ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE
Division of Legislative Finance

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MEMORANDUM

DATE: November 12, 2025

TO: Legislative Budget and Audit Committee

FROM: Alexei Painter, Director

SUBJECT: Preparation for the November 19, 2025 LB&A Meeting

OMB submitted the following FY26 RPL for consideration at the November 19, 2025 Legislative Budget and Audit Committee meeting. This RPL, along with Legislative Finance comments, is posted on our website at http://www.legfin.akleg.gov.

RPL#	Agency	Subject	Amount	Fund Source
16-2026-0154	Department of Health	Rural Health Transformation Program	$200,000,000	Federal Receipts (1002) **Operating**
09-2026-0098	Department of Military & Veterans Affairs	Construction of Certified Veterans Cemetery in Fairbanks	$3,600,000.00	Federal Receipts (1002) **Capital**

If you have any questions that you want an agency to address at the meeting, please call us so we can help ensure the agency has a response prepared.

Department of Health
Departmental Support Services
Administrative Support Services

Subject of RPL: Federal Receipt Authority for the Rural Health Transformation Program	**ADN/RPL #: 16-2026-0154**
Amount requested: $200,000,000.00	**Appropriation Authority:** Sec. 1 Ch 10 SLA 2025 Pg. 24 Ln. 16-17
Funding source: Federal Receipts (1002) Operating	**Statutory Authority:** AS 44.29.020

PURPOSE

Alaska's rural health system faces persistent challenges: long travel distances and weather barriers, limited local primary, specialty, and behavioral health services, workforce shortages, aging facilities and technology systems, and high reliance on costly medical travel and medevacs. These pressures reduce timely access to care, strain rural providers, and worsen outcomes, especially for seniors, people with complex needs, and residents of remote communities.

The Rural Health Transformation Program (RHTP), established under H.R. 1 (One Big Beautiful Bill Act) and codified in the Social Security Act §2105(h), represents a generational investment in rural health care. Administered by the Centers for Medicare & Medicaid Services (CMS), the RHTP will distribute $10 billion per year from federal fiscal year (FFY) 2026 through FFY2030, a total of $50 billion in new federal funding, with no state match required, to modernize and stabilize state rural health systems.

Alaska submitted its application on November 5, 2025, and CMS must issue award decisions by December 31, 2025. By law, half of each year's funding will be divided equally among participating states. The remainder will be distributed based on rural characteristics and other factors identified in the upcoming federal Notice of Funding Opportunity (NOFO). If all 50 states participate, Alaska's equal-share allocation would be approximately $100 million annually; however, based on Alaska's uniquely rural and frontier profile, the Department of Health estimates an initial award of approximately $200 million per year, subject to CMS's final formula.

The Department of Health seeks federal receipt authority in the amount of $200,000,000 to accept and expend Alaska's RHTP awards. Funds will be used to improve access and outcomes close to home by investing in: primary care and chronic-disease management; behavioral health and substance use disorder services; complex care and long-term services and supports; workforce recruitment and retention; telehealth and other technology solutions; aligning and strengthening the continuum of care (from prevention and primary care through emergency, inpatient, outpatient, post-acute, and long-term supports) across regions; IT and cybersecurity upgrades; and testing value-based and other innovative care models. Up to 10 percent may support time-limited administrative activities to administer the program (e.g., Medicaid eligibility/Level-of-Care processing), consistent with federal guidance.

RHTP funding will strengthen care delivery across communities statewide, expanding local services, reducing avoidable travel, stabilizing rural providers, and creating sustainable, community-based

models of care. Prompt approval of receipt authority ensures Alaska can accept and deploy federal funds immediately upon award, aligning state and federal timelines, avoiding forfeiture or redistribution of funds, and accelerating tangible improvements in rural health.

PREVIOUS LEGISLATIVE CONSIDERATION
This request pertains to a new federal program established after adjournment of the most recent legislative session; no prior appropriations have been made for this purpose. No intent language related to the RHTP appears in existing appropriation bills, and no previous RPLs for this activity have been submitted or considered.

TIMING ISSUES
This request was not included in the current budget because the RHTP was enacted after adjournment of the 2025 legislative session. This is an unanticipated funding opportunity established in H.R. 1 (One Big Beautiful Bill Act), which became law on July 4, 2025. While the funding documented in the Social Security Act §2105(h) is available now; CMS issued the notice of federal award (NOFO) in early September 2025. By law, CMS must make award decisions by December 31, 2025. No award letters or contracts have been issued yet.

RHTP provides annual federal allotments for federal fiscal year (FFY) 2026-FFY2030, each with a two-year expenditure window (e.g., FFY2026 funds available through the end of FFY2027). CMS may redistribute unspent prior-year funds beginning March 31, 2028 and annually thereafter. Receipt authority is needed now so the department can accept the award promptly and execute sub-awards on schedule, particularly for projects requiring procurement and construction lead times.

Delay or disapproval would prevent Alaska from drawing federal dollars on time, jeopardize the State's ability to invest in shovel ready projects and programs, and increase the risk of federal claw-back or redistribution of Alaska's share. Approving receipt authority aligns the State process with the federal application, award, and expenditure cycles and protects Alaska's ability to deploy funds quickly.

BUDGETARY ISSUES
The proposed federal receipt authority aligns directly with the department's long-term goals to strengthen primary care, behavioral health and substance use treatment, complex care, and long-term services and supports, and to improve prevention and health care access in Alaskan communities. Expenditures will be measured with straightforward efficiency and outcome indicators appropriate to each project.

Up to 10 percent of funds will support administrative activities needed to operate the program (e.g., grants management, applicant technical assistance, reporting/IT/cybersecurity/compliance). The remaining ≥90 percent will support program delivery through grantmaking intermediaries and investments in health care related entities and programs.

The department has not begun spending RHTP funds; expenditures will start only after federal award and legislative receipt authority is issued. Budget impacts are expected to be primarily federal. The federal statute prohibits the use of these funds as the State's Medicaid match, and projects will be selected and structured to include sustainability plans beyond the federal funding period. Accordingly, the department does not anticipate future general fund pressure attributable to this authority. Each annual federal allotment will be expended within its two-year window (FFY2026 funds through FFY2027, etc.), with all spending completed by September 30, 2032. Since allotments

are annual, the department may request routine adjustments to federal receipt authority in future budgets to reflect the federal award schedule.

There was no excess federal receipt authority in the prior year, as this is a new program. Indirect costs will be applied only as allowable within the 10 percent administrative cap; no impact on fees for services is anticipated from granting receipt authority. Additional considerations include adherence to federal procurement and audit requirements, realistic construction/procurement timelines for capital projects within the two-year clock, and coordination with other entities. Where appropriate, RHTP projects may braid resources with other federal grants, local government and philanthropic funding, and payer agreements to enhance sustainability.

Legislative Fiscal Analyst Comment:

This RPL poses some technical and policy questions.

As noted under "Timing Issues," the RHTP was established in H.R. 1 (One Big Beautiful Bill Act) which became law after the closure of Alaska's legislative session. Funding for this program was not considered during the FY26 budget process, and applications were due before the start of the next legislative session. This provides little opportunity for legislative consideration of this new program. However, as the Department noted, the application has already been submitted, so it is unclear what input the legislature could have at this point, even if the appropriation were considered by the full legislature.

The RPL process is confined to increasing existing appropriations, not creating new ones. This RPL increases the federal funds in this allocation from $3.9 million to $203.9 million, and the investments outlined in the Department's description above are largely new activities, although they do fall within the Department's statutory authority. Legislative Legal Services may have more advice on the legal risks posed by approval of this RPL.

The Governor has requested this RPL to add this receipt authority to the State's FY26 budget, as the federal awards will be announced at the end of the second quarter of SFY26 and will be valid at the federal level until the first quarter of FY28. An appropriate fiscal mechanism to accommodate funding on this timeline would instead be the use of a multiyear appropriation so that each of the funding allocations can be clearly identified and tracked over the course of a given award period. Should the committee move forward with approving this RPL, the full legislature could consider modifying the appropriation to be a multiyear as part of the supplemental budget.

RHTP does not require any state matching funds and is touted as a one-time, transformational investment that will improve the health care system in sustainable ways. The proposal guidance from CMS promotes the self-sustainability of changes made using RHTP funding as a primary factor for project approval. It is up to states to determine whether those sustaining resources be other federal grants (as allowable), partnerships with local governments, philanthropic or other grant funding, alternative payer agreements, or from general funds. This RPL states that appropriations of general funds related to RHTP projects will not be necessary now or in the future due to the focus on self-sustainability. In practice, there may be additional fiscal impacts that need to be considered by the legislature.

Agency Contact: Pam Halloran, DOH Assistant Commissioner, 907-465-1630
LFD Contact: Valerie Rose, Fiscal Analyst, 907-465-5411

State of Alaska
Department of Health

Rural Health Transformation Program

Lacey Sanders, OMB Director
Heidi Hedberg, Commissioner

Legislative Budget and Audit Committee

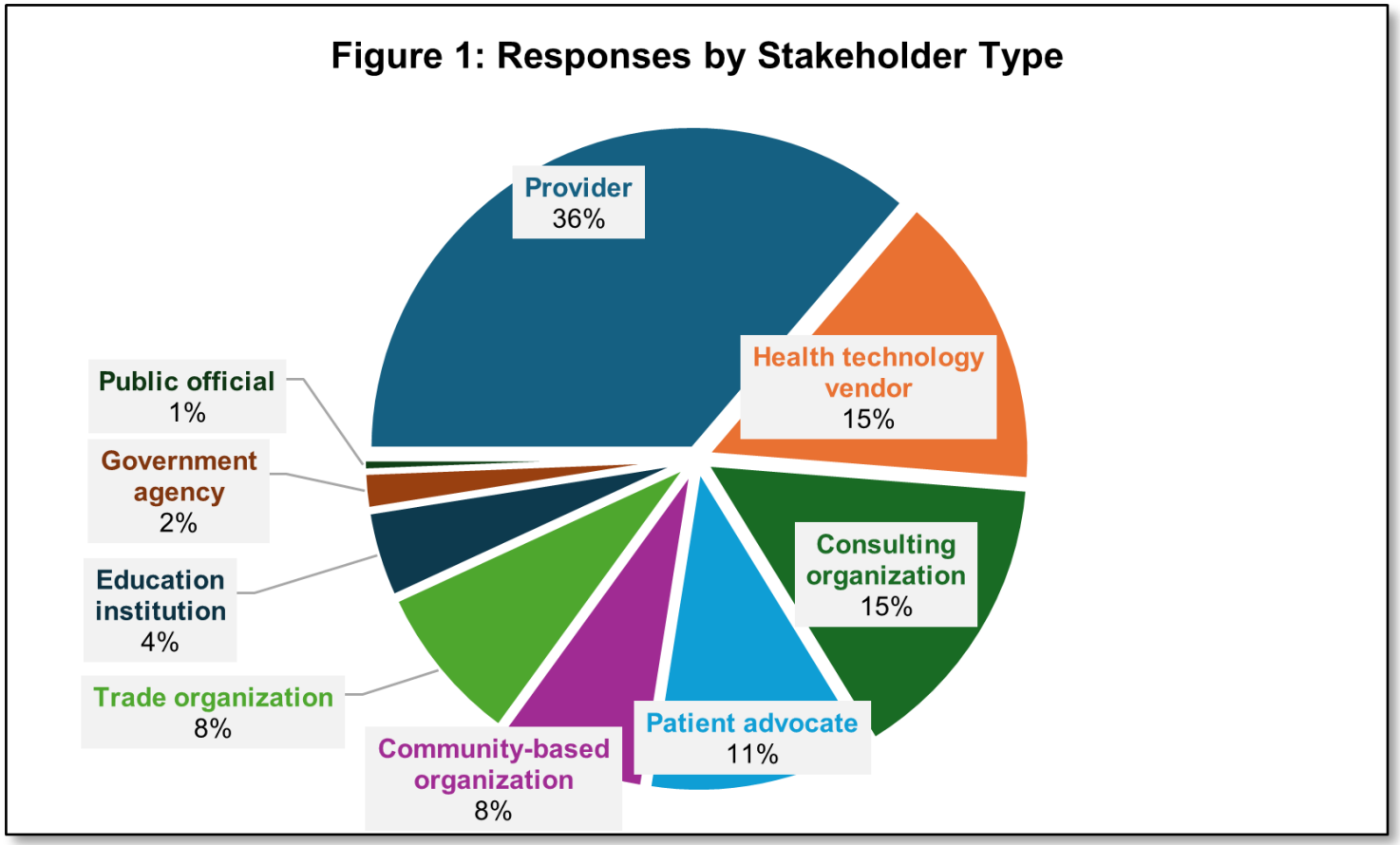
Wednesday, November 19, 2025

Rural Health Transformation Program (RHTP)

- Five-year, $50 billion federal initiative to transform rural health care delivery and improve access and health outcomes.
- Half of the funds will be distributed across states based on rural health needs, the other half will be split evenly.
- Alaska's rural nature positions us well to receive a substantial federal investment in annual allotments.

RHTP Application Development Feedback

- The Department received over 400 project ideas and suggestions from 160 outside groups.



RHTP Goals and Initiatives

Goal 1: Promote Lifelong Health and Wellbeing for Alaskans

- Healthy Beginnings
- Health Care Access
- Healthy Communities

Goal 2: Build Sustainable Outcomes Driven Health Systems

- Pay for Value: Fiscal Sustainability

Goal 3: Drive Workforce and Technology Innovation

- Strengthen Workforce
- Spark Technology & Innovation

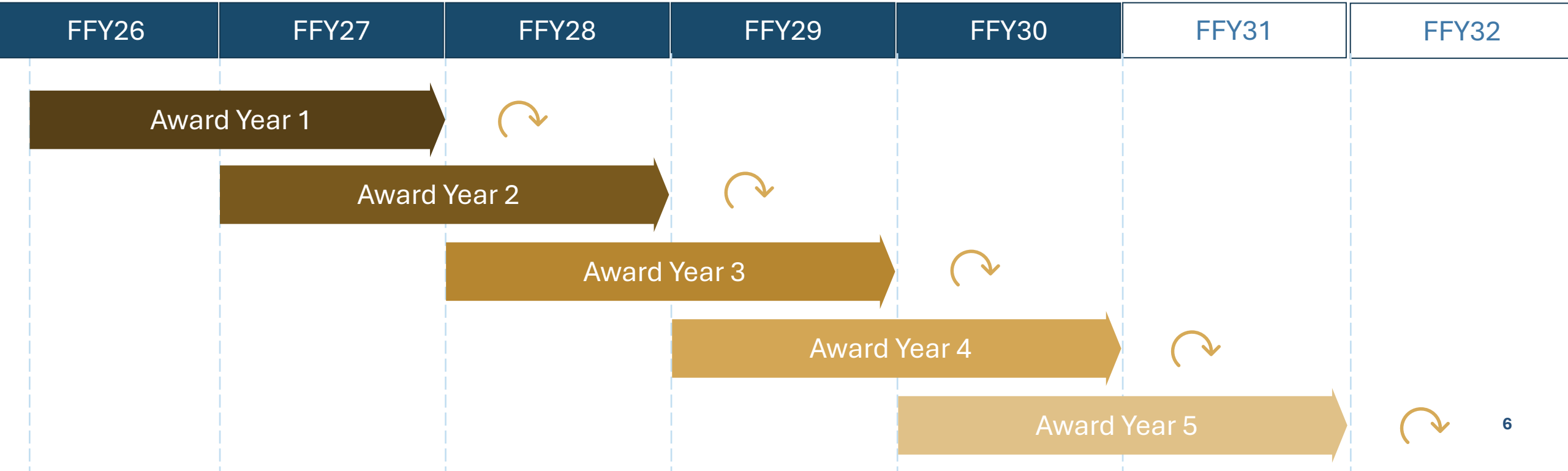
RHTP Unallowable Funding Uses

Funding **cannot** be used for:

- Construction of new facilities
- Funding clinical services already reimbursable by insurance or other coverage
- Using more than 10% for administrative costs
- Using more than 20% on capital expenditures
- Supplanting state contribution to Medicaid match
- Supplanting existing funding

RHTP Funding Timeline

- Federal Fiscal Year (FFY) 2026–2030:
  Annual distributions with 2 years to spend each allocation.
- Claw-backs/redistributions begin March 31, 2028 for unspent prior-year funds.
  Final reallocated funds (if any) must be spent by the end of FFY 2032.



Thank You

Questions?

Courtney Enright
Department of Health
Legislative Liaison
courtney.enright@alaska.gov

Department of Health Additional Resources:

https://health.alaska.gov/en/education/obbba-ak-impacts/

Military and Veterans Affairs
Military and Veterans Affairs (Appropriation)
Veterans Services (Allocation)

Subject of RPL: Construction of Certified Veterans Cemetery in Fairbanks	**ADN/RPL #: 09-2026-0098**
Amount requested: $3,600,000.00	**Appropriation Authority:** Sec. 14 Ch 11 SLA 2022 Pg. 125 Ln. 24
Funding source: Federal Receipts (1002) Capital	**Statutory Authority:** AS 44.35.035

PURPOSE
Additional federal receipt authority totaling $3,600,000 is needed to execute funds from the US Department of Veterans Affairs (VA) for construction of a dedicated State Veterans Cemetery in Fairbanks to serve burial needs of veterans in the interior of Alaska.

PREVIOUS LEGISLATIVE CONSIDERATION
A total of $14 million in federal receipt authority and $4.47 million in general fund match funding has previously been appropriated for this project. This additional request of $3,600,000 of federal receipt authority has not previously been submitted for legislative consideration.

TIMING ISSUES
The federal award for this project occurred in FY2026 and was larger than anticipated. Federal funds for this project were awarded on September 24, 2025, and will lapse on September 30, 2028. Additional funds are needed now because the Memorandum of Agreement (MOA) between the VA and the Alaska Department of Military and Veterans Affairs requires a contract in place within 90 days of grant award. The MOA also states that the US Department of Veterans Affairs may terminate the award or take other actions if a grantee fails to comply with any of the terms and conditions of the award. As a result, failure to meet the 90-day requirement will put the federal funding at risk which could ultimately result in a loss of the grant.

BUDGETARY ISSUES
This funding is crucial for the execution of the cemetery project. If additional authority is not granted, budgetary impacts include the loss of federal funding provided for the cemetery and general funds already invested in cemetery planning and design risk being rendered ineffective. If additional authority is authorized, funds will be executed over the next two to three years for cemetery construction.

Legislative Fiscal Analyst Comment:

The federal grant totals $16,712,172. The VA has also committed to reimbursing the State $813,692 for the cost of fabrication and delivery of outer burial receptacles used for the project. These combine for the total requested federal authority of $17.6 million.

Agency Contact: Bob Ernisse, Administrative Services Director; 907-428-7210
LFD Contact: Michael Partlow, Fiscal Analyst – (907) 465-5435

The Cemetery project has been ongoing since 2011 starting with an initial appropriation of $5 million in Federal authority, followed by multiple appropriations adding additional federal and UGF appropriations. The estimated project cost has grown from $8 million to over $20 million.

According to the VA, the grant will fund 351 pre-placed crypts, 600 columbarium niches, 279 cremains gravesites, administration and maintenance buildings, a committal service shelter, an entry monument and gates, a memorial wall and walk, a flag assembly area, equipment to operate the cemetery, roadways, landscaping, site furnishings, stormwater management, and associated infrastructure.

While the State matching funds for the capital grant have already been appropriated, these appropriations will not cover any of the ongoing maintenance and operation of the facility. Last estimates provided by DMVA indicated an **annual operating cost of at least $1.3 million**. This cost will need to be covered primarily using State funding sources. The VA is estimated to pay only about $73,350 per year for burials. (The VA pays a flat burial allowance of $978 for each qualified Veteran interned in the cemetery, and the last VA projections for the cemetery estimate about 75 internments a year once the cemetery is fully operational.)

There are no technical issues with this RPL.