

OFFICE OF THE GOVERNOR

14. Office of Management and Budget / Office of Management and Budget Operating Bill (CCS HB 53(brf sup maj fld H), Sec. 1)

NON-COMPLIANCE

It is the intent of the legislature that, in preparing the fiscal year 2027 budget, the Office of Management and Budget use zero-based budgeting principles to prepare the budget of one agency. The director of the Office of Management and Budget shall submit a report not later than December 20, 2025, to the Co-chairs of the Finance committee of each house of the legislature and to the Legislative Finance Division that provides a detailed explanation of each agency that was selected for zero-based budgeting and an analysis and justification for each expense of the agency.

The Office of Management and Budget will submit a report regarding zero-based budgeting to the Co-chairs of the Finance committee of each house of the legislature and to the Legislative Finance Division by December 20, 2025.

Legislative Fiscal Analyst Comment: The Office of Management Budget submitted a report on December 19, 2025 (included in this packet as **Attachment 8**) that explained that the agency did not utilize zero-based budgeting. OMB stated that “implementing ZBB, even in one agency, is a multi-step process and would require a much longer timeframe to implement effectively.”

15. Office of Management and Budget / Office of Management and Budget Operating Bill (CCS HB 53(brf sup maj fld H), Sec. 1)

COMPLIANCE MAY BE DETERMINED AT A LATER DATE

It is the intent of the legislature that the Office of Management and Budget submit a report by December 20, 2025, to the Co-chairs of the Finance committees and to the Legislative Finance Division that shows overtime, bonus, standby, and any other specialty pay that are included in the Fiscal Year 2026 Management Plan for each agency. It is the further intent of the legislature that the Office of Management and Budget submit a report by September 30, 2026, to the Co-chairs of the Finance committees and to the Legislative Finance Division that provides actual amounts of overtime, bonus, standby, and any other specialty pay that were paid out in Fiscal Year 2026 for each agency.

The Office of Management and Budget (OMB) will provide a report that shows overtime, bonus, standby, and any other specialty pay that are included in the FY2026 Management Plan for each agency to the Co-chairs of the Finance committees and to the Legislative Finance Division by December 20, 2025. In addition, the OMB will provide a report showing actual amounts of

overtime, bonus, standby, and any other specialty pay that are paid out in FY2026 for each agency by September 30, 2026.

Legislative Fiscal Analyst Comment: OMB provided the first requested report on December 19, 2025. It is included in this packet as **Attachment 9**. The second report is due in September 2026 and compliance will be reported in the 2027 intent memo.

Office of the Governor

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of ALASKA
GOVERNOR MIKE DUNLEAVY

December 19, 2025

The Honorable Andy Josephson
Co-Chair, House Finance Committee
Alaska State Capitol, Room 505
Juneau, AK 99801The Honorable Lyman Hoffman
Co-Chair, Senate Finance Committee
Alaska State Capitol, Room 518
Juneau, AK 99801The Honorable Calvin Schrage
Co-Chair, House Finance Committee
Alaska State Capitol, Room 410
Juneau, AK 99801The Honorable Bert Stedman
Co-Chair, Senate Finance Committee
Alaska State Capitol, Room 516
Juneau, AK 99801The Honorable Neal Foster
Co-Chair, House Finance Committee
Alaska State Capitol, Room 511
Juneau, AK 99801The Honorable Donny Olson
Co-Chair, Senate Finance Committee
Alaska State Capitol, Room 508
Juneau, AK 99801

Re: FY2026 Legislative Intent Language

Dear Finance Committee Co-Chairs,

Below, please find the Office of the Governor, Office of Management and Budget's response to legislative intent language from House Bill (HB) 53.

Office of Management and Budget / Office of Management and Budget
Operating Bill (CCS HB 53(brf sup maj fld H), Sec. 1)*It is the intent of the legislature that, in preparing the fiscal year 2027 budget, the Office of Management and Budget use zero-based budgeting principles to prepare the budget of one agency. The director of the Office of Management and Budget shall submit a report not later than December 20, 2025, to the Co-chairs of the Finance committee of each house of the legislature and to the Legislative Finance Division that provides a detailed explanation of each agency that was selected for zero-based budgeting and an analysis and justification for each expense of the agency.*

The Office of Management and Budget (OMB) did not use zero-based budgeting (ZBB) principles when preparing the fiscal year (FY) 2027 budget.

The OMB researched ZBB principles for implementation in Alaska. A zero-based budget is designed to ensure that every dollar is allocated a purpose and that all expenses are justified on an annual basis

and not automatically included in the budget. Implementing ZBB, even in one agency, is a multi-step process and would require a much longer timeframe to implement effectively. Sufficient resources both within the OMB and within an agency, as well as having a better understanding of the depth of analysis required and framework for implementation are necessary before ZBB can be undertaken as there are no states are currently utilizing ZBB.

Producing hundreds of detailed program-level justifications would slow operations and divert staff time away from delivering daily public services. The OMB will continue an open dialogue with the Finance Co-Chair's offices on implementing ZBB, as well as the constraints Alaska is facing due to the budget deficit.

Office of Management and Budget / Office of Management and Budget
Operating Bill (CCS HB 53(brf sup maj fld H), Sec. 1)

It is the intent of the legislature that the Office of Management and Budget submit a report by December 20, 2025, to the Co-chairs of the Finance committees and to the Legislative Finance Division that shows overtime, bonus, standby, and any other specialty pay that are included in the Fiscal Year 2026 Management Plan for each agency. It is the further intent of the legislature that the Office of Management and Budget submit a report by September 30, 2026, to the Co-chairs of the Finance committees and to the Legislative Finance Division that provides actual amounts of overtime, bonus, standby, and any other specialty pay that were paid out in Fiscal Year 2026 for each agency.

The attached report shows overtime, bonus, standby, and any other specialty pay that were included in the FY2026 Management Plan for each agency. The OMB will provide actual amounts of overtime, bonus, standby, and any other specialty pay that are paid out in FY2026 for each agency by September 30, 2026.

Please let me know if you have any questions or would like to discuss further.

Sincerely,



Lacey Sanders
Director

Enclosure

cc: Alexei Painter, Director, Legislative Finance Division
Jordan Shilling, Director, Governor's Legislative Office