

SENATE FINANCE COMMITTEE
February 4, 2025
9:01 a.m.

[9:01:09 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 James Kaufman
Senator Jesse Kiehl
Senator Kelly Merrick

MEMBERS ABSENT

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

ALSO PRESENT

Lacey Sanders, Director, Office of Management and Budget;
Hanna Lager, Administrative Services Director, Department of Commerce, Community and Economic Development.

PRESENT VIA TELECONFERENCE

Cori Mills, Deputy Attorney General, Department of Law.

SUMMARY

^FY 25 SUPPLEMENTAL BUDGET: OFFICE OF MANAGEMENT and BUDGET

[9:02:33 AM](#)

LACEY SANDERS, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, discussed the presentation, "Overview of the FY2025 Supplemental Budget" (copy on file). She looked at slide 2, "FY 2025 Supplemental Budget Overview."

[9:05:05 AM](#)

Co-Chair Stedman asked about the oil price average to make the deficit zero.

Ms. Sanders agreed to provide that information.

Ms. Sanders addressed slide 3, "Operating Supplemental Requests." She detailed the different portions of the slide

Co-Chair Stedman asked that there be questions held for the slide addressing the specific details related to slide 3.

Ms. Sanders continued to address slide 3.

Ms. Sanders displayed slide 4, "Capital Supplemental Requests."

[9:16:42 AM](#)
AT EASE

[9:17:58 AM](#)
RECONVENED

[9:18:10 AM](#)

Ms. Sanders looked at the spreadsheet titled, "FY 2025 Supplemental Bill Summary" (copy on file).

Ms. Sanders pointed to line 3:

UGF: \$3,905.0
Total: \$3,905.0

The Alaska Public Employees Association (APEA) collective bargaining agreement (CBA) (Article 25.5 B) grants supervisory employees standby pay when those members are required to be available outside of their normal working schedule. Supervisors are required to be available outside of their normal schedule for emergencies or any other fire, life, safety issues that may occur in a prison setting or community supervision setting. The Department of Corrections is responsible for the care and custody of more than 12,900 persons that are in custody or under supervision. This includes more than 4,400 persons that are held within one of the 13 State correctional facilities, as well as more than 8,500 persons that

are under supervision within an Alaska community. Community supervision includes electronic monitoring, community residential center, in-patient treatment facility placement, pretrial supervision status, or under probation/parole releases. Superintendents, Chief Lieutenants, Chief Probation Officers, medical personnel, Facilities Maintenance Managers, and other management personnel are responsible for the care and supervision of those persons under their assigned custody 24/7, supervised release, as well as maintaining the facilities and systems which support security operations. The standby roster is rotated between the supervisors, ensuring coverage and responsiveness for unanticipated situations. This request will assist in meeting the unfunded mandates associated with the impacts from APEA CBA Article 25.5 B.

Ms. Sanders discussed line 4:

DGF: \$195.0
Total: \$195.0

The amount in FY2025 budget was incorrectly allocated, creating a shortfall for the Dillingham jail program. This supplemental increment will provide full funding for the Dillingham jail operations

Ms. Sanders pointed to line 5:

DGF: \$650.0
Total: \$650.0

Additional funding is needed for the Alaska Performance Scholarship (APS) Awards to cover the increase in the number of students receiving the APS due to changes enacted in House Bill (HB) 148 (Chapter 4, SLA 2024). For FY2024, 2,281 students were awarded the APS for a total of \$7,823.0. Due to changes enacted in HB 148, the APS eligibility increased to 3,200 students. At this time, actual usage is unknown. However, coupled with the increase in award amounts, there is a need for an increment to cover increased APS disbursements for FY2025 beginning with new enrollments in November 2024 and beyond. The total appropriation requested does not exceed the maximum

funding amount allowed in statute for the APS and the Alaska Education Grants (AEG).

Ms. Sanders addressed line 6:

DGF: \$325.0
Total: \$325.0

The Alaska Education Grants (AEG) will increase as a result of the projected Alaska Performance Scholarship (APS) Awards increase. Annually, the Department of Revenue determines the amount available from the Higher Education Investment Fund for appropriation for the APS and AEG. Of that amount, two-thirds is available for the APS and one-third for the AEG. Therefore, if the APS amount awarded increases, a corresponding one-third of that amount needs to be appropriated for AEG recipients. The total appropriation requested does not exceed the maximum funding amount allowed in statute for the APS and the AEG.

Ms. Sanders looked at line 8:

Fed: \$3,100.0
Total: \$3,100.0

This federal receipt authority ensures sufficient capacity within the Division of Behavioral Health (DBH) for three recently awarded federal grants for mental health services from the Substance Abuse and Mental Health Services Administration and Health Resources and Services Administration. The division will be able to begin work related to these grants in fiscal year 2025. Promoting the Integration of Primary Health Care in Alaska: Addresses mental health and substance use conditions in primary care settings. The DBH will award grants and partner with qualified community health centers focusing on underserved communities, with a significant focus on serving populations facing health disparities. The project period for this \$900.0 award is September 20, 2024, to September 29, 2025. Certified Community Behavioral Health Clinic (CCBHC) Planning Grants: Supports the development and implementation of certification systems for CCBHCs by establishing prospective payment systems for Medicaid reimbursable services. This award

will also support Alaska's application to participate in a four-year CCBHC demonstration program. The project period for this \$1,000.0 award is December 31, 2024, to December 30, 2025. Community Project Funding from the Health Resources and Services Administration: This award allocates Health Resources and Services Administration funding to procure an updated Information Management System for electronic health records, case management information, and Medicaid billing. The project period for this \$1,200.0 award is from August 1, 2024, to July 31, 2025.

Ms. Sanders addressed line 9:

Fed: \$5,000.0
Total: \$5,000.0

Additional federal authority is needed related to the Energy Assistance Program in the Division of Public Assistance to align with federal Low Income Home Energy Assistance Program (LIHEAP) grants allocated to Alaska. The annual federal award averages \$12.6 million for Alaska. The Heating Assistance Program (HAP) is designed to promote the general welfare and safeguard the health and well-being of Alaska's population by offsetting the cost of home heating for eligible Alaskan residents. The HAP assists households with income at or below 150 percent of the federal poverty income guidelines, who have a minimum of \$200 in out-of-pocket heating costs per year and meet all other eligibility criteria. The benefit is a one-time payment to the household's vendor, sent to the vendor, and applied to the customer's account as a credit. This program is available to homeowners and renters.

[9:19:47 AM](#)

Senator Kiehl recalled that there was an issue related to DOC about the federal man days issue.

Ms. Sanders agreed, and stated that there was work on a projection about whether additional funds were necessary.

Senator Kiehl surmised that there would be an expectation of an amount proposed in a future amendment.

Ms. Sanders replied in the affirmative.

9:20:58 AM

Co-Chair Stedman thanked OMB for working with the legislature to ensure that they address the DOC budget.

Co-Chair Stedman looked at line 9, and wondered whether there was an issue about funds for heating fuel.

Ms. Sanders replied that she was not aware of a specific backlog, but recalled that there had been conversations about addressed a possible backlog. She agreed to follow up with the department about their outstanding applications for processing.

Co-Chair Stedman recalled that there were constituents that had contacted the legislature about not receiving their benefits.

Ms. Sanders agreed to follow up with the committee about the public assistance backlog.

Ms. Sanders looked at line 10:

UGF: \$14,200.0
Fed: \$214,399.0
Total: \$228,599.0

This funding authority addresses an increase in State costs for services on behalf of Medicaid eligible Alaskans. This increase is based on a projection of current spending data approximately halfway through FY2025 and consideration of pending items against current budgeted authority. Contributing factors to the cost increase include Medicare Part D premium claw back and annual rate increases such as rates associated with physician services, facilities, home and community base waivers, and behavioral health.

Ms. Sanders pointed to line 11:

UGF: \$888.6
Total: \$888.6

This increment aims to expand the number of licensed plumbers and electricians in the state. The Plumbing and Heating program has capacity and the

infrastructure to offer two courses a year, but the current funding level restricts the offering to one course. A media campaign will be launched to advertise the addition of a second course with the goal of increasing interest among Alaskans to pursue plumbing and heating education at Alaska Vocational Technical Center. The Industrial Electrical (IE) program is a year-long course that is offered starting during the fall semester. To double the current available class seats, additional funds are needed in FY2025 to pay for advertising, instructional materials, and an adjunct instructor for the Industrial Electrical program. This instructor will prepare the instructional facilities for classes starting in Fall 2025.

[9:24:51 AM](#)

Ms. Sanders discussed line 19:

DGF: (\$300.0)
Other: \$300.0

The University of Alaska (UA) will begin reporting non-federal grant and contract activity as statutory designated program receipts (SDPR). The UA receives private grants and contracts from corporations, local governments, non-profit entities, and foundation endowment that are restricted or designated. This activity (approximately \$79.1 million in fiscal year (FY) 2025) has historically been reported using university receipt authority, but would more appropriately be considered SDPR. The reclassification of \$28.6 million in university authority to SDPR would cover a portion of the anticipated activity in FY2025. Systemwide Services: \$300.0; Anchorage Campus: \$21,700.0; Fairbanks Campus: \$4,200.0; Juneau Campus: \$2,400.0.

[9:25:20 AM](#)

Senator Kiehl pointed to line 17, which was the DOT storm water tracker, and remarked that it was a new subscription, and he wondered why it was a current year supplemental and not a next year request.

Ms. Sanders replied that DOT would like to begin the subscription as soon as possible.

Co-Chair Stedman looked at line 19, and wondered why the action was not done earlier.

Ms. Sanders replied that it became apparent that there was not sufficient authority to address all needs.

Co-Chair Stedman asked for more information about line 14.

Ms. Sanders replied that lines 13 and 14 were both for the Retirement Management Board through the Department of Revenue (DOR). She stated that there had been recent concerns about salary.

Co-Chair Stedman felt that there should be further exploration of the employment and retention from the salary increases.

[9:30:28 AM](#)

Ms. Sanders replied that there were efforts to examine the reduced vacancy over a period of time

Co-Chair Stedman hoped to examine the salary studies.

Ms. Sanders stated that lines 22 through 24 were related to the university.

Ms. Sanders stated that page 4 addressed the University budget.

Ms. Sanders looked at page 5, and stated that lines 37 and 38 related to the Alaska Oil and Gas Conservation Commission (AOGCC).

Ms. Sanders pointed to line 30:

The State's allocation of one-time funding from sec. 9901, Subtitle M—Coronavirus State and Local Fiscal Recovery Funds, American Rescue Plan Act (ARPA) of 2021 (P.L. 117-2) for the provision of government services is fully expended in fiscal year 2024. This request is to replace one-time funding.

Ms. Sanders addressed the Alaska Marine Highway item.

Senator Kiehl noted the new software system, and wondered why they were supplemental requests rather than in the regular budget.

Ms. Sanders looked at line 34, and stated that it was identified as a reappropriation. She also addressed the AOGCC request and deferred to Ms. Lager.

[9:35:23 AM](#)

HANNA LAGER, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, furthered that the item was related to an in-kind match from a third party.

Senator Kiehl requested details on the timeframe.

Co-Chair Stedman asked about line 39.

Ms. Sanders replied that the item was related to congressional spending.

Ms. Sanders discussed line 50:

UGF: \$4,000.0
Total: \$4,000.0

* Sec. XX. DEPARTMENT OF LAW. (a) The sum of \$4,000,000 is appropriated from the general fund to the Department of Law, civil division, special litigation and appeals, for the purpose of ongoing litigation brought by A Better Childhood, Inc., for the fiscal years ending June 30, 2025, June 30, 2026, and June 30, 2027. This request supports ongoing litigation expenses associated with the A Better Childhood (ABC)/Jeremiah M. lawsuit. Over 1.1 million pages of discovery have been produced to date; further discovery and depositions will take place in the months leading up to the trial that is set for May 2025. Significant hours will be spent by the assigned attorneys and paralegals to meet the demand of the deadlines that are currently set by the court. Depending on decisions by the court, interlocutory relief from an appellate court may be required as well during FY2025. Prior authority appropriated to the

Department of Family and Community Services for this case has been fully expended.

Co-Chair Stedman asked for a brief synopsis on line 50.

Ms. Sanders deferred to Ms. Mills.

9:38:01 AM

CORI MILLS, DEPUTY ATTORNEY GENERAL, DEPARTMENT OF LAW (via teleconference), (LAW) explained line 50. She stated that in 2022, the state was sued as a class action that looked to change the child welfare system. She stated that plaintiffs hoped to change the system through the Court system, instead of through the legislature. She stated that a number of states had been sued by the same group, and had settled in order to have the Court run the child welfare system. She stated that there was an attempt to move quickly in the case. She explained that the costs were high compared to other lawsuits. She stated that, in the scheme of things, there was fairly low spending compared to other states.

Co-Chair Stedman asked for more dialogue about potential financial disclosure on the issue.

Ms. Mills agreed to provide further information at any time.

Senator Merrick wondered whether a bill passed by the legislature could address the plaintiff's concerns.

Ms. Mills replied that based on the plaintiff's behavior in other states, which would not negate their concerns.

Ms. Sanders addressed line 51:

UGF: \$2,756.2
Total: \$2,756.2

Sec. XX. DEPARTMENT OF LAW. (b) The sum of \$2,756,227 is appropriated from the general fund to the Department of Law, civil division, deputy attorney general's office, for the purpose of paying judgements and settlements against the state for the fiscal year ending June 30, 2025. Following are the amounts related to judgments and settlements of the State: Brett Lane

v. State, Department of Family and Community Services,
Office of Children's Services - \$2,622,009Sargent v.
State of Alaska Department of Labor and Workforce
Development et al. - \$52,772SEACC v. State of Alaska
Department of Natural Resources - \$68,586Daniel K.
Donkel and Samuel H. Cade v. State of Alaska
Department of Natural Resources - \$12,860

[9:43:11 AM](#)

Senator Kiehl wondered whether there was an issue that should be addressed in OCS.

Ms. Sanders deferred to Ms. Mills.

Ms. Mills replied that it was not related to the case regarding the Office of Children's Services (OCS), but was an employment action.

Co-Chair Stedman requested more detail on that case.

[9:46:10 AM](#)

Senator Kiehl looked at the refunding of the bonds, and noted one line that showed an increase.

Ms. Sanders replied that lines 52 through 55 refunded specific debt. She noted that line 56 and 57 showed the issuance of the new series which showed an overall savings to the state.

Co-Chair Stedman remarked that there may be an examination of the debt and amortization moving forward, and hoped to hear more from DOR. He wanted to examine the value of debt in the state.

Ms. Sanders replied that those departments will take note on the subject to prepare to present to the committee.

Ms. Sanders restated the explanation of line 57. She stated that line 58 was a reappropriation from DOT/PF to rebuild the Disaster Relief Fund.

[9:49:23 AM](#)

Ms. Sanders pointed to line 61:

* Sec. XX. OFFICE OF THE GOVERNOR. The unexpended and unobligated balance on June 30, 2025, of the Alaska capital income fund (AS 37.05.565) is appropriated to the Office of the Governor for statewide critical deferred maintenance, renovation, and repair.

[9:50:12 AM](#)

Co-Chair Stedman asked for explanation of the "sweep."

Ms. Sanders replied that the CBR had a requirement that the end of the fiscal year, owed money were swept of fund balances into that account.

Co-Chair Stedman asked about that debt and its interest rate.

[9:50:59 AM](#)

Ms. Sanders replied that that she did not know "off the top of her head."

Co-Chair Stedman stated that it was an excess of \$10 million, which was a debt that was "basically owed to ourselves." He wondered whether there were other accounts that were problematic as related to the sweep for cash flow. He asked about any issues that could arise in paying the obligations near the beginning of a fiscal year.

Ms. Sanders replied that she could not recall an account that faced cash flow issues at the beginning of the fiscal year. She explained that there were funds available to reach cash flow needs. She agreed to provide further information.

Co-Chair Stedman wanted to pay attention to those cash flow concerns, and how it related to the sweep in the CBR. He wanted to examine the technical accounting of cash flow at the beginning of a fiscal year.

Co-Chair Stedman discussed the following day's agenda.

#

ADJOURNMENT

[9:57:42 AM](#)

The meeting was adjourned at 9:57 a.m.