



THE STATE  
*of* **ALASKA**  
GOVERNOR MIKE DUNLEAVY

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET  
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February 25, 2021

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

The Honorable Senator Bishop  
Co-Chair, Senate Finance Committee  
Alaska State Capitol Room 516  
Juneau, AK 99801

Dear Co-Chairs Stedman and Bishop,

Thank you for inviting the Office of Management and Budget to present on the Governor's fiscal year 2021 supplemental budget to the Senate Finance Committee on Monday, February 8<sup>th</sup>. Responses to questions and requests for follow-up information from the committee hearing are included below:

**Senators von Imhof and Olson asked for an explanation of how Technical and Vocational Education Program (TVEP) funds are collected and allocated, and how much TVEP funds are projected to decline.**

TVEP revenue is collected from employer contributions to the unemployment insurance (UI) trust fund equivalent to 0.16% of wages subject to UI contributions. These funds are allocated in statute for distribution to named recipients. This distribution will sunset on June 30, 2021 if legislation is not introduced and passed to reauthorize the program.

The amount of TVEP funds collected dropped from \$13 million in FY2020 to \$11 million in FY2021, which resulted in a \$1.3 million reduction to the FY2021 distribution. The reduction would have been greater, but the program had some unexpected carryforward from FY2020 due to recipients shutting down early to minimize coronavirus (COVID-19) exposure. Currently, FY2022 TVEP fund collections are projected to be \$12 million. However, this projection is highly volatile.

**Senator Stedman requested additional information on savings reserve targets to address revenue volatility.** Meaningful savings reserve targets assume there is typically sufficient revenue to cover the budget and that the reserve is meant to address occasional short-term revenue shortfalls. Until the structural deficit is resolved it is not possible to calculate a meaningful savings reserve target.

State savings reserve targets (or limits) vary significantly and range from 2% to 20% of general fund expenditures. In general, reserve targets should reflect the risk volatility of the revenue. According to the Government Finance Officers Association's (GFOA) Fund Balance Guidelines, governments vulnerable to natural disasters; more dependent on a volatile revenue sources; and subject to cuts in federal grants likely need higher reserves. For Alaska in FY2021, the 2-20% reserve amounts would mean a reserve of \$92.6 million to \$925.8 million. Per the GFOA guidelines Alaska would fall at the higher end of this range.

From FY2013 to FY2020 the State of Alaska spent around \$20 billion in reserves.



**Senator Bishop asked whether the contractor the Department of Revenue used for their security review was an Alaska-based operation and for information such as the length of the contract.** The Department of Revenue (DOR) contracted with Worldwide Technologies (WWT) for their risk assessment. WWT is a US-based company with a satellite office in Anchorage. DOR originally contracted with WWT in FY2020 and the work was completed in August 2020.

**Senator von Imhof requested a list of cases the Department of Law is working on that relate to statehood defense issues, and a holistic look at the issues this appropriation is intended to address.** Provided as attachment 1 is a list of the federal issues the state faces. The Department of Law would welcome an opportunity to present to the Senate Finance committee on this topic.

**Senator Olson asked if the state ever wins settlements, and if so, what happens with any funding received as a result.** Yes, the state is also on the receiving end of awarded judgments or settlements at times. In many cases the funds are deposited to the general fund although that may depend on the negotiated terms of the settlement.

Don't hesitate to reach out to my office if you have further questions.

Sincerely,



Neil Steininger  
Director

cc: Miles Baker, Legislative Director, Office of Governor Mike Dunleavy  
Alexei Painter, Director, Legislative Finance Division