



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET
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February 1, 2024

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

The Honorable Lyman Hoffman
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 Stedman, Hoffman, and Olson,

Thank you for inviting the Office of Management and Budget (OMB) to present an overview of the Governor's FY2025 operating and capital budget to the Senate Finance Committee on January 22, 2024. Responses to questions and requests for follow-up information from the committee hearing are included below. All of the dollar figures presented in this document are in thousands unless otherwise noted.

1. What is the minimum balance for the Constitutional Budget Reserve (CBR) Fund?

There is no statutorily or constitutionally required minimum balance of the CBR. The CBR is a savings account meant to cover projected expenditures of the State when there is a deficit in projected revenues. For the purposes of managing daily cashflow, a minimum balance of \$400 million to \$500 million is necessary to prevent adverse operational impacts.

2. Why is the Department of Commerce, Community, and Economic Development (DCCED) preferable to the Department of Health (DOH) for administration of food bank funds?

Governor Dunleavy proposed \$3,000.0 UGF as a FY2024 supplemental appropriation to Department of Commerce, Community, and Economic Development (DCCED) to provide grant funding for food banks, pantries, and other organizations that provide food to Alaskans as soon as the appropriation is made available. DCCED has capacity to assist the Department of Health (DOH), in addition it has experience with issuing grants through a grant application process which may reach more entities across the state. With the ongoing backlog with the Supplemental Nutrition Assistance Program

(SNAP), appropriating the supplemental funding to DCCEC allows DOH to continue their efforts and maintain their focus on resolving the backlog, while expediting the funding to foodbanks, food pantries, and other organizations to meet the current, ongoing needs of Alaskans.

This is in addition to the proposed one-time FY2025 appropriation of \$1,500.0 to DOH. This funding is a continuation of funding that was allocated in FY2024 and allowed food banks to make bulk purchases in an effort to promote food security in the State.

3. Provide detail on the FY2024 \$8.8 million supplemental request for the Supplemental Nutrition Assistance Program (SNAP).

Below is a breakdown of the \$8,829.2 supplemental request to Address the Supplemental Nutrition Assistance Program Backlog.

Description	GF Match	FED	Total
30 New Eligibility Technician 2's	1,513.5	1,513.5	3,027.0
Hiring bonus for 39 positions (\$15,000 per year)	292.5	292.5	585.0
Overtime for Existing Eligibility Technicians	750.0	750.0	1,500.0
Letters of Agreement to address retention of Eligibility Technician 2's	195.0	195.0	390.0
Total Personal Services	2,751.0	2,751.0	5,502.0
Contract support of application processing	3,327.2	-	3,327.2
Total Services	3,327.2	-	3,327.2
Total	6,078.2	2,751.0	8,829.2

4. What is the balance of the Regional Educational Attendance Area and Small Municipal School District School Fund (REAA Fund)?

The current unobligated balance of the REAA Fund is \$0. In FY2024, the entire fund appropriation and fund balance was allocated to the #1 School Construction project, Newtok K-12 School Relocation/Replacement, Mertarvik. In addition, per Alaska Statute 14.11.030(b), the unobligated and unexpended cash balance of the fund may not exceed \$70 million. The fund capitalization in the FY2025 Governor's Budget is \$26,978.0.

5. Provide the total of the Regional Educational Attendance Area (REAA) major maintenance list.

The Department of Education and Early Development only produces one Major Maintenance Grant Fund list each year that ranks REAA district projects alongside city and borough district projects. On the FY2025 Major Maintenance Grant Fund list, there are 33 REAA school district projects that total

\$111,139.4, which is approximately 45% of the total list. The first two REAA projects are ranked at #2 and #9.

6. Please clarify if Mt. Edgecumbe High School is included in the REAA major maintenance list.

Mt. Edgecumbe High School (MEHS) is a division within the Department of Education and Early Development (DEED), as such they are considered a State agency and their deferred maintenance needs are prioritized amongst all State of Alaska facility deferred maintenance needs and funded through the statewide deferred maintenance appropriation.

Furthermore, Alaska Statute (AS) 14.11.011, Grant applications, outlines what school districts are eligible to submit an application to DEED for a school construction or major maintenance grant. AS 14.16.050, Applicability of education laws, outlines the provisions that would apply to the operations and management of MEHS as if it were a school district and AS 14.11.011 is not listed, meaning MEHS would not be eligible to submit an application for school construction or major maintenance, and thus not eligible to be funded under the REAA fund.

7. Is any of the salmon study funding in the Department of Fish and Game (DFG) specific to chinook stocks?

DFG has \$4 million in federal receipt authority for the Alaska Marine Salmon Program, which chinook salmon is part of.

8. Clarify the state share amounts for the School Construction and Major Maintenance Grant Fund lists?

- The total State share on the FY2025 School Construction Grant Fund List is \$260,489.8. The latest school construction list can be found here: <https://education.alaska.gov/Facilities/final/FY25ConstructionFinalList.pdf>.
- The total State share on the FY2025 Major Maintenance Grant Fund List is \$249,060.1. The latest major maintenance list can be found here: <https://education.alaska.gov/Facilities/final/FY25MaintenanceFinalList.pdf>.

9. What are the differences in amounts between the FY2024 and FY2025 School Construction and Major Maintenance Grant Fund lists?

- The total State share on the FY2024 School Construction Grant Fund List is \$195,666.8. The FY2025 list is \$64,823.0 more than the FY2024 list. The final FY2024 School Construction Grant Fund list can be found here: <https://education.alaska.gov/Facilities/final/FY24ConstructionFinalList.pdf>.
- The total State share on the FY2024 Major Maintenance Grant Fund List is \$217,866.8. The FY2025 list is \$31,193.3 more than the FY2024 list. The final FY2024 Major Maintenance Grant Fund list can be found here: <https://education.alaska.gov/Facilities/final/FY24MaintenanceFinalList.pdf>.

10. Provide the total amount of deferred maintenance at the University of Alaska, and the amount of proposed funding for this purpose in the FY2025 budget.

The University of Alaska's total deferred maintenance backlog is approximately \$1.4 billion. The following table provides the breakdown of the total backlog amount by priority projects, campus, and systemwide services.

	Total Project Costs (\$ in thousands)
University of Alaska Priority Projects	\$ 553,703.5
University of Alaska Anchorage	247,954.8
University of Alaska Fairbanks	620,836.2
University of Alaska Southeast	17,074.8
University of Alaska System Office	3,561.0
	\$ 1,443,130.3

The Governor's FY2025 budget addresses deferred maintenance needs of state departments, including the University of Alaska, in a capital appropriation titled Statewide Deferred Maintenance, Renovation, and Repair and totaling \$28,222.5.

11. What is the Department of Public Safety's schedule of maintenance needs for their aircraft and marine vessels?

The Department of Public Safety's aircraft and vessel maintenance schedules are available on the attached documents.

- a. *Attachment 1 - Department of Public Safety Aircraft and Vessel Maintenance.pdf.*
- b. *Attachment 2 - DPS PMS PV Stimson-Large Class Vessel.pdf.*

12. When did the Department of Administration start the digitization process for Payroll Services? How much has been invested thus far?

This question appears to be referencing IRIS HRM (Integrated Resource Information System Human Resources Management) implementation and its impact on timesheets. Before IRIS, the State utilized a home-grown Enterprise Resource Planning system which consisted of two pieces, AKSAS (Financial) and AKPAY (Human Resources). In FY2015 the State started using IRIS Financial and fully implemented IRIS with the implementation of HRM in FY2018. With implementation of HRM most of the State agencies kept utilizing their manual, paper-based processes. Some of this was due to convenience, challenges with configuration, and system limitations. Since the recent upgrade to IRIS Advanced, the system has more capability and functionality; this will further expand with the move to the cloud. Most of the timesheets that flow through payroll are still hand audited, and manually entered into the system.

Instead, the "Continuation of Payroll Digitization" project refers to an expansion of the approved FY2024 capital project of \$2.2 million to obtain equipment and programming that will allow for digital payroll processing to eliminate the printing of timesheets for processing and retention. For more information on these two projects please see the attached documents.

- *Attachment 3 – FY2024 Capital Project Digitization of Payroll Services and Recruitment.pdf.*

- *Attachment 4 – FY2025 Capital Project Expand and Complete Digitization of Payroll Services and Recruitment.pdf.*

13. Please provide an overview of the timesheet process for State employees.

The cloud migration of IRIS and employees processing their own time sheets are unrelated processes. Yes, IRIS is in the process of transitioning to the CGI Cloud; however, the payroll digitization project is independent of the cloud migration. The project for Digitization of Payroll will not change how other departments submit their timesheets. Rather, this project will modernize the processing aspects of the payroll process on the back end, streamlining a process that is intensive in labor, supplies, and time, into a digital platform which reduces printing, routing, editing, and storage of paper documents to a faster and more cost-efficient methodology in the long run. This expansion is needed to complete the project and include all duties and tasks that can be digitized that are currently performed by payroll services, including timesheet auditing, payroll production data entry and distribution, Personnel Action Request Form (PARF), Letter of Agreements, payroll production tasks, and expanded infrastructure to help address manual entry timesheets.

With the completion of this project, those scanned images will be stored electronically rather than being printed and stored in file cabinets. This improved process will have numerous benefits including: 1) electronic records will be cataloged and easy to search; 2) payroll services will no longer need to print and retain thousands of documents, which currently increase the total lease costs of the division unnecessarily; 3) increased efficiency and timeliness in processing nearly 15,000 timesheet documents every two weeks. The FY2025 capital request is to fully fund the process that was started by FY2024 capital appropriation.

14. Was the Department of Fish and Game research vessel disposed of or sold? If it was sold, what is the status of the proceeds? And what is the life expectancy of the new vessel?

The Department of Fish and Game's (DFG) research vessel was disposed of for \$100.0. The \$100.0 received for the disposal was retained by the division and the proceeds will be used for deferred maintenance for other divisional assets.

The life of a large asset can be hard to determine. It is highly dependent on DGF's ability to do routine maintenance. The other large vessels in the DFG fleet were acquired as follows:

- Research Vessel (R/V) Solstice – 2005
- R/V Resolution – 1971
- R/V K-Hi-C – maintained and operated by the Division of Commercial Fisheries since 1996; owned by the Kodiak Island School District
- R/V Medeia – 1994
- R/V Krestrel – 2003

The recommended maintenance required to safely operate the vessels is a dry dock every three years. The most recent full dry docks have cost around \$750.0. The Division of Commercial Fisheries has four aircraft in addition to the vessels listed above that also require regular maintenance for safe operation.

15. Provide information on the Per- and Polyfluoroalkyl Substances (PFAS) related truck replacement budget item.

The Department of Transportation & Public Facilities (DOT&PF) is seeking \$2,533.3 in unrestricted general fund funding to cover Per- and Polyfluoroalkyl Substances (PFAS) related costs that are federally ineligible and to transition Aircraft Rescue and Fire Fighting (ARFF) vehicles from Aqueous Film Forming Foam (AFFF) to Fluorine-Free Foam (F3). Additional information about this project can be found on the attached document.

- *Attachment 5 - FY2025 Capital Project 65234 - DOTPF Stwd PFAS Fleetwide Foam Replacement.pdf.*

16. Provide an update on the Alaska Marine Highway System (AMHS) funding and FY2024 cashflow, to include receipt/nonreceipt of anticipated federal funds.

On the award that came out November 29, 2023, DOT&PF received less than they applied for with the operating grant.

The true impact of the shortfall (or reduced award) is mitigated by the unlikelihood that DOT&PF would be able to spend all these funds due to the Marine Vessel (M/V) Matanuska not being in service and crew shortages; in addition, DOT&PF only spent approximately 88 percent of the budget in calendar year 2023.

The below table also provides information about the awards and associated projects. Note that \$21 million went to the America Samoa that otherwise would have gone, presumably, to Alaska. The Secretary of Transportation has full discretion over the award.

AK	Alaska Department of Transportation & Public Facilities (DOT&PF)	Rural Ferry	The Alaska Department of Transportation & Public Facilities will receive funding to improve operations on the Alaska Marine Highway System, which runs 3,500 miles and serves more than 30 communities with limited transportation options and high costs. The funding will improve the condition and quality of passenger ferry service -- including vessels and workforce -- as well as add service to remote communities.	\$38,511,041
AK	Alaska Department of Transportation & Public Facilities (DOT&PF)	Rural Ferry	The Alaska Department of Transportation & Public Facilities will receive funding to build a new ferry to replace a nearly 60-year-old vessel. The new vessel, which will feature a diesel-electric propulsion system, will serve rural southwest Alaska, improving service, reducing greenhouse gas emissions, and preserving a vital transit lifeline.	\$92,786,400
AS	American Samoa Government Department of Public Works	Rural Ferry	The American Samoa Department of Public Works will receive funding to build two new low-emission ferries that will operate from Tutuila to the islands of Manu'a. This project will expand service, enhance reliability and help reduce greenhouse gas emissions causing climate change.	\$21,250,000

17. Clarify the Alaska Statewide Transportation Improvement Program (STIP) concerns with the Federal Highway Administration (FHWA) reducing the allocation to Alaska.

In the past, the Department of Transportation and Public Facilities (DOT&PF) was allowed to inflate the projects in the STIP by 30 percent, even knowing there was only 100 percent worth of funding, the plan showed 130 percent.

This year, the FHWA Alaska Office, and others involved, took a strict interpretation of the Code of Federal Regulations (CFRs), between public release of the STIP in July 2023 and submittal on January 19, 2024, 30 percent worth of the funding in the plan was pushed to years beyond the STIP or shown as illustrative; no funding was reduced. There is a new Municipal Planning Organization, which changed the distribution of those funds slightly, but did not lessen the amount coming Alaska.

Citation:

23 CFR 450.104 "Financially constrained or Fiscal constraint" [https://www.ecfr.gov/current/title-23/part-450/subpart-A#p-450.104\(Financially%20constrained%20or%20Fiscal%20constraint\)](https://www.ecfr.gov/current/title-23/part-450/subpart-A#p-450.104(Financially%20constrained%20or%20Fiscal%20constraint))

Mat-Su Valley Planning for Transportation <https://www.mvpmo.com/>

18. Will the contracted statewide salary study compare State of Alaska employees to employees in other states?

Yes. This is outlined in the Scope of Work of the State of Alaska's Request for Proposals on the Statewide Salary Study ([RFP 2024-0200-0142](#)), which can be found at the State of Alaska Online Public Notices website. The qualified offeror is to perform a comprehensive salary survey that collects salary, pay schedules and structures, retirement and health benefits, paid holiday, and leave accrual data for employment positions with the federal government, other states, municipal government organizations, and private sector employers that are like a wide range of State of Alaska employment positions presented in the State's comparison pool. The comparison pool consists of benchmark, journey level jobs used to identify comparable jobs in the market. The qualified offeror is to administer the survey to a representative sample of employers across other states, municipal government organizations, the federal government, and private sector employers, ensuring a diverse and representative mix of organizations.

Remaining follow-up responses forthcoming:

- 1. Provide information on incentives offered to heavy equipment operators, especially at airports.**
- 2. Update on recruitment efforts. Some prior requirements were waived – for what level of positions has this occurred (i.e. skilled, entry level, etc)? Is it working?**

Sincerely,

Lacey Sanders

Lacey Sanders
Director

cc: Alexei Painter, Director, Legislative Finance Division
Laura Stidolph, Legislative Director, Office of the Governor