



THE STATE
of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET
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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 the Office of Management and Budget's presentations to the Senate Finance Committee on February 18 through February 22, 2019.

1. *Senators Stedman and Micciche: Please provide a breakdown of reserves by school district. Are there specific timing issues with the budget when it comes to teacher contracts for the school year?*

Attached is the Fiscal Year (FY) 2017 School Operating Fund – Fund Balance Compliance Test (Alaska Statute (AS) 14.17.505). The FY 2017 balance is as of June 30, 2017. The attachment is titled: *FY17 Fund Balance Compliance*.

The FY 2018 School Operating Fund – Fund Balance Compliance Test, as of June 30, 2018, is not complete, as the department has not yet received all of the school district annual audits. However, the current estimated total is \$143 million.

Per AS 14.17.505, in a single fiscal year a district may not accumulate an unreserved portion of its year-end fund balance in its school operating fund that is greater than 10 percent of its expenditures for that fiscal year, as defined by department regulations (4 Alaska Administrative Code (AAC) 09.160). The department reviews each district's annual audit under AS 14.14.050 for the preceding fiscal year to determine that the fund balance does not exceed ten percent. All funding in the year-end fund balance are subject to the ten percent limit, except for funding in the following six categories: (1) encumbrances; (2) inventory; (3) prepaid expenses, which may include fuel; (4) self-insurance; (5) federal impact aid received; and (6) unexpended annual student allotment money as provided under AS 14.03.320(c).

Regarding the second question, AS 14.20.140, notification of lay off or non-retention outlines that tenured teachers need to be notified of layoff before May 15. Non-tenured teachers being laid off must be notified on or before the last day of the school term.

2. *Senators Olson and Stedman: Please provide a historical context of the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) program and what would happen to the current students in the program if this funding is eliminated?*

Please see attachments titled: *History of WWAMI*; *How Does WWAMI Benefit Alaska-2018*; and *WWAMI Fact Sheet Final 2018*.

3. *Senator Wilson: Please provide the education funding per capita compared to other states – by student and district and compare to FY19 and FY20 Governor Amended budget.*

The Department of Education and Early Development (DEED) cannot provide funding per capita comparisons under the FY19 budget or the FY20 Governor Amended budget as the department does not have per capita spending from other states for FY19 and FY20. With that said, the department is providing a couple of links to national data that compares Alaska to the other 49 states.

The following link provides state education spending per pupil for FY16:

<http://www.governing.com/gov-data/education-data/state-education-spending-per-pupil-data.html>

Each state's Quality Counts 2018 school finance grade includes a tally for per-pupil spending, adjusted for regional cost differences and capturing factors such as teacher and staff salaries, classroom spending, and administration costs. The following link provides a map of state by state per-pupil spending from June 2018: <https://www.edweek.org/ew/collections/quality-counts-2018-state-finance/map-per-pupil-spending-state-by-state.html?intc=eml-contshr-shr-desk>.

4. *Senator Stedman: Please provide clarification of the funding relating to Bree's law in the FY20 Governor Amended budget.*

On the record, the DEED stated that there was no reduction in the budget for Bree's Law. To clarify, there is a change record reducing \$144,000 from the based budget in the Student and School Achievement component related to Bree's Law; this reduction is related to a fiscal note one-time item (FNOTI). Under HB 214, \$263,300 was appropriated to the department for FY19, but \$144,000 of that was one-time for FY19 only. This "reduction" is more of a technical adjustment which removes the one-time item from the base budget (there are similar reductions in other components within DEED's budget). Also, this was reflected in the December 14, 2018 budget as shown on page 24 of the following document:

https://www.omb.alaska.gov/ombfiles/20_budget/EED/Proposed/20crdetail_eed.pdf.

Moving forward, DEED is still expected to receive an appropriation in support of Bree's Law: \$119,300 in FY 2020 and \$75,000 in FY21 and beyond, as shown in the attached fiscal note for HB 214. The attachment is titled: *HB 214 Fiscal Note*.

5. *Senator Wielechowski: Please provide additional backup data for the University of Alaska analysis.*

Please see attachments titled: *University of Alaska Data; Land Grant All Revenue Sources; SHEF_State_By_State_Wave_Charts_FY17; Land Grant Universities; and Univ Ranked by Exp FTE*.

6. *Senator Bishop and Stedman: Are Pittman-Robertson (PR) funds being reduced in FY20?*

The Department of Fish and Game's (DFG) Federal Reversion of PR was \$2.8 million in the fall of 2018 and \$1.8 million in the fall of 2017. The department will possibly revert PR in FY19 and FY20. The department's primary reason for reversion is not fully spending our operating grant due to a lack of state matching funds. All Fish and Game Funds and UGF for the last two fiscal years have been fully spent. The department will attempt to establish a safety margin this fall, which will help save some of the unspent federal funds.

7. *Senator Stedman: Please provide a PR grant level update.*

Please see attachment titled: *Wildlife Sport Fish Restoration Reversion Chart*

8. *Senator Stedman: Please provide a status update of the department's bonds for the fish hatcheries?*

Deven Mitchell, Executive Director of the Alaska Municipal Bond Bank Authority at the Department of Revenue, testified in January that if revenue trends continue in the coming 18 months, it is likely that all remaining bonds will be optionally redeemed in FY21. We will have a better understanding of what this bond redemption will look like in October or November of this year. However, there will be an immediate impact to the Division of Sport Fish once the bonds are paid off. The division will lose \$500,000 in the Fish and Game Sport Fish Enterprise Account due to the way the surcharge collection statute reads.

9. *Senator Wilson: What is the funding level for Dingell-Johnson (DJ) Funds in FY19?*

None of the DJ funding has been reverted by DFG. The department's full apportionment in DJ for Federal FY18 was \$17.5 million. We currently do not know the full FY19 apportionment. We can get this information to the subcommittee when it becomes available.

10. *Senator Wielechowski: Why was the Alaska Oil and Gas Conservation Commission moved to the Department of Commerce, Community and Economic Development and not to the Department of Natural Resources?*

The Alaska Oil and Gas Conservation Commission (AOGCC) is responsible for the subsurface in addition to determining correlative rights on land for which the Department of Natural

Resources (DNR) may be responsible. As a lessor of land, DNR has a vested interest in maximizing the revenue from that land and should not be involved in determining correlative rights, as it may benefit the department. This separation of power is critical to maintain and avoid potential conflicts of interest.

11. *Senator Wielechowski: Is the Alaska Marine Highway System (AMHS) selling tickets for sailings after September 30? Is AMHS having to refund tickets for sailings after September 30?*

There is no published schedule for travel on AMHS after September 30, 2019. No tickets are being sold for travel beyond that date.

With no tickets sold for travel beyond September 30, 2019, no refunds are necessary.

12. *Senator Bishop: How many gallons of milk does Alaska's one operating dairy produce?*

Havemeister Dairy is currently producing 5,000 gallons of milk per week. Because milk production is seasonal, this amount is anticipated to increase in the spring. Attached you will find a USDA report of Alaska agricultural statistics, including historical milk production, titled: *DEC USDA 2018 Milk Report*.

13. *Senator Wielechowski: The State has assumed primacy over the federal government for several programs - Can you provide a list of those areas? Has the department looked into what those items are and how much they are costing us?*

The Department of Environmental Conservation (DEC) operates four primacy programs (detailed below) on behalf of the federal government. The primary benefit of having the State run such programs is that the State is able to focus its attention on the unique needs of Alaska and Alaskans. From a service perspective, staff at local Alaskan governments are better equipped to deal with the issues and needs of Alaskans than staff who work out-of-state with the federal government.

When appropriate, DEC is willing and able to explore flexibilities within the federal requirements and to prioritize efforts to meet timelines for the permits needed for development projects.

- Title I and Title V of the Clean Air Act – This program covers air permitting, compliance, air monitoring, air quality plan development, and non-point programs needed for maintaining compliance with the National Ambient Air Quality Standards. The cost of this program is reflected as the budget for the Division of Air Quality and includes \$1,721,100 UGF, \$2,238,700 DGF, \$4,247,800 Other, and \$2,191,900 FED. All but roughly \$300,000 of the UGF is the required maintenance of effort to receive the federal funds. The \$300,000 is necessary to pay for costs that are not eligible to be charged to reimbursable fund sources.
- Safe Drinking Water Act – The Department regulates approximately 1,400 public water systems that serve Alaska residents and visitors. The program is funded by \$1,834,100 UGF, \$198,000 DGF, \$30,600 Other, and \$3,136,500 FED. Approximately \$650,000 of the

UGF is the required match to federal awards, while the remaining subsidizes the cost of services provided to the public that are unable to be recovered by fees.

Maintaining this primacy program entitles Alaska to receive federal capitalization grants to the Clean Water and Drinking Water State Revolving Funds, which provide millions of dollars in low interest loans for water system design, construction, and improvement projects throughout Alaska. These two federally restricted funds total approximately \$511 million in assets under management, and together they will receive \$22.2 million in additional federal capitalizations in FY20 – as a benefit of state primacy over the Safe Drinking Water Act.

- Federal Insecticide, Fungicide, and Rodenticide Act – The Pesticides Control program regulates the use, disposal, storage, and sale of pesticides. The program is funded by \$780,000 DGF and \$202,700 FED, requiring no UGF.
- Clean Water Act, National Pollutant Discharge Elimination System – The Alaska Pollutant Discharge Elimination System (APDES) program authorizes wastewater discharges to surface waters. APDES implements both federal and state requirements. APDES is funded by \$1,364,400 UGF, \$1,385,100 DGF, \$360,600 Other, and \$1,444,200 FED. Of the UGF, roughly \$800,000 subsidizes the cost of the permitting program that is unable to be recovered by fees due to restriction of the recovery of indirect costs under AS 37.10.052, and the remaining is required match to federal awards.

14. *Senator Micciche: What is the status of the Spill Prevention and Response (SPAR) fund now that .95 cents per gallon is funded through Alaskan fuel sales?*

Please find attached the most recent projection for the Prevention Account of the Oil and Hazardous Substance Release Prevention and Response Fund, titled: *DEC Prevention Account Projection FY18 – FY27*.

15. *Senator Shower: How many positions are currently vacant at the Alaska Psychiatric Institute (API)?*

Currently, the total Position Control Numbers (PCN's) at API are 359. As of February 15, 2019, there are 80 vacant PCN's.

16. *Senator Wielechowski: Looking at the change record for the Medicaid reduction, what are the various treatment option changes to realize these reductions?*

Department of Health and Social Services (DHSS) leadership is in ongoing discussions with federal partners at the Centers for Medicaid and Medicare Services (CMS) as well as with the Office of Management and Budget and the Governor. As more information becomes available, the Legislature will be provided with a detailed plan in the coming weeks as well as possible legislation for consideration. DHSS plans to fully vet this proposal.

17. Senator Stedman: Please provide the following information regarding the Pioneer Homes: current rates and levels of care and the proposed increases with the corresponding levels of care.

Current Levels of Care	Current Monthly Rate	Proposed New Levels of Care	Proposed New Monthly Rate	Amount of Increase	Percent of Increase
Level I	\$ 2,588.00	Level I	\$ 3,623.00	\$ 1,035.00	40%
Level II (lower end)	\$ 4,692.00	Level II	\$ 6,569.00	\$ 1,877.00	40%
Level II (higher end)	\$ 4,692.00	Level III	\$ 11,185.00	\$ 6,493.00	138%
Level III (lower end)	\$ 6,795.00	Level III	\$ 11,185.00	\$ 4,390.00	65%
Level III (higher end)	\$ 6,795.00	Level IV	\$ 13,333.00	\$ 6,538.00	96%
		Level V	\$ 15,000.00	\$ 15,000.00	n/a

18. Senator Stedman: Please provide information on the current process to enroll in the Pioneer Home and the changes to that process under the proposed program changes.

Eligibility for the Alaska Pioneer Homes Inactive and Active waitlists

- An applicant must be at least 65 years of age, be a resident of Alaska for one year immediately preceding the initial application and maintain residency in Alaska following application confirmation. (7 AAC 74.015) The State of Alaska and its Pioneer Homes follow an equal opportunity policy and do not discriminate in regard to race, creed, color, ethnicity, national origin, religion, sex, sexual orientation, gender expression, physical or mental ability, veteran status, military obligations, and marital status when determining eligibility.

Waitlist Preference

- Applicants may choose either the Active or Inactive waitlists. The Inactive waitlist is for individuals who are not ready to live in a home, yet want to maintain their application date. The active waitlist is for individuals who are prepared to move into a home within 30 days of an invitation.

The Department is not planning any changes to the application or admission process under the proposed program changes.

19. Senator Stedman: Please provide a breakdown of the Pioneer Homes enrollment by facility and how current residents pay for their care.

Please see attachment titled: DHSS Attachment A.

20. Senator Stedman: Is a termination study required for the change in management of API?

A feasibility study is required for any outsourcing of state employee jobs and is required in each of the collective bargaining agreements. A study was completed on February 23, 2017 and can

be accessed at the DHSS website here:

http://dhss.alaska.gov/HealthyAlaska/Documents/Initiatives/API%20Privatization%20Feasibility%20Report_Jan%2026%202017.pdf

21. Senator Wielechowski: Is there a lawsuit liability regarding the change in management of API?

The State is currently at risk of lawsuit liability due to ongoing bed capacity issues at API. WellPath has a proven track record of producing results for institutions who have been experiencing similar challenges. The best action that the State can take to mitigate legal liability is to improve the bed capacity at API and to address the findings of regulatory authorities.

22. Senator Stedman: What are the financial ramifications of privatizing API?

The contract with WellPath will add to the current API budget but the Centers for Medicaid and Medicare Services has indicated that without a change in management, the hospital risks de-certification which would mean no federal funding would be received. This would have an \$8.5 million impact in FY19. The Department of Health and Social Services is currently discussing the magnitude of the impact with the Office of Management and Budget and will provide that information should a budget amendment be required for FY20.

It is worth noting that there will be a decrease in expenditures over time in other areas as a result of this investment. If API is able to reach its full capacity of 80 beds, then many of the recipients who are being treated in emergency departments while they await an available bed will be able to receive treatment at API instead. Currently, these emergency department encounters are being reimbursed through Medicaid, often at a significant premium to the rate that API charges. Additionally, the Department of Corrections bears considerable general fund costs to treat those with behavioral health disorders within their facilities.

23. Senator Olson: Is the department aware of potential hospital closures due to the reduction in Medicaid funding?

The Department of Health and Social Services is unable to speculate as to the financial sustainability of the State's hospitals under this proposal. While a decrease in Medicaid funding, on the surface, does represent declining hospital revenues, the Alaska Department of Labor and Workforce Development projects robust growth in the health care industry. Ultimately, the goal is to transition many current Medicaid recipients to full-time employment. As this happens, it is anticipated that private employers, rather than the State of Alaska, will be paying for the health care needs of these Alaskans.

24. Senator von Imhof: Have other states attempted and been successful at reducing their Maintenance of Effort (MOE)?

For the Adult Public Assistance Component's authority spent for Medicaid's MOE:

- Centers for Medicare & Medicaid Services (CMS) allows for states to choose between two methodologies to meet MOE. The decision on which option the State will use to calculate the next calendar year's MOE must be made by September of the preceding year.

For the Alaska Temporary Assistance Program and Tribal Assistance Program Components' authorities spent for the Temporary Assistance for Needy Families (TANF) MOE:

- The Division of Public Assistance has reached out to the U.S. Department of Health and Human Services, Administration for Children and Families to ask whether any state has requested a reduction in their MOE requirement. We are working with the Administration to identify how Alaska could be successful in achieving this. This process will require collaboration with and approval from our federal partners. The department continues to work towards that end.

25. Senator Bishop: Does the department anticipate a rise in school meal assistance as a result of the reduction in the Temporary Assistance for Needy Families (TANF) program?

Currently, all children in households receiving benefits from the Supplemental Nutrition Assistance Program, Food Distribution Program on Indian Reservations, and/or TANF are eligible for free meals through the free and reduced price school meal program. Link to Department of Education & Early Development webpage on the school lunch program:
<https://education.alaska.gov/cnp/nslp2>

26. Senator Stedman: Please provide a breakdown of recipients of the Senior Benefits program by district.

Please see attachment titled: *DHSS Attachment B*.

This attachment contains break out recipients by ZIP code and census area for the month of December 2018 and for state FY18.

27. Senator Wielechowski: Please provide the average amount of Senior Benefit payments. Will the elimination of this program shift the recipients to other Health and Social Services programs?

The Senior Benefits program provides cash payments of \$76, \$175, or \$250 each month depending on income and had a monthly average enrollment of 11,283 recipients in FY18. For FY18, the average benefit for Senior Benefits per person was \$146.97.

The Alaska Commission on Aging's State Plan FY16-FY19 states that "Financial assistance provided by the Senior Benefits Program, disability payments, Adult Public Assistance, Food Stamps, and rent subsidy account for close to 43% of the income sources based on responses" (http://dhss.alaska.gov/acoa/Documents/ACoA_StatePlan_FY16-FY19.pdf, page 47). Based on the Alaska Commission on Aging's analysis, the loss of Senior Benefits will result in seniors relying on other assistance programs to meet their essential living expenses/needs.

	Monthly Average Unduplicated Count of Cash And Med	Monthly Average e of DENIED	Monthly Average of CLOSED	Monthly Average of Unacted Applications	Monthly Average Senior Benefit Cash	Monthly Average Senior Benefit Cash Supplement	Monthly Average for Total Senior Benefits (Cash+ Supplement)
SFY 2015	11,305	54	229	132	\$ 1,827,467	\$ 19,302	\$ 1,846,769
SFY 2016	11,750	23	206	226	\$ 1,770,736	\$ 24,584	\$ 1,795,321
SFY 2017	11,525	32	313	387	\$ 1,642,878	\$ 53,188	\$ 1,696,066
SFY 2018	11,283	54	285	352	\$ 1,658,346	\$ 34,591	\$ 1,692,937
SFY 2019	11,441	58	266	394	\$ 1,673,990	\$ 53,811	\$ 1,727,801

28. *Senator Wielechowski: Please provide the average amount of TANF payments. Will the reduction of this program shift the recipients to other Health and Social Services programs?*

For FY18, the average benefit per household was \$608,490. The proposal is not to reduce eligibility for TANF; rather, it is to reduce the MOE requirement of the State. As such, DHSS does not anticipate any clients shifting to other programs as a result of this change.

29. *Senator Hoffman: Please provide a comparison of the Adult Public Assistance program from the March 1983 proposal to today.*

Please see attachment titled: *DHSS Attachment C*.

This attachment contains the slides used last legislative session to explain the two options, along with an excel file (see *DHSS Attachment D*).

30. *Senator Wielechowski: Please provide more information on why the Community Initiative Grant program is being eliminated.*

The proposed elimination of the \$861,700 GF Community Initiative Matching Grants program was part of Governor Dunleavy's total overall proposed FY20 \$336.6 million UGF reduction to the Health and Social Services budget, as compared to the current FY19 Management Plan budget and represents about a quarter of one percent of that overall reduction. The grants program is not mandated in federal nor state statute and its GF dollars are not tied to the State's ability to collect federal dollars, as are hundreds of millions of other DHSS GF dollars. No reduction to human services is made lightly, but to balance expenditures with revenues, reductions must occur.

31. *Senator Hoffman: Please provide a breakdown by region of who benefits from the Hold-Harmless Provision.*

Alaska Statute 43.23.075 mandates that when determining eligibility for public assistance programs based on financial need, the division may not consider a permanent fund dividend (PFD) as income nor resources. The Division of Public Assistance administers the PFD Hold-Harmless Program, which provides benefits to any person who loses Supplemental Nutrition Assistance Program (SNAP) or Supplemental Security Income (SSI) benefits because they receive or keep PFD money (the Social Security Administration administers SSI). With the continuation of the PFD Hold-Harmless Program, applicants and recipients will not be impacted by an

increase to the PFD. If, however, the program is no longer funded there will be an impact to the recipients in these programs. The amount of the PFD will most likely result in applicants and recipients being over income or resources for the programs, which is the case regardless of the increase to the PFD amount.

The division's eligibility information system tracks households that receive PFD Hold-Harmless benefits as replacement of SNAP benefits that are denied, reduced, or stopped due to the PFD money being counted as income or as a resource. In FY19, 6,530 SNAP cases and 16,737 SNAP recipients received a PFD Hold-Harmless benefit through December 2018.

For the Adult Public Assistance program, the division coordinates with the Social Security Administration to determine eligible SSI recipients who are held harmless from their receipt of the PFD each year. The division estimates that it held approximately 11,655 Adult Public Assistance/SSI recipients harmless in FY19 through December 2018.

Please see attachment titled: *DHSS Attachment E* for regional detail.

Please let me know if you have additional questions.

Sincerely,



Donna Arduin, Director
Office of Management and Budget

Attachments

1. FY17 Fund Balance Compliance
2. History of WWAMI
3. How Does WWAMI Benefit Alaska-2018
4. WWAMI Fact Sheet Final 2018
5. HB 214 Fiscal Note
6. University of Alaska Data
7. Land Grant All Revenue Sources
8. SHEF_State_By_State_Wave_Charts_FY17
9. Land Grant Universities
10. Univ Ranked by Exp FTE
11. Wildlife Sport Fish Restoration Reversion Chart
12. DEC USDA 2018 Milk Report
13. DEC Prevention Account Projection FY18 – FY27
14. DHSS Attachment A
15. DHSS Attachment B
16. DHSS Attachment C
17. DHSS Attachment D
18. DHSS Attachment E

cc: Ms. Suzanne Cunningham, Director, Governor's Legislative Office
Mr. David Teal, Director, Legislative Finance Division