

HOUSE FINANCE COMMITTEE
January 29, 2026
1:32 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:32 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

Brodie Anderson, Staff, Representative Neal Foster; David Dunsmore, Staff, Senator Bill Wielechowski; Representative Sarah Vance; Representative Justin Ruffridge.

SUMMARY

CSSB 64 (FIN) am
ELECTIONS

CSSB 64 (FIN) am was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the meeting agenda.

#sb64
CS FOR SENATE BILL NO. 64 (FIN) am

"An Act relating to elections; relating to voters; relating to voting; relating to voter registration; relating to election administration; relating to the Alaska Public Offices Commission; relating to campaign contributions; relating to the crimes of unlawful interference with voting in the first degree, unlawful interference with an election, and election official misconduct; relating to synthetic media in electioneering communications; relating to campaign signs; relating to voter registration on permanent fund dividend applications; relating to the Redistricting Board; relating to the duties of the commissioner of revenue; and providing for an effective date."

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Co-Chair Schrage MOVED to ADOPT the CS for SB 64, Work Draft 34-LS0153\U, Dunmire, 1/28/26 (copy on file).

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Co-Chair Foster OBJECTED for discussion.

Representative Allard OBJECTED.

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

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BRODIE ANDERSON, STAFF, REPRESENTATIVE NEAL FOSTER, reviewed the changes in the CS. He explained that the CS removed more sections from the bill than it added. He stated that every member had been provided with a redline version of the CS (copy on file) comparing the version currently before the committee, version 34-LS0153\L.A., to the proposed version 34-LS0153\U. He explained that the removed sections appeared in blue in the document and were struck through. He stated that he would reference both removed sections and sections that were modified from prior versions. He clarified that any section that was not discussed reflected language that had appeared consistently in prior iterations of the bill.

Mr. Anderson stated that the title had been amended to reflect the changes in the new version and the remainder of

the CS had been renumbered to account for removed sections. He explained that former Section 1 had addressed changes to residency requirements and had been removed. He continued to new Section 4, which revised the applicable timeline to 28 months. He noted that prior versions had referenced either two general elections or two years. He stated that the section also removed hunting and fishing licenses, out-of-state tuition, and physical residence from the list of disqualifiers used for voter list maintenance and voter roll cleanup.

Representative Bynum asked how Mr. Anderson was walking through the documents. He stated that he was attempting to follow along using multiple materials, including the redline document, the proposed version U, the sectional analysis, and the prior version L.A. He asked what the easiest way would be to follow along.

Co-Chair Foster suggested that Mr. Anderson slow down slightly.

Mr. Anderson responded that referencing the redline version would be the easiest way for committee members to follow along. He stated that he would slow his pace and allow time for members to locate sections. He explained that removed sections appeared as entire pages marked in blue and struck through, and that renumbered sections were indicated with strikethroughs and replacement section numbers.

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Mr. Anderson continued discussing new Section 4. He reiterated that the section revised the timeline to 28 months and removed hunting and fishing licenses, out-of-state tuition, and physical residence as disqualifiers for voter list maintenance. He noted that references to hunting and out-of-state hunting and fishing licenses as a disqualifier were removed throughout the entire CS.

Mr. Anderson moved to new Section 6, which revised the time requirement to 34 months. The requirement had been the fourth calendar year in the previous version. He continued to new Section 8, which added additional review requirements when the Division of Elections (DOE) updated the master voter registry. He stated that the review would now include information from the Systematic Alien Verification for Entitlements (SAVE) program, whether an

individual had served on a jury in another state, or whether the individual had received certain benefits from another state. He stated that the section also removed out-of-state hunting and fishing licenses from consideration. He explained that the section authorized DOE to determine when it could reasonably establish that an individual had been out of state.

Mr. Anderson addressed the removal of former Section 10. He explained that the section had contained an earlier version of procedures for canceling voter registrations. The new Section 10 retained the prior addition of rural community liaisons. He then addressed the removal of former Section 13. He explained that the removal eliminated earlier additions related to poll workers and observers involved in ballot counting at facilities. He stated that former Section 14 was also removed. The section had required the Alaska Public Offices Commission (APOC) to maintain an office in every Senate district.

Mr. Anderson moved to new Section 11, which was commonly referred to as the true source clarification section. He stated that a later section in the bill set the effective date to January 1, 2027. He relayed that former Section 18 had been removed, which had addressed the posting of notices regarding language assistance. He continued that new Section 14 was amended to remove utility bills, bank statements, and government checks from the list of acceptable forms of identification.

Mr. Anderson stated that former Section 20 had been removed and new Section 15 was amended, which together removed references to ranked-choice voting and preserved existing regulations for observers by removing additional requirements added in prior versions of the bill. He continued that new Section 17 required all absentee ballots to include a postage-paid return envelope. The section also removed the repeal of the witness signature requirement, thereby retaining the witness signature requirement.

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Mr. Anderson stated that former Sections 23 and 24 had been removed. He explained that the removals eliminated prior changes related to candidate and campaign observers and removed provisions concerning risk-limiting audits. He stated that former Sections 26 through 30 had all been

removed. He explained that the sections had addressed security measures for special needs ballots. He explained that amended Section 18 removed utility bills, bank statements, and government checks from the list of acceptable forms of identification.

Representative Hannan asked which page Mr. Anderson was referring to. She was unable to locate Section 18 and noted that she was on page 18, which corresponded to former Section 31. She thought it would be helpful for page numbers to be provided, particularly where multiple sections had been removed.

Mr. Anderson responded that the drafting was unusual. He explained that on page 15, line 22, "Sec." was added, followed by struck-through text that continued through page 17. He explained that on page 17, line 26, "18" was added and marked the beginning of Section 18 [the additions together forming Sec.18]. He explained that the bill continued removing previously referenced items until page 18, line 16, after which the remainder of Section 18 appeared.

Representative Hannan asked for confirmation that Section 18 effectively began on page 18, line 16, but its heading was spread across multiple pages.

Mr. Anderson responded in the affirmative.

Mr. Anderson directed members to page 19 of the redline version. He explained that the removal of former Section 33, beginning on page 19, line 13, eliminated the provision that had allowed voters to remain on the absentee-by-mail list indefinitely as long as they cast a ballot once every four years. He stated that pages 20 through 22 contained two new sections, Sections 22 and 23, which preserved the process commonly referred to as ballot curing. He noted that the redlined portions showing removals corresponded to former sections 36 and 37. He explained that the removals eliminated the tracking barcode requirement tied to witness signatures and removed regulatory requirements related to ballot challenge review.

Mr. Anderson directed attention to page 24, beginning at line 16, which reflected the removal of former Section 41. He explained that removing Section 41 eliminated the requirement to adopt regulations governing drop box

security standards and preserved the existing regulatory framework.

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Mr. Anderson moved to the bottom of page 26, line 31, and relayed that the removal of Sections 45 through 50 collectively eliminated several requirements. He explained that the removals eliminated the requirement that the lieutenant governor develop a cybersecurity program, removed the prohibition on undisclosed use of synthetic media, removed the codification of the settlement in the American Civil Liberties Union (ACLU) of Alaska v. State of Alaska, and removed previous APOC reporting requirements.

Mr. Anderson continued that new Section 29 appeared beginning on page 31, line 27. He explained that new Section 29, in conjunction with the removal of former sections 51, 52, and 55, eliminated all Permanent Fund Dividend (PFD) application requirements related to voting except for the provision contained in Section 29. He stated that the section required the Department of Revenue (DOR) to share voter information gathered from PFD applications. He explained that prior versions had included numerous regulatory requirements and additional provisions related to PFD applications and voting, which had been removed, leaving only the information-sharing requirement.

Mr. Anderson stated that new Section 31 began on page 32, line 26, and was amended to remove additional conforming repeals related to poll watcher provisions that had been included in prior iterations of the bill. He clarified that the poll watcher regulatory provisions had been removed. He continued that new Section 34 began on page 33, line 2, and made Sections 23 and 24 of the new version of the bill conditional upon both sections taking effect.

Mr. Anderson stated that new Section 35 began on page 33, line 27, and established an effective date of January 1, 2027, for Section 11. He added that new Section 36 established an effective date of July 1, 2026, for the remainder of the bill. Additional technical and conforming language was included throughout the bill to reflect changes made in prior iterations.

Co-Chair Foster asked on which page the postage-paid provision appeared.

Mr. Anderson responded that the postage-paid provision appeared in new Section 17, which was located on page 14, and continued onto page 15.

Co-Chair Foster summarized that, at a high level, the bill included ballot curing, retained the witness signature requirement, required postage-paid absentee ballot envelopes, and maintained the rural liaison provision. He asked whether his summary accurately reflected the major components of the bill.

Mr. Anderson replied that Co-Chair Foster's summary accurately reflected the major changes. He agreed that it was a high level synopsis. He added that the bill removed several provisions that had been debated in earlier versions, including observer powers and poll worker provisions.

Co-Chair Josephson asked Mr. Dunsmore how he would describe the bill at a high level.

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DAVID DUNSMORE, STAFF, SENATOR BILL WIELECHOWSKI, stated that the version before the committee had been pared down from the version that passed the Senate. He explained that the bill focused on election integrity measures, including ballot curing, ballot tracking, expediting voter roll maintenance, and adding additional residency indicators. He added that the bill also included provisions addressing situations in which an individual had voted in another state, which could serve as a trigger for initiating the voter roll cleanup process. The bill also contained provisions intended to expedite the certification and release of election results.

Representative Allard expressed appreciation for the bill coming forward. She believed members of the public would want her to "destroy" the bill line-by-line because it violated people's constitutional rights and discriminated against individuals who did not reside in rural communities. She asserted that a vote in favor of the bill indicated support for ranked-choice voting. The bill did not fix elections and she disagreed with the provisions related to ballot curing and voter roll cleanup because they did not go far enough. She relayed that she was

willing to compromise on some matters but elections was not one of them. She stated that she wanted the bill to move forward so that amendments could be offered and the public could understand its contents on a line-by-line basis.

Representative Allard asked whether she could withdraw her objection.

Co-Chair Foster responded that she could withdraw her objection but noted that his own objection remained.

Representative Allard WITHDREW the OBJECTION.

Co-Chair Foster relayed that the committee would proceed with questions. Once members felt they had a general understanding of the bill, the committee would vote on whether to adopt the CS. He clarified that adoption of the CS would place the version before the committee for further process, including public testimony.

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Representative Bynum commented that there were several provisions in the CS about which he wished to seek further clarification. He asked whether there would be a later opportunity to review the bill section by section after adoption of the CS.

Co-Chair Foster confirmed that there would be a later opportunity to examine the bill in greater detail.

Representative Stapp commented that his redline version of the bill appeared primarily in blue rather than red and noted that he had not seen it formatted in such a way before.

Representative Tomaszewski asked for more information about the postage-paid provision. He had heard that the postage provision had been removed.

Mr. Anderson responded that the postage-paid provision remained in the bill. He stated that the paid postage requirement was listed on page 15, lines 2 through 21. He reiterated that the provision remained in the current version of the bill.

Co-Chair Foster WITHDREW the OBJECTION.

There being NO further OBJECTION, Work Draft 34-LS0153\U was ADOPTED.

CSSB 64(FIN) am was HEARD and HELD in committee for further consideration.

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AT EASE

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RECONVENED

Co-Chair Josephson began chairing the meeting.

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

[2:09:19 PM](#)

Mr. Painter resumed the PowerPoint presentation from the House Finance Committee (HFC) meeting on January 27, 2026, titled "Overview of the Governor's FY 27 Budget" dated January 27, 2026 (copy on file.) He continued the presentation on slide 17 and explained that changes in the FY 27 adjusted base included salary and benefits adjustments. He explained that the Legislative Finance Division (LFD) included the items in the adjusted base because the legislature could not pick and choose salary adjustments, and because the decision was an up or down choice by the legislature. He stated that the legislature had the authority to accept or reject the items. He relayed that it had been decades since the legislature had chosen to reject an item, but it remained an available policy choice.

Mr. Painter reported that the current estimate included about \$55 million of unrestricted general funds (UGF) in salary adjustments. He noted that five unions remained in negotiations. The most substantial item was the health insurance rate for AlaskaCare and certain union trusts. He relayed that the state as an employer paid the full actuarial cost for the Public Employees' Retirement System (PERS), unlike other employers that had a cap. He noted that when that rate increased, the state paid more for state employees.

Mr. Painter added that cost of living adjustments (COLA) had been negotiated as well. He explained that many were based on an inflationary figure of 2.5 percent and one was based on a 3 percent figure. He stated that several current contracts tied the FY 27 COLA to inflation thresholds and many contracts reached the threshold that resulted in the 2.5 percent adjustment, which matched the inflation assumption. He reported that the total impact of salary and benefits adjustments was \$111 million. He noted that the five unions that remained outstanding were not particularly large unions compared to the prior year. The unions included correctional officers, public safety, state troopers, and wildlife troopers, which sometimes received increases that were higher than inflation due to recruitment concerns.

Co-Chair Josephson relayed that he had met with staff from the university earlier that day. The staff had shared with him that the regents were calling for \$15 million in salary adjustments, but the governor had included about \$6 million. He asked whether the numbers were accurate.

Mr. Painter responded that the numbers were correct. He explained that the governor did not include funding for non-covered employees and the legislature also did not include that funding the prior year. The non-covered employees would not receive funding for two consecutive years if the approach continued. He noted that there was about \$7 million in total funds, but that there was nothing designated for the non-covered employees.

Co-Chair Josephson asked whether the governor recommended that the university system authorize what it wanted and find resources to bring parity to the non-covered employees.

Mr. Painter responded in the affirmative. He stated that the legislature had chosen not to fund the increases the prior year and not to provide increases to the non-covered employees.

Representative Hannan asked for more information about the disparity between the regents' request of \$15 million and the budget's \$6 million. She thought the difference related to the non-union staff. She asked if it could be concluded that there were more non-union employees at the university than employees in all union units.

Mr. Painter replied that he was not confident in the numbers off the top of his head but he would follow up with the information. He explained that it was possible he had included the health insurance for the university in the same bucket and that the real total could be higher. He would verify the information and follow up because he did not want to speculate on the record.

Representative Hannan commented that she had heard similar comments from the university as Co-Chair Josephson. She was trying to understand why the difference was so large if all staff were funded. She wondered whether the difference included union administration.

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Representative Tomaszewski asked if the union employees had received an increase the prior year. He understood that the university had provided something for the non-union group. He asked whether his understanding was correct.

Mr. Painter responded that he was trying to recall the answer from the mid-year status report. He thought that the university had found funds, but he would verify and follow up with the committee.

Representative Bynum relayed that he often received questions about how the legislature dealt with the budget and what funds were approved and what funds the legislature had control over. He noted that union contracts were negotiated and approved through the executive branch and the university and the associated dollar amounts were then incorporated into the budget. Contrastingly, non-represented employees depended on the legislature to appropriate additional funds requested by the executive or the university in order to receive wage adjustments. He asked Mr. Painter to clarify the process for approving and funding union contracts and to explain the legislature's obligation to fund the contracts.

Mr. Painter replied that the legislature had delegated the authority to negotiate collective bargaining agreements for covered employees to the Department of Administration (DOA) and, in the case of university unions, to the university. He explained that once the agreements were negotiated, the agreements were brought before the legislature. He noted

that the court had ruled that partially funding a negotiated contract was equivalent to defunding it. He explained that the budget contained language that asserted that the legislature approved a contract by including funding for the contract. He stated that if the legislature did not wish to approve a contract, it would need to exclude the funding and remove the contract from the language.

Mr. Painter explained that for non-covered employees in the executive, legislative, and judicial branches, compensation was governed by a statutory salary schedule. He stated that the current schedule matched the supervisory unit for a three-year period corresponding to the length of that unit's contract. He explained that because the pay scale was set in statute, if funding were not provided, agencies would still be obligated to comply with the statutory salary schedule and would need to find the funds internally.

Mr. Painter relayed that the situation differed for the university and for state corporations because the compensation structures were not set in statute. He explained that the board of regents or other governing boards could determine salaries, but without appropriated resources, the boards might decline to implement increases. For example, the Alaska Housing Finance Corporation (AHFC) board chose to make the salary increases and the state provided the appropriation to do so. He clarified that the process was not automatic and it was slightly disconnected.

Representative Bynum asked for confirmation that when a collective bargaining agreement had been reached but funding was not provided, the result was effectively that the agreement had not been reached. He asked what that outcome meant for the collective bargaining process.

Mr. Painter replied that the matter would essentially return to the "negotiating table."

Co-Chair Josephson asked if the legislature could identify and fund parity increases for uncovered university employees without a collective bargaining agreement or contract. He understood that there was nothing as a matter of legislative prerogative that would prevent the legislature from funding the increases and it would not need a contract to do so.

Mr. Painter confirmed that the legislature could review the university's budget request or "red book" and review the requested amounts.

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Representative Galvin remarked that she had also heard reporting about how the university managed after it did not receive funding for non-covered employee increases the prior year. She had inquired into the way in which the University of Alaska Anchorage (UAA) addressed the shortfall and ensured that non-covered employees were retained. She learned that the university utilized funds that were originally intended for a project to upgrade classrooms that could not appropriately seat all of the students. She relayed that the university had set the project aside in order to pay for non-covered employees. Additionally, the university left approximately 50 positions vacant, which meant fewer class offerings and concerns related to campus security. She emphasized that shifting funds to cover compensation adjustments had broader operational consequences.

Mr. Painter continued to slide 18, which presented the fiscal summary of the governor's FY 27 budget and included past information about FY 26 for comparison. The post-transfer deficit in FY 26, before any supplementals, was approximately \$51 million. He recounted that the governor's supplementals released on December 11, 2025, totaled just under \$240 million. He added that an additional \$55 million in fire suppression disasters had been declared but was not yet included in the bill. The result was a post-transfer deficit of \$345.9 million in FY 26. The figure included the \$129.6 million repayment to the Higher Education Investment Fund (HEIF), which was counted as part of the deficit because it would be drawn from the Constitutional Budget Reserve (CBR). He explained that the figure did not include additional items expected in the governor's forthcoming supplemental bill, including Medicaid and potentially other smaller items. He indicated that the FY 26 deficit number would likely increase once the full supplemental package was introduced.

Mr. Painter continued that agency operations were virtually flat in FY 27 compared to FY 26. He indicated that statewide items and the capital budget were also largely

unchanged. He identified the primary source of growth between the two years as the governor's proposal to appropriate a full statutory PFD. He observed that the estimate reflected in the presentation was slightly dated and that the Alaska Permanent Fund Corporation (APFC) had since projected a somewhat higher number based on revenue running ahead of forecast through December of 2025. He clarified that the presentation used the figure from in the governor's bill.

Mr. Painter stated that the FY 27 budget reflected a deficit of just over \$1.5 billion, similar to the governor's proposal in the prior year. He explained that the governor proposed to cover both the FY 26 and FY 27 deficits with draws from the CBR. He noted that the balance at the beginning of FY 26 was estimated at approximately \$3.3 billion, and when projected new settlements and investment revenue were added, roughly \$3.4 billion would be available for FY 26. He emphasized that the combined draws for FY 26 and FY 27 would consume about half of the value of the CBR.

Co-Chair Josephson understood that the governor's position was that there was a disaster declaration and therefore the governor could spend more than what was appropriated. He noted that the legislature's position was that it still needed to appropriate the funds. However, the result was similar in that the same amount would be appropriated for the same purpose. He hoped that the issue would not become a significant debate about separation of powers and become relevant for generations to come. He asked if there was a reason to debate over semantics.

Mr. Painter responded that he did not think that the terminology was particularly significant from a fiscal standpoint. He highlighted the importance of the total and ensuring the total was properly accounted for. He noted that the governor had included the \$55 million in the fiscal summary but not in the bill, which suggested an effort to present the most accurate fiscal picture possible. He remarked that whether the amount was treated as a ratification or as a supplemental appropriation was less important than ensuring that the fund was properly capitalized. He observed that historically, ratifications for fire suppression had occurred, though more recently the practice had been to include the amounts as appropriations. He added that his principal concern with the fire

suppression process related more to the timing of the disaster declaration than to the fiscal mechanism used. He noted that a disaster declaration was made in November of 2025 when there were no fires burning, which he did not think adhered to the requirements in statute.

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Mr. Painter explained that the next few slides were visual representations of the governor's budget. He moved to slide 19 which contained a "swoop graph" that compared agency budget sizes in the FY 26 management plan on the left with those proposed in the FY 27 governor's budget on the right. He noted that most agency budgets appeared similar from year to year. For purposes of the graph, statewide items and the capital budget were treated as agencies to maintain clarity and scale within the graph, with the capital budget of \$157 million displayed near the middle of the page.

Mr. Painter explained that LFD included the Department of Agriculture in the comparison because it was part of the governor's budget. The FY 26 amount reflected what had been included in the Division of Agriculture in FY 26. He indicated that the approach was intended to maintain parity across the years.

Mr. Painter advanced to slide 20, which presented another visual representation of the budget and showed the total FY 27 UGF revenue and draws across various categories. The largest revenue source in FY 27 was the percent of market value (POMV) draw of nearly \$4 billion. He indicated that the next largest source in the governor's proposal was the draw from the CBR, followed by petroleum revenue and non-petroleum revenue. He noted that the chart helped illustrate the relative size of each revenue source and emphasized that petroleum revenue remained approximately twice the size of non-petroleum UGF revenue, even at lower oil prices. On the expenditure side, agency operations was the largest portion of the UGF budget at \$4.77 billion, followed by the governor's PFD proposal, statewide items, and the capital budget.

Mr. Painter moved to slide 21 and addressed agency operations. He explained that the governor's FY 27 agency operations budget was approximately \$11 million above the adjusted base. He identified the largest decrease was within Medicaid. The FY 26 budget had included a temporary

\$10 million increment for behavioral health rates in FY 26 and FY 27, but the governor removed the increment one year early in FY 27. There was an addition of \$6.5 million in UGF in the Department of Transportation and Public Facilities (DOT) to replace one-time fund sources used in FY 26. He noted that there was an additional \$1.4 million that appeared to have been omitted due to a technical error and that was expected to be addressed in a future revision. He relayed that \$5.2 million in UGF was utilized to replace unavailable restorative justice funds. He explained that restorative justice funds consisted of dividend amounts that ineligible recipients would not receive due to felony convictions. The funds were used across several areas of state government and UGF was required to replace the difference when the amount declined due to a lower dividend.

Mr. Painter noted that there was additional funding related to the information technology (IT) classification study initiated several years prior. He explained that the Office of Management and Budget (OMB) included amounts across state agencies for classified employees, but not for exempt employees. He indicated that similar adjustments for IT employees in the legislature, judiciary, governor's office, and state corporations were not yet included but would likely be considered for parity in the future. He noted that the item would appear before most subcommittees.

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Co-Chair Josephson understood that agency operations were up, but cuts appeared for other items, and the net was a \$1 million difference compared to the previous year.

Mr. Painter responded that Co-Chair Josephson was correct.

Co-Chair Josephson asked if Mr. Painter had ever seen a budget with such an absence of a gap.

Mr. Painter responded that it was the closest to a flat budget he had observed with the \$1 million difference.

Mr. Painter proceeded to slide 22 and addressed statewide items. He explained that the governor's proposal was below the adjusted base for statewide items and reminded the committee that the adjusted base reflected formula updates. He identified the largest variance as related to PERS and

Teachers' Retirement System (TRS) contributions. He explained that the governor did not fully fund the contribution level recommended by the Alaska Retirement Management Board (ARMB) for non-state employers. He clarified that the governor fully funded the recommended rate for the state as an employer but selected a different funding approach than what was recommended by the board for the state's on-behalf payments to other employers. He explained that ARMB had evaluated around six options for funding the retirement system, ultimately recommending an approach that front-loaded payments. He explained that the governor selected a different option that provided lower payments in the near term but would require higher payments in the future because the obligations would still need to be satisfied. He noted that the board's recommendation to front-load payments would reduce total long-term costs.

Representative Tomaszewski asked what the total amount was that the board had recommended.

Mr. Painter responded that he did not recall the total but that the difference between the board's recommendation and the governor's proposal was approximately \$37.7 million. He noted that the total was likely in the range of \$250 million but he would follow up with the details.

Mr. Painter continued to address school bond debt reimbursement. He explained that the governor's FY 27 budget fully funded both school bond debt reimbursement and the Regional Educational Attendance Area (REAA) fund. In the prior year, the legislature funded school bond debt reimbursement and REAA at approximately 75 percent. He noted that the amount in the governor's budget was estimated and that there were some municipalities that planned to go out for debt. If the municipalities chose to go out for the debt, the FY 27 amount would likely be unchanged because there was a slight delay between the vote on the debt and when payments would be due. He clarified that there was some potential that new debt could change the amount, but it was unlikely.

Co-Chair Josephson commented that although one could argue that times were tougher now than they were 12 months ago, the governor vetoed down to 75 percent last year while he wanted 100 percent in the coming year.

Mr. Painter responded that the governor only vetoed the REAA fund down, but the legislature funded school debt at

75 percent and fully funded the REAA fund. The statute was ambiguous about the timing because the REAA fund was supposed to be tied to the trailing year of school debt. He understood that the legislature fully funded REAA in the prior year with the intention to partially fund it in the current year. Conversely, the governor vetoed REAA last year to match the match in the same year. He explained that the more typical process was to match the match in the same year. He suggested that it was an academic debate.

Mr. Painter continued to discuss the Community Assistance Fund (CAF). He explained that the legislature previously funded an amount sufficient for a \$20 million payment. In the governor's FY 27 proposal, \$14 million would be transferred from the Power Cost Equalization (PCE) fund with no UGF included. He stated that the amount would result in approximately \$18 million in community assistance payments, which would be below the base payment level and therefore prorated, with no additional per capita payments.

Co-Chair Josephson observed that community assistance payments had been approximately \$90 million in earlier years and were now projected at \$18 million.

Mr. Painter confirmed that Co-Chair Josephson was correct.

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Co-Chair Foster asked whether the \$14 million from the PCE fund was standard. He understood that PCE funds were usually distributed to people in rural Alaska and typically totaled around \$50 million per year. He asked for confirmation that the \$14 million payment was for community assistance.

Mr. Painter responded that statute contained a waterfall provision allowing certain PCE earnings to be used for community assistance based on available earnings. He indicated that LFD and OMB disagreed slightly on how the statutory waterfall was paid out. He suggested that there should have been a statutory adjustment to the waterfall calculation when the PCE fund was moved under APFC because the corporation dealt with investment management fees differently. He stated that LFD thought that management fees of around \$12.6 million should be deducted rather than the \$14 million proposed by the governor's budget. However,

it was subject to appropriation and statutorily allowable, and the difference was not substantial.

Co-Chair Foster commented that he was aware of the waterfall, but thought that PCE was outside of the waterfall. He had not been aware that the amount was still up for debate.

Representative Bynum thanked Mr. Painter for bringing up the concept of the statutory waterfall and the mechanisms used to cascade unspent funds into other purposes. He remarked that he looked forward to discussing offline the statutory structures that allowed the transfers. He expressed concern that the legislature might have created mechanisms that could take away the legislature's control of appropriations and make the process automatic. He suggested that it would be easy to overlook what was happening within the process.

Mr. Painter responded that in the prior year, the legislature did not follow the statutory waterfall. He explained that the legislature instead funded less than the full statutory amount from PCE in order to free up funds for other purposes.

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Mr. Painter continued to slide 22 and addressed the final two statewide items: fire suppression and the Disaster Relief Fund (DRF). He explained that neither item was governed by a strict statutory formula. He stated that the governor's proposed fire suppression amount matched the post-veto, pre-supplemental FY 26 level, while the proposed DRF amount was closer to the legislature's pre-veto FY 26 level. He relayed that OMB Director Lacey Sanders indicated that the DRF amount was based on a ten-year average, though LFD had not yet verified the calculation. He emphasized that there was no statutory formula.

Co-Chair Josephson asked why the numbers were not yet known.

Mr. Painter responded that fire suppression funding was inherently uncertain because future fire activity could not be predicted. He noted that LFD generally advocated for funding close to the average fire cost amounts to try to reduce supplementals. He relayed that it was not possible

to know in advance whether a fire season would be above average or below average. Last year, the legislature was concerned that due to low snowpack, the fire season would be above average, which was indeed the case. He added that disaster relief funding likewise depended on events that had not yet occurred. He thought that using past data to understand future unknown disasters was a reasonable approach.

Representative Hannan asked if the legislature would be funding the average or 50 percent of the average.

Mr. Painter replied that OMB stated that the DRF figure represented the ten-year average. He noted that LFD had not yet verified OMB's calculation. He added that the fire suppression amount was approximately \$27 million below the recent average and was not a fixed percentage.

Mr. Painter moved to slide 23 and explained that the governor's capital budget was largely matching funds did not involve a significant amount of UGF for state priorities. He explained that approximately 81 percent of the capital budget consisted of general fund match for federal dollars, primarily in federal highways, aviation, and the Department of Environmental Conservation's (DEC) Village Safe Water (VSW) program. He noted that \$22.9 million of AHFC's dividends were directed back to its own housing projects, which was slightly below the board's recommendation of \$28.7 million. He stated that AHFC had an above average year of dividends and the remaining dividend funds would flow to the general fund as UGF revenue.

Mr. Painter explained that the mental health capital budget included \$1.9 million in UGF, which differed from the \$6.5 million recommended by the Alaska Mental Health Trust Authority (AMHTA). He identified two additional UGF projects in the Department of Fish and Game (DFG) related to salmon initiatives. He noted there was no funding in the governor's proposal for school construction or major maintenance, and that \$26 million from the Alaska Capital Income Fund (ACIF) was designated for deferred maintenance on state facilities. In FY 24, there was \$14.6 billion of state facilities between the state and the university and at least 2 percent of that was ongoing maintenance and operations and totaled \$292 million. He added that school construction and major maintenance would be partially handled through the School Bond Debt Reimbursement Program

(SBD RP). He explained that if school districts went out to bond, some projects would be handled through the REAA fund, but there were no additional funds for the projects.

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Co-Chair Josephson remarked that when he thought of bonding for school construction major maintenance, he thought of "new stuff." He asked for confirmation that the governor would not be funding any of the existing projects and only funding the required amount for new projects.

Mr. Painter responded in the affirmative.

Representative Bynum observed that each year he had been in the legislature, the capital investment outside of match had remained minimal. He thought that the pattern was concerning. He asked if the slide reflected all available match that the state was trying to obtain.

Mr. Painter responded in the affirmative.

Representative Bynum restated that he meant match for which the state was eligible rather than match the state was attempting to obtain. He noted that some agencies and institutions had recommendations for additional non-match capital investments that were not funded. He asked if there were recommendations broken down by department on what each department would like to see funded. He asked if it was a "rule of thumb" that more capital investment was necessary, but not being made a priority in the budget.

Mr. Painter responded that LFD was only aware of agency requests when they came from independent boards or entities that had publicly available recommendations. He noted that the judiciary had submitted capital project requests that were not included in the governor's budget and that the University of Alaska (UA) Board of Regents had submitted several capital requests that were likewise not included. He stated that the items were identified in the subcommittee materials. He added that when requests originated within executive branch agencies, LFD did not always know what had been submitted to OMB unless the agency was independent and publicly disclosed its request.

Representative Bynum emphasized that the committee and the House should take a better look at capital investment

statewide. He believed Alaska had underinvested in capital needs and that the underinvestment negatively affected his community and all communities across the state. He looked forward to debate on the issue.

Co-Chair Josephson observed that the governor recommended appropriating 10 percent of 2 percent of deferred maintenance, which he thought was dire. He referenced a memo that had an addenda to it from the Former Alaska Governor Wally Hickel era which indicated that when a governor received the judiciary's proposed budget, the governor was expected to transmit it unchanged into the governor's budget as a preliminary matter. He asked whether the practice had occurred in the current budget cycle.

Mr. Painter responded that the practice had not been followed for the past two years. He explained that historically, the practice had upheld for the operating budget but not the capital budget. He stated that in the current and prior year, when LFD received the governor's budget, the division contacted the judiciary to determine which requested items were not included. He reported that the excluded items were listed in the judiciary subcommittee materials and in the capital overview. He clarified that the items did not come through OMB.

Co-Chair Josephson asked about the second bullet on the slide regarding the AHFC dividends. He noted that the board recommended a higher dividend amount than what was proposed in the governor's budget. He asked what could be inferred from the proposal to spend less than the amount requested by the board. He remarked that that there appeared to be an underlying message that he was not understanding.

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Mr. Painter responded that AHFC dividends counted as UGF and could be used for any purpose. He explained that the legislature often appropriated the dividends back to AHFC within the capital budget so the corporation could better manage its cash flow rather than transferring the funds to the general fund. He noted that doing so provided cost efficiencies because once transferred to the general fund, the corporation could not leverage the funds for bonding. He added that the largest reduction within the AHFC dividend allocation was to the homeless assistance program. He stated that several AHFC-related items were identified

in the capital overview for DOR and the governor chose not to fund the items in order to reduce overall spending.

Mr. Painter advanced to slide 24, which highlighted items that were known obligations without a set timeline of when the funding would be needed. The first item was Medicaid. He explained that on December 15, 2025, the Department of Health (DOH) provided a Medicaid projection indicating that an additional \$47.4 million in UGF would be required in FY 27. He stated that the amount was not included in the governor's budget due to timing. He noted that in prior years, a preliminary number had been included and later adjusted, whereas the current approach omitted the placeholder and relied on the updated projection. He thought that the timing mechanism was less important than ensuring the correct amount was ultimately appropriated. He clarified that the \$47.4 million did not include potential increases associated with rate rebalancing studies.

Mr. Painter explained that DOH had been working with a contractor to evaluate Medicaid rate methodologies more comprehensively. He noted that historically, rate adjustments required broad changes across service categories rather than targeted changes to specific rates. For example, the autism services rates had been identified as insufficient for providing necessary services. He explained that under the prior methodology, raising rates for autism services would have required raising all behavioral health rates, even if other services did not warrant adjustment. He stated that the contractor conducted a more granular review and developed recommendations for rebuilding rates from the ground up. He noted that four studies came from the review with recommendations. He emphasized that the recommendations did not require immediate or full implementation but represented policy choices for legislative consideration. He noted that none of the recommendations were currently included in the governor's budget. He advised that the potential general fund impact could total tens of millions of dollars in FY 27.

Co-Chair Josephson remarked that his understanding from discussions with DOH was that the results of the studies might not be ready in time for FY 27. He asked if Mr. Painter had different information.

Mr. Painter responded that the studies were available.

Co-Chair Josephson understood that the studies from Guidehouse advisors were available, but no final regulations or rulemaking had been done.

Mr. Painter responded in the affirmative. He indicated that depending on timing, some portion of implementation could affect FY 27, potentially beginning in the latter part of the calendar year, but the impact was not yet clear and the department had not yet incorporated the costs into the budget.

Mr. Painter continued to address ongoing employee bargaining. He reiterated that five unions remained in negotiations and noted that while additional costs were anticipated, the remaining units were smaller than those that had negotiated in the prior year, and any placeholder amount would likely be significantly lower than the previous year's estimate. He next discussed changes to the Supplemental Nutrition Assistance Program (SNAP) administrative cost match. He explained that under federal legislation H.R.1, the state's required match for SNAP administrative costs would increase from 25 percent to 50 percent beginning in federal FY 27. He stated that DOH estimated the additional state cost at approximately \$10.7 million annually. He noted that due to the timing of the federal fiscal year, the state impact in FY 27 might represent only three quarters of the amount. He confirmed that the increase was not included in the governor's budget and could appear later in the legislative process.

Mr. Painter continued that additional provisions in the federal legislation could increase the workload for the Division of Public Assistance (DPA). He explained that no new positions had been added in the governor's budget to address the increased workload. In the current fiscal year, the department had relied on cross-appropriation transfer authority to move funds into DPA, but the practice was not seen as an ongoing solution. He advised that additional adjustments might be necessary to ensure that staffing levels were adequate, though no such changes were currently included in the budget.

Mr. Painter relayed that he wanted to ensure the committee was aware of the Temporary Assistance for Needy Families (TANF) program. He explained that in prior years, the legislature had included multi-year language authorizing additional maintenance of effort funding if needed. He

stated that the most recent authorization had been \$3 million and had now been fully expended. He noted that the governor's budget did not replace the funds and it remained unclear whether a replacement request would be forthcoming. He indicated that funding would likely be necessary to ensure that TANF met its maintenance of effort requirement. Over the previous six years, the governor's amended budget had averaged approximately \$100 million more than the initial December release of the budget. He noted that the Medicaid adjustment alone would account for roughly half of that amount in the current year. He advised the committee to anticipate that additional items would be forthcoming.

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Representative Stapp asked if it would be possible to estimate how the SNAP administrative cost increase might change if the eligibility provisions that were expanded a few years prior were reversed. He asked for more information about the minimum eligibility requirements mandated under federal law.

Mr. Painter asked if Representative Stapp wanted him to follow up with the committee with the information or if Representative Stapp simply wanted to highlight the issue.

Representative Stapp responded that he wanted Mr. Painter to follow up with the committee.

Mr. Painter replied that he would follow up.

Co-Chair Josephson asked for confirmation that there was a request for 15 additional SNAP eligibility technicians. He understood that there was a "cavalry" coming.

Mr. Painter responded that more funding was being transferred from other areas of the department for SNAP technicians. Much of the funding was to replace the defunding of the virtual call center by the legislature in the previous year. He explained that there was no new staff, but staff hired to replace call center staff.

Co-Chair Josephson noted that if the expected supplementals were paid for, the budget would be out of balance with the normal cash flow and the draw in FY 27, which would be on top of the deficit.

Mr. Painter confirmed that the \$1.5 billion FY 27 deficit reflected in the governor's proposal did not include the additional items.

Co-Chair Josephson remarked that he wanted to set aside the overall deficit for the time being. He clarified that he was talking about an adjusted base budget. He asked for confirmation that the items on slide 24 were on top of the base.

Mr. Painter responded in the affirmative.

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Mr. Painter advanced to slide 25 and explained that the next section addressed "known unknowns," or potential fiscal risks not yet quantified. He first addressed the federal disparity test under the K-12 funding formula. He stated that the governor's budget assumed the state would pass the disparity test for both FY 26 and FY 27. He relayed that the state had failed the FY 26 test but had filed an appeal. He noted that it was unclear when the appeal would be resolved and whether the state would win its case. He explained that the state had not yet submitted the disparity test for FY 27. If the state failed the test, the additional amount would be approximately \$79 million in FY 26 and \$71 million in FY 27. If the state failed the disparity test, the budget would increase by those amounts automatically, but no legislative action would be required. If there was a cap on the amount, the legislature could fund projected items and it could result in a shortfall. He urged members to keep the issue in mind while balancing the budgets for the next two years.

Mr. Painter continued to address the Alaska Marine Highway System (AMHS). He explained that for the last three years, the AMHS budget had relied on the Federal Transit Administration's Rural Ferry Program (RFP). Typically, the grant application went out in the spring and the award was known by the fall. He relayed that the grant application for the award relied upon for the calendar year 2026 budget that had not yet been released and normally would have been issued the previous spring. He explained that neither DOT nor LFD knew the reason for the delay. He noted that the award took several months to process, and the legislature might not know during the current session how much of the grant would be awarded. The state had \$5 million of UGF as

a backstop for calendar year 2026, but it was still relying on nearly \$78 million of federal funding for AMHS. He cautioned that the funding was not guaranteed if the grant application did not come out. He noted that the federal administration had withheld grant applications at times which could result in a larger budget hole.

Mr. Painter explained that the governor had proposed shifting to a multi-year approach for the AMHS budget. Instead of continuing with calendar years, the proposal used multi-year fiscal year budgeting. He noted that the FY 27 through FY 28 budgets relied on \$83.3 million from the RFP fund without a backstop. He cautioned that it could create budget holes in FY 26 and FY 27 and the money could run out if the grant was not awarded. He acknowledged that the timing was complex.

Mr. Painter noted one positive development. He explained that the Tustumena replacement, for which the final funds had been appropriated the previous year, relied on already awarded capital funds. He confirmed that the project was out to bid and that the money was in hand, so it was not at risk. He clarified that only the remaining two years of funds were uncertain. He added that even if the funds were awarded, the funds were expiring. He noted that U.S. Congress was expected to take up a transportation bill in the fall of 2026 and suggested that more information about whether the grant would continue would be made available. He advised that members should consider the possibility of a hole in the budget next year even if grants were awarded for FY 26 and FY 27.

Mr. Painter relayed that there was a SNAP match for the program itself, as Representative Stapp had alluded to. He explained that the match was based on the state's error rate and would likely begin in FY 28, although a waiver process could delay it. He stated that the projected amount ranged between \$15 million and \$46 million. He clarified that the impact would not occur until the following year, but reducing the error rate through adequate staffing was advisable. He reiterated it was not necessary to appropriate funds yet, but he wanted to ensure that the committee was aware of the situation.

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Co-Chair Josephson asked for clarification that there were no funds set aside for FY 28.

Mr. Painter responded that the PFD POMV draw had increased by approximately \$200 million in the current year, which was unusually significant. He cautioned that such an increase would not recur in FY 28. He advised that if balancing the budget was difficult in the current year, FY 28 likely would present greater challenges due to additional fiscal headwinds and the absence of a comparable POMV increase.

Representative Galvin remarked that the state needed to reduce the SNAP error rate to a 6 percent error rate for FY 28. She noted that the current error rate was 24 percent, which was an improvement from the previous 51 percent rate. She acknowledged that prior policy choices had been made to ensure Alaskans were fed. She expressed concern that no additional new employees were being added to support SNAP administration and indicated that investing now could lessen the impact of potential penalties in the future.

Representative Stapp asked if multi-year receipt authority language could be used to stretch AMHS funding in FY 26. He asked for more information about the "drop dead" date for FY 26, noting the difference between the federal October fiscal year and the state's July 1 fiscal year. He asked what would occur if the money were not on hand by July 1 and how it would affect ferry system operations.

Mr. Painter responded that AMHS currently had approximately 58 percent of its budget in hand. He explained that decisions about stretching the budget would be management and policy decisions to be made by DOT. He stated that if the department took no action and the grant were not awarded, it would run out of money after expending its existing dollars. He indicated that the department could reduce operations, rely on the expectation of the grant, or seek additional appropriations, but it could ultimately face an end to ferry sailings. He reiterated that the decisions rested with DOT and that the department could provide further insight into its planning.

Representative Stapp understood that there was a significant delay in the application and award process. He asked if the legislature should consider taking action before conference committees occurred.

Mr. Painter responded that unless the grant application were released within the next few weeks, it would be unlikely that the legislature would know the outcome before the budget reached conference committee. He explained that the policy options included inserting a placeholder item that could later be removed, or declining to include funding and addressing any shortfall later. He noted that under the governor's proposal, which shifted to a fiscal year multi-year structure beginning July 1, there was not necessarily an immediate hole in the current year. However, if the grant were not awarded, the hole in the following year would be larger because more of the available funds would be used in the current year rather than spread across two calendar years. He acknowledged that the situation involved complex decisions and did not lend itself to a simple answer.

Representative Stapp remarked that he did not fully understand how the proposed budget stretched FY 26 dollars so far. He observed that although multi-year language could be used, the department would still exhaust funds without receipt of the federal grant.

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Mr. Painter explained that the advantage of shifting to a fiscal year multi-year structure was that instead of beginning a new year on January 1, the year would begin on July 1, thereby aligning with the state fiscal year and providing additional time before funds were depleted.

Mr. Painter continued that there was a year in which the legislature had an 18-month AMHS budget. He explained that the governor's proposal attempted to use the earlier shift as an advantage by again adjusting the structure and effectively pushing the timing back. However, instead of the FY 27 to FY 28 proposal funding two calendar years, it would effectively fund only FY 27, thereby creating a larger issue in the subsequent year.

Representative Hannan offered a reminder that AMHS had been moved to a calendar year budget structure. She clarified that while the discussion referenced FY 26, AMHS operated on calendar year 2026 authority and therefore had authorization to spend through December. She emphasized that the federal grant was not in place and had not yet

been advertised. She reported that DOT officials had planned to be in Washington, D.C., during the first week of March of 2026 and hoped for clarity about the grant. She noted that historically, the grant advertisement period had lasted three to four months, which meant that it was unlikely that the legislature would know the outcome before it adjourned. She expressed concern that adopting a multi-year approach could stretch funding further and potentially dig a larger hole. She expressed deep concern about the ability to continue sailings to communities if the grant did not materialize.

Co-Chair Josephson asked if litigation might be an option for Alaska if the federal funds were withheld for an unknown reason, as had occurred in other states.

Mr. Painter responded that he could not answer a legal question.

Representative Hannan understood that in other states, the litigation involved grants that had already been awarded but not disbursed. In Alaska's situation, the grant had not yet been advertised and she thought that it would be difficult to challenge.

Mr. Painter advanced to slide 26 and discussed the longer-term fiscal outlook. He explained that the graph dated back to FY 14, which marked the beginning of the current fiscal era when oil prices declined in FY 15. He noted that revenue had decreased significantly at that time, though the state had already been running a deficit in FY 14 despite oil prices exceeding \$100 per barrel. He relayed that when the state adopted the POMV draw in FY 19, the annual deficit decreased from around \$3 billion to smaller amounts for several years, followed by generally balanced budgets from FY 21 through FY 26 on average. He pointed out that there had been surpluses in FY 22 and FY 24 and deficits in other years, but the state had overall managed from year to year. He described the approach as a "muddle through" fiscal plan in which available revenue determined the size of the capital budget and PFD each year.

Mr. Painter stated that agency operations, adjusted for inflation, stood 16.6 percent below the FY 15 peak. He observed that deferred maintenance had not been funded at a sustainable level since FY 14 and that the statutory PFD had not been fully funded in a decade. He emphasized that

the year-to-year approach created uncertainty, with some years producing larger dividends and capital budgets and others producing smaller ones. He relayed that the state had relied on the approach for approximately five years.

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Mr. Painter continued to slide 27 and relayed that that one benefit to the approach had been that the state had started to transition from drawing down savings accounts to gradually rebuilding balances. He reported that in FY 14, the CBR and Statutory Budget Reserve (SBR) together totaled nearly \$16 billion. By FY 20, the balances had fallen below \$2 billion due to significant draws. He noted that the balances had since risen above \$3 billion. He explained that the improvement occurred largely because investment earnings had outpaced draws and because the state had experienced a few years with significant deposits tied to surpluses. He highlighted that the balances were now moving in a positive direction. However, the progress reflected year-to-year management rather than a comprehensive fiscal plan.

Mr. Painter advanced to slide 28 and discussed the Earnings Reserve Account (ERA) in relation to the POMV. He noted that because the POMV draw represented the state's largest revenue source, an ongoing question was whether the ERA would consistently contain sufficient funds to support the annual draw. He identified a structural issue in the projections: statutory net income was projected at 6.2 percent, compared to assumed inflation of 2.5 percent and a POMV draw of 5 percent. He pointed out that the combined draw and inflation pressure of 7.5 percent exceeded the projected earnings rate, which produced a long-term convergence concern.

Mr. Painter explained that the chart on the slide compared the year-end realized ERA balance on June 30 to the following year's POMV obligation on July 1 from FY 22 through FY 36. He cautioned that the ERA balance needed to remain above the following year's POMV draw to avoid liquidity pressure. He reported that the ERA currently appeared healthy at approximately \$12 billion in FY 26, partly because the state had not inflation-proofed in FY 26 and partly because FY 25 investment performance exceeded projections.

Mr. Painter relayed that probabilistic modeling showed a 33 percent chance of an insufficient ERA balance to fully fund the POMV draw over the next decade assuming full inflation-proofing. He noted that if inflation-proofing were suspended when the ERA dropped below the next year's draw, the risk declined to 24 percent. He added that the figures represented an improvement from the prior year's estimates of 46 percent and 33 percent, respectively, largely due to strong FY 25 earnings and the absence of inflation-proofing.

Mr. Painter advanced to slide 29 and reviewed the long-term revenue outlook. He reported that DOR's fall forecast projected that oil prices would grow slightly slower than inflation over the next decade. He noted that oil production was expected to increase from just over 500,000 barrels per day in FY 27 to approximately 659,900 barrels per day by FY 35. However, total oil revenue was not projected to grow at the same pace because legacy field production was declining while new production generated less tax revenue. He clarified that royalties were projected to rise, but production tax revenue was expected to decline over the forecast period.

Mr. Painter stated that the Permanent Fund was projected to earn 7.3 percent annually according to APFC's assumptions, which were slightly higher than those in the department's Revenue Sources Book. He added that LFD had adjusted Natural Petroleum Reserve-Alaska (NPR) royalties to remove amounts it considered federal revenue based on the interpretations made by Legislative Legal Services (LLS). He emphasized that the key takeaway was that total revenue was projected to grow roughly at the rate of inflation. He asserted that without structural changes, a budget that did not balance in the current year was unlikely to be balanced in future years.

Mr. Painter continued to slide 30 and concluded that the long-term outlook remained challenging. He observed that the state had continued to manage each year by not fully funding the statutory PFD and by underfunding a sustainable capital program. He reported that the governor's ten-year plan did not include major policy changes and largely maintained the existing deficit. He added that the governor's fiscal plan generated about \$900 million in new revenue at peak and reduced the statutory PFD to a 50-50 framework worth roughly \$400 million annually. He noted

that together, the changes totaled about \$1.3 billion per year but still left a remaining deficit. He explained that the remaining gap was roughly \$200 million to \$400 million.

Mr. Painter relayed that under the governor's fiscal plan, some taxes began to phase out in the out years, which increased the deficit over time. He noted that the governor also proposed a spending limit that capped government growth at 1 percent, which was an assumption that had been incorporated into the remaining \$200 million to \$400 million gap. He clarified that LFD had not yet seen full modeling from the administration and that the estimate was based only on the statutory components introduced to date.

Co-Chair Josephson asked for confirmation regarding information on slide 24. He remarked that he had understood the state might be able to forgo the SNAP administrative cost increases for one year. He asked whether the delay option applied only to the program match rather than the administrative costs.

Mr. Painter replied that his understanding was that the match for the program could be forgone, but not the administrative costs. He offered to double check.

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

#

ADJOURNMENT

[3:17:01 PM](#)

The meeting was adjourned at 3:17 p.m.