



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Administration

PAULA VRANA, COMMISSIONER

550 W. 7th Ave., Ste. 1970
Anchorage, AK 99501
Main: 907.269.6293
Fax: 907.465.2135
www.doa.alaska.gov

March 17, 2025

The Honorable Jesse Kiehl
Chair, House Administration Finance Subcommittee
Alaska State Capitol, Room 514
Juneau, Alaska 99801

Dear Chair Kiehl:

During the Department of Administration Budget Overview presentation to the Senate Administration Finance Subcommittee on March 3, 2025, we agreed to follow-up with some information we did not have on hand at the time. The questions from the committee members and the follow-up responses are below.

1. Sen. Tobin: Why did federal spend decrease significantly in FY21 onwards? (Slide 3)

The changes in federal funding between FY2016 and FY2021 were influenced by several notable factors:

- Decrease from FY2016 to FY2017:
 - The Shared Services of Alaska (SSoA) budget was reduced to align personal services funding with projected revenue, including a \$85.2 reduction in the 1033 Surplus Property Fund, which are categorized as federal funds.
 - The Division of Motor Vehicles (DMV) reduced its federal authorization by \$1,500.0 due to the expiration of federal grants, including the 2011 and 2012 Commercial Driver License Program Improvement grants from the Federal Motor Carrier Safety Administration and the Driver License Security grant from the Federal Emergency Management Agency.
- Increase from FY2017 to FY2018:
 - The Alaska Land Mobile Radio received a \$1,400.0 federal increment from the U.S. Department of Defense (DoD) as part of a newly negotiated single-service contract with Motorola Solutions, Inc. This agreement streamlined the procurement process by consolidating contracts, requiring the DoD to pass payments through the state. This allocation from the Office of Information

- Technology has since transferred to the Department of Military and Veterans' Affairs in FY2021.
- The Office of Public Advocacy (OPA)'s authority was reduced by -\$200.0 due to unrealizable federal receipts. OPA receives some grant money to support the Court Appointed Special Advocate (CASA) program. However, grant availability was limited, and funding for this program was capped in FY2018 and FY2019.
- The DMV received a new \$500.0 federal grant under the Commercial Motor Vehicle Safety Act to comply with new federal regulations requiring biennial audits of Commercial Driver's License examiners and trainers. This funding was part of a three-year grant awarded in September 2016.
- Decrease from FY2020 to FY2021 Appropriation Transfers:
 - The Alaska Oil and Gas Conservation Commission was transferred to the Department of Commerce, Community, and Economic Development under Administrative Order 307, along with \$120.0 in federal authority.
 - The Violent Crimes Compensation Board was transferred to the Department of Public Safety for better mission alignment, along with \$1,000.0 in federal authority.

2. Sen. Bjorkman: Please send the write up from the chief health manager on cost savings for prescription drugs.

- Employee Plan uses Optum's Premium formulary.
- Employee plan requires use of Optum Specialty Pharmacy.
- AlaskaCare plans have quantity limits, Utilization Management, and Prior Authorizations.
- The AlaskaCare employee plan utilizes a Variable Copay Card solution.
- The employee plan has an Orphan Drug program in place.
- The employee plan incentivizes the use of Home Delivery by sharing cost savings with members in the form of reduced copays. (Saves approximately two percent)
- The AlaskaCare plans audit our Pharmacy Benefit Managers annually to ensure that Optum meets the pricing guarantees in our contract.
- Annually audit rebates to ensure that 100 percent of all drug rebates are passed back to the plan.
- Annual Market Checks – compare the contracted pricing Optum is providing the AlaskaCare plans with other clients in the market to ensure we are getting optimal drug pricing.
- We are administering a retiree plan Employer Group Waiver Plan (EGWP- aka "Medicare Prescription Drug Plan" aka Medicare Part "D") that is bringing in more than \$100 million annually in subsidies from Medicare.

3. Sen. Bjorkman: Please explain the rationale for moving labor relations to Law? Please share the write up available regarding the AO.

This was done through the Governor's AO 356 which can be found at this link:

<https://gov.alaska.gov/admin-orders/administrative-order-no-356/>

Aligning this important labor relations function with the State agency responsible for drafting, interpreting, and negotiating legal instruments will improve the functioning of the State's labor relations work by:

- Providing direct legal assistance and oversight to the State's labor relations team.
- Allowing for the legal review and analysis of contract terms and proposals during the negotiation process.
- Providing enhanced resources for review and response to grievances, arbitrations, and questions of contract interpretation.
- Facilitating the scaling of legal resources more easily for work that can ebb and flow.

The Division of Personnel will continue to process delegated Letters of Agreement and effect Letters of Dispute resolution associated with employee disciplinary matters and other functions that closely align with the Division's statutory and regulatory authority.

4. Sen. Tobin: Please explain the reason to reverse mental health trust salary adjustment? (Slide 9)

This is a standard technical adjustment for reversing prior year salary adjustments and/or fiscal notes. The Alaska Mental Health Trust Authority uses zero-based budgeting, so the prior year's authority is backed out annually and replaced with the updated request from the Board of Trustees' recommendations, as applicable.

5. Sen. Bjorkman: Are there plans to upgrade the ALVIN system at DMV? Are there budget requests for it this year?

DMV has no plans to upgrade ALVIN and have no budget requests in for such an upgrade this year. ALVIN was most recently upgraded when DMV came off the mainframe.

6. Sen. Tobin: Please provide the hiring plan to fill vacancies at payroll?

DOA currently has continuous recruitments open and is being more proactive to reach out to potential employees through job fairs, university job boards, etc.

7. Sen. Kiehl: How is it working with the Labor Relations manager in the governor's office? What is that person's role? Will Dept. of Law need additional resources for a labor relations manager?

Both the Department of Law and the Governor's office play key roles in strengthening labor relations. To enhance coordination and oversight, the Department of Law includes an Attorney V position to lead the labor relations unit and collaborate across departments. The transfer of the Labor Relations Manager position supports this vision, ensuring daily operations run smoothly while also providing the leadership needed to align labor relations with broader state priorities.

8. Sen. Kiehl: Please provide a more detailed timeline on BEARS implementation.

****DRB is still compiling this information, a follow-up will be sent to the committee upon completion.*

Sen. Tobin: Please provide more detail on the frameworks for rolling out AI projects? How do you prevent the problems we've seen elsewhere with AI hallucination?

- Focus on the data – control the data sets AI tools use, use private systems for grounding them protecting sensitive data from leaving the controlled environment (IAW current policy).
- Manage the scope of developing systems closely – follow a rigorous process with complex use cases. We are updating our Investment Review Board (IRB) to account for responsible AI use. We have seen no bespoke system requirements to date.

9. Sen. Tobin: How will you prevent AI bias? What are the internal positions? Do you need legislation?

- Use well tested systems and ground them on controlled data. Transparency around training processes is provided by suppliers, and close control of data exposed to systems mitigates unexpected results.
- Human oversight and accountability are required for all service delivery and remain the best way to identify and avoid outcomes.
- Legislation can be a challenge with rapidly changing technologies, while established requirements for data oversight and other security controls still apply to emerging technologies.

10. Sen. Tobin: How will you address AI's effects on cost, energy, and impacts on communities with server farms?

- The tools discussed today DO NOT impact energy or community issues in Alaskan Communities, beyond being able to improve services.
- Our tools are in well-established data centers within the lower 48 states and do not increase their footprint or energy consumption.
- Most of current discussion lies with new data centers and particularly those used to train Large Language Models and other developing AI.

11. Sen. Kiehl: For the OPA building upgrades, how much of the cost is one-time and how much is recurring? (Slide 18)

The \$106.0 increment request for OPA covers the lease costs in perpetuity with no one-time costs. OPA leases office space from a non-state lessor, and this adjustment reflects the ongoing expense.

12. Sen. Kiehl: For OPA and PD, are there any other class studies completed or ongoing besides the GAL study?

There are no other ongoing class studies for OPA and PDA. The only other class study that the Division of Personnel, Classification section has completed was the Legal Support Staff study which went into effect on June 12, 2023. This study affected seven state agencies, and a summary of the actions are as follows:

- Consolidation of Paralegal 1 (PI0121) and Victim/Witness Paralegal 1 (PI0125) job classifications to Paralegal 1 (PI01BI1).
- Consolidation of Paralegal 2 (PI0122) and Victim/Witness Paralegal 2 (PI0126) job classifications to Paralegal 2 (PI01BI2).
- Creation of a new Paralegal 3 (PI01B3) job classification.
- Class code, retitling, and grade change of Associate Attorney 1 (PI0201), range 17, to Paralegal Specialist 1 (PI01C1), range 19.
- Class code, retitling, and grade change of Associate Attorney 2 (PI0202), range 19, to Paralegal Specialist 2 (PI01C1), range 20.

13. Sen. Kiehl: Are OPA or PDA providing any additional services or doing additional work beyond last fiscal year? Has either added in municipal cases?

OPA has no municipal contract and is only providing constitutionally and statutorily mandated services per AS 44. 21.410.

****PDA is still compiling this information; a follow-up will be provided to the committee upon completion.*

14. Sen. Kiehl: Are staff leaving payroll for other state divisions within and outside DOA? Do you have data on that?

DOA does not have any data to this level of detail currently.

15. Sen. Kiehl: Please provide a list of recommendations for budget reductions within your department.

The Department of Administration does not have a list of reductions or decrements to submit for consideration at this time. The department will work with the Office of Management and Budget to identify any future amendments for the legislature's consideration.

Please let us know if the committee has any additional questions.

Sincerely,


Paula Vrana
Commissioner

cc: Forrest Wolfe, Legislative Liaison, DOA
Jordan Shilling, Director, Governor's Legislative Office