



ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Legislative Finance Division

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Juneau, Alaska
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MEMORANDUM

DATE: February 10, 2025
TO: Representative Andy Josephson
Representative Calvin Schrage
Representative Neal Foster
Co-Chairs, House Finance Committee

FROM: Alexei Painter
Legislative Fiscal Analyst

A handwritten signature in blue ink, appearing to be "AP" followed by a stylized flourish.

SUBJECT: Responses to Committee Questions from January 30 Meeting

Thank you for inviting the Legislative Finance Division to present an overview of the State's fiscal situation and the Governor's FY26 budget. Responses to questions and requests for follow-up information from the committee hearing are below.

Representative Stapp asked what percentage the University of Alaska's health insurance increase in FY26 equals.

The two portions of the increase are the FY24 under-recovery of FY24 actual healthcare costs (\$10.8 million, equaling a 17% increase) and the FY26 estimated increase over the projected FY25 cost (\$7.0 million, equaling an 11% increase) for a total of a 28% increase.

Representative Galvin asked about the amounts on the Department of Education and Early Development's school construction and major maintenance lists.

State costs for the School Construction Grant Fund priority list totals \$363.1 million for 17 projects. The list can be found here:

<https://education.alaska.gov/Facilities/final/FY26ConstructionFinalList.pdf>

State costs for the Major Maintenance Grant Fund priority list totals \$261.5 million for 84 projects. The list can be found here:

<https://education.alaska.gov/Facilities/final/FY26MaintenanceFinalList.pdf>

Representative Bynum asked about modeling POMV draws other than 5%.

The table below shows Earnings Reserve Account (ERA) failure rates from FY26 through FY35. The failure rate reflects the percentage of simulations where the ERA balance is

insufficient to pay the full POMV draw at least once during the ten-year period. “Statutory Inflation Proofing” refers to full statutory inflation proofing occurring annually. “Partial Inflation Proofing” means that full statutory inflation proofing occurs, except the amount is reduced if the FY-end ERA balance is insufficient to pay the following years POMV. “No Inflation Proofing” means that there is zero inflation proofing in any year from FY26-FY35.

	ERA Failure Rates, FY26-FY35		
POMV Draw Rate	Statutory Inflation Proofing	Partial Inflation Proofing	No Inflation Proofing
4.0%	30.7%	21.1%	11.1%
4.5%	37.6%	25.5%	14.9%
5.0%	45.7%	31.1%	19.6%
5.5%	53.8%	36.4%	25.0%