



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET
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February 13, 2025

The Honorable Lyman Hoffman
Co-Chair, Senate Finance Committee
Alaska State Capitol, Room 518
Juneau, AK 99801

The Honorable Bert Stedman
Co-Chair, Senate Finance Committee
Alaska State Capitol, Room 516
Juneau, AK 99801

The Honorable Donny Olson
Co-Chair, Senate Finance Committee
Alaska State Capitol, Room 508
Juneau, AK 99801

Dear Co-Chairs Hoffman, Stedman, and Olson,

Thank you for inviting the Office of Management and Budget (OMB) to present an overview of the Governor's FY2025 supplemental budget to the Senate Finance Committee on February 4, 2025. This letter completes the responses to questions and requests for follow-up information from this hearing. All of the dollar figures presented in this document are in thousands unless otherwise noted.

1. Department of Revenue - What would the price of oil have to be to not have a shortfall and not have to draw from the CBR for a balanced budget?

The fiscal summary shows an expected FY2025 deficit of \$171.1 million. This amount incorporates the Fall 2024 forecast of \$6,228.6 unrestricted general fund revenue and \$73.86 per barrel average Alaska North Slope oil price.

In order to generate an additional \$171.1 million in FY2025, the Department of Revenue (DOR) provided the following two estimates.

- a) Oil prices would need to average about \$77.63 per barrel for the December 2024 – June 2025 period, for an average FY2025 price of about \$77.42 per barrel. This estimate incorporates actual prices for the first five months of the fiscal year and holds all else equal to the Fall 2024 forecast.

- b) Oil prices would need to average about \$79.03 per barrel for the February – June 2025 period, for an average FY2025 price of about \$77.41 per barrel. This estimate incorporates actual prices for the first seven months of the fiscal year. Compared to the Fall 2024 forecast, this estimate incorporates an additional two months of actual prices but no other updated data, holding all else equal to the Fall 2024 forecast.

2. Department of Health - Are there problems moving funds through the agency to ensure people are receiving funds timely? Is there a backlog with the Low-Income Home Energy Assistance Program (LIHEAP)? Which types of applications have outstanding backlogs?

The Department of Health, Division of Public Assistance (DPA) has made significant progress since 2023 but continues to work through challenges to ensure timely processing of applications. The Supplemental Nutrition Assistance Program (SNAP) application processing completion rates improved from 28 percent in March 2023 to an average of 71 percent by January 2025. While there has been significant progress, much work remains to be done and the DPA is actively addressing these delays to ensure eligible individuals receive assistance.

There are four areas of focus to address the persistent challenges:

- Enhancing Client Engagement
 - All large DPA offices are now open for in-person service. This means that if a person brings all required documentation with them, DPA staff can process applications for all the programs and provide a determination the same day. Office hours vary by community and are available on the [DPA website](#).
 - Added additional staff to support the Virtual Call Center. Clients can call 800-478-7778 to apply for benefits, check on their case status, and get updates to their case.
 - The Alaska Connect online portal is available for clients to apply for benefits, upload supporting documents, and learn about public assistance programs (launched summer 2024).
 - Phase 2 (launching summer 2025) - clients will be able to verify their benefit amount, update their information, view their notices, etc.
- Modernizing IT systems
 - A Request for Proposals (RFP) to Migrate non-MAGI (modified adjusted gross income) categories off the mainframe will be issued this spring 2025 and a RFP to move SNAP off the mainframe (to be issued in fall 2025). The goal is to complete the migration off the mainframes and into the new Eligibility Enrollment System by 2028.
 - Automated email search launched November 2024.
 - Automated ex-parte process launched April 2023.
 - The shift of the Alaska's Resource for Integrated Eligibility Services (ARIES) system to a secure cloud was completed December 2023.

- Optimizing Workforce Efficiency
 - Business process redesign for training to a shorter more efficient training program was launched spring 2023.
 - Survey technology was launched in 2024 to enhance communication to staff and stakeholders. Workgroups review results to improve processes.
- Streamlining Policies and Procedures
 - Work Assist, technology enhancement for case evaluations, document processing, and guided workflows for Eligibility Technicians to be launched in fall 2025 to improve efficiency through automated case assessments and worker queries.
 - Elderly Simplified Application Project was approved by the U.S. Department of Agriculture and launched December 2024.

Regarding the status of program untimely processing:

- The Heating Assistance Program (HAP) also known as (LIHEAP) – There are 2,030 applications that have not been processed timely, with the majority aged between 61-120 days. The DPA is prioritizing these cases to reduce delays and ensure households receive assistance.

The previous divisional leadership changed the work model for HAP, shifting from a seasonal, dedicated unit to distributing applications statewide. This change contributed to a backlog in processing these applications. The DPA currently has four dedicated staff members that are focused on processing heating assistance. In addition, clients who applied for heating assistance along with any other programs will have their heating assistance application worked at the same time as the other programs. The DPA prioritizes seniors and expedites applications when necessary or when they become aware of a hardship.

Other steps DPA is taking to eliminate the backlog of HAP applications include reestablishing the “HAP unit” and interviewing for seven positions to staff this unit. The goal is to have new staff interviewed and onboarded by the end of February 2025, at the latest. After completing the necessary training, the HAP unit will be processing applications by March 2025.

- Food Stamps (SNAP) – 4,193 applications/recertifications are untimely with 832 of those pending for additional information. The majority aged between 46-90 days.
- Adult Public Assistance (APA) – 324 cases are untimely with 167 of those pending for additional information. Most falling between 31-90 days.
- Alaska Temporary Assistance Program (ATAP) – 295 applications remain in process, with delays affecting a portion of cases beyond 90 days.

- Medicaid – The reported backlog of 21,079, includes applications, recertifications, and reported changes submitted through the myAlaska portal. However, the DPA believes these numbers are inflated due to system limitations. Some applications are left pending when the department's legacy eligibility system, ARIES, cannot process them properly, requiring manual intervention. Additionally, duplicate records exist, and the division continuously runs queries to clean up the data. Post-Medicaid unwinding, resolving these data integrity issues is a high priority. Medicaid unwinding will be completed March 2025.

The division is committed to resolving processing delays and continues to demonstrate progress toward full compliance.

3. Department of Commerce, Community, and Economic Development - Provide details on the third-party contract and timeframe for AOGCC's data management system upgrade. Why can this not be a FY2026 item?

The Alaska Oil and Gas Conservation Commission (AOGCC) is working with the Groundwater Protection Council (GWPC) on the update to the Risk Based Data Management System (RBDMS) database. The GWPC is willing to contribute \$1.75 million of federal funds that the GWPC receives over four years to the project. The project is proposed as a supplemental appropriation to allow the AOGCC to commit to the project advancement with the GWPC and thereby secure the GWPC's funding, and to ensure that carryforward revenues from FY2025 can be put towards the project to avoid larger rate increases in future years.

4. Department of Law - Provide additional information on the *Brett Lane v. DFCS, OCS* case? How can OCS avoid similar situations in future?

Below is additional information on the *Brett Lane v. State, Department of Family and Community Services, Office of Children's Services* case. Amounts shown are in whole dollars unless otherwise noted.

Background facts. In 2015, former Office of Children Services (OCS) caseworker Brett Lane was assigned to work with an uncooperative father. The father called OCS incessantly, leaving vulgar and threatening messages. While supervising a visit at OCS, the father became belligerent and slapped Lane's hand away from the children. Lane asked the front desk to call the police, but a supervisor directed the front desk not to call, asserting the police were unnecessary. In December, the father banged close the door to the visitation room on Lane's leg. Again, Lane asked the front desk to call the police, but the supervisor cancelled the request and directed Lane to go to her office, allowing the father to continue his visit under the supervisor's supervision.

Upset by her perceived lack of support from supervisors, Lane contacted her union, made an Alaska Office of Safety and Health (AKOSH) report, and filed a worker's compensation claim. During this time, she suffered nightmares involving both the father and the OCS

supervisor, was diagnosed with post-traumatic stress disorder (PTSD), and sought counseling for her fears of inadequate workplace safety. The AKOSH cited OCS for workplace safety failures and OCS agreed to commit more funding to employee safety. Lane was out of work for a couple months on planned leave and then on unplanned leave while receiving worker's compensation benefits.

When she returned to work, Lane was restricted to her office to focus on paperwork, but without a caseload since she had been on leave, she sat in her office with nothing to do. After two weeks, Lane's mental condition deteriorated, and her doctor limited her to working half days. The OCS returned Lane's full caseload while she was still restricted to half-day work. The OCS then denied Lane's request to provide foster care to two children who she had a relationship with outside of her employment. The same OCS supervisor denied the request and initiated an internal investigation into Lane's request, which cleared Lane of any wrongdoing. Shortly thereafter, Lane resigned. Lane continued to receive worker's compensation benefits throughout.

Procedure/Litigation.

- In February 2020, Lane prevailed in a jury trial on her claims of wrongful constructive termination and retaliation in violation of the Alaska Whistleblower Act.
 - For the wrongful termination case, the trial Final Judgment was \$2,580,605 at 5.25 percent interest from June 18, 2020. (For comparison, this amounts to approximately \$3,263,211 as of July 1, 2025.)
- On appeal, the Alaska Supreme Court affirmed the jury's awards of \$239,148 in past wages and benefits, \$1,403,037 in future lost earning capacity; \$20,438 in past counseling expenses, and \$90,000 in future counseling expenses but
 - Ordered that the award be subject to offset for worker's compensation benefits paid for the same category of damages to be established in a new evidentiary hearing.
 - Based on a flawed jury instruction, the Court vacated the jury's award of \$550,000 for past and future emotional distress and/or loss of enjoyment of life and ordered a new jury trial to determine noneconomic damages associated solely with OCS's conduct resulting in Lane's wrongful termination.

Settlement. In an effort to minimize and set the State's liability for both the wrongful termination case and Lane's worker's compensation claim, as well as get money to Lane as quickly as possible as she had been unemployed since 2017, the parties mediated both matters simultaneously.

- The parties settled for
 - (1) \$1.8 million with interest accruing from the end of trial on March 2, 2020, at 8.5 percent until paid in full, which amounts to a total payment of approximately \$2,616,140 as of July 1, 2025, and
 - (2) \$699,000 in workers' compensation benefits.

Note: The re-trial exposure was at least \$550,000 with no cap (as this is not a tort case) and the workers' compensation exposure was estimated to at least \$3,800,000 plus attorney's fees. Both mediators felt that the Workers' Compensation Board would find Lane permanently and totally disable and unable to work for life due to mental injuries from OCS's wrongful termination and retaliation. Both mediators also felt the new trial on noneconomic damages would result in a much higher verdict.

This is a very unique set of facts, and the personnel are no longer at OCS. The OCS has revamped its safety protocols.

The civil litigation settlement agreement is provided in the attached document titled *Lane vs OCS Civil Litigation Settlement Agreement (signed).pdf*.

5. Department of Administration, Division of Finance - Are there any accounts that are problematic due to the sweep with regards to cash flow, especially in July or August when there are obligations but no cash flow yet?

There are currently no funds experiencing issues due to the sweep with regards to cash flow. However, for the fiscal year 2022 budget, the Oil/Hazardous Release Prevention & Response fund (1052) faced challenges due to the absence of a reverse sweep. This issue was resolved by amending the effective date in appropriation bills to ensure continued funding.

Sincerely,



Lacey Sanders
Director

Enclosure

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