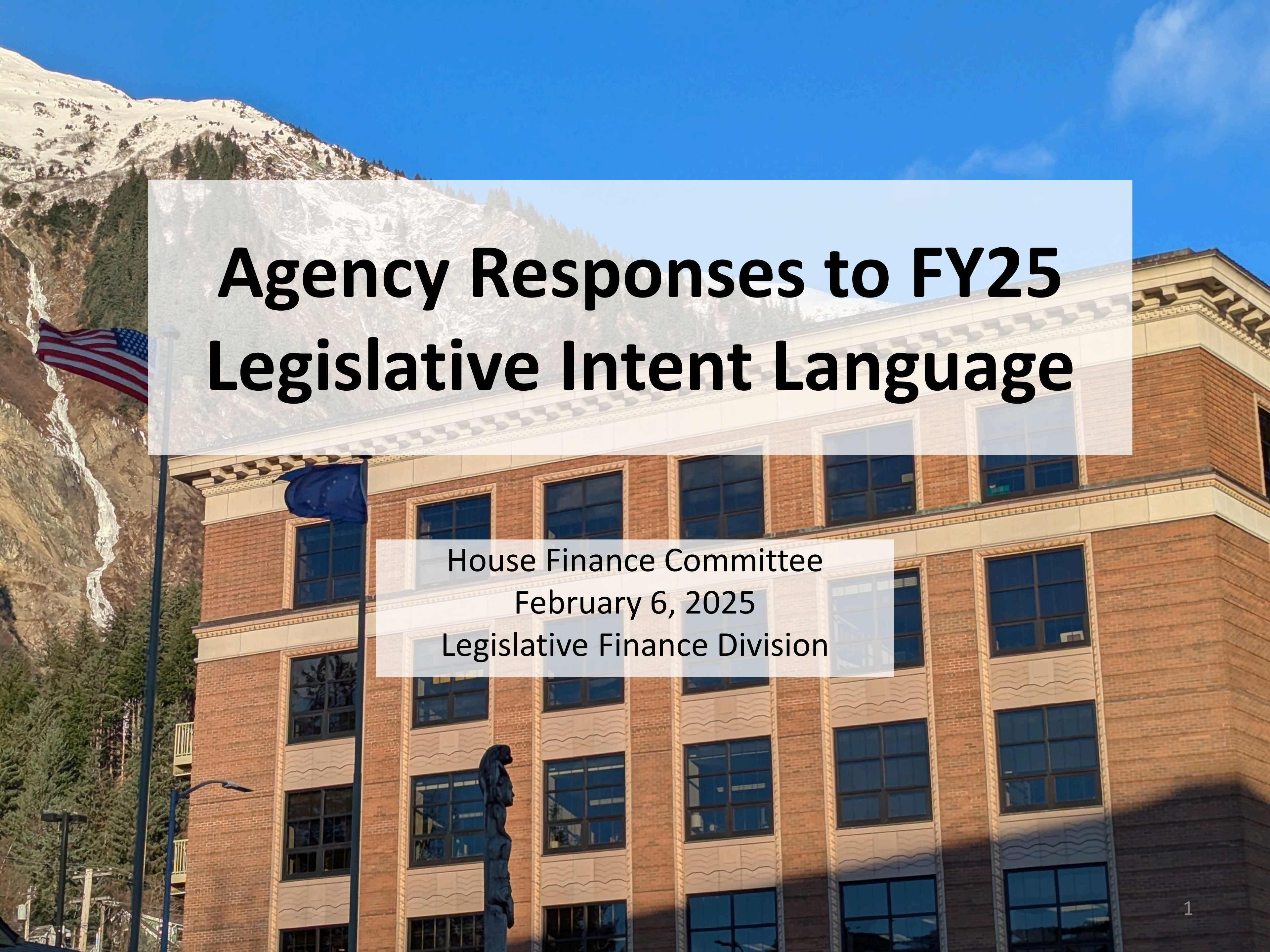


Agency Responses to FY25 Legislative Intent Language

House Finance Committee
February 6, 2025
Legislative Finance Division

Outline

- Background on legislative intent language and memo
- Significant FY25 intent responses
  - AGDC
  - Criminal case backlog
  - DOH and DNR projections
  - Department of Corrections
  - Statewide salary study
  - Maintenance and operations of buildings and vehicles
  - APFC Anchorage office
  - Items outside the agency’s control

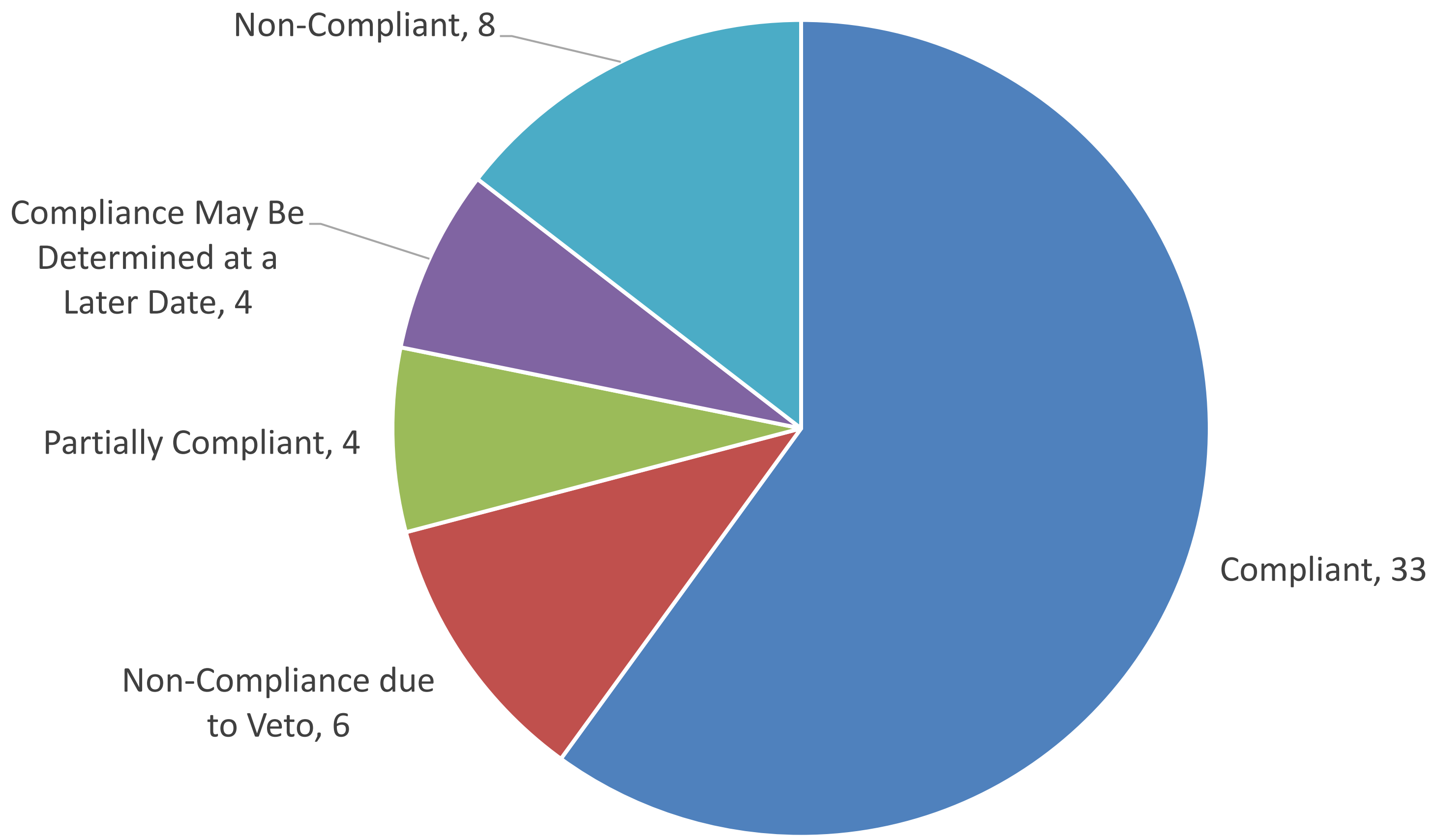
Background: About Legislative Intent

- The legislature frequently includes legislative intent in appropriation bills to give guidance to agencies.
- The confinement clause of the Constitution limits intent or qualifying language. In Alaska Legislative Council v. Knowles, the Supreme Court set the following limits:
  - "[T]he qualifying language must be the minimum necessary to explain the Legislature's intent regarding how the money appropriated is to be spent. It must not enact law or amend existing law. It must not extend beyond the life of the appropriation. Finally, the language must be germane, that is appropriate, to an appropriation bill."
- Legislative intent does not have the force of law and may be unconstitutional if it fails the test set out by the Supreme Court in the above paragraph.

Legislative Intent Memo

- Legislative intent language typically requests a follow-up from the agency with further information.
- The Office of Management and Budget compiles agencies responses to each intent item. The Legislative Finance Division then reviews the responses and determines whether they comply with the intent language.
- A combined memo with all legislative intent responses and LFD analysis is sent to the Finance co-chairs early in the legislative session.
- The FY25 intent memo included 50 items of FY25 intent, plus five items from previous years for which compliance could not be determined when the FY24 memo was prepared (due to report timing or other factors).

LFD Determinations of Compliance in FY25 Intent Memo



Non-Compliant Items Due to Veto

Agency	Item #	Description
DOA	2	$1.2 million UGF for rural public radio stations (pop. < 20k)
DCCED	6	$1.5 million UGF for ASMI, with intent to work with ATIA
DOH	33	Intent to increase general relief/temporary assisted living rates (partially vetoed, so rate only partially increased)
DOH	35	Intent regarding $80.0 UGF reimbursement to pharmacies for dispensing certain medication in locking vials
DOT&PF	46	Intent regarding $1,273.8 UGF for hiring incentives for mechanics and operators in the Central Region
DOT&PF	47	Intent regarding collecting fees from Manh Cho mining project for highway maintenance and other costs

AGDC Intent Language Response (Item 5)

- FY25 budget included language directing the Alaska Gasline Development Corporation (AGDC) to complete an independent third-party review of a project proposal and present that to the legislature.
- AGDC contracted with Wood Mackenzie and submitted the report to the legislature on November 12, 2024. AGDC and Wood Mackenzie presented to the House Resources Committee on November 19, 2024.
- The analysis developed four demand scenarios, ranging from current state demand to a full LNG facility. It also estimated the impact of variables such as a federal loan guarantee and property tax rates.

Intent Regarding Criminal Case Backlogs (Items 3, 38, and 50)

- Identical intent language was included in three places in the budget (DOA's Legal and Advocacy Services, Department of Law's Criminal Division, and the Judiciary's Trial Courts) that reads:

  "It is the intent of the legislature that defense attorneys take every reasonable action to work through the criminal case backlog with expediency."
- **Public Defender Agency** responded that they have implemented several initiatives to reduce backlog, including training and mentoring emphasizing the need for speedy resolution of cases and prioritizing recruitment efforts.
- **Judiciary** responded with a list of several changes they have adopted, such as using "trailing calendars" to condense trial starting dates, minimizing repetitive hearings, and issuing directives and orders about limiting the length and number of continuances that can be granted.
- **Department of Law** responded that they have ongoing efforts to work through the backlog but did not describe those efforts.

Medicaid and Fire Suppression Projections (Items 34 and 40)

- FY25 is the second year using a Medicaid projection system developed during the 2023 session in cooperation between DOH, OMB, and LFD. The projection builds from actual claims and adjusts for policy changes and other expected cost changes. The latest projection was received on December 15, 2024, and is expected to be incorporated into the Governor's amended budget.
- A similar projection was developed for fire suppression in cooperation between DNR and OMB last session. The latest projection was received on January 19, 2025. However, it does not fully account for spring fire costs and may still be a work in progress.

Department of Corrections (Items 9-16)

The legislature included eight intent items for the Department of Corrections:

9. Working with OMB and LFD to develop a budgetary projection model
10. Preparing a report to examine the cost savings associated with closing institutions
11. Preparing a plan to increase the efficiency of institutions
12. Monthly reporting on spending on overtime and other premium pay
13. Not use transfers to maintain a greater than 10% vacancy rate in institutions
14. Negotiating with the U.S. Marshals over manday billings
15. Notifying the Court System about lengthy periods on electronic monitoring
16. Expand alternative step-down strategies to reduce the reliance on Community Residential Centers (CRCs)

Department of Corrections (Cont.)

- DOC has provided monthly reporting of overtime and premium pay. However, this is not matched up with their projection model, which is based on Management Plan rather than actuals (like the Medicaid and Fire Suppression projections)
- Response on institutional closure and cost efficiencies did not provide detailed analysis on the fiscal impacts of consolidation or estimates of transition costs to closing institutions.
- DOC has met with the U.S. Marshals over manday billings but has not made progress in coming to an agreement
- DOC appears to be complying with intent regarding electronic monitoring, prisoner transport, and CRCs. They are a "piloting a furlough program for residential substance use disorder treatment in the Mat-Su Valley at two separate locations and exploring new transitional housing opportunities in Juneau"

Statewide Salary Study (Item 24)

- In FY24, the legislature funded a $1 million UGF capital project for a salary study of all executive branch job classes to identify and correct discrepancies in pay as compared to similar positions in private sector within the state. The last salary study was performed in 2009 and it was not implemented.
- FY24 intent to align to the 65th percentile and include benefits, and FY25 intent to implement results and report on the status of these efforts by December 20, 2024.
- Report was expected in June 2024 but has been withheld to expand comparisons and account for FY25 salary adjustments.

Maintenance and Operations of Buildings and Vehicles (Items 25 and 26)

- FY25 budget structure included legislative addition of allocations to track maintenance and operations costs, as per AS 37.07.020(e).
- Legislative intent requested that the Governor's FY26 budget request adhere to and improve upon this structure.
- Separate intent requested a report detailing, by allocation, all operating and maintenance costs related to State-owned assets including vehicles, vessels, aircraft, and heavy equipment that are not included in the State Equipment Fleet.
- The Governor's FY26 budget request included additional allocations for cost tracking, but the intent response stated that new Object Codes would be implemented by January 1, 2025 to track costs, and that comprehensive information on current expenditures is not available at present.

Alaska Permanent Fund Corporation Anchorage Office (Item 43)

- Legislature restricted APFC office expenditures to the Juneau Office, with a $100 IncOTI to decommission the Anchorage office. Governor vetoed Anchorage office funding.
- Intent stated that APFC should not establish or maintain new office allocations without corresponding budget increments for that purpose, and report on any expenditures related to the Anchorage office.
- APFC reported increased FY25 expenditures for the Anchorage office and cited travel to the Juneau office, and FY25 equipment purchases of standing desks and meeting room furniture for six staff in Anchorage.

Items Outside an Agency's Control

- **DFCS – Item 20:** FY24 and FY25 intent for agency to submit a plan and timeline for renovation or replacement of the Fairbanks Pioneer Home.
- **DFCS – Item 21:** Plan to update or replace the Online Resources for the Children of Alaska (ORCA) system.
- **DPS – Item 41:** Plan to fund Child Advocacy Centers in FY26 budget.

Questions?

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