

SENATE FINANCE COMMITTEE
March 17, 2025
9:01 a.m.

9:01:56 AM

CALL TO ORDER

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

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Donny Olson, Co-Chair

ALSO PRESENT

Lacey Sanders, Director, Office of Management and Budget, Office of the Governor; Dom Pannone, Administrative Services Director, Department of Transportation and Public Facilities.

SUMMARY

PRESENTATION: GOVERNOR'S AMENDMENTS - OFFICE OF MANAGEMENT and BUDGET

Co-Chair Hoffman discussed the agenda.

^PRESENTATION: GOVERNOR'S AMENDMENTS - OFFICE OF MANAGEMENT and BUDGET

9:02:47 AM

LACEY SANDERS, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, discussed a presentation entitled "FY2026 Governor Amended Budget - Senate Finance Committee - March 17, 2025" (copy on file). She relayed that she

would present an overview of amendments that were transmitted on March 13 and March 15 the previous week for the legislature's consideration.

9:03:14 AM

Ms. Sanders reviewed slide 2, "FY2026 Updated Fiscal Summary," which showed a table with an updated version of the fiscal summary that reflected the submitted amendments for both the supplemental budget and the governor's proposed budget. The fiscal summary also incorporated the changes presented the previous week in the Spring production forecast by the Department of Revenue. Revenue at the top had been adjusted for the spring forecast. She relayed that she would start by describing changes at a high level and then would address individual items and reasoning in subsequent slides.

Ms. Sanders detailed that for FY 25, there were three sets of amendments submitted. One set was in the fast-track supplemental bill for a total of \$2.7 million. There was one amendment submitted to the supplemental operating normal supplemental budget for \$4.5 million. There was one zero-dollar item in the capital budget for a total of \$7.2 million of Unrestricted General Funds (UGF). The amendments were incorporated into the expenditures portion of the fiscal summary and brought the overall deficit at the bottom to \$164.7 million. In the governor's FY 26 proposed budget, the primary amendments under the operating budget had to do with the Executive Order 136 establishing a Department of Agriculture and salary adjustments for a grand total of \$15 million, \$13.9 of which was UGF.

Ms. Sanders continued that in the capital budget, each year the governor's proposed budget submitted in December included the Statewide Transportation Improvement Program (STIP) estimates. Later in the amendment process, the administration brought forward the allocation for STIP and outlined the federal revenue and other receipts necessary for the program. There were capital amendments in a lengthy document (copy on file) that totaled \$223 million, zero dollars of which was UGF. She cited that the total deficit was \$1.648 billion. She noted that as discussed in previous meetings, the proposed governor's budget continued to draw on the Constitutional Budget Reserve Fund (CBR).

Ms. Sanders advanced to slide 3, "Operating Governor Amend Requests," which showed a table including the amendments related to salary adjustments. Under March 5, there was a reduction of \$2.7 million for Executive Order 136. In a previous round of amendments, the administration had proposed adding 13 new positions. After further discussion and evaluation, the amendment was pulled back and there was an alternative proposed that included utilizing existing vacant positions in the budget and transferring them from the Department of Natural Resources (DNR) into the Department of Agriculture. The \$2.7 million was then no longer needed.

Co-Chair Hoffman asked about ongoing obligations for the proposed new department after the FY 26 fiscal year.

Ms. Sanders relayed that the current established cost was about \$9 million, which would be the cost to continue the Department of Agriculture. She detailed that the governor would like the department to go through an evaluation of all existing programs and functions that were currently completed by the Division of Agriculture, and outline priorities and the resources used to meet the priorities.

Co-Chair Hoffman asked about the number of positions.

Ms. Sanders communicated that the number of positions would remain the same, and the administration would continue to evaluate whether the existing positions were sufficient to do the work that was needed. Any new proposals for work or new tasks would be brought before the legislature.

[9:08:52 AM](#)

Ms. Sanders continued to address slide 3, and spoke to the March 13, 2025, governor's requested amendments. She noted that the Department of Corrections collective bargaining agreement for the Alaska Correctional Officers Association resulted in an interest arbitration award, that issued and provided for 11 percent increases for members for FY 26 that came to \$14.4 million total. Under the Department of Education and Early Development, the collective bargaining agreement for the Teachers Education Association Mount Edgecumbe (TEAM) resulted in an increase of a median 5.46 percent for FY 26, 2.5 percent for FY 27, and a zero to five percent increase based on CPIU for Anchorage in FY 28.

The change resulted in a \$167,000 increase for FY 26, \$24.2 million of which was UGF.

Under the University of Alaska the United Academics collective bargaining agreement was completed and included a 2.75 percent increase for FY 26, a 3 percent increase for FY 27, and a 3.25 percent increase for FY 28 for a total of \$3.2 million in FY 26 with \$2.3 million in UGF. The state was continuing to work on the six remaining collective bargaining units that were outstanding. The University also had one item outstanding for approval from the Board of Regents, for the University's academic adjuncts.

Ms. Sanders showed slide 4, "Capital Governor Amend Requests," which showed a table. The total appropriation allocated for projects associated with the Statewide Transportation Improvement Program (STIP). This year there was an addition of advanced construction projects. She referenced Attachment B (copy on file), which identified advanced construction projects. The request increased Statutory Designated Program Receipts for \$7.7 million and an additional \$215 million of federal receipt authority to ensure that the program was fully funded.

[9:12:22 AM](#)

Ms. Sanders referenced slide 5, "Operating Supplemental Requests," which showed a table. She identified two amendments under the Department of Corrections. She noted that the community residential center contracts were finalized for the Tundra Center in Bethel and the Seaside Center in Nome. There was a resultant increase of \$2 million for FY 25. As noted, corresponding increases were submitted earlier for FY 26. In addition, there was an increase of approximately \$2.5 million for physical healthcare in DOC. Due to the number of individuals entering the department with significant complex and fragile medical conditions, the costs associated with 24-hour booking and having adequate staffing levels has resulted in a need for additional personal services costs. The administration was addressing personal services through overtime and bringing on additional staff to ensure that inmates were cared for.

Ms. Sanders continued that under the Department of Health, there was a zero, but the item was a lapse extension for a prior appropriation for the Homeless Information System.

The amendment was an extension to allow the department to complete the work. She mentioned that under special appropriations there was a requested fast-track supplemental given the urgency around retirement contributions that had not been made. She recounted that there had been a security breach which had delayed deposits of employee contributions and earnings into the retirement accounts. The Division of Retirement and Benefits had worked with a contractor to identify the payroll contributions that needed to be made and to work on getting the deposits transacted. The state was responsible for interest earnings associated with the payroll contributions, which was approximately \$2.7 million. She made note of the urgency and explained that the fast-track supplemental request was to get the funds into the accounts as quickly as possible. The goal was to have the deposits done by the end of the fiscal year.

Senator Kaufman asked Ms. Sanders to describe the process to arrive at the number on the table, and asked whether it was reflective of market performance or an arbitrary calculation.

Ms. Sanders relayed that she would follow up with the committee with the documents that outlined how the process was determined. She detailed that a contractor utilized payroll for preceding payrolls that were supposed to be deposited, then utilized a model that functioned as a calculator on the Department of Labor and Workforce Development website. The model allocated interest earned and the lost interest earnings would be applied to everyone using the model. She relayed that she would ensure that members received a copy of the calculation.

Senator Kaufman thanked Ms. Sanders for the details, as wanted to be able to explain the issue to his constituents.

Senator Kiehl considered the community residential centers (also known as halfway houses), and knew that DOC had been working intensively on re-negotiating lots of contracts. He thought the proposed amendment was fairly substantial. He asked Ms. Sanders how many contracts were left. He referenced increased costs the previous year and asked how far along the state was in the process.

Ms. Sanders did not have the answer at hand and asked to follow up at a later time.

[9:17:48 AM](#)

Ms. Sanders spoke to slide 6, "Capital Supplemental Requests," which showed a table. She referenced a scope change related to the Department of Military and Veterans Affairs Interior Alaska Veteran's Cemetery in the Fairbanks area. There was a prior appropriation of approximately \$95,000 that was specific in the appropriation to ditch mitigation. The scope change allowed the department to move forward with design and other costs with establishing the cemetery. She reiterated that there were substantial spreadsheets in the back of the packets, with Attachments A, B, C, and D outlining the proposed changes (copy on file).

Senator Kiehl went back to the STIP changes proposed, and referenced Ms. Sanders mentioned of advanced construction projects. He thought it looked as if the funding would total \$350 million to \$400 million. He asked if Ms. Sanders had a more precise figure.

Ms. Sanders estimated that that the advanced construction project total was about \$315 million.

Senator Kiehl thought in the past the state had tried to use the advanced construction funds cautiously and some years had tried to pay down the advanced construction balance, which effectively was borrowing from a future year's transportation allowance from the federal government. He asked for detail on the thinking behind building up the advanced construction balance.

Ms. Sanders stressed that she was not an expert in the state transportation program nor the STIP. She mentioned giving DOT flexibility and characterized moving forward advanced construction as a boost to the economy.

Senator Kiehl asked if the amendment was more about the projects underway for the summer or having enough projects on the shelf to get the fall reallocation from the federal government.

Ms. Sanders asked for DOT staff to assist in answering Senator Kiehl's question.

[9:20:59 AM](#)

DOM PANNONE, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, relayed that the additional request was about responding to the industry and the public as well as reflecting what was in the STIP. The request was for federal FY 26, which was not the summer 2025 construction season but the following years construction season. He relayed that the amendment provided the department flexibility in increasing throughput at the time. He noted that amendment 2 would address the upcoming construction season's throughput of projects.

Co-Chair Hoffman discussed the agenda for the following day.

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ADJOURNMENT

9:22:31 AM

The meeting was adjourned at 9:22 a.m.