



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET
Lacey Sanders, Director

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March 5, 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 FY2026 Amended Budget to the Senate Finance Committee on February 24, 2025. This letter completes the responses to questions and requests for follow-up information from this hearing.

- 1. Provide the maintenance lists for Mt. Edgecumbe High School (MEHS) for the past several years. When did the elevator project first appear on their list?**

Attached are the deferred maintenance backlog lists for MEHS from FY2019 through FY2025. The elevator project is not listed on any of these lists.

- 2. Provide more information and a timeline on how/why there is a penalty for the Supplemental Nutrition Assistance Program (SNAP)?**

Summary Recap:

In April 2022, the Division of Public Assistance (DPA) identified a misinterpretation of certification extension guidance and began efforts to correct it.

Between May and July 2022, Alaska ended the Public Health Emergency (PHE), discontinuing Emergency Allotment (EA) benefits, with August serving as the transition

month. Manual processing challenges at DPA caused delays in EA issuance. Additionally, the interview waiver ended since Alaska was no longer under a PHE.

In August 2022, Alaska discontinued extended certifications, creating an immediate backlog of SNAP recertifications and new applications. This backlog was worsened by the 2021 cyberattack, staffing shortages, and outdated software, straining existing systems and highlighting the urgent need for workflow improvements and system upgrades.

In October 2022, the Food and Nutrition Service (FNS) implemented a policy change requiring states to deem SNAP cases with sequential certification extensions as ineligible. Since DPA had continued these extensions, most SNAP cases sampled were ruled ineligible, impacting payment error rates. However, this determination did not necessarily indicate incorrect benefit amounts.

By December 2022, recognizing the challenge of balancing compliance with FNS rules while ensuring Alaskans received benefits, the State decided to extend certification periods from six months to 12 months. This approach aimed to prevent delays and ensure uninterrupted food assistance for eligible residents.

On January 6, 2023, FNS issued guidance under the Consolidated Appropriations Act, 2023, mandating the termination of EAs after the issuance of February 2023 benefits.

At what point was the State aware that the targeted investments were not going to do it and that the State would need to bear the penalties versus paying \$5.9 million to the federal government that the State would not receive value from?

The Division of Public Assistance (DPA) was unaware that the State would face penalties or the potential financial impact. Despite holding weekly meetings with the Food and Nutrition Service (FNS), the State was formally notified of the \$11.9 million penalty only in June 2024. After negotiations with assistance from the Department of Law, the settlement was finalized and signed by the Department of Health Commissioner on January 16, 2025.

By April 2023, DPA had cleared the initial backlog and continued working toward FNS compliance. The division remains focused on system updates, business process improvements, and workflow enhancements. While application processing delays still occur, they are less severe and shorter due to ongoing improvements. Delays typically arise in the fall due to compliance procedures and renewals.

Significant investments from the Governor and Legislature have strengthened Alaska's public assistance program. While progress has been made, work remains. Below is an update on key capital projects:

- Mainframe Migration: On track for completion in 2028.

- Alaska's Resource for Integrated Eligibility Services Enhancement: Actively addressing system defects for timely Medicaid benefit processing. The remaining funds will support full mainframe replacement.
- E-Forms and Online Noticing: Approximately 50 percent complete.

Please contact my office if you have further questions.

Sincerely,

A handwritten signature in cursive script that reads "Lacey Sanders".

Lacey Sanders
Director

Enclosures

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