

HOUSE FINANCE COMMITTEE  
March 6, 2026  
1:33 p.m.

[1:33:32 PM](#)

CALL TO ORDER

Co-Chair Josephson called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Andy Josephson, Co-Chair  
Representative Calvin Schrage, Co-Chair  
Representative Jeremy Bynum (via teleconference)  
Representative Alyse Galvin  
Representative Sara Hannan  
Representative Will Stapp  
Representative Frank Tomaszewski (via teleconference)

MEMBERS ABSENT

Representative Jamie Allard  
Representative Neal Foster, Co-Chair  
Representative Nellie Unangiq Jimmie  
Representative Elexie Moore

ALSO PRESENT

Erin Page, Staff, Representative Andy Josephson; Caroline Hamp, Staff, Representative Calvin Schrage; Hunter Meachum, Staff, Representative Sara Hannan; Timothy Clark, Staff, Representative Sara Hannan; Alexei Painter, Director, Legislative Finance Division.

SUMMARY

HB 263      APPROP: OPERATING BUDGET;AMEND;SUPP

HB 263 was HEARD and HELD in committee for further consideration.

HB 265      APPROP: MENTAL HEALTH BUDGET

HB 265 was HEARD and HELD in committee for further consideration.

SUBCOMMITTEE CLOSEOUT REPORTS:

DEPARTMENT OF LAW  
DEPARTMENT OF HEALTH  
DEPARTMENT OF FAMILY AND COMMUNITY SERVICES  
DEPARTMENT OF ADMINISTRATION  
DEPARTMENT OF CORRECTIONS  
DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Co-Chair Josephson reviewed the meeting agenda.

#hb263

#hb265

HOUSE BILL NO. 263

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making supplemental appropriations; making 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."

HOUSE BILL NO. 265

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

[1:34:48 PM](#)

^SUBCOMMITTEE CLOSEOUT REPORTS

[1:35:02 PM](#)

ALEXANDER SHROEDER, STAFF, REPRESENTATIVE ANDY JOSEPHSON, relayed that the subcommittee closeout reports would be presented by subcommittee aides. He noted that committee members' packets included the agency budget reports, also referred to as BA reports or BA sheets, the wordage reports, and the subcommittee narratives (copies on file). He explained that the first page of each agency BA report

contained agency totals, position counts, and comparisons between budget versions. The table in the upper left portion of the page divided agency totals by fund source. The rows identified unrestricted general funds (UGF), designated general funds (DGF), other funds, federal funds, state receipts, and total funds. The columns compared totals across budget versions.

Mr. Schroeder relayed that the table in the upper right portion of the page compared fund sources and percentage differences between the budget versions. The rows were divided by fund source, and the columns compared totals across budget versions. He explained that the comparison between the FY 26 management plan and the finance subcommittee recommendations reflected the combined changes from the adjusted base, the governor's requests, and subcommittee modifications. The comparison between House Committee Substitute (HCS) 1 and the subcommittee recommendations reflected changes from the governor's requests and subcommittee modifications. The comparison between the governor's proposal and the subcommittee recommendations reflected only the changes resulting from subcommittee modifications.

Mr. Schroeder noted that the table in the lower left portion of the page displayed the total number of positions within the agency. The rows identified permanent full-time positions, permanent part-time positions, temporary positions, and total positions. The columns again reflected the different budget versions. The table in the lower right portion of the page compared position counts and percentage changes between the budget versions. The rows were divided by position type, and the columns compared the various budget versions.

Mr. Schroeder explained that the remaining pages of the BA reports listed the individual budget action items. The information for each item was organized into several columns. The first column contained the item number, which corresponded to the numbering used throughout the closeout reports and narratives. The second column identified the appropriation and allocation within the department. The third column contained a description of the budget item. The fourth column listed the governor's request, including the amount associated with each fund source, any new or deleted positions, and the transaction type. The fifth column listed the subcommittee recommendations, which also

included the fund sources, position changes, and transaction type. The final column contained notes from the Legislative Finance Division (LFD).

Mr. Schroeder explained that when the information in the governor's request column and the subcommittee column was identical, it meant that the subcommittee recommended adopting the governor's item without modification. If the row appeared in blue text, it indicated that the subcommittee had made a change to the governor's proposal. The changes could occur in several ways. The subcommittee could decline to adopt the governor's item, which would appear as "not applicable" or "N/A" in the subcommittee column. The subcommittee could also modify the governor's item. Alternatively, the subcommittee could add a new item, which would appear as "N/A" in the governor's request column.

[1:39:28 PM](#)

Mr. Schroeder continued to describe the second document included in members' packets, which was the wordage report. The wordage report contained language approved by the subcommittee. The language could include conditional language, which had the force of law and applied to a specific agency, appropriation, or allocation. The report could also include intent language, which did not carry the force of law but provided guidance to agencies on how to meet legislative goals.

Mr. Schroeder explained that the third document in members' packets was the subcommittee narrative. The narrative consolidated the information contained in the BA report and the wordage report and provided additional detail and commentary on the subcommittee's actions. The narrative also described amendments offered during subcommittee meetings and explained the reasoning behind subcommittee changes to the governor's proposed budget.

^DEPARTMENT OF LAW

[1:40:27 PM](#)

Mr. Schroeder reviewed the finance subcommittee recommendations for the Department of Law (DOL) (copy on file):

The House Finance Budget Subcommittee for the Department of Law held a total of four meetings and submits the following recommended operating budget for FY27 to the House Finance Committee:

RECOMMENDATIONS:

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$87,668.9
Designated General Funds (DGF)	\$3,142.2
Other Funds	\$43,842.5
Federal Funds	\$2,568.7

Total	\$137,222.3
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Compared to the FY27 Adjusted Base/House Committee Substitute 1, the subcommittee recommendations represent an increase of \$6.1 (0.0%) in Unrestricted General Funds and a decrease of \$462.1 (-1.0%) in Other Funds. There is no difference in funds between Gov Amend and the subcommittee recommendations.

Positions:

Permanent Full-Time	601
Permanent Part-Time	0
Temporary	0

Total	601
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BUDGET ACTIONS

The House Finance Budget Subcommittee for the Department of Law reviewed the FY27 Governor's budget request and recommends accepting the request with no changes.

Item 3 included an increase of \$6.1 UGF for implementation of the Information Technology (IT) Classification Study. Administrative Order 284 initiated a study of the State's Information Technology job classes. Comprehensive analysis in the study resulted in the establishment and/or revision of numerous IT job classes across the departments. On January 6, 2026, the Division of Personnel established the new IT job classes consistent with the findings in the study and are requesting this UGF to implement the new job class in the Department of Law.

SUBCOMMITTEE AMENDMENTS

The Chair set an amendment deadline and welcomed amendments from all members. The subcommittee received no amendments.

ATTACHED REPORTS

The House Finance Budget Subcommittee for the Department of Law adopted the attached reports:

- LAW Agency Totals
- LAW Transaction Compare: House Committee Substitute 1 to House Subcom
- LAW Transaction Compare: GovAmend to House Subcom

[1:42:07 PM](#)

Representative Stapp asked for more information about the comparison between HCS 1 and the subcommittee version of the budget. He drew attention to the administrative support services line on page 3 of the BA report and observed that the report listed \$6,100 in UGF and \$27,300 in interagency receipts. He asked whether the total amount for the item was \$33,400. He remarked that the figures appeared to be presented somewhat differently than usual.

Mr. Schroeder responded that the \$33,400 figure represented the combined total of the \$6,100 and the \$27,300 listed for the item.

Representative Stapp asked what specifically would be implemented through the IT classification study referenced in the item. He commented that he had not previously seen an implementation effort costing only \$33,000.

Co-Chair Josephson suggested that Mr. Schroeder might not have that level of detail available for the item and noted that the amount was relatively small compared with many other items in the operating budget. He suggested that LFD could respond to the question.

Representative Stapp stated that he did not think the question was worthy of a response from LFD. He noted that the amount was small compared with typical budget items but that he was simply curious about the details.

^DEPARTMENT OF HEALTH

[1:44:22 PM](#)

ERIN PAGE, STAFF, REPRESENTATIVE ANDY JOSEPHSON, stated that the subcommittee narrative and the associated BA report provided full detail regarding the subcommittee's recommendations and considerations, including the exact figures associated with each item. She explained that she would not review each item individually because the Department of Health (DOH) included nearly 50 budget action items. Instead, she would highlight several key elements and would refer to figures in millions of dollars.

Ms. Page reviewed the finance subcommittee recommendations for DOH (copy on file):

The House Finance Budget Subcommittee for the Department of Health (DOH) held a total of five meetings and received eight presentations on department and division budgets, including the Governor's proposed and amended budget actions. Based on that information and related discussions, the Subcommittee accepted all Governor operating budget actions and added 11 actions. The Subcommittee submits the following recommended FY27 operating budget to the House Finance Committee:

SUBCOMMITTEE RECOMMENDATIONS:

Fund Source (dollars are in thousands)

Unrestricted General Funds (UGF)	\$1,140,186.6
Designated General Funds (DGF)	\$50,846.7
Other Funds	\$110,910.4
Federal Funds	\$2,989,155.1
Total	\$4,291,098.8

Compared to the FY27 Adjusted Base (House Committee Substitute 1, or HCS1), this recommendation increases Unrestricted General Funds (UGF) by \$56,463.3 in Governor's actions and \$21,461.0 in subcommittee changes, for a total increase of \$77,924.3 (7.3 percent). For Federal receipts, the Governor's increase from the FY27 Adjusted Base/HCS1 is \$359,746.2 and the subcommittee's changes are \$23,202.0, for a total increase of \$382,948.2 (14.7 percent). The total change across all fund sources is \$462,851.3 (12.1 percent). Additional detail is in the attached Budget Action report.

Positions:	
Permanent Full-Time	1567
Permanent Part-Time	1
Temporary	59
 Total	 1627

Compared to the FY27 Adjusted Base/HCS1, the Subcommittee recommendations reflect no change in permanent positions and a reduction of one temporary position due to a Governor action.

[Due to length, see the copy on file for the Budget Actions portion of the DOH subcommittee closeout.]

[1:49:24 PM](#)

Representative Stapp asked for more information about the comparison between HCS 1 and the subcommittee version of the budget. He observed that the comparison appeared to show approximately \$77.924 million in additional UGF and approximately \$382.9 million in additional federal receipt authority. He asked whether the subcommittee was confident that the additional federal receipt authority would be approved through Centers for Medicare and Medicaid Services (CMS) and that the authority was not merely placeholder or hollow authority.

Ms. Page responded that the subcommittee's understanding was that the federal receipt authority would be approved. She explained that the proposed rate increases and Medicaid funding levels were aligned with the recommendations contained in the Guidehouse Research study. The study had incorporated CMS requirements as guardrails when determining the recommended rates.

Representative Hannan asked for more information about anticipated savings associated with the private duty nursing increment. She asked when and where the savings would appear in the budget.

Ms. Page responded that the savings should begin to appear almost immediately. She explained that although the accounting effects might not fully appear until the following fiscal year, the daily costs associated with the current hospital-based care for eight patients receiving

complex care were approximately \$84,000 per day statewide, or more than \$10,000 per patient each day. The patients could transition out of hospitals and into home-based care as soon as private duty nurses became available to provide care in patients' homes. There would be minimal delay before the transition could occur because the nurses involved were already licensed and trained. The shift to home-based care would quickly reduce Medicaid spending.

Representative Hannan asked for confirmation that the savings would appear in the Medicaid allocation.

Ms. Page responded in the affirmative.

^Department of Family and Community Services

1:51:44 PM

Ms. Page reviewed the finance subcommittee recommendations for the Department of Family and Community Services (DFCS) (copy on file):

The House Finance Budget Subcommittee for the Department of Family & Community Services (DFCS) held two meetings and received five department and division budget presentations, including discussion of the Governor's proposed and amended operating budget actions. Based on that information, the Subcommittee made no changes to the Governor's proposed operating budget actions and added six actions. The Subcommittee submits the following recommended operating budget for FY2027 to the House Finance Committee:

RECOMMENDATIONS:

Fund Source (dollars are in thousands)	
Unrestricted General Funds (UGF)	\$286,338.5
Designated General Funds (DGF)	\$31,761.8
Other Funds	\$106,282.5
Federal Funds	\$86,545.9
Total	\$510,928.7

Compared to the FY27 Adjusted Base (or House Committee Substitute 1, HCS1), the Subcommittee recommendation increases Unrestricted General Funds by \$730.8 in Governor actions and \$2,460.0 in Subcommittee actions.

The total increase in UGF is \$3,190.8 (1.1%). For Federal receipts, Governor actions reduce Adjusted Base/HCS1 by \$2,958.8 (-3.3%). The Subcommittee made no changes in Federal receipts. The total change across all fund sources is a decrease of \$5,016.9 (-1.0%). Additional detail can be found in the attached Budget Action report.

Positions:

Permanent Full-Time	1867
Permanent Part-Time	5
Temporary	99
Total	1971

Compared to the FY27 Adjusted Base/HCS1, the Subcommittee recommendations represent no change in the number of positions in any category (Permanent Full Time, Permanent Part Time, and temporary) within the Department.

[Due to length, see the copy on file for the Budget Actions portion of the DFCS subcommittee closeout.]

[1:54:45 PM](#)

Representative Stapp noted that he was tracking the changes between HCS 1 and the subcommittee's recommendations. He understood that there was about \$3.2 million in general funds and a reduction in federal authority and other funds, which was explained in the narrative report. He asked for confirmation that his understanding was correct.

Ms. Page responded in the affirmative.

^DEPARTMENT OF ADMINISTRATION

[1:55:24 PM](#)

CAROLINE HAMP, STAFF, REPRESENTATIVE CALVIN SCHRAGE, reviewed the finance subcommittee recommendations for the Department of Administration (DOA) (copy on file):

The House Finance budget subcommittee for the Department of Administration recommends the following Fiscal Year 2027 budget proposal:

Subcommittee Recommendations (Numbers Section Only):

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$99,329.2
Designated General Funds (DGF)	\$36,689.5
Other Funds	\$211,793.4
Federal Funds	\$1,321.5
Total	\$349,133.6

Positions:

Permanent Full-Time	1,089
Permanent Part-Time	4
Temporary	26
Total	1,119

Compared to the FY27 House Committee Substitute #1, the subcommittee recommendations represent an increase of \$148.2 (0.1%) in Unrestricted General Funds, \$275.7 (0.8%) in Designated General Funds, \$1,217.1 (0.6%) in Other Funds, and no change in Federal Funds. Compared to the Governor's proposed budget, the subcommittee recommendations represent a decrease of \$567.7 in Inter-Agency Receipts.

Budget Action:

The House Finance budget subcommittee for the Department of Administration (DOA) held three informational meetings with the Department and one close-out meeting during the review of the FY2027 budget requests. The subcommittee adopted:

- All Governor budget proposals, including deconsolidating Shared Services of Alaska to all agencies and returning Payroll positions and functions to seven agencies.
- Deletion of vacant Deputy Commissioner and Chief of Operations positions

The Chair set an amendment deadline and received three amendments. None were adopted.

Subcommittee Discussion:

The subcommittee commented briefly on the importance and timeliness of addressing DOA's non-compliance with intent language regarding the Group Health Life Fund. Last session, the Legislature passed intent language "that the rate for the employer contribution to the

AlaskaCare employee health plan for the fiscal year ending June 30, 2027, be set based on the full actuarial rate without relying on lapsed funding." However, DOA and the Office of Management and Budget (OMB) implemented a "stair-stepped, conservative approach" to reduce reliance on lapsing fund. According to the Legislative Finance Division (LFD), this reduced reliance still projects to use between \$18.5 and \$26.3 million in FY27. Without further changes, DOA projects a need of \$27.0 to \$50.5 million by FY30. The subcommittee recommends the full House Finance Committee review options to reduce reliance further.

Members also spoke on the importance of Public Broadcasting funding, particularly for emergency and rural services, while encouraging political neutrality in programming.

Lastly, despite the adoption of Shared Services deconsolidation, the subcommittee shared concerns about past consolidation actions. Instead of this back-and-forth, the subcommittee encouraged the Executive Branch to collect data and information during this transition so that future administrations can adequately decide whether centralization or decentralization will provide efficiencies or savings.

Attached Reports:

The House Finance budget subcommittee for the Department of Administration (DOA) adopted the attached BA Report.

[1:59:41 PM](#)

Representative Stapp shared his understanding that there was a change of about \$148,200 in general funds between HCS 1 and the subcommittee's recommendations. He asked if his understanding was correct.

Ms. Hamp responded in the affirmative.

^DEPARTMENT OF CORRECTIONS

[2:00:34 PM](#)

HUNTER MEACHUM, STAFF, REPRESENTATIVE SARA HANNAN, reviewed the finance subcommittee recommendations for the Department of Corrections (DOC) (copy on file):

The House Finance Budget Subcommittee for the Department of Corrections submits the following recommended operating budget for FY27 to the House Finance Committee:

RECOMMENDATIONS

Fund Source: (dollars are in thousands)

Unrestricted General Funds (UGF)	\$475,589.9
Designated General Funds (DGF)	\$14,170.2
Other Funds	\$24,293.2
Federal Funds	\$9,382.9
Total	\$523,436.2

Positions:

Permanent Full-Time	2,127
Permanent Part-Time	0
Temporary	0
Total	2,127

BUDGET ACTION

The House Finance Budget Subcommittee for the Department of Corrections reviewed the FY27 budget request and adopted all items and added no additional items.

Some budget items of note are: (dollars are in thousands)

- \$20,000.0 increase in UGF for personal services and inmate transportation within the Population Management Appropriation, Institution Director's Office Allocation.
- \$3,100.2 increase in UGF for medical staff costs within the Health and Rehabilitation Services Appropriation, Physical Health Care Allocation.
- \$1,788.1 increase in UGF to meet Community Residential Center contractual costs.

Recommended Intent Language

I am forwarding the following piece of intent language for consideration:

- It is the intent of the legislature that the Department of Corrections provides funding consistent with the budgets submitted by local police departments for the Regional and Community Jails program. The current formula does not fully cover the expense local governments incur providing jail services to the state or account for the cost savings they provide for the Department of Public Safety. Therefore, the Department shall negotiate the contract amounts with each community, or their representative, for all the Regional and Community Jails. The negotiated contract amount shall be based on the local government's annual standardized budget request. The Department shall use the sum of the contract amounts as the fiscal year 2028 budget request for the Regional and Community Jails program.

ATTACHED REPORT

The House Finance Budget Subcommittee for the Department of Corrections adopted the attached report:

- House Finance Department of Corrections Budget Action Report

Co-Chair Josephson asked whether the intent of the language related to community jails was that DOC would enter into contracts with local community jails and determine the actual costs of services, and the state would then see a funding increase for those costs in FY 28 so that the financial burden would not remain with local governments.

Ms. Meacham responded that his understanding was correct.

[2:02:38 PM](#)

Representative Stapp asked whether the change from HCS 1 to the subcommittee's recommendations included an additional \$29.7 million in UGF.

Ms. Meacham replied that she believed the amount was correct.

Representative Hannan added that the intent language related to community jails was designed to identify the total cost of community jail operations, which had not yet been fully determined. She noted that the language did not necessarily imply that the full amount would automatically be incorporated into the next year's budget, but rather that determining the total cost was necessary for the legislature to adequately evaluate and address the issue.

Co-Chair Schrage remarked that he wanted to clarify the budget process for members of the public. He explained that the finance committee had previously adopted a committee substitute for the operating budget and that the committee was now reviewing the budget following the work completed by the subcommittees. He understood that the difference between the first committee substitute and the version currently before the committee reflected both the work completed by the subcommittees and any additions presented by the administration. He asked if his understanding was correct.

Ms. Meacham responded in the affirmative.

^DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

2:04:26 PM

TIMOTHY CLARK, STAFF, REPRESENTATIVE SARA HANNAN, reviewed the finance subcommittee recommendations for the Department of Transportation and Public Facilities (DOT) (copy on file):

The House Finance Budget Subcommittee for the Department of Transportation and Public Facilities held a total of four meetings and submits the following recommended department operating budget for FY27 to the House Finance Committee.

RECOMMENDATIONS:

Unrestricted General Funds (UGF)	\$119,505.3
Designated General Funds (DGF)	\$59,151.5
Other Funds	\$493,740.1
Federal Funds	\$5,607.5
Total	\$678,004.4

This represents a zero percent change in funds between the subcommittee recommendation and the governor's amended budget proposal.

Positions:

Permanent Full-Time	2,347
Permanent Part-Time	222
Temporary	92
Total	2,661

BUDGET ACTIONS

The subcommittee adopted all of the governor's proposed Budget Action items with no additions.

Some Budget Items of Note:

- The administration's requests included close to \$400,000 in UGF, DGF, Other funds, and Federal funds to meet the costs of implementing the Information Technology employee classification study. These increases are necessary to bring compensation for these positions into professional parity.

- The governor also requested more than \$7.9 million in UGF to restore reductions and reverse one-time funding sources included in the FY26 budget. This funding flows to highway and aviation maintenance and operations across many regions of the state. Without these restored resources, essential responsibilities of the department would be materially compromised. Note as well that these restorations are mitigated by more than \$3.5 million in deleted positions relating to departmental reorganization.

- Another feature of this budget is the transition of the Alaska Marine Highway System to multi-year funding.

This was deemed prudent in large part because of the budgeting flexibility it will allow the system amid the worrisome uncertainty over vital federal grant programs.

SUBCOMMITTEE AMENDMENTS

The chair welcomed amendments from all members. One member moved to adopt the Budget Action Report as the

subcommittee's working document with all items deleting positions as part of the department reorganization removed. The motion failed in a seven-to-one vote, and the Budget Action Report was subsequently adopted as originally drafted.

#### ATTACHED REPORT

The House Finance Budget Subcommittee for the Department of Transportation and Public Facilities forwards the attached report:

- The House Finance Subcommittee for the Department of Transportation and Public Facilities Budget Action Report

[2:08:19 PM](#)

Representative Stapp asked if UGF increased or decreased overall when comparing the adjusted base to the governor's request. He explained that he was attempting to simplify the comparison, particularly when accounting for the Alaska Marine Highway System (AMHS).

Mr. Clark responded that he did not have the answer immediately available. He would need to review several items in the budget documents that were unrelated to the ferry system transfer to determine the answer. He suggested that LFD might be better positioned to answer the question.

Representative Stapp responded that the clarification was not necessary and indicated that the explanation was sufficient.

[2:10:29 PM](#)

Co-Chair Josephson remarked that the committee had reviewed closeout reports for a portion of the operating budget, covering approximately one-third of the departments.

Representative Stapp had an additional question for LFD. Based on a quick calculation, he estimated that the changes between HCS 1 and the subcommittee recommendations for DOT appeared to total approximately \$118 million in general funds. He asked what that amount would represent in terms of the per-person value of the Permanent Fund Dividend (PFD).

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, responded that the Department of Revenue (DOR) currently estimated that there were approximately 636,000 eligible dividend recipients. Based on that estimate, every \$100 million in fund changes would equal roughly \$157 per recipient. For \$118 million, the number would be slightly higher.

Co-Chair Josephson reviewed the agenda for the following meeting.

HB 263 was HEARD and HELD in committee for further consideration.

HB 265 was HEARD and HELD in committee for further consideration.

#  
ADJOURNMENT

2:13:30 PM

The meeting was adjourned at 2:13 p.m.