



THE STATE  
of **ALASKA**  
GOVERNOR MICHAEL J. DUNLEAVY

**Office of the Governor**

OFFICE OF MANAGEMENT AND BUDGET  
Donna Arduin, Director

Court Plaza Building  
240 Main Street, Suite 801  
Juneau, Alaska 99811-0020  
Main: 907.465.4660  
Fax: 907.465.2090

February 9, 2019

Senator Bert Stedman, Co-Chair  
Senate Finance Committee  
State Capitol, Rm 518  
Juneau, AK 99801

Senator Natasha von Imhof, Co-Chair  
Senate Finance Committee  
State Capitol, Room 516  
Juneau, AK 99801

Dear Co-Chairs Stedman and von Imhof,

Below, please see the responses to questions asked during OMB's presentation to the Senate Finance Committee on Tuesday, January 29, at 9:00 am.

1. *Senators Hoffman, Stedman, Wilson, Olson, and Bishop: Provide a list of locations identified for PFAS clean up, how the funds will be spent, and identify the ownership of impacted airports. Is the clean up being phased, and what future costs should be anticipated? Please confirm that the Attorney General is reviewing the lawsuit related to PFAS to determine whether Alaska should join.*

This supplemental request is being withdrawn.

2. *Senator Olson: Please provide a list of the Rural Trooper Housing locations, who owns the housing, and who is required to maintain the housing?*

The Department of Public Safety (DPS) currently provides housing for its employees in twenty communities that are either rural communities or small communities on the road system. The department is authorized to provide employee housing by AS 44.41.020(d) and does so only in communities where there exists a historical lack of acceptable housing available from the private sector. Safe and habitable housing is a critical element to trooper recruitment and retention efforts and is necessary for successfully accommodating troopers and their families in remote locations.

DPS currently has a total of 62 housing units in 20 communities for employees. There are 17 state-owned units in the communities of Cantwell, Coldfoot, Cordova, Dillingham, Galena, McGrath, Nenana, and Northway. The department also leases 45 housing units in the following

communities: Aniak, Bethel, Dutch Harbor, Emmonak, Healy, Hooper Bay, King Salmon, Kotzebue, Selawik, St. Mary's, Togiak, and Unalakleet.

DPS is responsible for maintenance costs of state-owned housing units. Most, if not all, state-owned housing is at least 40 years old and many of the housing units were transferred to the department from federal agencies.

In leased housing, lessors are responsible for building maintenance. However, in certain cases such as short-notice or unplanned trooper relocations, DPS may pay for minor maintenance or emergency repairs for immediate health and/or safety concerns. After repairs are complete, the department pursues reimbursement from landlords.

3. *Senator Olson: Why is there excess funding for the School Broadband Access Grant (BAG) program? Why weren't there more applications in Fiscal Year (FY) 2019?*

At the inception of this program five years ago, 135 schools needed state help, Federal E-Rate, and their own funds to pay for 10 mbps. However, as more broadband has become available statewide at a lower cost, schools are choosing not to apply as they can now afford more than 10 mbps with E-Rate and their own funds and no longer need state assistance through this program.

In FY 2016, 135 schools applied for School BAG. By FY 2019, that number has dwindled to 80 schools. The average award has also dwindled, from \$29,378 per school in FY2015 to \$16,594 per school in FY2019.

In FY 2019, every eligible school received 100% of the School BAG funds they requested to get up to 10 mbps and this \$1,175,300 is not needed.

4. *Senator von Imhof: Are we giving up Federal match funds by returning some of the School Broadband Access Grant funds?*

The state is not giving up any federally matched funding by returning these School BAG funds as the State does not receive the E-Rate funds directly. The school districts apply for E-Rate funds and receive those funds directly. School districts then combine School BAG, E-Rate, and their own funding to pay for the 10 mbps.

E-Rate is paying an average of 73% of school district broadband bills statewide. If a district chooses to go to 25 mbps at a higher cost, then E-Rate would pay 73% of this higher cost and the district would pay 27% of the cost. Over the entire state, as school districts go to higher broadband, then E-Rate increases proportionally and pays 73% of those higher costs on average. School BAG helps school districts by lowering the 27% they have to pay.

5. *Senator Wielechowski: Are there any loss of federal funds with the proposed reductions in the Supplemental bill?*

No, there are no loss of federal funds associated with the supplemental proposal.

6. *Micciche in regards to the \$20 million decrement: Did the districts have planned usage of the funds? Were they surprised by this reduction?*

The Department of Education & Early Development does not have information on how individual districts planned to spend the \$20 million one-time funds, but from the few districts the department has heard from, yes, they did have specific plans for those funds and they were surprised by the reduction.

7. *Senator Hoffman: Have amendments to the Village Public Safety Officer's (VPSO) contracts been considered by this administration? Explain the operational models of VPSOs vs. Troopers. Why didn't the VPSOs get the pay increment that Troopers received?*

The Department of Public Safety has worked with grantees to encourage recruitment and retention of VPSOs. An incentive bonus of \$5,000 was implemented in the spring of 2018 for newly hired VPSOs who remain with the program for at least three years. VPSO salaries were increased by 6% effective July 1, 2018. All VPSOs who graduate from Alaska Law Enforcement Training (ALET) are eligible for a one-step salary increase. Additionally, DPS invites VPSOs to participate in job fairs with the Alaska State Troopers. Further measures to bolster recruitment are currently under discussion.

8. *Senator Olson: Nonprofits say their hands are tied with regard to the VPSO program with no ability to access the funds that may lapse. What is the administration doing to work with the nonprofits to address their concerns? What restrictions are there on the nonprofits when contracting for VPSO services?*

The department is committed to maintaining a collaborative relationship with grantees and meets at least once quarterly with each grantee to review program operations and costs. Grantee requests for spending that fall outside the normal scope of operations (e.g. equipment, repairs to facilities) may require prior approval from the department. These requests are typically approved. DPS is receptive to grantees' needs but must maintain a balance between allowing sufficient flexibility to manage the program and ensuring fiscal stewardship.

9. *Senator Shower: Is there any data that shows that Troopers are leaving positions due to their salaries? Is there any salary data to compare Alaska State Troopers to troopers in other states?*

DPS recently published a report titled *Recruitment and Retention Plan Overview: 2018-2023* (attached). The purpose was to identify barriers to recruitment and drivers of attrition. Leading reasons for separations were better pay and benefits with other law enforcement agencies and burnout from low staffing levels. The department also conducted an exit survey of troopers separating between April 2018 and January 2019. Common reasons for nonretirement separations include increased compensation, a defined benefit retirement plan, and inadequate staffing at DPS. The department does not have data comparing trooper salaries to troopers/state police in other states.

*10. Senator Shower: Is there an operational model the department uses to determine the "split" between trooper and VPSO funding levels?*

The department does not employ a model to determine relative funding levels between Alaska State Troopers and the VPSO program. Anticipated needs for service are weighed against available resources for each entity.

The VPSO program is funded by grants to nine non-profit native corporations and one municipal government to provide public safety services such as search and rescue, fire protection, emergency medical assistance, crime prevention and limited law enforcement services within the geographic area covered by the non-profit corporation or municipal government. The Alaska State Troopers provide the full spectrum of law enforcement and emergency services statewide, including in those areas served by VPSOs and state troopers provide oversight of the VPSOs program.

The VPSO program and the Alaska State Troopers are funded by separate appropriations in the operating budget.

*11. Senator Micciche: What are the total receipts for the Trooper Academy training? What portion is for sexual assault training?*

Total budgeted receipts for the Academy in FY19 Management Plan are \$911,900. Of this amount, \$810,500 is from reimbursable services agreements with the University of Alaska Southeast and other state agencies for law enforcement training. \$67,100 is from statutory designated program receipts from individuals enrolled in the academy who are not sponsored by any agency. \$34,300 is budgeted from general fund program receipts from other training services the Academy provides. The department does not specifically track the sexual assault training; that is rolled up in the numbers provided.

*12. Senator Olson: How were the communities chosen? Looking for impact to the communities that might be affected.*

No communities will be receiving less than 100% of their FY2019 entitlement under the School Debt Reimbursement program. There are a number of factors that contributed to there being \$2 million available to return in FY2019. The FY2019 anticipated debt amount was determined in October 2017, this was before the department knew what the subsidy sequestration reduction would be (which was known in August 2018). In addition, new bond sales that hit in FY2019 were lower than anticipated, and various proration calculations were either missing or needed to be adjusted. The attached document shows what the anticipated debt amount was versus the 100% entitlement amount, as well as comments explaining any differences.

13. *Senator Stedman: Please provide historical information of the Elected Public Officers Retirement System Benefits program – when was it created, how many members were originally in the program, how many remain (include beneficiaries), etc.*

The Elected Public Officers Retirement System (EPORS) became effective with Ch. 205, SLA 1975. Following the enactment of this legislation, a referendum on the repeal of EPORS was approved by a vote of the people. In the case *State v. Allen*, the Alaska Supreme Court held that all elected public officers who were participating in EPORS at the time of repeal (10/14/76) were entitled to the benefits provided by EPORS upon retirement. Of 63 potential EPORS members, ten converted to the Public Employees Retirement System (PERS), three refunded their balance, and 50 opted for EPORS. As of January 2019, there are 30 remaining member/beneficiaries receiving a pension benefit (16 members/14 beneficiaries).

EPORS is a closed plan and is not actuarially funded but is a pay-as-you-go system. Each year Division of Retirement and Benefits estimates the cost for EPORS benefits by totaling the actual benefit payments to EPORS members and their beneficiaries, adding an estimated cost-of-living increase based on the plan's past experience and requests a general fund appropriation for that amount. Benefit entitlements are reviewed every six month for potential increase.

EPORS member benefits for those who chose the variable option can change if the salary from the office they retired from changes. Office is defined as, "any position with a government employer." Variable benefit members' benefits can also decrease if the salary from their last office lowers. EPORS members who chose the option to have their benefits calculated under the PERS rules receive a cost of living increase after they have been retired for 10 years without an increase.

14. *Senator Wilson: Please provide an overview of how disaster funds are requested and distributed, how communities participate, and a general overview of disaster response activities.*

The agencies which handle disasters and disaster related activities are putting together a comprehensive FAQ that we will distribute to the legislature later this week.

15. *Senator Stedman: What was authorized for payment in the FY19 budget for Oil and Gas Tax Credits? What is the statutory calculation for FY19? What was paid out?*

For FY 2019, the statutory calculation was \$184 million, the appropriation was \$100 million, and as of January 2019, \$96 million has been disbursed.

*16. Senator Stedman: For every FY19 Supplemental request, please explain why the funding is needed in FY19.*

Please see the attached spreadsheet and the column titled *FY19 Justification*.

Please let me know if you have additional questions.

Sincerely,



Donna Arduin, Director  
Office of Management and Budget

Enclosure

cc: Ms. Suzanne Cunningham, Director, Governor's Legislative Office