

SENATE FINANCE COMMITTEE
February 3, 2025
9:01 a.m.

[9:01:00 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Bert Stedman, Co-Chair
Senator Mike Cronk
Senator James Kaufman
Senator Jesse Kiehl
Senator Kelly Merrick

MEMBERS ABSENT

Senator Lyman Hoffman, Co-Chair
Senator Donny Olson, Co-Chair

ALSO PRESENT

Alexei Painter, Director, Legislative Finance Division

SUMMARY

AGENCY RESPONSES TO FY 25 LEGISLATIVE INTENT LANGUAGE: LFD

[9:01:57 AM](#)

Co-Chair Stedman presented Margeaux Ljungberg with her five-year pin and certificate.

^AGENCY RESPONSES TO FY 25 LEGISLATIVE INTENT LANGUAGE: LFD

[9:03:40 AM](#)

ALEXEI PAINTER, DIRECTOR, LEGISLATIVE FINANCE DIVISION, (LFD) discussed the presentation, "Agency Responses to FY25 Legislative Intent Language" (copy on file). He discussed slide 2, "Outline":

- Background on legislative intent language and memo
- Significant FY25 intent responses
 - AGDC
 - Criminal case backlog
 - DOH and DNR projections
 - Department of Corrections
 - Statewide salary study
 - Maintenance and operations of buildings and vehicles
 - APFC Anchorage office
 - Items outside the agency's control

Mr. Painter addressed slide 3, "Background: About Legislative Intent":

- The legislature frequently includes legislative intent in appropriation bills to give guidance to agencies.
- The confinement clause of the Constitution limits intent or qualifying language. In Alaska Legislative Council v. Knowles, the Supreme Court set the following limits:
 - "[T]he qualifying language must be the minimum necessary to explain the Legislature's intent regarding how the money appropriated is to be spent. It must not enact law or amend existing law. It must not extend beyond the life of the appropriation. Finally, the language must be germane, that is appropriate, to an appropriation bill."
- Legislative intent does not have the force of law and may be unconstitutional if it fails the test set out by the Supreme Court in the above paragraph.

Mr. Painter pointed to slide 4, "Legislative Intent Memo":

- Legislative intent language typically requests a follow-up from the agency with further information.
- The Office of Management and Budget compiles agencies responses to each intent item. The Legislative Finance Division then reviews the responses and determines whether they comply with the intent language.
- A combined memo with all legislative intent responses and LFD analysis is sent to the Finance co-chairs early in the legislative session.

- The FY25 intent memo included 50 items of FY25 intent, plus five items from previous years for which compliance could not be determined when the FY24 memo was prepared (due to report timing or other factors).

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Mr. Painter addressed slide 5, "LFD Determinations of Compliance in FY25 Intent Memo."

Mr. Painter highlighted slide 6, "Non-Compliant Items Due to Veto":

DOA

\$1.2 million UGF for rural public radio stations (pop. < 20k)

DCCED

\$1.5 million UGF for ASMI, with intent to work with ATIA

DOH

Intent to increase general relief/temporary assisted living rates (partially vetoed, so rate only partially increased)

DOH

Intent regarding \$80.0 UGF reimbursement to pharmacies for dispensing certain medication in locking vials

DOT/PF

Intent regarding \$1,273.8 UGF for hiring incentives for mechanics and operators in the Central Region

DOT/PF

Intent regarding collecting fees from ManhCho mining project for highway maintenance and other costs

Mr. Painter looked at slide 7, "AGDC Intent Language Response (Item 5)":

- FY25 budget included language directing the Alaska Gasline Development Corporation (AGDC) to complete an independent third-party review of a project proposal and present that to the legislature.
- AGDC contracted with Wood Mackenzie and submitted the report to the legislature on November 12, 2024.

AGDC and Wood Mackenzie presented to the House Resources Committee on November 19, 2024.

- The analysis developed four demand scenarios, ranging from current state demand to a full LNG facility. It also estimated the impact of variables such as a federal loan guarantee and property tax rates.

Mr. Painter displayed slide 8, "Intent Regarding Criminal Case Backlogs (Items 3, 38, and 50)":

- Identical intent language was included in three places in the budget (DOA's Legal and Advocacy Services, Department of Law's Criminal Division, and the Judiciary's Trial Courts) that reads:

"It is the intent of the legislature that defense attorneys take every reasonable action to work through the criminal case backlog with expediency."

- Public Defender Agency responded that they have implemented several initiatives to reduce backlog, including training and mentoring emphasizing the need for speedy resolution of cases and prioritizing recruitment efforts.

- Judiciary responded with a list of several changes they have adopted, such as using "trailing calendars" to condense trial starting dates, minimizing repetitive hearings, and issuing directives and orders about limiting the length and number of continuances that can be granted.

- Department of Law responded that they have ongoing efforts to work through the backlog but did not describe those efforts.

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Mr. Painter discussed slide 9, "Medicaid and Fire Suppression Projections (Items 34 and 40)":

- FY25 is the second year using a Medicaid projection system developed during the 2023 session in cooperation between DOH, OMB, and LFD. The projection builds from actual claims and adjusts for policy changes and other expected cost changes. The latest projection was received on December 15, 2024, and is expected to be incorporated into the Governor's amended budget.

- A similar projection was developed for fire suppression in cooperation between DNR and OMB last session. The latest projection was received on January 19, 2025. However, it does not fully account for spring fire costs and may still be a work in progress.

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Mr. Painter highlighted slide 10, "Department of Corrections (Items 9-16)":

The legislature included eight intent items for the Department of Corrections:

9. Working with OMB and LFD to develop a budgetary projection model
10. Preparing a report to examine the cost savings associated with closing institutions
11. Preparing a plan to increase the efficiency of institutions
12. Monthly reporting on spending on overtime and other premium pay
13. Not use transfers to maintain a greater than 10 percent vacancy rate in institutions
14. Negotiating with the U.S. Marshals over manday billings
15. Notifying the Court System about lengthy periods on electronic monitoring
16. Expand alternative step-down strategies to reduce the reliance on Community Residential Centers (CRCs)

Mr. Painter addressed slide 11, "Department of Corrections (Cont.)":

- DOC has provided monthly reporting of overtime and premium pay. However, this is not matched up with their projection model, which is based on Management Plan rather than actuals (like the Medicaid and Fire Suppression projections)
- Response on institutional closure and cost efficiencies did not provide detailed analysis on the fiscal impacts of consolidation or estimates of transition costs to closing institutions.
- DOC has met with the U.S. Marshals over manday billings but has not made progress in coming to an agreement

- DOC appears to be complying with intent regarding electronic monitoring, prisoner transport, and CRCs. They are a "piloting a furlough program for residential substance use disorder treatment in the Mat-Su Valley at two separate locations and exploring new transitional housing opportunities in Juneau"

[9:26:48 AM](#)

Senator Kaufman looked at slide 9, and remarked on the rates being out of control and the changes within that response. He wondered whether there was financial risk "buried in this", and whether there was an examination of whether there was a trend related to that finding.

Mr. Painter replied that the agencies had stated that the timing was unpredictable. He noted that, until recently, the impact was primarily on the federal funds, because the rates were for the tribal health system.

Senator Kiehl wondered whether the endeavor was worth continuation to give the department a useful model and live within their budget.

Mr. Painter replied that it was a policy choice by the legislature. He stressed that there was a recent turnover to the department's budget team.

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Co-Chair Stedman recalled that there had been a concern about employees calling in sick on their regular shift, but then volunteering for the overtime shift in the same time frame. He wondered whether that was still an issue.

Mr. Painter replied that the Alaska Correctional Officers Association's bargaining contract expired the previous summer, and there was no agreement made, so there was current arbitration.

Co-Chair Stedman felt that it was appalling that an employee would not show up to their regular shift, and then volunteer for the overtime shift. He stressed that there was a significant incremental increase year after year.

Mr. Painter agreed.

[9:36:42 AM](#)

Senator Kaufman referred to the spreadsheet titled, "UGF Budget Changes, FY 16 to FY 26 Gov" (copy on file), and asked about the Department of Public Safety (DPS) and wondered if the nominal and inflation adjustment numbers were correct.

Co-Chair Stedman stated that LFD would provide that information.

Mr. Painter pointed to slide 12, "Statewide Salary Study (Item 24)":

- In FY24, the legislature funded a \$1 million UGF capital project for a salary study of all executive branch job classes to identify and correct discrepancies in pay as compared to similar positions in private sector within the state. The last salary study was performed in 2009 and it was not implemented.
- FY24 intent to align to the 65th percentile and include benefits, and FY25 intent to implement results and report on the status of these efforts by December 20, 2024.
- Report was expected in June 2024 but has been withheld to modify comparison of FY24 data to FY25 pay increases for certain State employees and expand State government comparisons.

Co-Chair Stedman requested that the study be provided as soon as possible.

[9:39:23 AM](#)

Mr. Painter looked at slide 13, "Maintenance and Operations of Buildings and Vehicles (Items 25 and 26)":

- FY25 budget structure included legislative addition of allocations to track maintenance and operations costs, as per AS 37.07.020(e).
- Legislative intent requested that the Governor's FY26 budget request adhere to and improve upon this structure.
- Separate intent requested a report detailing, by allocation, all operating and maintenance costs

related to State-owned assets including vehicles, vessels, aircraft, and heavy equipment that are not included in the State Equipment Fleet.

- The Governor's FY26 budget request included additional allocations for cost tracking, but the intent response stated that new Object Codes would be implemented by January 1, 2025 to track costs, and that comprehensive information on current expenditures is not available at present.

Co-Chair Stedman stated that the DOT subcommittee would examine those issues.

Senator Kaufman remarked that organizations had very comprehensive equipment and maintenance databases that tracked completions and anticipation. He felt that it was easy to procure databases that would track maintenance activities.

Co-Chair Stedman felt that the concern could be brought up with DOT.

[9:44:58 AM](#)

Mr. Painter discussed slide 14, "Alaska Permanent Fund Corporation Anchorage Office (Item 43)":

- Legislature restricted APFC office expenditures to the Juneau Office, with a \$100 IncOTIto decommission the Anchorage office. Governor vetoed Anchorage office funding.
- Intent stated that APFC should not establish or maintain new office allocations without corresponding budget increments for that purpose, and report on any expenditures related to the Anchorage office.
- APFC reported increased FY25 expenditures for the Anchorage office and cited travel to the Juneau office, and FY25 equipment purchases of standing desks and meeting room furniture for six staff in Anchorage.

Senator Kiehl remarked that he examined the report and language from the Permanent Fund Corporation, and felt that it did not address many of the questions related to personnel.

Co-Chair Stedman wondered whether there could be a subcommittee of a subcommittee to deal with the permanent fund.

Senator Kiehl remarked that the chairman of the operating budget could address the issue, but stressed that there needed to be efforts to examine the issue in the current year.

Mr. Painter looked at slide 15, "Items Outside an Agency's Control":

- DFCS -Item 20:FY24 and FY25 intent for agency to submit a plan and timeline for renovation or replacement of the Fairbanks Pioneer Home.
- DFCS -Item 21: Plan to update or replace the Online Resources for the Children of Alaska (ORCA) system.
- DPS -Item 41: Plan to fund Child Advocacy Centers in FY26 budget.

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Senator Cronk remarked that there needed to be an examination of the funding of programs that had lost federal funding.

Co-Chair Stedman agreed, and stated that the examination of the significant increases in the four largest departments. He stressed that not dealing with the issues in the agencies only puts burdens on future budgets.

Mr. Painter remarked that there were more items that were not covered, and was willing to answer questions.

Co-Chair Stedman encouraged the committee to examine the report to determine whether there was a need to address more issues.

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ADJOURNMENT

[9:55:38 AM](#)

The meeting was adjourned at 9:55 a.m.