



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

January 28, 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 my presentation to the Senate Finance Committee on Monday, January 23, at 9:00 am.

Senator Micciche: What was the increase in Designated General Fund (DGF) spending on slide 5 attributed to?

Reclassifications of Unrestricted General Fund (UGF) revenue to DGF: A notable example of this is the Alaska Comprehensive Health Insurance fund. Creation of this fund reclassified what was once UGF revenue of insurance taxes to DGF. \$78m of this fund has been used for its intended purpose, the reinsurance program, but another \$58m has been used historically for UGF funded needs such as debt payments, disaster relief, and community assistance. Reclassifying this revenue source hides \$136m in GF spending under a less scrutinized category of DGF and reduces UGF revenue by an equal amount.

Shifts of UGF funded programs to DGF sources: A notable example of this is community assistance, previously called community revenue sharing. This program was historically funded through UGF but is now funded through investment earnings of the power cost equalization fund. This spending follows a statutory formula but is still an expenditure of the state's investment returns, no different than the percent of market value draws from the earnings reserve account, and should be similarly classified.

Use of one-time sources of money: A notable example of this is the use of revolving loan fund balances in FY2019 to cover new projects in the Department of Fish and Game, Commercial Fisheries. Funding programs this way creates a UGF liability in the following year when the short-term funding source is depleted, creating an obligation the state has no means to support.

Co-Chairs Stedman and von Imhof

January 28, 2019

Page 2

Senator von Imhof: What can be done to offer merit pay and other incentives to state workers within our labor rules?

According to our state personnel director, any type of pay - be it merit, incentive, or otherwise - would have to be bargained, as would alternate workweeks. Telework agreements are currently being used enterprise-wide for various positions. We are looking at other options and opportunities to encourage innovation and creativity in the workplace, in addition to a more well-rounded work environment.

Senator Stedman, Wielechowski, and Bishop: Please provide the details and data relating to the Kaiser Foundation chart found on slide 12.

The numbers used in the Kaiser Family Foundation (KFF) report include the Permanent Fund Dividend, as well as several other costs OMB generally does not include in budget reporting, such as duplicated fund sources. However, KFF uses a data source that attempts to control for the various ways each state categorizes state spending. While different methods may result in slightly different per capita spending numbers, the one consistency is that Alaska has the highest per capita spending in the nation.

Please let me know if you have additional questions.

Sincerely,



Donna Arduin, Director
Office of Management and Budget

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