



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Office of the Governor

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February 16, 2017

The Honorable Paul Seaton
Co-Chair, House Finance Committee
Alaska State Legislature
State Capitol, Room 505
Juneau, AK 99801-1182

The Honorable Neal Foster
Co-Chair, House Finance Committee
Alaska State Legislature
State Capitol, Room 410
Juneau, AK 99801-1182

Via email: House.Finance.Legislation@akleg.gov

Dear Co-Chair Seaton and Co-Chair Foster:

Thank you for the opportunity to present the Governor's FY 2017 supplemental overview before the House Finance committee on February 3, 2017. The following is in response to questions posed by the committee during the overview for distribution to the members.

Representative Gara: Would like to know if other departments are considering early retirement incentives like the Courts are using.

Data from the Division of Retirement and Benefits generally indicates that early retirement incentives do not generate many savings. This is primarily due to the impact on the unfunded liability, but also savings have been elusive because positions are generally back filled. Similar programs implemented previously have also required legislation. A decision to use early retirement incentives needs to be an executive branch-wide policy to ensure fair treatment across the board. There may be other legal constraints as well.

Representative Pruitt: Would like to know the amount in the FY18 budget for Occupational Licensing Examiners after the classification study increased them from range 13 to range 14.

This one range difference increased costs by an average of \$4,700 for each of the division's 28 occupational licensing examiners for a total cost of \$131,600.

Representative Guttentberg: Would like to know the impact on the budget of adding another city (Whale Pass) for items such as community revenue sharing and other programs for which they are now eligible.

The second class city of Whale Pass (WP) has a population of approximately 50 and was formed January 19, 2017. The petition to form the second class city was one of the least controversial petitions Local Boundary Commission (LBC) has received recently. The majority of WP voters voted in favor of the incorporation petition. When a petition is more controversial it tends to

increase the expense due to litigation and/or appeal costs. WP is a very small community and the costs for its incorporation should not be considered as the norm.

The Division of Community and Regional Affairs (DCRA) incurred some costs related to the incorporation of Whale Pass, and the incorporation will result in additional distributions to WP under various revenue sharing programs managed by DCRA. Before becoming a second class city, WP was eligible for Community Revenue Sharing (CRS) (now Community Assistance Program (CAP)) payments as a community association. Under CRS, they received approximately \$25,000 per year. Now as a second class city, WP is estimated to receive CRS/CAP, Payment in Lieu of Taxes (PILT), and Shared Fisheries Taxes.

Amounts shown under (1) below have already been expended by DCRA. Amounts shown under (2) below are estimated amounts for fiscal year 2018. Upon incorporation, WP became eligible for the Organization Grant program under AS 29.05.180. An appropriation for this organization grant is requested as a FY2017 capital supplemental to allow payment under the statutory timeline.

1. Costs associated to process the LBC petition and obtain a decision: \$34.1
 - a. Staff time: \$26.1
 - b. Travel for DCRA staff: \$5.3
 - c. Travel Local Boundary Commission members: \$2.1
 - d. Public notice costs: \$0.6
2. Expenses to the state in the form of future budget impacts of state programs which are paid to communities: \$59.1
 - a. Community Assistance: \$44.1
 - b. Payment in Lieu of Taxes: \$10.0
 - c. Shared Fisheries Taxes: \$5.0
3. Organization grant under AS 29.05.180: \$75.0

Representative Pruitt: Would like details on Goose Creek Correctional Center refinancing [line 38].

Debt service for the 2008 Goose Creek Correctional Center bond issuance began in FY2009 and ends in FY2033. There have been two refinancings since the original bond issuance. Refinancing in 2015 produced \$10.7 million in savings. Refinancing in 2016 will produce an additional \$6.7 million in savings for a total debt service savings of \$17.4 million over the life of the bonds. Debt service is still scheduled to be paid through FY2033. Due to IRS limitations the State will not have the opportunity for refinancing again on these bonds until 2025.

Representative Wilson: Would like to know what was spent on wildfires.

Representative Pruitt: Would like to know whether money from wildfires is returned.

Representative Gara: Would like to know if we are draining the fund for firefighters (since we didn't ask for money in the supplemental).

The general funds available for wildfires authorized by the legislature is increased via emergency declarations and/or a supplemental based on projected fall and spring fire seasons. Costs incurred after the legislature is in session are ratified in a future fiscal year. Attached is a graph showing actual and projected fire suppression costs. (See Attachment 1)

Fire suppression activity covers actual firefighting activity, and some additional functions such as prepositioning resources and crews based on fire danger. Fire season typically starts in March or April and ends in September, spanning two fiscal years. Fire suppression activities are paid for from state or federal funds depending on the location of the fire and percentage of responsibility (based on land ownership and other criteria). Preliminary payables and receivables are audited and adjusted by various agencies with the state reimbursing the federal government for some costs and the federal government reimbursing the state for some costs. It typically takes up to three fiscal years to finalize and audit the billing and close out the interagency agreements.

Representative Pruitt: Would like more information about PFD hold harmless payments.

Payments made by the Permanent Fund Dividend Hold Harmless program total approximately \$15 million per year. This value varies slightly from year to year; however, variation in the amount of the dividend has little effect on the hold harmless program payments.

The net monthly income limit for the Supplemental Nutrition Assistance Program (SNAP) for one person is \$1,237; for two people it's \$1,669. Even a low Permanent Fund Dividend of \$878, such as the dividend paid out in 2012, will put a household of two over the net income limit. If a one-person household has other income they are likely to go over the income threshold as well. As a result of the net income eligibility limit nearly all SNAP recipients are disqualified from the federal program in the month when the PFD is paid.

PFD payments too low to eliminate eligibility still reduce the value of SNAP benefits paid to the beneficiary. In these cases the department supplements the federal payment with hold harmless funds so the beneficiary receives an amount equal to what they would receive absent the dividend.

Please let me know if you have additional questions.

Sincerely,



Pat Pitney
Director

Enclosures

1. Attachment 1: Fire Suppression Activity Expenditures 2-13-17

cc: David Teal, Director, Legislative Finance
Darwin Peterson, Director, Governor's Legislative Office

Fire Suppression Activity by Fund Type

