

SENATE FINANCE COMMITTEE  
January 26, 2026  
8:59 a.m.

[8:59:17 AM](#)

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 8:59 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Lacey Sanders, Director, Office of Management and Budget;  
Senator Cathy Giessel.

SUMMARY

^GOVERNOR'S FY 27 BUDGET REQUEST: OFFICE of MANAGEMENT and BUDGET

[9:02:55 AM](#)

LACEY SANDERS, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, (OMB) discussed the presentation, "State of Alaska, Office of Management and Budget, Overview of the FY2027 Governor's Budget, Senate Finance Committee, January 26, 2026" (copy on file). She pointed to slide 2, "FY 2026 Budget."

[9:04:39 AM](#)

AT EASE

9:05:29 AM  
RECONVENED

Co-Chair Stedman recalled that the Spring Forecast was used to determine the revenue based on the forecasted price.

Ms. Sanders replied that the process that was established was based on previous forecasts.

Ms. Sanders pointed to slide 3, "FY2027 Budget." She remarked that the Fall 2025 update was used as a frame of reference for the current budget. She outlined some adjustments in the revenue, leaving a budget deficit of \$54 million before the supplemental budget that had been introduced to the legislature.

9:11:18 AM

Ms. Sanders highlighted slide 4, "FY2027 Short Fiscal Summary (UGF)." She remarked that the summary was a frame of reference based on a more comprehensive outlook. She shared that the previous year's total revenue was projected at \$5.9 billion, and the budget for FY 27 was \$6.2 billion. She noted the slight uptick of the draw from the Permanent Fund Earnings Reserve Account percent of market value (POMV) of \$200 million. She continued to outline the details of the slide.

Senator Kiehl noted that there was no placeholder for the supplemental budget in the upcoming year.

Ms. Sanders replied that there was no placeholder for supplementals in the FY 26 budget request.

9:17:50 AM

Ms. Sanders replied that the state continued to rely on a volatile revenue source, and remarked that there were continued conversations about the appropriate budget level of a variety of items. She stated that there needed to be a conversation about what the state continued to fund within the state. She stressed that the governor was open to talking about revenue, a fiscal plan, and looking forward in the state's fiscal situation.

Co-Chair Stedman understood that there was a statutory permanent fund dividend (PFD), and suggested a modification of that amount.

[9:21:11 AM](#)

Ms. Sanders agreed to have the conversation with the governor on that issue.

Ms. Sanders addressed slide 5, "Operating Budget Comparison FY2026 to FY2027 (UGF)." She looked at slide 6, "Operating Budget Significant Highlights":

Department of Administration

- Implement the statewide Information Technology classification study
- Transition Shared Services of Alaska (SSoA) Travel and Accounts Payable back to all departments to address inefficiencies
- Transition Payroll Services back to respective departments to improve accuracy and address specific payroll needs of agency employees

Department of Agriculture

- Implement Executive Order 137 establishing the Department of Agriculture

Department of Commerce, Community, and Economic Development

- \$2,238.8 UGF for the Alaska Gasline Development Corporation for operational funding associated with Alaska Liquefied Natural Gas (AK LNG) development
- \$44,279.0 DGF (Power Cost Equalization Endowment Fund) for the Alaska Energy Authority's Power Cost Equalization Program

[9:26:04 AM](#)

Senator Kiehl wondered why there was a change in the payroll.

Ms. Sanders replied that there were still functions that would remain in the Division of Finance, but stated that the agencies would like to see payroll in house. She spoke to the issue specifically related to travel, and stressed that it was important to the governor that people are paid and reimbursed in a timely and accurate manner.

Senator Kiehl was anticipating the details of the proposed change to determine the best way to move forward.

Senator Kaufman wondered whether there were any major IT processes that might streamline payroll.

Ms. Sanders replied that the payroll was currently gone through IRIS, and there would be changes in payroll. Those changes were currently underway, with phased approaches.

Senator Kaufman wanted to examine the progress and resource that might be unaware to the committee.

[9:31:56 AM](#)

Senator Cronk wondered whether there was money in the budget for a new locality pay study, because it was "way overdue."

Ms. Sanders replied that there was nothing in the budget for that study.

Co-Chair Hoffman commented on the use of \$44 million out of the Power Cost Equalization (PCE) for the Alaska Energy Authority. He felt that the PCE concept was not aligned with that budget request. He felt that the purpose of the fund should be to equalize the rates, rather than spending money on programs to administer the funds.

Ms. Sanders pointed to slide 7, "Operating Budget Significant Highlights (con't)":

Department of Education and Early Development

- Foundation Program and Pupil Transportation full statutory formula funding for school districts
- \$3,293.8 DGF (Higher Education Investment Fund) for Alaska Performance Scholarship projected increase in awards
- \$1,646.9 DGF (Higher Education Investment Fund) for Alaska Education Grants projects increase in awards

Department of Health

- Senior Benefit Payment Program is fully funded based on the statutory formula
- \$2,700.0 Federal for Public Health to receive grants to Help Me Grow, substance misuse and addiction

prevention, and equipment for the Medical related Examiner's Office

- \$585.0 Federal for Behavioral Health to support the Crisis Contact Center

Department of Labor and Workforce Development

- \$1,405.0 UGF for Worker's Compensation - one-time support for the loss of Workers' Safety and Compensation Administration Account receipts being swept and a decline in revenue as Alaskan businesses are becoming safer

[9:36:33 AM](#)

Co-Chair Stedman wondered whether the proposal was an accounting reversal to put the state into compliance.

Ms. Sanders replied "kind of", and stated that the account was subject to the CBR sweep. She relayed that there have been conversations with Legislative Audit about the account, and how the fund was established in statute.

Co-Chair Stedman understood that it was subject to the sweep, but wondered whether all the funds were subject to the sweep. He remarked that there was a need for approximately 8000 workers for the proposed gas line. He stated that most of those oil patch skilled workers were already employed. He felt that there would be a massive influx of out of state workers for that project. He stressed that there should be a focus on younger workers going into the industry.

Ms. Sanders replied that the governor introduced legislation on the unemployment trust fund, and designating a portion of that revenue toward training in the state.

[9:41:19 AM](#)

Ms. Sanders pointed to slide 8, "Operating Budget Significant Highlights (con't)":

Department of Military and Veterans Affairs

- Deposits into the Disaster Relief Fund to provide immediate response to disasters

- FY2026 \$40,000.0 UGF (Supplemental)

- FY2027 \$33,000.0 total (\$24,000.0 UGF; \$9,000.0 Federal)

Department of Natural Resources

- \$3,300.0 total (\$1,300.0 UGF; \$2,000.0 Federal) to maintain the National Historic Preservation Fund Grant (moved from Capital to Operating)
- \$5,825.0 Federal to maintain the Critical Minerals Mapping - Earth MRI Program (moved from Capital to Operating)
- Deposits into the Fire Suppression Fund to provide immediate response to fires
  - FY2026 \$55,000.0 UGF (Fire Declarations)
  - FY2027 \$73,482.7 total (\$47,482.7 UGF; \$5,500.0 Other; \$20,500.0 Federal)

Co-Chair Hoffman asked for an explanation of the difference between the fire suppression and declaration proposals.

Ms. Sanders replied that there was an effort to not duplicated transmitted counting of fire declarations, so there was not an official transaction.

Co-Chair Hoffman felt that the proper methodology would be a supplemental, and not using the ratification in the current year.

Ms. Sanders completed slide 8:

Department of Public Safety

- \$1,303.0 UGF to maintain Body-worn and In-Car Camera Operations and Equipment
- \$550.0 DGF (GF/Program Receipts) to expand Training and Certification Support for Law Enforcement and Village Police Officers

[9:47:24 AM](#)

Co-Chair Stedman remarked that a three-quarter vote was required to fund the supplemental request, and wondered what would happen if that vote did not occur.

Ms. Sanders replied that a three-quarter vote was required, and there would be a determination of next steps.

Co-Chair Stedman felt that the discussion about next steps was essential before the vote.

Ms. Sanders replied that cash flow purposed were approximately \$500 million to \$1 billion in the CBR, and agreed that there should be a conversation about what would happen if the CBR were not accessible.

Senator Kaufman remarked that there was incurred cost in the proposed reduction of crime in Anchorage.

Ms. Sanders replied that there was no specific line item to address the issue. She agreed to discuss with the departments regarding a plan to reduce the crime.

Senator Kaufman agreed that that should occur.

[9:50:32 AM](#)

Ms. Sanders pointed to slide 9, "Operating Budget Significant Highlights (con't)":

- Department of Transportation and Public Facilities
- \$5,246.9 UGF to restore funding to levels proposed in FY2026 prior to legislative reductions; reductions were based on unrealizable surpluses and savings for Highways and Aviation Maintenance
  - \$1,253.9 UGF to restore funding levels following a one-time use of Alaska Housing Capital Corporation funds by the legislature
  - \$1,768.9 DGF (Motor Fuel Tax) for Statewide Guardrail and Roadside Hardware Repair
  - \$420.0 DGF (Motor Fuel Tax) for Statewide Wayside Maintenance

Statewide Items

- \$129,598.9 UGF for recapitalization of the Alaska Higher Education Investment Fund from the Constitutional Budget Reserve Fund (FY2026 Supplemental)
- \$2.3 billion UGF to provide a full statutory Permanent Fund Dividend of approximately \$3,650 per eligible individual
- \$1.4 billion UGF for Permanent Fund Inflation Proofing from the Earnings Reserve Account to the Permanent Fund Principal

Co-Chair Stedman wondered whether any supplemental requests were from the legislature.

Ms. Sanders asked for a restatement.

Co-Chair Stedman pointed out that the supplemental requests were not requests from the legislature, but rather from the administration to balance the budget. He stressed that it was additional spending to balance the books, and pointed out that the CBR vote was a requirement.

Ms. Sanders agreed.

[9:54:17 AM](#)

Ms. Sanders highlighted slide 10, "FY2027 Capital Budget Breakdown (UGF)." She pointed to slide 11, "Capital Budget Significant Highlights":

Department of Commerce, Community, and Economic Development

- \$15,300.0 Ocean Ranger Receipts to Alaska Energy Authority for Cruise Ship Terminal Port Electrification

Department of Environmental Conservation

- \$272,500.0 total (\$18,000.0 UGF; \$500.0 Other; \$254,000.0 Federal Receipts) for Village Safe Water and Wastewater Infrastructure Projects
- \$50,944.6 total (\$37,859.5 Other; \$13,085.1 Federal Receipts) for Clean Water and Drinking Water Grant Funding including the additional Infrastructure Investment and Jobs Act (IIJA) Funding and the Water Infrastructure Improvement for the Nation Act (WIIN)

Department of Fish and Game

- \$3,300.0 UGF for Gulf of Alaska Chinook Salmon Program
- \$825.0 UGF for continued funding for the Alaska Marine Salmon Program
- \$6,800.0 Federal Receipts for Pacific Coastal Salmon Recovery Fund activities

Ms. Sanders looked at slide 12, "Capital Budget Significant Highlights (con't)":

Department of Health

- \$1,150.0 UGF for Mental Health Trust: Home Modification and Upgrades to Retain Housing

Department of Military and Veterans' Affairs

- \$5,000.0 Federal Receipts for Public Protection and Infrastructure Support
- \$26,765.9 Federal Receipts for State Homeland Security Grant Programs
- \$25,000.0 Federal Receipts for Deferred Maintenance, Replacement, and Renewal
- \$1,750.0 Federal Receipts for Air National Guard Modernization and Sustainment

Department of Natural Resources

- \$1,850.0 DGF (Timber Receipts) for Forest Inventory Initiative - Susitna and Tanana Valleys
- \$4,800.0 total (\$1,900.0 UGF; \$2,900.0 Federal Receipts) for Land and Water Conservation Fund Grant Program
- \$12,000.0 Federal Receipts for Cooperative Forestry and Fire Programs

Co-Chair Stedman wondered whether there were any open items related to the Tongass National Forest that needed attention.

Ms. Sanders agreed to follow up with the Department of Natural Resources (DNR).

Ms. Sanders pointed to slide 13, "Capital Budget Significant Highlights (con't)":

Department of Revenue

- \$92,935.0 total (\$22,900.0 UGF (AHFC Dividend); \$6,785.0 Other Receipts; \$63,250.0 Federal Receipts) for Alaska Housing Finance Corporation Annual Housing Programs

Department of Transportation and Public Facilities

- \$70,154.1 UGF State Match for Statewide Transportation Improvement Plan (FY2026 Supplemental)
- \$130,859.5 total (\$107,760.0 UGF; \$2,000.0 DGF; \$21,099.5 Federal Receipts) for Federal Program Match
- \$26,312.8 DGF (Alaska Capital Income Fund) for Statewide Deferred Maintenance, Renovation, and Repair
- \$27,500.0 DGF (Marine Highway Funds) for Alaska Marine Highway System Vessel Overhaul, Annual

Certification and Shoreside Facilities Rehabilitation

[10:00:12 AM](#)

Co-Chair Hoffman remarked that many legislators had been contacted regarding the funding that was vetoed by the governor for the statewide transportation. He felt that it would be prudent to take care of the supplemental request as early as possible to ease the concerns of many contractors.

Ms. Sanders replied that she was aware of the concerns. She had conversations with Commissioner Anderson, but the funding was not needed in the current day. She shared that it was the prerogative of the legislature to pass a bill early, but hoped that the funding would be available to Department of Transportation and Public Facilities (DOT/PF) after the end of session.

Co-Chair Stedman recalled that DOT/PF did not need the money until the end of the budget cycle. He also recalled that a few years prior the legislature had appropriated money to the Alaska Housing Finance Corporation (AHFC) to move some uneconomical subdivisions forward. He felt that the programs should be evaluated to perhaps open land for subdivisions in the state.

[10:04:30 AM](#)

Ms. Sanders addressed slide 14, "Full-Time Positions - Budgeted versus Filled." She remarked that the slide represented a brief snapshot of the filled positions in the state. She noted that in December 2024 there were

Co-Chair Hoffman //

Co-Chair Stedman //

Ms. Sanders replied that the ARM Board went through various scenarios to determine the //

[10:10:49 AM](#)

Co-Chair Stedman recalled that //

Senator Kiehl //

Co-Chair Hoffman //

[10:14:35 AM](#)

Ms. Sanders looked at slide 15, "Vacancy Rates."

Senator Kaufman wondered //

Ms. Sanders recalled that /

[10:18:45 AM](#)

Senator Kiehl asked

Ms. Sanders

Senator Kiehl //

Ms. Sanders replied that she saw it continuing into the future.

[10:21:24 AM](#)

Ms. Sanders discussed slide 16, "Administrative Orders":

Administrative Order 359 - Budget Efficiency

- Establishes a Government Efficiency Review, requiring the Office of Management and Budget to lead an annual review of all executive branch agencies
- The review will identify cost savings, streamline operations, modernize processes, and ensure every public dollar is spent wisely
- Initial areas of focus include grants to non-state entities and accounts payable
- Agencies will also be required to use technology and artificial intelligence to improve transparency and accountability in how public money is spent

Administrative Order 360 - Regulatory Reform

- Launches a comprehensive Regulatory Reform Initiative, replacing previous regulatory directives with a new framework to reduce unnecessary burdens on Alaskans and businesses
- Requires State agencies to review and streamline existing regulations, guidance documents, and materials incorporated by reference

- Agencies must reduce regulatory requirements by 15 percent by the end of 2026 and 25 percent by the end of 2027

[10:25:44 AM](#)

Co-Chair Stedman remarked that the issues within the slide were ongoing, and many past OMB directors had dealt with the issues.

Senator Kiehl queried a quantification of resources on the last bullet.

Ms. Sanders replied that each agency had identified a point of contact, and there were no additional funds required for the proposal.

Senator Kiehl wondered what additional resources had been diverted to cover the issue.

Ms. Sanders stated that she would reclassify the work, and not divert resources.

Senator Kiehl wondered how it would be charged per department.

Ms. Sanders replied that it would be on a case by case basis depending on the department.

[10:29:37 AM](#)

Senator Kiehl recalled a conversation related to a similar issue, and wondered how those related to the current proposal.

Ms. Sanders replied that she was not part of the process, but agreed to follow up on the question.

Senator Kiehl wondered whether there would be proposed bills brought to the legislature as a result of the effort.

Ms. Sanders replied that it was a possibility.

[10:31:38 AM](#)

Senator Kaufman wondered whether there was a framework to ensure the process and results, and specifically asked whether there were targets for the projects.

Ms. Sanders replied in the affirmative, and stated that there were plans from each agency that would be provided to the public.

Senator Kaufman recalled an example related to legislation that allowed the administration to propose reports that were required in a non-useful format. HE felt that there was an opportunity to reduce unnecessary work.

Ms. Sanders agreed.

[10:34:32 AM](#)

Co-Chair Hoffman wanted to know how much money was spent on fighting the case.

Co-Chair Stedman agreed, and wanted more information about the issues within Mt. Edgcumbe.

Co-Chair Hoffman agreed.

Co-Chair Stedman remarked that there were roughly about 430 students, but there was currently remarkably high turnover currently.

[10:39:17 AM](#)

Ms. Sanders agreed to follow up on the issue.

Senator Cronk recalled that there was a study in 2008, and expressed concern from his rural district. He felt that there was an issue in job retention. He felt that 18 years from the last study was efficient due to the changes in the economy.

Ms. Sanders replied that it was not in the budget.

[10:41:15 AM](#)

Co-Chair Stedman remarked that the legislature could appropriate the funds, but agreed that money could be spent in better areas.

Ms. Sanders agreed to have the conversations during the budget process.

Senator Kiehl stressed that the legislature got the results on the statewide salary study that showed that the state was far behind the average without the geographic differential.

Co-Chair Hoffman agreed.

Ms. Sanders looked at slide 19, "Appendix: 10-Year Fiscal Outlook."

#

ADJOURNMENT

10:47:47 AM

The meeting was adjourned at 10:47 a.m.