (ATA), multiple labor unions including the American Federation of Labor and Congress of Industrial Organizations (AFL-CIO), the Juneau Chamber of Commerce, the Fairbanks Chamber of Commerce, the Alaska Bankers Association, and the Alaska Oil and Gas Association (AOGA). He reiterated that the breadth of the coalition was unusual and that he had not seen a similar letter before. He questioned what prompted the letter. He stated that testimony from DOT had not conveyed a strong sense of urgency and asked Ms. Kresl to reconcile the department's testimony with the concerns expressed in the letter. He asked whether the concern was with the risk and uncertainty

facing industry members during the construction season. He understood it was important to have certainty and reduced risk in economic development and asked whether uncertainty was the primary concern motivating the letter.

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Ms. Kresl responded that the issue centered on certainty for industry, for the organizations represented in the letter, and for the agencies supporting those projects.

Co-Chair Schrage asked for specific examples of the impacts of the uncertainty. He asked if businesses were delaying purchasing supplies or making other decisions due to the lack of certainty. He requested tangible examples of potential consequences.

Ms. Kresl responded that AGCA was releasing an economic impact report on the construction industry later in the week. She stated that construction spending had an outsized direct and indirect impact on Alaska's economy. She explained that the loss of construction dollars affected wages, local vendors, grocery purchases, and broader economic activity. The economic impact extended beyond the construction sector and the loss involved far more than the direct dollar amount associated with the projects.

Representative Stapp commented that Ms. Kresl had made a strong case regarding the importance of stability and reliability and the role of Alaska's contractor sector as a foundational part of the state's economy. He asked what message she would give the legislature regarding how funding priorities should reflect the importance of the federal highway match. He asked what guidance she would offer going forward.

Ms. Kresl responded that the current situation was one the state had not faced in a long time. She suggested that the legislature work to ensure that the situation would not occur again in the future. She emphasized that providing stability to the contracting community, to DOT, and to those who relied on construction-related employment was critically important.

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Representative Bynum wanted to reflect on how the state had funded capital projects in recent years. He observed that funding often focused on meeting the minimum required match. He asked what Alaska might look like if the state made a more serious commitment to capital investment beyond minimum match requirements, including investing in families, jobs, and long-term development. He asked Ms. Kresl to describe her vision of Alaska under a robust capital investment approach.

Ms. Kresl responded that her vision aligned with the goals shared by members of the legislature. She stated that it included a prosperous Alaska with development projects, stable employment, strong communities, and reliable transportation systems connecting communities. She explained that a strong construction workforce allowed workers to move among industries such as transportation, oil and gas, and mining due to transferable skills. She stated that infrastructure investment supported broader economic development and future projects the state hoped to advance.

Representative Bynum asked what such investment would mean for attracting working-age families to Alaska. He noted that there were concerns about declining school enrollment and asked whether a robust capital plan could help bring families with children into communities and support long-term community stability.

Ms. Kresl responded that the average annual wage for a construction worker in Alaska exceeded \$100,000, which was sufficient to support a family. She shared that the construction industry had an approximately 82 percent Alaska resident hire rate and she hoped the rate would increase. She emphasized that construction jobs created significant economic opportunity for Alaskan families.

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REBECCA LOGAN, CEO, ALASKA SUPPORT INDUSTRY ALLIANCE, ANCHORAGE (via teleconference), shared that she served as the CEO of the Alaska Support Industry Alliance. She explained that the organization represented companies based in Alaska that were providing support services to oil, gas, and mining operations statewide. The alliance had more than 500 member companies employing approximately 35,000 people, and many members were also part of AGCA. She supported HB

283 and the federal transportation program. She relayed that federal transportation programs provided Alaska with a significant and reliable source of infrastructure funding each year, with the only requirement being a state match. She explained that when the state met its obligation, it unlocked approximately nine times that amount in federal investment. She stated that there were few state expenditures that delivered a similar level of return.

Ms. Logan stated that the approach was not new and that Alaska had relied on its partnership with the federal government for decades to build and maintain roads, bridges, ports, and airports. She asserted that it was a proven model that worked when the state provided stability and acted in a timely manner, which was why the alliance supported the request in the governor's supplemental budget. She described it as a strategic investment that would allow approximately \$700 million in additional funding to flow into Alaska. She stated that the funding supported construction jobs, engineering and design work, material suppliers, local contractors, and small businesses across the state.

Ms. Logan stated that the timing of the funding was as important as the dollar amount. She asserted that Alaska's construction season was short, expensive, and unforgiving, and that agencies, contractors, and communities needed predictability well in advance to plan projects, secure labor and equipment, and sequence work efficiently. She warned that failing to meet the federal match or waiting until the last possible moment placed hundreds of millions of federal dollars at risk. She stated that delays disrupted project schedules and workforce planning and could lead to long-term cost increases due to inflation and remobilization.

Ms. Logan stated that approving the match promptly sent a clear signal that Alaska was serious about fiscal responsibility, infrastructure investment, and efficient use of the limited construction window. She concluded that meeting the federal transportation match was a smart, time-sensitive investment and that acting quickly provided the certainty needed to plan projects, line up materials, and fully utilize the construction season. She noted that there was a news column by Meg Nordell of Jim Construction that appeared in the current day's issue of the Fairbanks Daily News-Miner that concluded that predictable investment

allowed employers to plan and hire, supported apprenticeship programs and career pathways, and gave young Alaskans a reason to train, work, and remain in the state.

Ms. Logan relayed that during the prior summer in Fairbanks, she had spoken with three young people who had planned to work a full construction season. She explained that due to delays, the projects did not proceed, and those individuals were working reduced hours and seeking additional employment. She emphasized the importance of predictable industries in retaining young workers in Alaska.

Co-Chair Schrage remarked that the committee had heard repeatedly about the importance of certainty and long lead times for industry planning. He asked whether delaying the funding until May of 2026 would have a material impact on the construction industry during the upcoming season and the following year.

Ms. Logan responded that it would have a significant material impact and stated that Ms. Kresl had expressed similar concerns. She explained that when projects and work declined in Alaska, the support industry also declined, resulting in the loss of workers and equipment. Without sufficient lead time, it was difficult to rebuild workforce capacity and equipment availability in a short period.

Co-Chair Schrage stated that the legislature faced a difficult budget climate and it was going to be difficult for the legislature to make progress in many areas, including supporting industry. He thought that one of the most impactful actions to support resource development and construction industries would be to meet the federal match and provide early certainty. He asked whether Ms. Logan agreed that providing certainty was likely among the top three actions the legislature could take to support industry and resource development during the year.

Ms. Logan responded that she agreed. She relayed that the issue had become one of the alliance's legislative priorities for the year and it was likely the first time the alliance had taken a position. She explained that the issue was critical to many sectors because of shared membership with AGCA and the extent to which their work depended on a strong construction industry, transportation systems, and supply chains. She stated that the critical

nature of the issue was why such a diverse group had signed the letter. She explained that at a high policy level, the issue was about stability, and at an operational level it concerned the practical needs required on the ground to support industry.

[2:33:30 PM](#)

Representative Stapp stated that he was a strong supporter of the alliance and that Ms. Logan's comments regarding stability were well taken. He asked if the alliance had concerns during the prior fiscal year when the legislature tied match funding to a fund source other than UGF.

Ms. Logan responded that the alliance had concerns about how the situation would unfold. She stated that during the prior year, there had been significant work on the North Slope, which absorbed some of the workforce that otherwise would have relied on construction projects. She clarified that many members who were not doing their expected construction work had employment opportunities on the North Slope. There had been concern that the situation could have resulted in greater disruption.

Representative Stapp asked if Ms. Logan felt the legislature had prioritized industry stability when the funding decision occurred.

Ms. Logan responded that she did not recall having formed a clear conclusion at the time. She stated that her focus then had been more on how the situation would resolve rather than on the process that led to it.

Co-Chair Josephson thanked Ms. Logan for her testimony and stated that the committee would move to the final testifier.

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SCOTT VIERRA, DIRECTOR OF BUSINESS DEVELOPMENT, NORTH STAR TERMINAL, NORTH STAR EQUIPMENT SERVICES, ANCHORAGE (via teleconference), shared that North Star Terminal (NST) operated eight facilities across Alaska, including Deadhorse, North Pole, Delta Junction, Anchorage, Seward, Homer, Valdez, and Dutch Harbor. He stated that NST supported oil and gas, mining, and construction infrastructure projects throughout the state and employed

several thousand longshoremen to support project cargo and the tourism industry. He supported HB 283 and thought it was important that the bill passed quickly, particularly the approximately \$70 million required for DOT to meet the state match for federal transportation funding. He stated that the state match was not optional and it unlocked approximately \$700 million in construction investment.

Mr. Vierra stated that federal funds could be delayed or lost if the legislature did not act quickly to fast-track and pass the bill. He explained that once funding was approved, projects still had to proceed through engineering approval, bidding, award, and contracting processes, which could result in additional delays of several weeks before construction could begin. Additionally, materials for projects had to be sourced, oftentimes from locations outside of Alaska. He stated that time was the enemy in Alaska because the construction season was short. He explained that the funding was fundamentally about jobs and workforce stability. After the prior year's initial project delivery challenges, getting projects out quickly had been difficult. The delays created losses and postponements of significant projects and many contractors had reduced their workforce by 20 to 50 percent. He stated that some contractors were still on the verge of closing their doors.

Mr. Vierra relayed that without certainty and continuity, skilled operators, mechanics, and blue-collar workers were forced to leave Alaska for steady work in other states. He stated that it was a significant blow because the same workers supported oil, gas, and mining projects. He explained that once workers and their families left Alaska, they were extremely difficult to replace, which weakened multiple sectors of Alaska's economy and resulted in the loss of constituents. He reported that approximately \$700 million in DOT construction funding would have supported 25 to 30 major projects statewide. The projects were not limited to roads and bridges but also included airports, docks, and marine system projects that affected nearly every legislative district. He explained that those projects would have generated approximately 4,000 to 6,000 direct jobs, along with significant secondary economic activity in transportation, materials, lodging, housing, and local businesses across Alaska.

Mr. Vierra noted that Alaska had met the federal match for decades and that failing to provide the full match would

delay projects, increase costs, result in job losses, and weaken the workforce. He stated that the match remaining unmet would be especially harmful if the Alaska Liquefied Natural Gas (AKLNG) pipeline were to move forward.

Mr. Vierra stated that NST's civil division had taken a major hit during the prior year and that they had reduced their workforce by 30 percent. He urged the committee to support HB 283 and ensure that DOT received the full, uncompromised state match as quickly as possible. He stated that Alaska could not afford to lose construction jobs for a second consecutive summer and could not afford to lose its workforce to other states. He stressed that replacing workers would be far more difficult and costly.

Representative Bynum asked Mr. Vierra to identify the trades he represented and the number of jobs his company supported in Alaska. He also asked how a robust capital program would have affected NST's ability to provide working jobs that supported families and encouraged them to remain in Alaska.

Mr. Vierra responded that his company had both an on-dock and an off-dock division. He explained that the on-dock division operated in Anchorage, Seward, Homer, Valdez, and Dutch Harbor and handled project cargo through longshoremens. He stated that the company had issued approximately 5,000 W-2s in the prior year, with about 90 percent associated with longshore work, including both project cargo and tourism-related activity.

Mr. Vierra stated that the off-dock division operated approximately 40 cranes, drill rigs, and heavy equipment used for large infrastructure projects, including military, refinery, and DOT projects. He stated that the company maintained a core workforce of approximately 60 to 70 employees and added an additional 40 to 60 workers when major projects were available, including oil and gas work on the North Slope and civil projects during the summer construction season. He stated that smaller projects were less desirable, but helped save jobs, while larger projects brought about long-term jobs. He asserted that if the pipeline moved forward, it would be important to hire Alaskan workers and keep them in the state. He asked for the second part of the question to be repeated.

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Representative Bynum clarified that the second part of the question addressed how a robust financial investment by the state in its capital program would affect long-term stability for workers.

Mr. Vierra responded that increased capital investment would bring more people to Alaska, including workers from other states. He relayed that one of the primary discussions at AGCA focused on how to bring more high school and college graduates into the trades. He stated that the availability of more projects encouraged individuals to pursue trade careers that paid more than \$100,000 per year. He added that increased funding produced more jobs and generated secondary economic benefits that flowed into communities. Additional funding allowed companies to purchase more equipment, hire more workers, create more jobs, support families, and increase school enrollment. He asserted that the effects compounded over time and the industry needed the legislature's help.

Co-Chair Josephson clarified that the first testifier, Ms. Kresl, served as the executive director of AGCA. He stated that the second testifier, Ms. Logan, served as CEO of the Alaska Support Industry Alliance. The final testifier, Mr. Vierra, worked in business development for North Star Equipment Services.

HB 283 was HEARD and HELD in committee for further consideration.

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AT EASE

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RECONVENED

^OVERVIEW: OVERVIEW: GOVERNOR'S FY27 BUDGET BY THE LEGISLATIVE FINANCE DIVISION

Mr. Painter introduced the PowerPoint presentation, "Overview of the FY27 Budget" dated January 27, 2026 (copy on file). He skipped to slide 3 and stated that when the legislature adjourned the prior year, there was a projected budget deficit in FY 25 and a surplus in FY 26 based on the spring revenue forecast. He stated that the vote to fill the FY 25 deficit from the Constitutional Budget Reserve

(CBR) failed, which resulted in the FY 25 deficit being filled first through a draw from the Alaska Industrial Development and Export Authority (AIDEA) and then through the Higher Education Investment Fund (HEIF). He noted that there was no source identified for a potential FY 26 deficit.

Mr. Painter stated that during construction of the FY 26 budget, the legislature accepted approximately \$43 million of the governor's proposed \$80 million in UGF increments. He stated that the legislature added \$44.5 million in increases that were not proposed by the governor and made \$34 million in budget reductions. Overall, the enacted budget was slightly smaller than the governor's request because it denied increments and the reductions exceeded the added items. He explained that the summary did not include the K-12 impacts of legislation passed separately.

Mr. Painter relayed that the legislature's budget fully funded the K-12 foundation formula and most statewide items, with the exception of school debt reimbursement and the Community Assistance Fund (CAF). The legislature also funded the Fire Suppression Fund (FSF) and the Disaster Relief Fund (DRF) at five-year average levels.

Mr. Painter moved to slide 4. He noted that vetoes had been discussed extensively the prior day but he would provide a brief recap. He relayed that vetoes occurred in FY 25, including reappropriations for the DOT match and the AIDEA portion of the deficit-fill language, which resulted in the remaining deficit being filled from HEIF. The FY 26 vetoes included \$103 million from the operating budget and \$14.3 million from the capital budget. The largest veto affected the K-12 foundation formula, but the legislature overrode that veto. After the veto overrides, the enacted FY 26 budget reflected a projected surplus of \$130 million based on the spring forecast.

Co-Chair Josephson asked whether the surplus included veto dollars that were restored.

Mr. Painter responded in the affirmative.

Co-Chair Josephson asked for confirmation that the figure included the override amounts.

Mr. Painter responded that it did.

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Representative Hannan asked for clarification on an earlier implication that the DOT match in the prior year's budget was not UGF. She asked for confirmation that the \$62.2 million was general fund money, even though it appeared as a reappropriation.

Mr. Painter replied in the affirmative. He explained that the original fund source was UGF. The funds had been appropriated to specific projects, but they remained UGF and could be used for any purpose, subject to appropriation.

Representative Galvin asked for more information about differing figures related to the veto of the K-12 foundation formula. She noted that the spreadsheet ["Summary of HB 283: Fast Track Supplemental Budget," presented earlier in the meeting by Mr. Alper] showed a veto amount of \$50.64 million, while slide 4 reflected \$45.4 million.

Mr. Painter responded that LFD and the Office of Management and Budget (OMB) disagreed about the effect of the veto. He explained that he had written a memorandum to the legislature addressing the issue, which had been posted on the LFD website and distributed with the May-June newsletter.

Representative Galvin relayed that she had missed the memorandum and asked what it said.

Mr. Painter explained that the issue was largely academic because the veto had been overridden. He described that the legislature had reduced funding into the Public Education Fund (PEF) based on anticipated pre-kindergarten expenditures that could not statutorily be spent due to a provision limiting pre-kindergarten funding increases to \$3 million per year. He noted that the legislature reduced the estimate to the statutory level, while OMB had not reflected the adjustment. He explained that LFD's analysis found that if the veto had been upheld, the impact would have been approximately \$45 million, rather than \$50 million. He reiterated that the matter was now academic because the veto had been overridden and the funding had been restored.

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Mr. Painter continued to slide 5. There was significant skepticism during the prior year's session about the \$68 per barrel price used in the spring forecast. He explained that oil prices had declined after the spring forecast, and the governor had issued an unofficial revenue forecast at the time of signing the budget that assumed \$62 per barrel. He added that the Senate had aimed for \$64 per barrel. He stressed that that all legislators seemed to be aiming below the \$68 per barrel price.

Mr. Painter explained that the fall forecast ultimately reduced the projected FY 26 oil price to \$65.48 per barrel and reduced projected revenue by \$181 million. He noted that the reduction exceeded what might have been expected from the price change alone due to reduced production, increased expenses, and lower corporate income tax revenue. He explained that the reduction shifted the outlook from a projected \$130 million surplus to an approximately \$51 million deficit before consideration of any supplemental appropriations.

Mr. Painter moved to slide 6 and explained that vacancy rate data from OMB showed that hiring trends had improved earlier in the fiscal year, with vacancy rates declining by more than 2 percent between the beginning of FY 25 and legislative adjournment. He noted that the governor had announced a hiring freeze in May of 2025 in response to lower oil prices, and vacancy rates subsequently increased. He indicated that the rates appeared to begin declining again in December of 2025. He stressed that the trend of improved vacancy rates had declined again during the hiring freeze.

Representative Tomaszewski asked if Mr. Painter could provide an associated dollar figure or rough estimate representing the impact of the changing vacancies.

Mr. Painter responded in the negative. He explained that the next slide would address the issue by discussing how much lapse occurred and where it went. He moved to slide 7. He asserted that it was not surprising that there was some lapse given the level of vacancies in FY 25. He explained that there was a typical waterfall in the budget each year showing how various lapsing dollars were applied. He noted

that most of the items in FY 25 followed the usual lapse waterfall, but the School Major Maintenance Grant Fund (SMMGF) was an exception.

Mr. Painter explained that the legislature had inserted an additional item for SMMGF, anticipating that vacant positions would generate lapse that could be carried forward and deposited into that fund. The approach had not worked as intended due to a combination of factors. He explained that there was less lapse than anticipated, in part because vacancy rates were improved compared to earlier projections. He also noted that a significant portion of vacancy-related funding was redirected to contracts to perform the same work or to overtime for other employees, which reduced the amount of money that ultimately lapsed.

Mr. Painter stated that although some lapse occurred, the majority of it had gone into the Group Health and Life Benefits Fund (GHLBF). He explained that \$23.1 million was deposited into the fund, which supported AlaskaCare. He added that AlaskaCare had been relying on lapsing funds rather than fully increasing rates to meet actuarial needs. He noted that the FY 26 budget included intent language directing the Department of Administration (DOA) to begin increasing rates to address the issue, but the direction had not yet been implemented in FY 25.

Mr. Painter explained that even with the \$23.1 million deposit, there remained a \$1.6 million shortfall that could not be filled with available lapse and would need to be carried forward and addressed with lapse in FY 26. In response to the intent language, rates were still not increased to the full actuarial level, but 6.4 percent. He noted that employee premiums were increased, but employer contribution rates were not. As a result, AlaskaCare continued to rely heavily on lapse funding.

Mr. Painter stated that estimates indicated AlaskaCare would require more than \$10 million of lapse in FY 26, and the need was projected to be between \$18 million and \$26 million in FY 27. Without policy changes, projections showed AlaskaCare could require between \$27 million and \$50 million of lapse annually. The current structure resulted in vacancy-related lapse effectively subsidizing AlaskaCare because the rates charged by DOA were insufficient.

Mr. Painter stressed that it was important to understand what was happening to tens of millions of dollars of funding that the legislature had anticipated might be available for SMMGF. He noted that the governor had vetoed \$25 million for the fund. He explained that the legislature had structured the funding so that it would first come from lapse funds and would be supplemented with general funds in FY 26 if the lapse was insufficient. He stated that the governor vetoed the approach, resulting in \$4.9 million being funded from lapse and the remaining amount, approximately \$8 million, coming from the FY 26 budget, with no additional funding provided.

Mr. Painter explained that the lapse was largely redirected into GHLBF. There would not have been sufficient lapse to fully fund SMMGF even without the veto. He relayed that fully funding it would have added to what was now the FY 26 deficit. He added that no lapse was needed for some other accounts, and that \$5 million was applied for central services rate smoothing.

Mr. Painter clarified that none of the lapse went into the CBR. He explained that the projected FY 25 deficit had been approximately \$188 million, while the actual transfer was \$129 million from HEIF. He stated that the reduction was entirely due to revenue coming in slightly above forecast, and not due to lapsing appropriations, because every dollar of general fund lapse had been used in the waterfall.

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Representative Stapp asked when employer contributions for AlaskaCare were last increased.

Mr. Painter replied that contributions had been increased every year, but not to the full actuarial amount.

Representative Stapp asked whether there had ever been a clear rationale for not using the full actuarial amount for the AlaskaCare employer contribution rate, aside from relying on lapse.

Mr. Painter responded that the department's response to the intent language had been that it intended to take what it described as a conservative, stair stepped approach. He explained that the department increased the rate by 6.4 percent and increased the employee contribution. He

indicated that relying on lapse was a problem and the rates should be increased further to avoid the issue. He added that relying on between \$27 million and \$50 million annually was more than could reasonably be expected, but he believed the department had been cautious about significantly increasing the budget because shifting to full actuarial funding would materially increase overall budget costs.

Representative Stapp remarked that the approach made sense because increasing employer contributions would require additional budget appropriations, whereas increasing employee contributions would not. He expressed that he was concerned about ongoing disconnects with OMB lapse reports. He observed that each year, the reports projected zero lapse through the end of session, despite known vacancy rates that suggested that lapse would occur. He stated that he routinely relied on LFD to estimate lapse and asked whether there was a way to better align expectations with OMB. He noted that agencies consistently had unfilled positions but did not acknowledge anticipated lapse.

Mr. Painter responded that LFD calculated lapse by examining vacant positions, which allowed for an estimate. He explained that FY 25 demonstrated that not all anticipated lapse actually materialized because agencies often reused available funds for other purposes. He provided an example involving DOH and the Department of Family and Community Services (DFCS), which had the authority to transfer funding between appropriations. He explained that when lapse occurred in one area, it was often used to cover shortfalls elsewhere. He noted that the DFCS still experienced a shortfall even after using all available lapse to cover payment assistance for the pioneer homes. He stated that underfunding certain items led agencies to repurpose lapse, meaning projected lapse did not always occur. He concluded that while projections could be improved, the availability of lapse did not guarantee that it would remain unused.

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Representative Stapp asked for more information about the \$10 million in transfer authority for lapse within DOH and DFCS. He stated that the scale of cross appropriation authority was concerning and the need to fully utilize it suggested the costs for the pioneer homes had been

significantly underestimated. He asked for Mr. Painter's opinion on how to better project expenditures to avoid the issue in the future.

Mr. Painter responded that projecting the costs for the pioneer homes was difficult because the costs depended on resident population and the costs changed over time. He described the issue as a challenging policy decision for both the legislature and the governor. He explained that adding a margin of error could result in funds lapsing, while underfunding could require transfers. The department projected a shortfall in FY 26 based on current population. He stated that accurately projecting population changes a year in advance was difficult and the most direct way to avoid the issue would be to appropriate additional funding. He acknowledged that doing so would require tradeoffs given limited budget resources.

Representative Bynum remarked that it was clear that significant funding remained tied up in unfilled positions. He observed that the state consistently funded vacant positions year after year. He clarified that he did not object to funding open positions, but expressed concern that the resulting lapse created a cascading process in which unspent funds were used to cover shortfalls elsewhere. He noted that the legislature repeated the same process every year. He asked how long the practice had been occurring within the budgeting process.

Mr. Painter responded that some form of a lapse waterfall had existed for a long time. He explained that the planned use of lapse had become more common within approximately the last five years. He noted that historically, the Group Health and Life Fund (GHLF) relied on lapse only intermittently, such as when unusually high medical claims or increased pharmaceutical costs occurred. He explained that the occasional use aligned with the original intent of the fund. He added that the more recent practice of planned reliance on lapse emerged during and after the COVID-19 pandemic period and had not been the historical norm.

Representative Bynum asked what the consequence would be if the legislature decided to discontinue the practice altogether.

Mr. Painter replied that if funding were not placed into GHLF through lapse, the fund would experience a shortfall.

He explained that because the legislature did not set AlaskaCare rates, DOA would need to increase rates more significantly in a subsequent year to cover the gap. There was a similar situation at the University of Alaska (UA), where a prior shortfall resulted in approximately \$10 million in increased health care costs the following year.

Representative Bynum asked if the issue could be addressed instead through the supplemental budget process.

Mr. Painter responded that the legislature could appropriate money directly into the fund rather than relying on lapse. He clarified that doing so would place the entire cost on UGF, whereas increasing rates would distribute the cost across multiple fund sources.

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Mr. Painter moved to slide 8, which provided additional historical context. He explained that there had also been instances of overspending. He noted that a legislative audit identified that the Department of Corrections (DOC) overspent its UGF appropriation by \$8 million in FY 24. He relayed that OMB subsequently changed reporting practices to make such overspending more visible. In FY 25, unaudited figures showed overspending of approximately \$12.6 million in DOC and \$700,000 in DFCS. The expenditures were expected to be brought before the legislature through future ratification requests. He added that reduced lapse was partially attributable to overspending, which ultimately drew from the general fund.

Mr. Painter proceeded to slide 9 and briefly addressed the supplemental items. He noted that an updated fire suppression figure was expected from the governor the following week, which would incorporate spring costs and potentially adjust prior disaster estimates. He explained that the disaster funding language relied on a fixed dollar amount. He warned that if oil prices declined further or if costs exceeded estimates, the fixed amounts would not be covered under the existing structure.

Mr. Painter advanced to slide 10 and detailed the fall revenue forecast. He explained that the fall forecast reflected lower oil prices in FY 26 and FY 27 compared to the spring forecast. He noted that the forecast showed lower production in FY 26 but higher production in FY 27.

He added that lease expenditures, which were deducted in the production tax calculation, had increased. He explained that because of the lower price projection, all companies were projected to hit the 4 percent gross tax floor. He noted that a calculation using total production multiplied by a 4 percent gross tax would yield a higher figure than the actual revenue projection because some companies paid below the floor. He clarified that not all lease expenditures reduced state revenue because many expenditures only reduced liability to the floor and no further. The petroleum corporate income tax projections declined more than expected based solely on price changes alone. He indicated that DOR attributed the decline to broader global factors. The combined effect resulted in lower revenue in FY 26 and FY 27 than would have been expected based solely on oil price sensitivity tables from the spring forecast.

Mr. Painter moved to slide 11 and addressed revenue from Natural Petroleum Reserve-Alaska (NPRa). He stated that the revenue was not highly material in FY 26 or FY 27 but had significant long-term implications. He explained that federal royalties from NPRa leases had historically been split 50-50 between the state and federal government. He noted that federal law required the state to prioritize use of the funds for subdivisions that were most directly or severely affected by NPRa development. He explained that litigation approximately 40 years earlier resulted in the creation of the NPRa grant program, which was established in statute. He explained that appropriations to the program were made annually in the capital budget, typically based on estimated receipts. Communities submitted grant applications through the Department of Commerce, Community and Economic Development (DCCED) and the funds were distributed accordingly.

Mr. Painter explained that federal H.R.1, also referred to as the One Big Beautiful Bill Act, changed the royalty split to 70-30 for leases issued after July 2025, with the change not taking effect until 2034. He explained that LFD and DOR reviewed whether H.R.1 altered the statutory requirement to prioritize distributions to local governments. He stated that he requested a legal opinion from Legislative Legal Services (LLS) in November of 2025, and LLS concluded that the bill would not amend the revenue-sharing requirement. He stated that under the legal interpretation, the requirement to prioritize distributions

to impacted communities remained in effect. He noted that some ambiguity had been discussed regarding treatment beginning in FY 34, but LLS did not identify any ambiguity prior to that date.

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Mr. Painter advanced to slide 12 and continued discussing NPRA revenue treatment. He explained that the fall Revenue Sources Book reclassified NPRA revenue beginning in FY 27 as UGF revenue rather than federal revenue, with portions restricted for the Permanent Fund and the Public School Trust Fund (PSTF). He noted that the governor's capital budget did not include the typical NPRA grant program appropriation. The governor's operating budget included standard language that annually appropriated unspent NPRA funds first to the Permanent Fund up to 25 percent, then to PSTF up to 0.5 percent, and then to the Power Cost Equalization (PCE) endowment. He explained that although the administration classified the revenue as UGF, the funds were still directed to the stated purposes.

Mr. Painter relayed that none of the NPRA revenue reduced the deficit. He stated that the OMB fiscal summary did not reflect the appropriations at the time, which resulted in a discrepancy of approximately \$9.6 million related to the PCE allocation. He stated that LFD continued to classify NPRA revenue as federal revenue based on the interpretation provided by LLS. As a result, there was a difference between the LFD fiscal summary and the OMB fiscal summary of approximately \$9.6 million in UGF, along with additional associated amounts. He noted that the table at the bottom of the slide showed the cumulative impact of the difference. He explained that when LFD prepared long-term revenue projections, NPRA revenue was treated as federal revenue in all years, while the official revenue forecast classified a portion of that revenue as UGF. He explained that it reflected a difference of interpretation, and that LFD relied on advice from its legal counsel.

Representative Stapp asked Mr. Painter whether the legal opinion could be shared with the committee. He expressed concern with the treatment of NPRA revenue as UGF in the Revenue Sources Book. He remarked that the interpretation did not align with his understanding. He asked if Mr. Painter could articulate the administration's rationale for its conclusion.

Mr. Painter responded that he had not seen a legal analysis supporting the administration's position and therefore he could not speculate on the reasoning.

Representative Hannan asked for confirmation that the revised royalty split moved from 50-50 to 70-30. She asked which party received each share.

Mr. Painter replied that the split allocated 70 percent to the state and 30 percent to the federal government, with the state share directed to impacted communities first.

Representative Hannan asked whether OMB immediately applied the 70-30 split beginning in FY 26 or if it would not apply until FY 34.

Mr. Painter responded that DOR assumed the 70-30 split would not begin until FY 34.

Representative Galvin noted that her questions related to slide 8 and slide 12. She asked whether statutory guidance existed for addressing general fund overspending, similar to the statutory framework that directed the treatment of lapsing NPRA revenue. She stressed that there was documented overspending by DOC.

Mr. Painter replied that NPRA revenue was designated while UGF was not.

Representative Galvin asked if there was anything in statute that helped the state recover when there was a UGF overspend, such as the approximately \$12.6 million overspend by DOC.

Mr. Painter responded that general fund overspending was identified typically through the audit process and the issue was brought to the legislature as a ratification, which retroactively authorized the expenditure and resolved the audit finding.

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Co-Chair Josephson asked if communities such as Nuiqsut would receive substantial windfall of capital dollars if the LLS opinion were upheld.

Mr. Painter responded in the affirmative.

Mr. Painter continued to slide 13, which illustrated the percent of market value (POMV) draw calculation. He noted that although oil revenue was frequently discussed, the POMV draw constituted the state's largest general fund revenue source. He explained that in FY 26, the POMV draw was based on balances from FY 20 through FY 24, resulting in approximately \$3.8 billion.

Mr. Painter continued that in FY 27, the calculation dropped FY 20, which reflected a balance of \$64.9 billion, and added FY 25, which reflected a balance of \$84.7 billion. He explained that removing a low year and adding a high year resulted in an increase of nearly \$200 million in the POMV draw. He stated that the increase was helpful for the FY 27 budget situation; however, the increase should not be expected to continue. He explained that the large increase in FY 21 drove recent growth in the POMV draw and that FY 27 represented the final year in which that unusually high market year was incorporated. He stated that absent another exceptionally strong market year, similar increases should not be anticipated. He relayed that FY 27 would be easier than FY 28 from a budgetary perspective because FY 28 would not benefit from that prior market spike.

Mr. Painter moved to slide 14 and explained that the following slides addressed the adjusted base calculation. He described the adjusted base as the process of taking the prior year's budget and establishing a clean starting point for the next fiscal year. He explained that the process involved removing one-time appropriations and adding statewide decisions such as policy adjustments, salary adjustments, and formula changes necessary to maintain services at a status quo level.

Mr. Painter noted that several years earlier, LFD worked with OMB to modify adjusted base rules to clearly distinguish policy choices from formula-driven changes. He explained that changes in student counts, for example, reflected formula adjustments rather than policy decisions. While the approach made the adjusted base more complex, it provided greater clarity regarding gubernatorial policy choices. When a formula item was funded at a partial amount, such as the Permanent Fund Dividend (PFD), the funding level was carried forward into the adjusted base

for the following year. The approach avoided resetting calculations to statutory levels that had not been funded for decades and instead reflected current policy decisions.

Mr. Painter continued to slide 15 and stated that the first step in establishing the adjusted base involved removing one-time or expiring items. He noted that the slide contained a minor error in which the amounts for the Department of Law (DOL) Statehood Defense item and the Department of Environmental Conservation (DEC) PFAS item were reversed. He clarified that the totals shown at the bottom of the slide were correct. He explained that many of the items listed originated in FY 25 or earlier and were carried forward. The amounts reflected carried-forward balances rather than original appropriations. He relayed that \$31.6 million in one-time or expiring items were removed to reach a clean starting point.

Co-Chair Josephson asked for clarification on the error on slide 15 and asked which two items were reversed.

Mr. Painter confirmed that the DOL Statehood Defense and the DEC PFAS amounts were reversed. He stated that a corrected version would be provided to the committee.

Co-Chair Josephson asked for confirmation that LFD's definition of the PFD had an adjusted base of \$1,000.

Mr. Painter responded in the affirmative.

[3:26:27 PM](#)

Co-Chair Josephson stated that the committee had completed approximately half of the presentation. He noted that staff would coordinate a future time for Mr. Painter to complete the presentation.

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

HB 283 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[3:27:14 PM](#)

The meeting was adjourned at 3:27 p.m.