The Fiscal Year 2023 Budget:

Legislative Fiscal Analyst's Overview of the Governor's Request

Legislative Finance Division

www.legfin.akleg.gov

The Legislative Finance Division has a professional, non-partisan staff that provides general budget analysis for members of the legislature and specifically supports the Legislative Budget and Audit Committee and the House and Senate standing finance committees. Each fiscal analyst is assigned agency areas of responsibility. Per AS 24.20.231 the duties of the office are to:

(1) analyze the budget and appropriation requests of each department, institution, bureau, board, commission, or other agency of state government;
(2) analyze the revenue requirements of the state;
(3) provide the finance committees of the legislature with comprehensive budget review and fiscal analysis services;
(4) cooperate with the Office of Management and Budget in establishing a comprehensive system for state budgeting and financial management as set out in AS 37.07 (Executive Budget Act);
(5) complete studies and prepare reports, memoranda, or other materials as directed by the Legislative Budget and Audit Committee;
(6) with the governor's permission, designate the legislative fiscal analyst to serve ex officio on the governor's budget review committee;
(7) identify the actual reduction in state expenditures in the first fiscal year following a review under AS 44.66.040 resulting from that review and inform the Legislative Budget and Audit Committee of the amount of the reduction; and
(8) not later than the first legislative day of each first regular session of each legislature, conduct a review in accordance with AS 24.20.235 of the report provided to the division under AS 43.05.095.

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Short Fiscal Summary - FY22/FY23 Budget

	($ Millions) (Non-duplicated Funds)	FY22 Budget	FY23 Governor	Change in UGF	
		UGF	UGF		
1	**Revenue**	**5,744.0**	**5,937.8**	**193.8**	**3%**
2	UGF Revenue (Spring 2021 Forecast)	2,662.7	2,577.2	(85.5)	-3%
3	POMV Draw	3,069.3	3,360.6	291.3	9%
4	Misc/Adjust/Non-UGF Revenue	12.0	-	(12.0)	
5	**Appropriations**	**6,245.9**	**6,286.1**	**40.3**	**1%**
6	**Operating Budget**	**4,375.3**	**4,451.1**	**75.8**	**2%**
7	Agency Operations	3,919.3	3,933.6	14.3	0%
8	Statewide Items	414.0	517.6	103.6	25%
9	Supplemental Appropriations	42.1	-	(42.1)	
10	**Capital Budget**	**335.9**	**154.7**	**(181.2)**	**-54%**
11	Current Year Appropriations	242.9	154.7	(88.2)	-36%
12	Supplemental Appropriations	93.0	-	(93.0)	
13	**Permanent Fund**	**1,534.6**	**1,680.3**	**145.6**	**9%**
14	Permanent Fund Dividends	739.0	1,680.3	941.2	127%
15	Supplemental Permanent Fund Dividend	795.6	-		
16	Inflation Proofing/Other Deposits*	-	-		
17	**Pre-Transfer Surplus/(Deficit)**	**(501.9)**	**(348.4)**		
18	Statutory Budget Reserve	(410.7)	-		
19	American Rescue Plan Act (ARPA)	(250.0)	(375.4)		
20	Other Fund Transfers	14.6	0.3		
21	**Post-Transfer Surplus/(Deficit)**	**144.2**	**26.7**		

Reserve Balances (EOY)		
	FY22	FY23
SBR	-	-
CBR	1,159.6	1,218.2
ERA	14,901.4	15,613.8

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** In FY22 there is an appropriation to transfer $4 billion from the Permanent Fund earnings reserve account to principal. In FY23 there is an appropriation to transfer $1.039 billion from the Permanent Fund earnings reserve account to principal for inflation proofing.*

State of Alaska Detailed Fiscal Summary--FY22 and FY23 (Part 1)

($ millions)

		FY22 Management Plan + Governor's Supplementals					FY23 Governor					Change in UGF	
		Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	$	%
1	**REVENUE**	**5,744.0**	**991.2**	**890.5**	**6,511.4**	**14,137.2**	**5,937.8**	**983.6**	**825.0**	**4,963.1**	**12,709.5**	**193.8**	**3.4%**
2	Unrestricted General Fund Revenue (Fall 2021 Forecast) **(1)**	**2,662.7**	41.4	-	-	**2,704.1**	**2,577.2**	74.8	-	-	**2,652.0**		
3	POMV Payout from ERA	3,069.3	-	-	-	3,069.3	3,360.6	-	-	-	3,360.6		
4	Carryforward, Repeals, and Reappropriations **(2)**	12.0	53.5	96.0	1,247.4	1,408.9	-	-	-	-	-		
5	Restricted Revenue **(3)**	-	896.3	794.5	5,264.0	6,954.9	-	908.8	825.0	4,963.1	6,696.9		
	APPROPRIATIONS												
6	**TOTAL OPERATING APPROPRIATIONS**	**4,375.3**	**889.8**	**820.0**	**4,661.9**	**10,747.1**	**4,451.1**	**802.7**	**787.6**	**3,177.1**	**9,218.6**	**75.8**	**1.7%**
7	**Agency Operations**	**3,927.3**	**748.6**	**769.1**	**4,516.7**	**9,961.8**	**3,933.6**	**707.0**	**721.8**	**3,139.1**	**8,501.5**	**6.2**	**0.2%**
8	**Current Fiscal Year Appropriations**	**3,919.3**	**747.6**	**769.1**	**4,496.7**	**9,932.7**	**3,933.6**	**707.0**	**721.8**	**3,139.1**	**8,501.5**	**14.3**	**0.4%**
9	Agency Operations (Non-Formula) **(9)**	1,876.6	696.5	721.9	2,466.2	5,761.2	1,855.2	668.1	674.6	1,266.5	4,464.5	(21.4)	-1.1%
10	K-12 Foundation and Pupil Transportation (Formula)	1,233.7	-	31.7	20.8	1,286.3	1,215.1	-	31.7	20.8	1,267.6	(18.7)	-1.5%
11	Medicaid Services (Formula)	610.6	0.9	15.5	1,751.5	2,378.4	656.0	0.4	15.5	1,751.5	2,423.4	45.5	7.4%
12	Other Formula Programs	198.3	50.2	-	222.1	470.6	207.2	38.5	-	100.3	346.0	8.9	4.5%
13	Revised Programs Legislatively Approved (RPLs)	-	-	-	36.2	36.2	-	-	-	-	-	-	
14	*Duplicated Authorization (non-additive)* ***(4)***	-	-	*870.6*	-	*870.6*	-	-	*877.7*	-	*877.7*	-	
15	**Supplemental Appropriations (Agency Operations)**	**8.1**	**1.0**	**-**	**20.0**	**29.1**	**-**	**-**	**-**	**-**	**-**	(8.1)	
16	Supplemental Appropriations	8.1	1.0		20.0	29.1	-	-	-	-	-		
17	**Statewide Items**	**448.0**	**141.2**	**50.9**	**145.2**	**785.3**	**517.6**	**95.7**	**65.8**	**38.0**	**717.1**	**69.6**	**15.5%**
18	**Current Fiscal Year Appropriations**	**414.0**	**141.2**	**50.9**	**145.2**	**751.3**	**517.6**	**95.7**	**65.8**	**38.0**	**717.1**	**103.6**	**25.0%**
19	Debt Service	96.7	30.8	39.5	5.3	172.3	156.2	15.1	27.8	4.8	204.0	59.6	61.6%
20	Fund Capitalizations	71.1	27.6	0.3	25.7	124.8	231.8	45.2	10.3	33.2	320.5	160.7	
21	*Community Assistance*	-	*12.4*	-	-	*12.4*	-	*30.0*	-	-	*30.0*	-	
22	*REAA School Fund*	*17.1*	-	-	-	*17.1*	*32.8*	-	-	-	*32.8*	*15.7*	
23	*Oil and Gas Tax Credit Fund*	*54.0*	-	-	-	*54.0*	*199.0*	-	-	-	*199.0*		
24	*Other Fund Capitalization*	-	*15.2*	*0.3*	*25.7*	*41.3*	-	*15.2*	*10.3*	*33.2*	*58.7*	-	
25	State Payments to Retirement Systems **(9)**	246.2	-	-	-	246.2	129.6	-	-	-	129.6	(116.6)	-47.4%
26	Shared Taxes	-	29.2	11.1	-	40.3	-	35.4	27.7	-	63.2	-	
27	Alaska Comprehensive Insurance Program	-	53.5	-	114.3	167.8	-	-	-	-	-	-	
28	*Duplicated Authorization (non-additive)* ***(4)***	-	-	*9.4*	-	*9.4*	-	-	*10.7*	-	*10.7*	-	
29	**Supplemental Appropriations (Statewide Items)**	**34.0**	**-**	**-**	**-**	**34.0**	**-**	**-**	**-**	**-**	**-**		
30	*Supplemental Appropriations*	34.0	-	-	-	34.0	-	-	-	-	-		
31	**TOTAL CAPITAL APPROPRIATIONS**	**335.9**	**56.6**	**70.2**	**1,599.5**	**2,062.2**	**154.7**	**73.4**	**37.1**	**1,410.6**	**1,675.8**	**(181.2)**	**-53.9%**
32	**Current Fiscal Year Appropriations**	**242.9**	**56.4**	**70.2**	**1,593.5**	**1,963.0**	**154.7**	**73.4**	**37.1**	**1,410.6**	**1,675.8**	**(88.2)**	**-36.3%**
33	Project Appropriations	242.9	56.4	70.2	1,593.5	1,963.0	154.7	73.4	37.1	1,410.6	1,675.8	(88.2)	
34	Direct from the Constitutional Budget Reserve **(7)**	-	-	-	-	-	-	-	-	-	-	-	
35	*Duplicated Authorization (non-additive)* ***(4)***	-	-	*33.5*	-	*33.5*	-	-	*337.5*	-	*337.5*	-	
36	**Supplemental Appropriations (Capital)**	**93.0**	**0.2**	**-**	**6.0**	**99.2**	**-**	**-**	**-**	**-**	**-**	(93.0)	
37	Capital Projects	93.0	0.2	-	6.0	99.2	-	-	-	-	-	(93.0)	-100.0%
38	*Duplicated Authorization (non-additive)* ***(4)***	-	-	*32.8*	-	*32.8*	-	-	-	-	-		
39	*Money on the Street (includes all fund sources)* ***(5)***	*335.9*	*56.6*	*136.5*	*1,599.5*	*2,128.5*	*154.7*	*73.4*	*374.6*	*1,410.6*	*2,013.2*		
40	**Pre-Permanent Fund Authorization** (unduplicated)	**4,711.2**	**946.4**	**890.3**	**6,261.4**	**12,809.3**	**4,605.9**	**876.1**	**824.8**	**4,587.7**	**10,894.4**	**(105.4)**	**-2.2%**
41	***Revenue less operating and capital appropriations***	***1,032.8***					***1,331.9***						
42	**Permanent Fund Appropriations**	**1,534.6**	**41.4**	**-**	**-**	**1,576.0**	**1,680.3**	**74.8**	**-**	**-**	**1,755.1**	**145.6**	**9.5%**
43	Permanent Fund Dividends **(9)**	739.0	-	-	-	739.0	1,680.3	-	-	-	1,680.3	941.2	127.4%
44	Amerada Hess Earnings to Alaska Capital Income Fund	-	41.4	-	-	41.4	-	74.8	-	-	74.8		
45	Transfer to Principal from Earnings Reserve Account	4,000.0	-	-	-	4,000.0	1,039.0	-	-	-	1,039.0		
46	Transfer from Earnings Reserve Account to Principal	(4,000.0)	-	-	-	(4,000.0)	(1,039.0)	-	-	-	(1,039.0)		
47	**Supplemental Appropriations (Permanent Fund)**	**795.6**	**-**	**-**	**-**	**795.6**	**-**	**-**	**-**	**-**	**-**	(795.6)	
48	Permanent Fund Dividends	795.6	-	-	-	795.6	-	-	-	-	-		
49	**Pre-Transfers Authorization** (unduplicated)	**6,245.9**	**987.8**	**890.3**	**6,261.4**	**14,385.3**	**6,286.1**	**950.9**	**824.8**	**4,587.7**	**12,649.5**	**40.3**	**0.6%**
50	***Pre-Transfer Surplus/(Deficit) (8)***	***(501.9)***	***Revenue =***	***92.0%***	***of Appropriations***		***(348.4)***	***Revenue =***	***94.5%***	***of Appropriations***			

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State of Alaska Detailed Fiscal Summary--FY22 and FY23 (Part 1)

($ millions)

		FY22 Management Plan + Governor's Supplementals					FY23 Governor					Change in UGF	
		Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	Unrestricted General Funds	Designated General Funds	Other State Funds	Federal Receipts	All Funds	$	%
51	**Fund Transfers (6)**	**(646.0)**	**3.5**	**0.3**	**250.0**	**(392.3)**	**(375.1)**	**32.8**	**0.2**	**375.4**	**33.3**	**270.9**	
52	**Current Fiscal Year Transfers**	**(646.0)**	**3.5**	**0.3**	**250.0**	**(392.3)**	**(375.1)**	**32.8**	**0.2**	**375.4**	**33.3**	**270.9**	
53	Renewable Energy Fund	-	-	-	-	-	-	15.0			15.0	-	
54	Oil & Hazardous Substance Fund ***(10)***	14.3	1.9	-	-	16.2	-	16.8	-	-	16.8	(14.3)	-100.0%
55	Other Fund Transfers	0.3	1.6	0.3	-	2.1	0.3	0.9	0.2	-	1.4	(0.0)	
56	Statutory Budget Reserve Fund	(410.7)	-	-	-	(410.7)	-				-		
57	General Fund Deposit from American Rescue Plan Act (ARPA)	(250.0)	-	-	250.0	-	(375.4)	-	-	375.4	-		
58	**Post-Transfers Authorization** (unduplicated)	**5,599.8**	**991.2**	**890.5**	**6,511.4**	**13,993.0**	**5,911.0**	**983.6**	**825.0**	**4,963.1**	**12,682.7**	**311.2**	**5.6%**
59	***Post-Transfer Surplus/(Deficit) (7)***	***144.2***	***Revenue =***	***102.6%***	***of Appropriations***		***26.7***	***Revenue =***	***100.5%***	***of Appropriations***			
60	**FISCAL YEAR SUMMARY**	**5,599.8**	**991.2**	**890.5**	**6,511.4**	**13,993.0**	**5,911.0**	**983.6**	**825.0**	**4,963.1**	**12,682.7**	**311.2**	**5.6%**
61	**Agency Operations**	3,927.3	748.6	769.1	4,516.7	9,961.8	3,933.6	707.0	721.8	3,139.1	8,501.5	6.2	0.2%
62	Statewide Items	448.0	141.2	50.9	145.2	785.3	517.6	95.7	65.8	38.0	717.1	69.6	15.5%
63	Permanent Fund Appropriations	1,534.6	41.4	-	-	1,576.0	1,680.3	74.8	-	-	1,755.1	145.6	9.5%
64	**Total Operating**	**5,910.0**	**931.2**	**820.0**	**4,661.9**	**12,323.1**	**6,131.4**	**877.5**	**787.6**	**3,177.1**	**10,973.7**	**221.4**	**3.7%**
65	**Capital**	**335.9**	**56.6**	**70.2**	**1,599.5**	**2,062.2**	**154.7**	**73.4**	**37.1**	**1,410.6**	**1,675.8**	**(181.2)**	**-53.9%**
66	***Transfers***	***(646.0)***	***3.5***	***0.3***	***250.0***	***(392.3)***	***(375.1)***	***32.8***	***0.2***	***375.4***	***33.3***	***270.9***	

Notes:

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(1) The Department of Revenue's Fall 2021 oil forecast for FY22 is 0.487 mbd at $75.72 per barrel; the FY23 forecast is 0.500 mbd at $71.00 per barrel.

(2) Carryforward is money that was appropriated in a prior year that is made available for spending in a later year via multi-year appropriations. Repeals increase revenue by reducing prior year authorization. Total carryforward into FY23 will be unknown until the close of FY22. Reappropriations to operating budget funds are counted as UGF revenue.

(3) Restricted revenue equals spending for each category. Designated general funds include 1) program receipts that are restricted to the program that generates the receipts and 2) revenue that is statutorily designated for a specific purpose. Other funds have stricter restrictions on usage, and federal funds originate from the federal government and can be used only for a particular purpose. Several appropriations for federal receipts include "open ended" authorization that allow the agencies to accept any amount of federal funds received in connection to COVID-19 response (Medicaid, Public Health Emergency Programs, Disaster Relief Fund, Unemployment Insurance, and Workforce Services). The amount of actual FY22/FY23 federal receipts for COVID-19 response may be greater than shown.

(4) Duplicated authorization is in the budget twice, such as when funds flow in and out of a holding account or one agency pays another for services provided. Duplicated authorization also includes the expenditure of bond proceeds when debt service on bonds will be reflected in future operating budgets.

(5) Including duplicated fund sources in the amount of capital spending provides a valuable measure of "money on the street" because it includes projects funded with bond proceeds and other duplicated fund sources.

(6) "Fund Transfers" refer to appropriations that move money from one fund to another within the Treasury. Although transfers are not true expenditures, they reduce the amount of money available for other purposes so must be included in the calculation of the surplus/deficit. For reserve accounts, a positive number indicates a deposit and a negative number indicates a withdrawal. When money is withdrawn and spent, the expenditure is included in the operating or capital budget, as appropriate. For example, the appropriation to transfer court filing fees from the general fund to the civil legal services fund.

(7) The FY22 and FY23 Governor budgets projects a General Fund surplus after Fund Transfers. No appropriation from the Constitutional Budget Reserve (CBR) Fund to cover a General Fund deficit was enacted for FY22 or proposed for FY23 by the Governor.

(8) The "Pre-transfer Surplus/(Deficit)" indicates if projected state revenue is sufficient to pay for the budget before using money from savings or non-recurring revenue sources. If projected state revenue is projected to be insufficient indefinitely, it is often referred to as a "structural deficit."

(9) The FY22 appropriation for Permanent Fund Dividends (PFD) was $739.0 million ($330.0 million from the Statutory Budget Reserve Fund and $409.0 million from the General Fund). The Governor's budget proposes a $795.6 million supplemental appropriation for a second PFD from the Permanent Fund Earnings Reserve Account (ERA). The proposed FY23 PFD appropriation is $1,680.3 million from the ERA. The FY22 and FY23 PFD proposed appropriations equal 50% of the POMV draw, matching the Governor's proposed legislation.

(10) All revenue sources designated for transfer into the Oil and Hazardous Substance Release Prevention and Response Fund are now classified as designated general funds. Previously, revenue designated to be deposited into the fund was classified as unrestricted general funds (UGF) and recorded as a UGF fund transfer. Once deposited into the fund that funding was then classified as DGF and expenditures were recorded using the 1052 fund code. Classifying the revenue as DGF better reflects the intention of the legislature in enacting statutes that direct the revenue to the prevention and response funds and removes unnecessary confusion in financial reporting. UGF fund transfers should reflect transfers in and out of savings accounts, not the ongoing annual cost of a program. The ability of the legislature to appropriate the revenue for other purposes is not affected by this reclassification.

Projected Fund Balances -- FY22 and FY23 (Part 2)

($ millions)

	FY22				FY23			
	BoY Balance	In	Out/ (Deposit)	EoY Balance	BoY Balance	In	Out/ (Deposit)	EoY Balance
Total Budget Reserves and Designated Funds	**3,093.8**	**149.2**	**846.8**	**2,396.3**	**2,396.3**	**166.1**	**115.3**	**2,447.0**
Undesignated Reserves	**1,420.9**	**6.3**	**266.5**	**1,160.7**	**1,160.7**	**31.9**	**(26.7)**	**1,219.3**
Total Excluding Permanent Fund	**1,420.9**	**6.3**	**266.5**	**1,160.7**	**1,160.7**	**31.9**	**(26.7)**	**1,219.3**
Constitutional Budget Reserve Fund*	1,009.1	6.3	(144.2)	1,159.6	1,159.6	31.9	(26.7)	1,218.2
Statutory Budget Reserve Fund	410.7	-	410.7	-	-	-	-	-
Alaska Housing Capital Corporation Fund	1.1	-	-	1.1	1.1	-	-	1.1
Select Designated Funds	**1,672.9**	**142.9**	**580.2**	**1,235.6**	**1,235.6**	**134.2**	**142.1**	**1,227.7**
Total Excluding Permanent Fund	**1,672.9**	**142.9**	**580.2**	**1,235.6**	**1,235.6**	**134.2**	**142.1**	**1,227.7**
Alaska Capital Income Fund	38.6	31.0	69.6	-	-	28.0	27.7	0.3
Alaska Higher Education Investment Fund	416.4	25.1	441.5	-	-	-	-	-
Community Assistance Fund	68.7	12.4	22.9	58.2	58.2	30.0	19.4	68.8
Power Cost Equalization Endowment	1,149.2	74.4	46.2	1,177.4	1,177.4	76.2	95.0	1,158.6
Unrestricted General Fund Appropriations				6,245.9				6,286.1
Reserves Ratio (Undesignated Reserves / Pre-Transfer Budget)				19%				19%
Pre-Transfer Deficit				(501.9)				(348.4)
Years of Deficit Coverage (Undesignated Reserves / Pre-Transfer Deficit)				2.31				3.50
Permanent Fund **								
Permanent Fund Principal - Realized (no appropriations allowed)	46,938.4	4,429.0	0.0	**51,367.0**	51,367.0	1,470.0	0.0	**52,836.6**
Permanent Fund Earnings Reserve Account - Realized	16,340.7	5,661.0	7,100.3	**14,901.4**	14,901.4	5,137.0	4,424.6	**15,613.8**
Permanent Fund -- Unrealized Gain (Loss)	18,617.7	(1,158.0)	0.0	**17,459.7**	17,459.7	(262.0)	0.0	**17,197.7**
TOTAL PERMANENT FUND	81,896.8	8,932.0	7,100.3	**83,728.1**	83,728.1	6,345.0	4,424.6	**85,648.1**

** The FY21 Constitutional budget reserve (CBR) end of year (EoY) balance includes an estimated $432.7 million transfer (sweep) to the CBR from the general fund and general fund subfunds and accounts on June 30, 2021 per Alaska Constitution art. IX, sec. 17(d). The actual amount transferred will be known after the FY22 Annual Report is released, historically in December of the succeeding fiscal year. Some investments may be liquidated in FY23 to pay the FY22 CBR sweep liability.*

** *Alaska Permanent Fund Corporation (APFC) projection for FY22 and FY23 as of November 30, 2021.*

January 7, 2022

Executive Summary

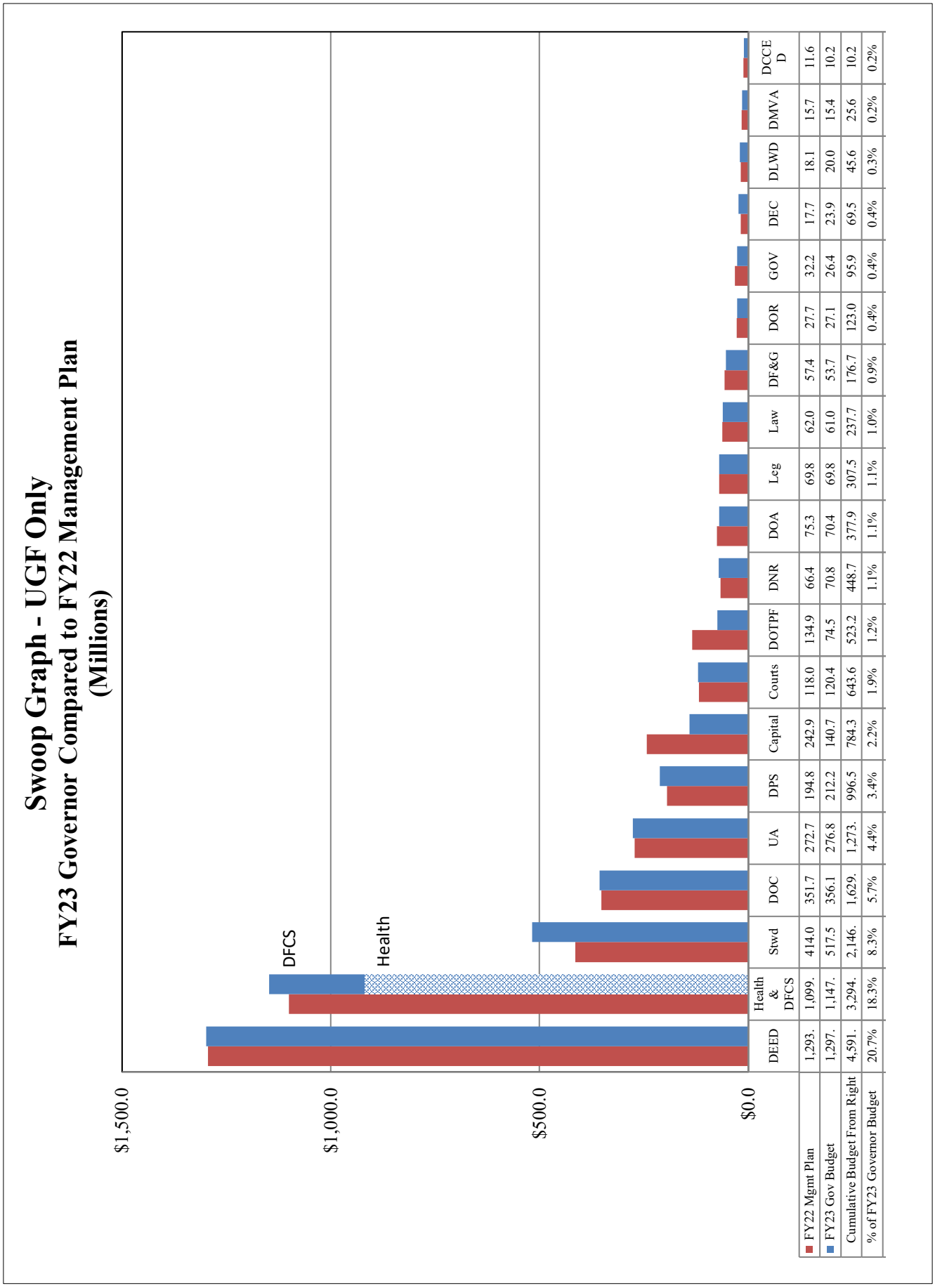
As required by law, the Governor released his FY23 budget proposal to the public and the legislature on December 15, 2021. The Legislative Finance Division prepared this Overview of the Governor's Budget and "Subcommittee Books" for each agency in accordance with AS 24.20.211-.231.

The Overview provides a starting point for legislative consideration of the Governor's spending and revenue plans. It does not discuss the merits of budget plans; it focuses on outlining the fiscal situation and presenting the budget in a way that provides simple, clear information to the legislature.

The first chapters in this publication primarily refer to Unrestricted General Funds (UGF) – State funds with no restrictions on use – because the fiscal deficit is limited to this fund source. Agency narratives in this publication cover changes in all fund sources. The first chapters also primarily use figures in the millions of dollars, with the decimal indicating hundreds of thousands. Agency narratives generally use figures in the thousands of dollars, with the decimal indicating hundreds.

Rising oil prices and strong investment performance have improved Alaska's fiscal situation significantly, yet a structural gap remains between Alaska's ongoing revenue and expenditures. The Governor's FY23 budget submission narrows the gap to a few hundred million dollars per year, down from $2 billion a year ago. Still, his 10-year plan calls for deficits through FY29, which would be filled by drawing from the Constitutional Budget Reserve.

In FY23, the Governor's budget fills a projected $348.4 million deficit by spending $375.4 million of federal funds from the American Rescue Plan to replace lost revenue. It includes budget reductions due to retirement savings (thanks in part to Senate Bill 55, a Governor's bill that passed in 2021) and by utilizing federal dollars for the Alaska Marine Highway System. That is balanced out by increases to Medicaid, the Department of Public Safety, and several other statewide items.



	DEED	Health & DFCS	Stwd	DOC	UA	DPS	Capital	Courts	DOTPF	DNR	DOA	Leg	Law	DF&G	DOR	GOV	DEC	DLWD	DMVA	DCCED
FY22 Mgmt Plan	1,293.	1,099.	414.0	351.7	272.7	194.8	242.9	118.0	134.9	66.4	75.3	69.8	62.0	57.4	27.7	32.2	17.7	18.1	15.7	11.6
FY23 Gov Budget	1,297.	1,147.	517.5	356.1	276.8	212.2	140.7	120.4	74.5	70.8	70.4	69.8	61.0	53.7	27.1	26.4	23.9	20.0	15.4	10.2
Cumulative Budget From Right	4,591.	3,294.	2,146.	1,629.	1,273.	996.5	784.3	643.6	523.2	448.7	377.9	307.5	237.7	176.7	123.0	95.9	69.5	45.6	25.6	10.2
% of FY23 Governor Budget	20.7%	18.3%	8.3%	5.7%	4.4%	3.4%	2.2%	1.9%	1.2%	1.1%	1.1%	1.1%	1.0%	0.9%	0.4%	0.4%	0.4%	0.3%	0.2%	0.2%

Alaska's Overall Fiscal Situation

An End to the Deficit Streak? Not Quite

Alaska has a Constitutional mandate to balance its budget each year, so some have asked how we can run deficits. The answer is that when we talk about "deficits" we are talking about a gap between current revenue and expenditures. That gap can then be met with transfers from savings accounts such as the Constitutional Budget Reserve (CBR) and Statutory Budget Reserve (SBR), which results in a balanced budget in accordance with the Constitution. When we refer to "deficits," we really mean pre-transfer deficits. The post-transfer deficit in the fiscal summary incorporates deficit-filling draws from savings and is not a good measure of the State's fiscal health.

Imagine you are balancing your personal checkbook. If you had to draw from your savings account to pay your bills, you would rightly conclude that you are spending more than you are taking in. That is what the pre-transfer deficit shows. If you had a month where you knew you would come up short so you transfer $600 from your savings account, but then you end up with $100 of that left over, you would still say you spent $500 from savings. The same goes for the State: just because we drew more than we needed from our savings does not mean that we have a surplus. The proper comparison is ongoing revenue to ongoing expenses, which is the pre-transfer deficit.

From FY13 through FY21, Alaska had nine straight years of budget deficits, and it appeared that FY22 would be the tenth straight year. When the legislature wrapped up its FY22 budget in September with the passage of House Bill 3003, our fiscal summary showed a $571.8 million pre-transfer deficit, filled with a transfer from the SBR and with revenue replacement funding from the federal American Rescue Plan Act (ARPA). This left a post-transfer surplus, but based on the pre-transfer figure, the State was still running a deficit. Higher oil prices have now changed the situation, however: the Department of Revenue's 2021 Fall Revenue Forecast increased the UGF revenue projection for FY22 by about $1 billion over the Spring forecast. That leaves us with a pre-transfer surplus of $428.8 million and a post-transfer surplus of $1,074.8 million.

FY22 Bottom Line before Supplementals ($ millions)	
Pre-Transfer Deficit with Spring Forecast	(571.8)
Post-Transfer Surplus with Spring Forecast	74.2
Fall Forecast Revenue Increase	1,000.6
Adjusted Pre-Transfer Surplus	428.8
Adjusted Post-Transfer Surplus	1,074.8

FY22 with Governor's Supplementals ($ millions)	
Governor's Supplementals	930.7
Pre-Transfer Deficit After Supps	(501.9)
Post-Transfer Surplus After Supps	144.2

If the legislature does not make any more appropriations for FY22, the Fall Forecast would indicate that FY22 would be the first year with a balanced budget since FY12. The Governor's December 15 budget includes $930.7 million of supplementals, spending nearly all the projected revenue increase. If these supplementals are adopted, that would push FY22 back to a deficit. The fund transfers from the SBR and ARPA Revenue Replacement would then fill this deficit, leaving a post-transfer surplus.

The Governor's FY23 budget once again proposes a pre-transfer deficit to be filled with ARPA Revenue Replacement. The Governor's budget has a pre-transfer deficit of $348.4 million. The Governor then uses $375.4 million of ARPA revenue replacement to close the deficit, leading to a $26.7 million post-transfer surplus. However, it is important to emphasize that the pre-transfer number is a better reflection of the State's fiscal position: the Governor's budget spends every dollar of remaining funds available for revenue replacement, so that maneuver will not be available in FY24. Indeed, the Governor's 10-year plan shows deficits in FY24-FY29 despite holding spending growth below inflation.

FY23 Bottom Line with Governor's Budget ($ millions)	
Pre-Transfer Deficit	(348.4)
Fund Transfers (mostly ARPA revenue replacement)	(375.1)
Post-Transfer Surplus	26.7

Forecasting Volatile Revenue

While Alaska's fiscal picture is much improved from a year ago, it is fair to ask whether the current higher oil prices will last. Alaska's unique mix of volatile revenue from petroleum and investments makes predicting future revenue more difficult than in any other state. Investment revenue projections come from the State's investment advisor, Callan and Associates. Oil revenue projections are developed by the Department of Revenue (DOR), with assistance from the Department of Natural Resources on the oil production forecast. Oil prices are the most impactful variable in forecasting petroleum revenues, and DOR has changed its methodology in recent years to improve accuracy and transparency.

Up until the past several years, DOR had used essentially the same oil price forecasting methodology for decades. Under this methodology, known as "Modified Delphi," DOR held a seminar with stakeholders from within State government, the legislature, and academia that featured presentations on the oil and gas industry from subject matter experts. At the conclusion of the seminar, each participant would provide their own best prediction of future oil prices and DOR aggregated these predictions to generate the forecast. The "Modified Delphi" approach was used through the Fall 2018 forecast.

The principal drawback of this approach is that there was a significant gap in time between the forecasting session and the forecast release: in a typical year, the forecasting session was held in October and the results were released in December. In several years (most notably the Fall 2014 forecast and Fall 2018 forecast), oil prices changed significantly between the session and the forecast release, and the Department of Revenue was forced to issue a forecast that deviated from the results of the session. Another drawback is that the forecast process was not transparent: only DOR had access to the individual predictions, and outsiders could not replicate the forecast's results. Finally, despite engaging stakeholders it did was not a consensus-building process, merely the aggregation of individual predictions from whoever happened to attend the seminar.

In 2019, the Department of Revenue analyzed the results of the forecasting sessions and compared them to several alternative methodologies. They found that an approach utilizing oil futures market data performed as well as or better than the actual forecasting methodology while increasing transparency by using publicly available data. Under this methodology, DOR used an average of futures prices for Brent oil (the international benchmark for waterborne crude oil, which trades very closely with Alaska North Slope prices) over the five most recent trading days before the forecast is finalized. The futures data are

used through the following fiscal year, then prices are held flat in inflation-adjusted terms for further years.

This methodology had the advantage of transparency: LFD and other observers could match the methodology and arrive at the same number, ensuring that there was no political influence on the forecast. This methodology was used through the Spring 2021 Revenue Sources Book.

In the fall of 2021, DOR again analyzed different forecasting methodologies, and found that their chosen methodology was not as accurate as an approach that utilized futures for as many years as are available. For the Fall 2021 forecast, DOR switched to this new methodology. (At the time DOR prepared the Fall 2021 forecast, Brent futures were only available through FY29, so FY30-FY31 grow the FY29 futures price with inflation.) It's worth noting that the Fall 2021 price forecast is significantly below what their prior methodology would have generated.

The futures-based methodology has two major advantages: first, it is transparent and free from political bias. Second, it uses a market-based approach that aggregates the wisdom of a large group of investors and is therefore likely to be as accurate a forecast can be. The primary downside is that futures prices are affected by factors such as physical storage costs and buyers' money being tied up in contracts that could otherwise be put to alternative productive uses – the futures market is not truly an oil price prediction market. While no methodology will be perfect, the Legislative Finance Division views the extension in futures market usage as an improvement in the forecasting methodology and lauds the data-driven process that led to the change.

How Should the Legislature Handle Volatile Revenue?

DOR's oil price forecasting methodology is sound, but that does not mean that the forecast will come true – in DOR's test, this method still had significant forecasting errors. Even the best-informed oil traders are not omniscient and cannot foresee technological breakthroughs, extreme events like the COVID-19 pandemic, or geopolitical developments. When the oil market is unsettled due to constantly changing events (such as the emergence of the Omicron variant in December 2021), oil prices and futures often change by several dollars per day. For example, the futures price as of December 5, 2021 would indicate an FY23 average price of $67.14, while the futures price three days later would indicate an FY23 price of $72.55. This $5.41 difference is worth nearly $322 million in oil revenue in FY23 – enough to drastically change Alaska's fiscal situation. In the actual forecast, DOR smooths this in their forecast by averaging the futures market over five days, but the end result is still volatile.

How can policymakers handle this volatility? Historically, Alaska has utilized our large budget reserves to smooth volatility from year to year – a $300 million budget gap could be filled from the Constitutional or Statutory budget reserves, or a windfall could help refill those reserves. Today, reserves have shrunk (the CBR had about $1 billion at the start of FY22 and the SBR was depleted), and the legislature failed to muster the supermajority votes to access the CBR in FY22 anyway. This means that in 2022 the legislature has fewer options to handle volatility than in years past.

Without CBR access, there is no backstop if oil revenue underperforms projections, which is a significant risk. The Governor's budget shows a $26.7 million post-transfer surplus, but that represents less than $0.50 variation in the price of oil. If oil revenue dips, the next legislature would face very

difficult choices in the supplemental budget next year: cut spending mid-year, overdraw the Earnings Reserve, or raid a smaller savings account?

This legislature should consider writing a budget that will be resilient in the face of oil revenue volatility. That could mean accessing the CBR (or another account) as a backstop, as in previous years. Or it could mean establishing a larger buffer than $27 million.

More broadly, Alaska has suffered from fiscal uncertainty since the 2014 oil price crash, which has had both political and economic consequences. Establishing a stable fiscal plan is a task of vital importance for the stability of the State. Yet volatility makes this task harder: deficits shrink and grow with investment performance and oil price fluctuations, so even agreeing on the size of the problem has proven to be a monumental task.

The Percent of Market Value (POMV) draw from the Permanent Fund is an example of a successful approach to managing volatility. Under the law passed in 2018, the amount drawn from the Permanent Fund each year is based on a lagged five-year average of the fund’s value. This results in a stable revenue stream despite volatile investment income. Good return years positively affect future draws, but only gradually. Likewise, the impact of a poor return year on the draw is gradual, allowing the legislature time to react. If Alaska spent all the income each year, our budget would fluctuate wildly from year to year: for example, in FY20 investment income totaled $1.6 billion, while in FY21 it totaled $19.4 billion. Instead, the legislature appropriated the roughly $3 billion POMV draw each year, providing a stable baseline source for revenue.

Alaska already smooths petroleum revenue somewhat by diverting a portion of oil royalties to the Permanent Fund and settlements to the Constitutional Budget Reserve, but our remaining petroleum revenue is a continuing source of volatility. Any fiscal plan that the legislature adopts will need to be robust at a variety of oil prices.

Alaska's Fiscal Situation in FY23 and the Governor's Budget Proposal

Budget Baselines

Strong investment performance in FY21 and higher oil prices lead to an improved fiscal outlook for FY23. The POMV draw from the Permanent Fund is set to increase by $291.3 million compared to FY22. Overall, UGF revenue is forecast to be $809.7 million higher than the Spring revenue forecast. Yet a substantial gap remains between revenue and expenditures if current statutes are followed for the Permanent Fund Dividend (PFD) and other formula items. The State's fiscal picture only appears rosy if those laws continue to be ignored in the budget process (or if they are changed).

FY23 Current Policy and Current Law Scenarios ($ millions)		
UGF Revenue	**5,937.8**	**5,937.8**
	Current Policy	**Current Law**
Agency Operations	3,853.5	3,853.5
Statewide Items	349.6	517.5
Capital Budget	242.9	242.9
Budget before PFD	**4,446.0**	**4,613.9**
PFD	739.0	2,764.4
Total Spending	**5,185.0**	**7,378.3**
Surplus/(Deficit)	**752.8**	**(1,440.5)**

The Legislative Finance Division has two budget baselines for FY23: one reflecting current policy and the other reflecting current law. Both baselines assume that agency operations budgets match the FY23 Adjusted Base, which is the FY22 budget with one-time spending removed and contractual obligations added.[3] Both assume a capital budget equal to the FY22 capital budget. The difference is their treatment of statewide items: in the current policy scenario, we assume that items will be funded as they were in FY22, while the current law scenario assumes that they will be funded in accordance with statutory formulas.

The largest item that this affects is the PFD. In FY22, the legislature appropriated $739.0 million, enough to pay a PFD of $1,114 per person. The statutory calculation for FY22, based on a five-year average of Permanent Fund earnings, would have cost $2.5 billion and paid out an estimated $3,870 per recipient. In FY23, the statutory amount is projected to grow to nearly $2.8 billion, paying out an estimated $4,200 per person. This $2 billion difference between the Current Policy and Current Law scenarios dwarfs all other items.

Statewide Items Detail ($ millions)		
	Current Policy	**Current Law**
School Debt Reimbursement[1]	17.1	63.9
Other Debt Service	92.4	92.4
State Retirement Payments	129.6	129.6
REAA Fund Capitalization	16.4	32.7
Community Assistance[2]	-	-
Oil and Gas Tax Credits	94.3	199.0
Statewide Items Total	**349.6**	**517.5**

Due to vetoes by the Governor and the failure of the Constitutional Budget Reserve vote, several other statewide items were left partially funded

[1] Plus $15.1 million from the School Fund (DGF)
[2] The $30 million statutory deposit may be fully covered from the PCE Fund based on AS 29.60.850. To achieve the maximum $90 million fund balance and full $30 million distribution, an additional $21.2 million deposit would be needed.
[3] The one exception is the K-12 formula; for this item, both scenarios use the FY23 projected formula amounts rather than the Adjusted Base figure, which represents the FY22 budgeted amount.

in FY22. The CBR vote failure caused oil tax credits to be funded at $54 million out of the statutory $114 million (about 47%) and school debt reimbursement to be funded at $4.1 million UGF (plus $30.8 million DGF, so it was 42% funded overall). The Governor vetoed all UGF funding for Community Assistance ($17.2 million) and half of the funding for the Regional Educational Attendance Area (REAA) Fund capitalization. Other statewide items were funded to their statutory level. These funding levels are the baseline for the Current Policy scenario, adjusted for the FY23 total cost. The Current Law scenario assumes all these items are fully funded.

Agency Ops Changes from FY22 to FY23 Baseline ($ millions)	
Retirement Investment Performance	(29.7)
SB 55 Fund Source Changes	(14.7)
K-12 Projection Change	(18.7)
Contractual Adjustments	13.6
Removal of One-Time Items	(17.8)
Other Changes	1.6
Total Change from FY22 to FY23 Baseline	**(65.8)**

For agency operations, the baseline is for a decrease of $65.8 million below the FY22 budget. This decrease is primarily due to the effects of Senate Bill 55, which was passed in the 2021 session. This legislation shifted retirement payments for the State of Alaska as an employer from a statewide item to agency budgets, allowing other fund sources to contribute to this cost beyond UGF. In FY23, this helps the budget in two ways: strong investment performance reduced the amount of payments needed (a savings of $29.7 million in agency budgets), and a continued effort to charge more non-UGF fund source shifted part of the cost away from UGF (a savings of $14.7 million UGF). Combined, these two changes result in SB 55 reducing UGF costs in agency operations by $44.5 million in FY23 compared to FY22 (the $29.7 million savings would have been achieved in statewide items in the absence of SB 55, however). Other changes include contractual adjustments, removal of one-time items, and rate adjustments.

Under the Current Policy scenario, there would be an estimated surplus of $752.8 million, while the Current Law scenario would have an estimated deficit of $1.4 billion.

Governor’s FY23 Budget Proposal

Overall View

The Governor’s UGF budget totals $6.2 billion in expenditures against $5.9 billion of revenue, leaving a deficit of $348.4 million. The Governor proposes to fill this deficit by utilizing $375.4 million of one-time use federal money from the American Rescue Plan Act (ARPA).

Governor’s FY23 Budget Compared to Baselines ($ millions)					
	Current Policy	**Current Law**	**Governor**	**Gov to CP**	**Gov to CL**
Agency Operations	3,853.5	3,853.5	3,933.6	80.1	80.1
Statewide Items	349.6	517.5	517.5	167.9	-
Capital Budget	242.9	242.9	154.7	(88.2)	(88.2)
Budget before PFD	**4,446.0**	**4,613.9**	**4,605.8**	**159.8**	**(8.1)**
PFD	739.0	2,764.4	1,680.3	941.3	(1,084.1)
Total Spending	**5,185.0**	**7,378.3**	**6,286.1**	**1,101.1**	**(1,092.2)**
Surplus/(Deficit)	**752.8**	**(1,440.5)**	**(348.4)**		

ARPA provided Alaska with just over $1 billion to spend over three years on pandemic relief and other related purposes from the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF). One of the allowable uses is to replace revenue lost due to the pandemic. Due to low oil prices in calendar year 2020, Alaska is eligible to use the entire amount to replace lost revenue. The FY22 budget used $250 million for revenue replacement and $252.8 million for other purposes. The Governor's FY23 budget proposes using $375.4 million for revenue replacement and $136.4 million on other purposes, which will exhaust these funds.[4]

The Governor's FY23 budget proposal overall falls near the midpoint of the two baselines. In agency operations, the Governor proposes increases of $80.1 million over the LFD baseline, or $13.8 million above the FY22 budget. The Governor is proposing to fund all statewide items at the statutory level, so that portion of his proposal matches the Current Law baseline. His capital budget is $88.2 million below last year's level. The PFD appropriation is equal to 50% of the POMV draw, which aligns with legislation proposed by the Governor. That is $1.7 billion, estimated to pay out a PFD of about $2,500 per recipient.

Agency Operations

The Governor's FY23 budget is $80.1 million above the LFD baseline – a 2.1% increase that is essentially in line with inflation (the State's investment advisor, Callan and Associates, has a 2% inflation assumption).

The agency narratives of this publication include details on the Governor's proposed changes to agency budgets. Items that stand out include an increase of $45.5 million to Medicaid, multiple increases in the Department of Public Safety, and a reduction of $60.4 million UGF by funding the Alaska Marine Highway System with federal infrastructure dollars rather than State funds.

Another significant item is the Governor's handling of the CBR sweep. In the FY22 budget cycle, the legislature repeatedly failed to achieve the supermajority vote needed to reverse the sweep. The Governor also changed his interpretation of the sweep's mechanics, partially in response to a Superior Court ruling. See Page 18 of LFD's FY22 Summary of Appropriations for more details on these changes. In FY23, the Governor is not requesting a reverse sweep in his budget, and instead requests fund source changes necessary to avoid programmatic impacts due to the sweep. These fund source changes, going from Designated General Funds to UGF, increase the UGF budget by a total of $33.6 million.

Statewide Items

The Governor funds statewide items at their statutory levels. This includes items that he had previously vetoed, such as School Debt Reimbursement, the REAA Fund capitalization, and the Community Assistance Fund capitalization. More details on these items can be found in the Operating Budget Language section of this publication.

[4] In the budget, revenue replacement appears as a fund transfer of federal ARPA funds into the general fund (using fund code 1269) and then the funds are spent in agencies as UGF replacement on normal government activities (using code 1271). The use of code 1271 allows the State to affirm to the federal government that the funds were used for eligible purposes but has no impact on agency operations. In FY24, the use of 1271 will be replaced by typical UGF in the Adjusted Base.

One item of note is the State's additional contribution to retirement. Historically strong investment performance in FY21 caused the State's annual contribution amount to go down significantly – for PERS, the actuarial rate in FY22 was 30.11%, which fell to 27.63% due to the FY21 investment performance. This caused a reduction in State assistance by about $61.5 million compared to FY22. The Alaska Retirement Management (ARM) Board then decided not to fund the past service cost for health care, which is

funded at greater than a 100% level after the FY21 performance. This reduced the rate to 24.79% for PERS, dropping State costs by another $55.1 million in the additional contribution (plus $34.2 million for the State as an employer, which is captured in the SB 55 adjustments in Agency Operations). In total, this policy shift by the ARM Board reduced contributions by $71.0 million UGF.

The ARM Board chairman specified that this was a one-year change only and would be revisited for FY24, so that savings may not persist in future years. In LFD's long-term projections, this is treated as a one-time savings in FY23 only.

Retirement Savings from FY22 to FY23
($ millions)

State as an Employer (SB 55)	**UGF**	**All Funds**
Investment Performance	(13.9)	(29.8)
Zero Funding of Health Care	(15.9)	(34.2)
Fund Source Changes	(14.7)	-
Total Reduction	**(44.5)**	**(64.0)**
Additional State Contributions	**UGF**	**All Funds**
Investment Performance	(61.5)	(61.5)
Zero Funding of Health Care	(55.1)	(55.1)
Total Reduction	**(116.6)**	**(116.6)**
Overall Reductions	**(161.1)**	**(180.6)**

Capital Budget

The Governor's FY23 capital budget totals $154.7 million UGF, $88.2 million below the enacted FY22 capital budget. However, the Governor also requests $93.0 million UGF of capital supplementals between the fast-track bill and regular supplementals, plus a $308.6 million General Obligation bond bill with additional projects.

The Governor's capital budget does not yet integrate the federal Infrastructure Investment and Jobs Act, which may increase both available federal funds and the required matching funds. For more details on the capital budget, see the Capital Budget Overview section of this publication.

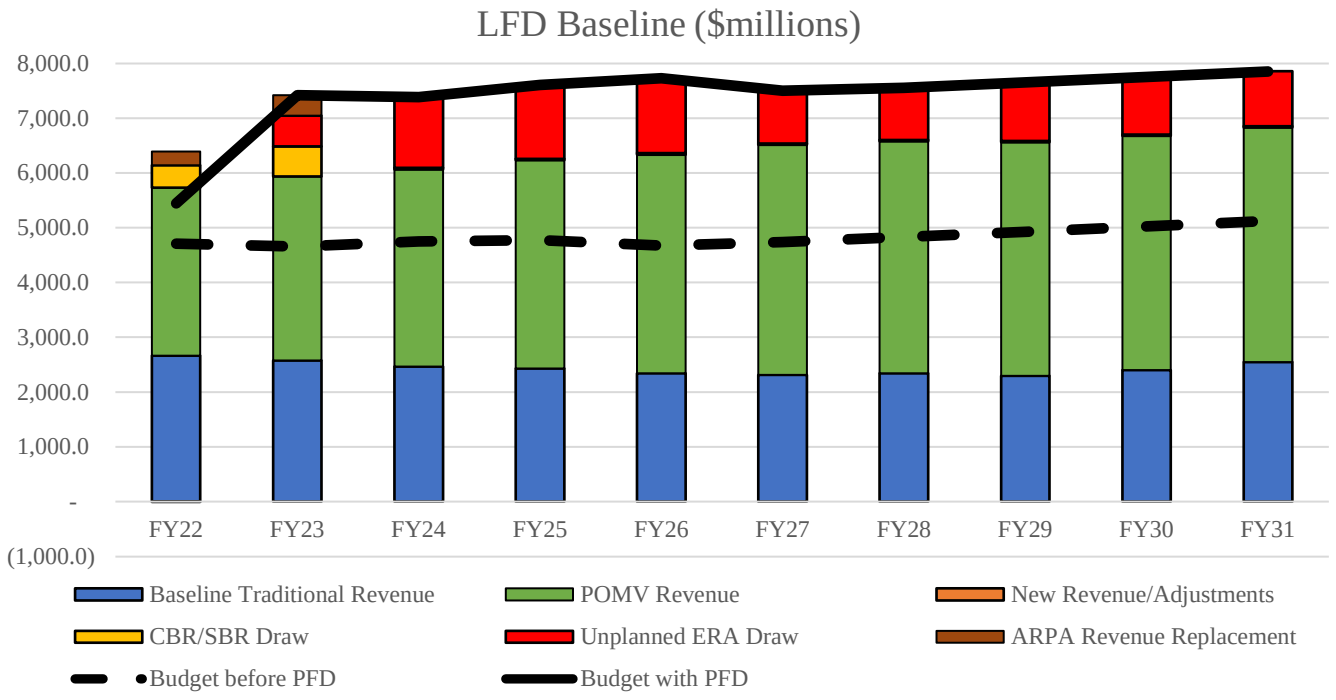
Long-Term Outlook

LFD Baseline Projections

The Legislative Finance Division's fiscal model uses a baseline that grows the current budget with inflation – essentially, it reflects the Current Law budget assumption extended over the next decade. This allows policy proposals to stand out against a neutral baseline. The baseline assumes 2% inflation for agency operations and assumes statewide items follow anticipated schedules (such as debt projections).

Based on the LFD baseline and a statutory PFD, Alaska would face deficits ranging from about $1.0-1.5 billion over the next decade, which would rapidly deplete the CBR and require draws from the ERA above the POMV:

LFD Baseline ($ millions)									
	FY23	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**
Revenue	5,937.7	6,064.5	6,228.0	6,326.6	6,501.3	6,562.4	6,536.9	6,652.9	6,806.4
Budget	4,655.9	4,748.0	4,774.8	4,673.5	4,736.5	4,834.7	4,927.6	5,026.2	5,121.2
PFD	2,764.3	2,636.7	2,831.3	3,048.5	2,755.8	2,706.6	2,712.6	2,713.9	2,713.2
Pre-Transfer Deficit	**(1,482.5)**	**(1,320.1)**	**(1,378.1)**	**(1,395.3)**	**(991.0)**	**(978.9)**	**(1,103.3)**	**(1,087.2)**	**(1,028.0)**

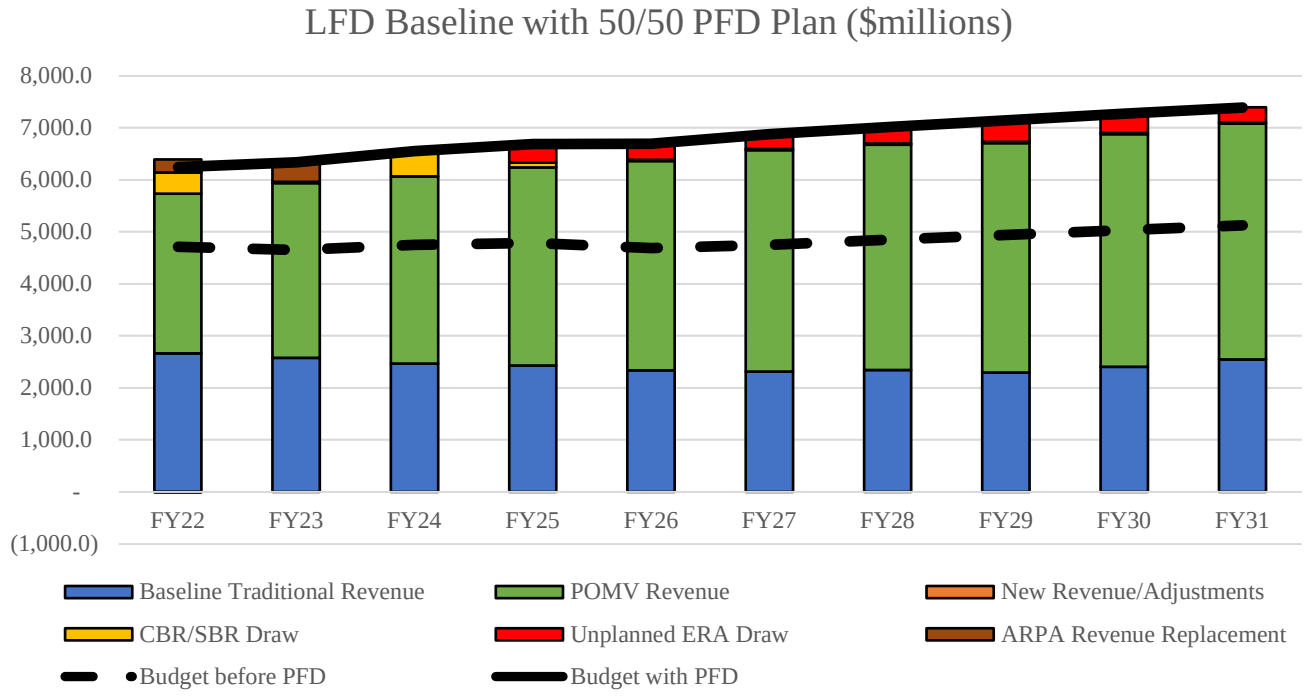


Comparison of Governor's 10-Year Plan to Baseline

The Governor's 10-Year Plan makes several policy changes compared to LFD's baseline. By far the most impactful is changing the PFD formula from 50% of the average Statutory Net Income of the

Permanent Fund (the current statute) to 50% of the POMV draw (often referred to as the "50/50 plan"). For a cleaner comparison, the next two figures show the LFD baseline with the 50/50 plan:

LFD Baseline with 50/50 PFD plan ($ millions)									
	FY23	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**
Revenue	5,937.7	6,064.5	6,237.4	6,358.9	6,567.9	6,675.8	6,706.3	6,877.8	7,082.2
Budget	4,655.9	4,747.5	4,774.5	4,672.3	4,735.3	4,833.6	4,926.5	5,025.1	5,127.8
PFD	1,680.3	1,800.0	1,903.8	2,009.4	2,126.8	2,167.5	2,204.6	2,237.5	2,266.3
Pre-Transfer Deficit	**(398.5)**	**(483.0)**	**(440.9)**	**(322.9)**	**(294.3)**	**(325.3)**	**(424.8)**	**(384.8)**	**(311.8)**



Without other changes, this would have deficits of approximately $300-500 million per year for the next decade. The Governor's 10-Year Plan does propose several additional policy changes:

- Agency operations are held flat in FY24, then grow at 1.5% for all items except Medicaid, which grows at 1% (this works out to about 1.4% growth overall);
- Beginning in FY24, School Debt Reimbursement is funded at 50%, and the REAA Fund capitalization is reduced to a flat $17.5 million;
- PERS and TRS health care contributions are not funded (see the "Statewide Items" discussion earlier in the Overview for more details on this item);
- The capital budget is held flat with no inflationary growth, but a General Obligation Bond issued in FY23 increases debt service by $22.8 million in FY24 and beyond;

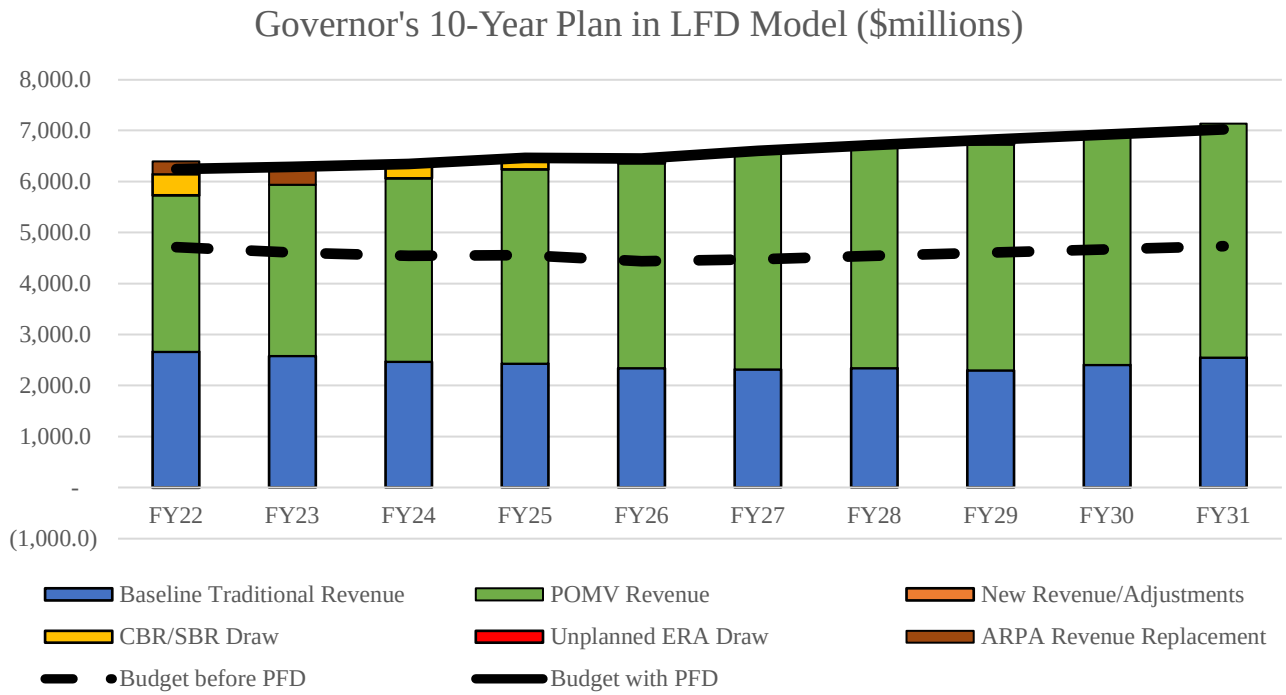
- Supplementals and lapse are assumed to cancel out (LFD estimates $50 million of net supplementals); and
- The Governor uses $375.4 million of ARPA revenue replacement in FY23 to close the deficit.

The combined effect of these changes is to a budget that begins about $200 million below the baseline in FY24 and is more than $400 million below by FY31 due to the compounding effect of inflation:

Comparison of LFD Baseline to the Governor's 10-Year Plan ($ millions)									
	FY23	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**
Baseline	4,655.9	4,747.5	4,774.5	4,672.3	4,735.3	4,833.6	4,926.5	5,025.1	5,127.8
Governor	4,606.2	4,540.0	4,554.7	4,440.0	4,473.2	4,535.0	4,594.3	4,656.8	4,711.9
Difference	**(49.7)**	**(207.5)**	**(219.8)**	**(232.3)**	**262.1)**	**(298.6)**	**(332.2)**	**(368.3)**	**(415.9)**

The result of these changes is that the Governor's 10-Year Plan has a smaller deficit from FY23-FY30 than the LFD baseline, with a balanced budget in FY31:

Governor's 10-Year Plan in LFD Model ($ millions)									
	FY23	**FY24**	**FY25**	**FY26**	**FY27**	**FY28**	**FY29**	**FY30**	**FY31**
Revenue	5,937.7	6,064.5	6,237.4	6,358.9	6,571.3	6,685.9	6,726.0	6,910.7	7,132.6
Budget	4,605.9	4,543.7	4,558.1	4,440.4	4,475.5	4,542.4	4,604.4	4,669.1	4,735.7
PFD	1,680.3	1,800.0	1,903.8	2,009.4	2,128.6	2,172.5	2,214.5	2,254.0	2,291.4
Pre-Transfer Deficit	**(348.5)**	**(279.2)**	**(224.5)**	**(90.9)**	**(32.7)**	**(29.1)**	**(92.9)**	**(12.4)**	**105.4**



This result closely matches the Governor’s own projections in the 10-Year Plan, with only very minor differences due to rounding and slightly different projections of some statewide items. This demonstrates that the numbers within the Governor’s plan are technically sound, so the legislature can debate it on its merits rather than the math.

Recap of 2021 Sessions and Overview of Governor's Supplemental Requests

In 2021, the Alaska legislature set a record with 217 days in session – more than in any year in State or Territorial history. Despite the length of the session, the legislature passed just three appropriations bills: HB 69 (the combined operating, capital, and supplemental budget); HB 71 (the Mental Health budget); and HB 3003 (a special session bill with a variety of appropriations). As in the 2020 session, the operating and capital budgets were rolled together in a single omnibus bill, and as in the 2019 session, the legislature also passed a second appropriations bill in a special session that included restorations of vetoed items and a PFD.

The Governor's December 15 budget release included a fast-track supplemental bill with additional items for FY22. The largest item in that bill is an appropriation of $795.6 million for a second PFD payment. When added to the PFD already paid out earlier in FY22, the sum of both distributions would equate to 50% of the POMV draw, matching the Governor's proposed legislation. In addition to the PFD, the fast-track bill includes an additional $50.2 UGF of operating budget items and $42.9 million UGF of capital items.

The operating items include:

- $34.0 million UGF deposit to the Disaster Relief Fund. $26.0 million of this is for costs associated with the 2018 Anchorage Earthquake. The remaining $8.0 million is the normal deposit for unforeseen disasters and is not as time sensitive.
- $4.3 million UGF for election security and voter outreach. For more information on this item, see the Governor's Office section of the Agency Narratives.
- $2.0 million UGF for legislative per diem, restoring a Governor's veto. For more information on this item, see the Legislature section of the Agency Narratives.
- $1.8 million UGF to address a case backlog in the Judiciary due to the COVID-19 pandemic. For more information on this item, see the Judiciary section of the Agency Narratives.

In addition, there are four capital budget items in the fast-track bill that are addressed in the Capital Budget Overview of this publication.

Guide to Rate Adjustments in FY23 Governor's Budget

The Governor's FY23 budget includes a new transaction type: RateAdj, short for Rate Adjustment. This year, these transactions are in an unallocated appropriation for each agency, but in future years they will be spread throughout agency budgets. Each agency has up to ten RateAdj transactions, each tied to a change in rates set by central service agencies within the Department of Administration which are paid for by departments through reimbursable service agreements (RSAs). By separating out the rate adjustment transactions, core agency operations are not affected by changes in rates, ensuring that funding decisions for other programs are unaffected by the rate-setting process.

These rate adjustment transactions should be considered as a whole, on a statewide basis – individual agencies cannot dictate these rates. Therefore, these rate adjustments cannot be considered piecemeal in the budget process and should be addressed by the full Finance Committees.

There are two categories of changes, with five rate adjustments in each: adjusted base changes, and proposed increases. The Adjusted Base changes realign current rates across agencies and fund sources, with the net result of a small increase due to fixed cost increases. The proposed increases in the Governor's budget are tied to specific increments within central services agencies' budgets. The action on the rate changes should be consistent with the action on the associated increments.

Rate Adjustments in Adjusted Base

Five of the rate adjustments are part of the Adjusted Base because they represent automatic changes such as salary adjustments that are not discretionary. While the legislature may reject these changes, doing so would result in a reduction in service levels. The five changes in Adjusted Base are:

Item	**Funding Total**
FY2023 Administrative Systems Rate Adjusted Base Change	Net Zero ($16.3) UGF ($51.5) Other $8.5 DGF $59.3 Federal
FY2023 Human Resources Rate Adjusted Base Change	$1,382.0 Total $423.9 UGF $716.8 Other $64.9 DGF $176.4 Federal
FY2023 Office of Information Technology Core Services Rate Adjusted Base Change	$543.1 Total $222.3 UGF $166.2 Other $52.2 DGF $102.4 Federal
FY2023 Office of Information Technology Other Non-Core Adjusted Base	$307.6 Total $65.9 UGF $231.6 Other $26.1 DGF ($16.0) Federal
FY2023 Travel and Accounts Payable Rate Adjusted Base Change	Net Zero $48.9 UGF ($42.4) Other $0.0 DGF ($6.5) Federal

Since the Adjusted Base items realign rates across agencies and across fund changes, there is a mix of positive and negative changes statewide. The five changes net to an increase of $2,232.7, of which $744.7 is UGF.

Rate Adjustments Tied to Increments

There are five rate adjustments tied to increments in the central service agencies. The last two rate adjustments are tied to the same increment, which has two parts. If the legislature approves the increments in the Department of Administration's budget, it should approve the associated rate increases in agency budgets.

Item 1	**Agency Increment**	**Corresponding Rate Adjustment**
Location	Department of Administration, Centralized Administrative Services, Finance	All Agencies
Item	Increased Costs Associated with the State's Financial and Reporting Systems	FY2023 Administrative Systems Upgrade Ongoing Cost Increases
Funding	$1,862.5 Interagency Receipts	$1,862.5 Total $590.0 UGF $114.5 DGF $375.7 Other $782.3 Federal

Item 2	**Agency Increment**	**Corresponding Rate Adjustment**
Location	Department of Administration, Centralized Administrative Services, Personnel	All Agencies
Item	AspireAlaska Contract to Maintain Advanced Online Training Platform and Add Streamlined Performance Management System	FY2023 Human Resources Rate AspireAlaska
Funding	$546.0 Interagency Receipts	$545.7 Total $213.5 UGF $60.3 DGF $177.0 Other $94.9 Federal

Item 3	**Agency Increment**	**Corresponding Rate Adjustment**
Location	Department of Administration, Office of Information Technology	All Agencies
Item	Statewide Information Technology Core Infrastructure Upkeep Activities	FY2023 Office of Information Technology Core Services Rate Infrastructure Upkeep Increase
Funding	$1,550.0 Information Services Fund	$1,550.0 Total $634.1 UGF $174.9 DGF $447.5 Other $293.5 Federal

Item 4	**Agency Increment**	**Corresponding Rate Adjustments**
Location	Department of Administration, Office of Information Technology	All Agencies
Item	Statewide Information Technology Core Services Software Increases	FY2023 Office of Information Technology Core Services Rate Software Increases AND FY2023 Office of Information Technology Mainframe Increases
Funding	$3,800.6 Information Services Fund Note: this item does not balance due to utilization of excess receipt authority in OIT for part of this increment.	<u>$3,437.5 Total for Software</u> $1,406.2 UGF $387.9 DGF $992.7 Other $650.7 Federal <u>$749.7 Total for Mainframe</u> $561.0 UGF $39.1 DGF $164.9 Other ($15.3) Federal

Revenue Requirements of the State

AS 24.20.231(2) provides that the Legislative Finance Division analyze the revenue requirements of the State. As the above sections indicate, Alaska still faces a structural budget deficit, and increasing revenue is one option to close that deficit. The following section provides a brief analysis along with potential revenue sources and any issues therein.

New Revenue Options

To introduce additional revenue, the State could increase existing taxes or impose new ones. Alaska is the only state without a statewide broad-based tax, so existing taxes are primarily resource-based taxes or excise taxes on certain consumer items such as motor fuels, alcohol, and tobacco. Increasing existing taxes may cause Alaska to have higher rates than other states, but increases could bring in revenue quickly with minimal administrative costs. New taxes would take longer to set up and would require additional administrative costs. However, significant revenue could be generated with new broad-based taxes.

The following options are reflective of common practice in other states, and do not constitute a policy recommendation. Equity, economic impacts, efficiency, and other considerations are not presented here but should be addressed if the legislature chooses to explore revenue options.

Modify Existing Taxes

Oil and Gas Production Tax

Alaska's oil and gas production tax is projected to bring in $741 million in FY23. Oil prices are highly variable, and the production tax's complex structure adds further volatility. The tax features a two-tiered structure, with a net tax and an alternative gross tax "floor." Proposals aimed at only one component may not impact revenue at all price levels. For instance, DOR estimates that capping the per-taxable barrel credit at $5 would increase revenue by roughly $450 million at $80/barrel but would have no revenue impact at $40/barrel. Past proposals to increase this tax have included raising the tax "floor" from 4% of gross revenue to 5% or higher; eliminating the per-taxable barrel credit; or more complex changes proposed in the House version of Chapter 3, SSLA 17 (HB 111) or the Ballot Measure 1, which failed to pass in 2020.

The revenue impact of production tax changes is highly dependent on oil prices. At low oil prices, increasing the minimum tax would have a positive revenue impact but modifying the per-taxable barrel credit would have no impact. At higher prices, the reverse is true. The legislature should be mindful of this impact when assembling a fiscal plan to ensure that the plan can survive lower oil prices.

Corporate Income Tax

The petroleum and non-petroleum corporate income taxes are projected to bring in a combined $360 million in FY23. Alaska's 9.4% top marginal rate is the fourth highest in the nation. Alaska is one of two states with a corporate income tax but no individual income tax (along with Florida), which results in C-Corporations paying taxes but S-Corporations not paying taxes (as their income flows through to the owners and personal income is not taxed). The Department of Revenue (DOR) estimates that taxing S-Corporations at the same rates as C-Corporations would raise $80 million in the first full year

administered. Another potential change would be to decouple Alaska's tax code from the federal code, which would eliminate unanticipated shifts in revenue due to changes in federal tax law (such as provisions in the federal CARES Act which allowed taxpayers to carryback losses against past tax liabilities).

Other Resource Taxes

Alaska's Mining License Tax is estimated to bring in $48.8 million in FY23. The Fisheries Business and Fishery Resource Landing taxes are estimated to bring in $29.2 million in UGF revenue and an additional $30.4 million that is shared with municipal governments. National comparisons for these taxes are difficult.

Excise Taxes

Alaska imposes excise taxes on several consumer goods. The largest of these are:

- Tobacco taxes: Estimated FY23 revenue is $53.7 million, of which $36.4 million is UGF and $17.3 million is DGF. Alaska's cigarette tax of $2 per pack ranks 18th nationwide. The tax on other tobacco products is 75% of the wholesale price, which ranks 8th nationwide.
- Alcoholic beverage tax: $41.8 million, split equally between UGF and DGF. Alaska's tax is designed to tax all alcoholic beverages equally on a per-drink basis. The $12.80 per gallon tax on liquor ranks 8th nationwide. The $2.50 per gallon tax on wine and $1.07 per gallon tax on beer are both second highest in the country.
- Motor fuel tax: $34.2 million, all DGF. Alaska's $0.08 per gallon tax on highway fuel ranks 50th nationwide. Tripling Alaska's tax to the national median of $0.24 would bring in an additional $68 million.
- Marijuana taxes: $33.5 million, of which $8.6 million is UGF and $24.9 million is DGF. Alaska taxes $50/ounce for flowers, $15/ounce for stems and leaves, and $25/ounce for immature flowers/buds. National comparisons are challenging because many states have a mix of per-ounce and excise taxes. Sixteen states either have in place or are implementing permitting and taxation of recreational marijuana.

New Taxes

Income Tax

Income is taxed in 41 states (not including New Hampshire, which exclusively taxes dividends and interest). Of these, 32 have progressive income taxes, and the remaining nine have flat taxes. Alaska had an income tax from statehood until 1980, when it was repealed. At the time of its repeal, Alaska's income tax brackets ranged from 3% to 14.5% and brought in $117 million in FY79. Adjusted for inflation and population, that is the equivalent of about $600 million in 2020.

Several income tax bills were introduced in the 2021 session. HB 37 would tax 2.5% of federal Adjusted Gross Income (AGI) beyond the first $10,000 ($20,000 for joint filers). HB 37 was the only bill with a fiscal note published, which estimated $580 million in annual revenues. HB 9 would apply a progressive 2.5% to 7% rate to federal taxable income. HB 214 would tax federal taxable income at 1%. SB 100 would tax federal AGI at 5%. SB 3005 taxes federal taxable income at 2.75%, increasing to 3.75% by CY25.

DOR estimates an individual income tax levied at 10% of federal income tax liability would generate $350 million in the first full year administered. Using federal income tax liability would be consistent with Alaska's existing corporate income tax. However, most other states levy individual income taxes based on federal (AGI). LFD estimates an individual income tax based on 3% of AGI, with no exemptions or deductions, would generate $900 million in the first full year administered.

Sales Tax

Statewide sales taxes exist in 45 states, while four states have no state or local sales tax. Alaska is the only state that has no statewide sales tax but allows for the collection of local sales taxes. Of the 45 states with a statewide sales tax, 37 have additional municipal sales taxes. In Alaska, sales taxes may be levied at the city or borough level. As of 2019, 107 of Alaska's 129 taxing municipalities imposed sales taxes, at rates ranging from 1.5% to 7.5%.

HB 4005, introduced in 2021, would tax a moderate base of sales and services at 2%. DOR estimated it would generate $300 million annually.

DOR estimates a broad-based 4% sales tax including all services and business to business exempting only prescription drugs, medical equipment, and business-to-business purchases to resale, would generate $1.28 billion in the first full year administered. DOR estimates that a 4% sales tax styled on Wyoming's sales and use tax would generate $600 million in the first full year administered. This tax would exempt groceries, prescription medicine, medical equipment, and some business-to-business sales and services.

Property Tax

All 50 states have property taxes that are applied by either local or municipal governments. Alaska has a statewide property tax for oil and gas property, but other property is taxed only at the municipal level. Fifteen of Alaska's nineteen boroughs levy personal property taxes. Additionally, nine cities located outside of boroughs levy a property tax. Some boroughs rely very heavily on property tax revenue, and Alaska's average property tax burden ranks 21st nationwide despite not being universally applied.

Alaska could impose a statewide property tax that excludes oil and gas property. Implementing such a tax would be administratively challenging because property values would have to be determined in any area of the state that does not already have a property tax. Unlike most states, Alaska does not require that real estate sale prices be reported publicly to ensure accurate assessments, although some municipalities do.

DOR estimates that a tax on all in-state property of 0.1% (10 mills) of assessed value would generate $117.5 million in the first full year administered.

Payroll Tax or Head Tax

Alaska had a $10 per worker "head tax" to pay for a portion of the education budget until its repeal in 1980. Such taxes are a flat amount per person rather than a percentage of income. No other state currently imposes a head tax.

Several pieces of legislation have proposed graduated head taxes or other payroll taxes. Such taxes could build on the existing payroll tax administered for worker's compensation so they could be implemented with fewer additional resources. However, these taxes would have a narrower base than an income tax

because they exclude dividend and investment income, so their revenue-raising potential is more limited.

DOR estimates a $30 payroll tax on all resident and nonresident workers in Alaska would generate $13.5 million in the first full year administered. DOR estimated the initial implementation cost to be $11 million, with an additional $0.8 million in annual administration costs.

Operating Budget

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Language Sections of the Governor's FY23 Operating Budget

Deleted Sections: FY21 Supplemental Appropriations and FY21 Capital Appropriations (HB 69 Sections 14-50)

Legislative Fiscal Analyst Comment: The Governor typically submits a separate bill requesting supplemental and capital appropriations. During the 2021 session, several supplemental and all capital appropriations were rolled into the operating bill.

The Governor's operating bill includes some FY22 supplemental requests. Supplemental requests are typically submitted as a group by the 15th day of each session, as outlined in AS 37.07.070 and AS 37.07.100.

New Section

Sec. 7. SUPPLEMENTAL DEPARTMENT OF HEALTH AND SOCIAL SERVICES. (a) Section 18(c), ch. 1, SSSLA 2021, is amended to read:

(c) The amount of federal receipts received from the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (P.L. 116-260) for the following purposes in the fiscal years ending June 30, 2021, and June 30, 2022, estimated to be $48,716,633, is appropriated to the Department of Health and Social Services for the fiscal years ending June 30, 2021, [AND] June 30, 2022, <u>and June 30, 2023,</u> for the following purposes and in the following estimated amounts:

PURPOSE	ESTIMATED AMOUNT
United States Centers for Disease Control and Prevention funding for COVID-19 testing	$42,106,500
United States Centers for Disease Control and Prevention funding for COVID-19 vaccination activities	6,610,133

(b) Section 18(d), ch. 1, SSSLA 2021, is amended to read:

(d) The amount of federal receipts received from the American Rescue Plan Act of 2021 (P.L. 117-2) for the following purposes in the fiscal years ending June 30, 2021, and June 30, 2022, estimated to be $77,994,900, is appropriated to the Department of Health and Social Services for the fiscal years ending June 30, 2021, [AND] June 30, 2022, <u>and June 30, 2023,</u> for the following purposes and in the following estimated amounts:

PURPOSE	ESTIMATED AMOUNT
Child care block grant	$28,410,000
Child care stabilization grant	45,453,000

Child nutrition pandemic electronic benefit transfer program	**768,400**
Pandemic temporary assistance for needy families	**3,363,500**

(c) Section 18(f), ch. 1, SSSLA 2021, is amended to read:

(f) The sum of $53,981,495 is appropriated from federal receipts received from the Paycheck Protection Program and Health Care Enhancement Act (P.L. 116-139) to the Department of Health and Social Services for building epidemiology and laboratory capacity for the fiscal years ending June 30, 2021, [AND] June 30, 2022, and June 30, 2023.

(d) Section 18(h), ch. 1, SSSLA 2021, is amended to read:

(h) The sum of $6,227,628 is appropriated from federal receipts received from the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136) to the Department of Health and Social Services for the fiscal years ending June 30, 2021, [AND] June 30, 2022, and June 30, 2023, for the following purposes and in the following amounts:

PURPOSE	AMOUNT
Alaska prescription drug monitoring program	**$1,013,858**
Building epidemiology and laboratory capacity	**2,410,438**
John H. Chafee foster care independence program	**2,319,740**
Education training voucher program	**337,172**
Promoting safe and stable families program	**146,420**

(e) Section 18(i), ch. 1, SSSLA 2021, is amended to read:

(i) The sum of $18,899,904 is appropriated from federal receipts received from the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (P.L. 116-260) to the Department of Health and Social Services for the child care and development block grant for the fiscal years ending June 30, 2021, [AND] June 30, 2022, and June 30, 2023.

Subsections (a) – (e) extend FY21-22 supplemental multi-year appropriations for the Department of Health and Social Services for COVID-19 response and mitigation from specific federal grants through FY23. The majority of the appropriations are then transferred to the new Department of Health in Section **19(b)** and further extended through FY24. A few are transferred instead to the new Department of Family and Community Services in **Section 17(a)** and are likewise extended through FY24.

Legislative Fiscal Analyst Comment: The two-step process (extend then reappropriate) could be simplified into a single section. If the legislature disapproves of the DHSS split, these sections could be modified to extend the appropriations through FY24.

(f) Section 60(c), ch. 1, SSSLA 2021, is amended to read:

(c) Except for federal receipts received from the Coronavirus Relief Fund under the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136), estimated to be $331,427,114, the unexpended and unobligated balance on June 30, 2021, of the appropriation made in sec. 8(a), ch. 2, SLA 2020 (Department of Health and Social Services, division of public health, emergency programs - $9,000,000), is reappropriated to the Department of Health and Social Services, division of public health, emergency programs, for responding to and mitigating the risk of a COVID-19 outbreak in the state for the fiscal years [YEAR] ending June 30, 2022, and June 30, 2023.

Subsection (f) extends an FY22 appropriation for COVID-19 response through FY23. This appropriation was originally a reappropriation of an open-ended appropriation of federal funds for COVID-19 response that ran from FY20-FY21. This section is then transferred to the new Department of Health and extended through FY24 in **Section 19(b)(19)**.

Legislative Fiscal Analyst Comment: In SLA 2021, the legislature reappropriated the remaining balance of the appropriation that did not come from the Coronavirus Relief Fund (CRF) within the Coronavirus Aid, Relief, and Economic Security Act (commonly known as the CARES Act). The CRF portion of that open-ended appropriation expired on June 30, 2021 and the remaining balance was deposited in the Unemployment Trust Fund. The extension in this section only applies to funds that were received in FY20 from other federal sources.

Sec. 8. COSTS OF JOB RECLASSIFICATIONS. The money appropriated in this Act includes the amount necessary to pay the costs of personal services because of reclassification of job classes during the fiscal year ending June 30, 2023.

Legislative Fiscal Analyst Comment: This section was added by the legislature several years ago in response to agency requests for supplemental appropriations to cover the costs of reclassifying selected job classes that the legislature was not informed of in advance. The section clarifies that the cost of reclassifying positions is to be absorbed in an agency's existing budget.

Sec. 9. ALASKA AEROSPACE CORPORATION. Federal receipts and other corporate receipts of the Alaska Aerospace Corporation received during the fiscal year ending June 30, 2023 that are in excess of the amount appropriated in sec. 1 of this Act are appropriated to the Alaska Aerospace Corporation for operations for the fiscal year ending June 30, 2023.

Section 9 is intended to maximize the Alaska Aerospace Corporation's (AAC) ability to attract launch activity by eliminating all questions regarding the corporation's ability to accept and spend receipts in a timely manner.

Funding: In FY23, the estimated impact of this section is zero. From FY12 to FY15, the AAC received general fund appropriations for operating and maintenance costs. All

general funds were eliminated in FY16. There are no changes to the level of authorization requested in the FY23 Governor's budget.

Sec. 10. ALASKA HOUSING FINANCE CORPORATION. (a) The board of directors of the Alaska Housing Finance Corporation anticipates that $26,615,000 of the adjusted change in net assets from the second preceding fiscal year will be available for appropriation for the fiscal year ending June 30, 2023.

Subsection (a) is not an appropriation; it merely specifies the amount of corporate receipts that will be made available to the State as a return of capital (commonly called a dividend). The amounts available for dividends in FY20, FY21, and FY22 were $39.0 million, $45.6 million, and $42.6 million, respectively.

Legislative Fiscal Analyst Comment: The statutory dividend is the lesser of $103 million or 75 percent of the Alaska Housing Finance Corporation's (AHFC) change in net assets in the most recently completed fiscal year [AS 18.56.089(c)]. The FY23 dividend, which is based on FY21 performance, is below recent years. Lower interest rates in FY21 led to lower investment interest income and lower average mortgage portfolio interest rates. The fund also saw more early loan payoffs (due to low interest rates and refinancing elsewhere) than new loans.

(b) The Alaska Housing Finance Corporation shall retain the amount set out in (a) of this section for the purpose of paying debt service for the fiscal year ending June 30, 2023, in the following estimated amounts:

(1) $1,000,000 for debt service on University of Alaska, Anchorage, dormitory construction, authorized under ch. 26, SLA 1996;

(2) $3,605,000 for debt service on the bonds described under ch. 1, SSSLA 2002;

(3) $3,810,000 for debt service on the bonds authorized under sec. 4, ch. 120, SLA 2004.

Subsection (b) makes no appropriation; it informs the legislature that AHFC will retain $8.4 million of the FY23 dividend in order to pay debt service on three capital projects for which AHFC issued debt on behalf of the State, as authorized by past legislatures, leaving $18.2 million of the dividend available for appropriation.

(c) After deductions for the items set out in (b) of this section and deductions for appropriations for operating and capital purposes are made, any remaining balance of the amount set out in (a) of this section for the fiscal year ending June 30, 2023, is appropriated to the general fund.

Subsection (c) appropriates any unappropriated portion of the dividend to the general fund. After subtracting the debt service listed in subsection (b), the net dividend is $18.2 million. The Governor's request spends the entire $18.2 million of the dividend for capital projects, leaving no appropriation to the general fund.

Legislative Fiscal Analyst Comment: The entire net dividend ($18.2 million) is identified as unrestricted general fund revenue. However, the language in **subsection (c)** allows AHFC to retain (and invest) dividends until the money is required to cover expenses associated with capital projects funded by dividends. Investment earnings contribute to AHFC's bottom line.

While appropriating the entire net dividend to the general fund would allow investment earnings to accrue to the general fund rather than to AHFC, the corporation has successfully argued for retention of the current method of accounting for dividends.

(d) All unrestricted mortgage loan interest payments, mortgage loan commitment fees, and other unrestricted receipts received by or accrued to the Alaska Housing Finance Corporation during the fiscal year ending June 30, 2023, and all income earned on assets of the corporation during that period are appropriated to the Alaska Housing Finance Corporation to hold as corporate receipts for the purposes described in AS 18.55 and AS 18.56. The corporation shall allocate its corporate receipts between the Alaska housing finance revolving fund (AS 18.56.082) and senior housing revolving fund (AS 18.56.710(a)) under procedures adopted by the board of directors.

Subsection (d) appropriates certain FY23 receipts of AHFC to the corporation and permits the corporation to allocate those receipts to the AHFC Revolving Loan Fund and the Senior Housing Revolving Fund.

Funding: The corporate receipts used for purposes other than operating costs do not appear in the bill summary or in Legislative Finance Division reports. Corporate operating costs are appropriated in section 1.

(e) The sum of $800,000,000 is appropriated from the corporate receipts appropriated to the Alaska Housing Finance Corporation and allocated between the Alaska housing finance revolving fund (AS 18.56.082) and senior housing revolving fund (AS 18.56.710(a)) under (d) of this section to the Alaska Housing Finance Corporation for the fiscal year ending June 30, 2023, for housing loan programs not subsidized by the corporation.

(f) The sum of $30,000,000 is appropriated from the portion of the corporate receipts appropriated to the Alaska Housing Finance Corporation and allocated between the Alaska housing finance revolving fund (AS 18.56.082) and senior housing revolving fund (AS 18.56.710(a)) under (d) of this section that is derived from arbitrage earnings to the Alaska Housing Finance Corporation for the fiscal year ending June 30, 2023, for housing loan programs and projects subsidized by the corporation.

Subsections (e) and (f) appropriate bond proceeds and arbitrage earnings to various housing programs.

Legislative Fiscal Analyst Comment: Because AHFC has statutory authority to issue bonds and transfer arbitrage earnings to its loan programs, **subsections (e) and (f)** could be removed. However, they do no harm and are informative. The amounts are not reflected in reports prepared by the Legislative Finance Division.

(g) Designated program receipts under AS 37.05.146(b)(3) received by the Alaska Housing Finance Corporation, estimated to be $40,000,000, for administration of housing and energy programs on behalf of a municipality, tribal housing authority, or other third party are appropriated to the Alaska Housing Finance Corporation for the fiscal years ending June 30, 2023, and June 30, 2024.

Subsection (g) facilitates funds collected by the Municipality of Anchorage and other entities to be distributed on a statewide basis through AHFC's programs. Federal COVID-19 relief bills have directed funding directly to Anchorage and tribal entities for the same purpose as programs that AHFC administers for the rest of the state.

Legislative Fiscal Analyst Comment: A similar appropriation was made as an FY21-22 multi-year supplemental in HB 69 with a $96 million estimate.

Deleted Subsection

The unexpended and unobligated balance on June 30, 2021, of federal receipts received for support of housing, rental, utilities, and homeless programs provided under the Consolidated Appropriations Act, 2021, approved by the Legislative Budget and Audit Committee as RPL 04-2021-1066, estimated to be $164,568,100, is reappropriated to the Alaska Housing Finance Corporation for support of housing and homeless programs for the fiscal years ending June 30, 2022, and June 30, 2023.

Legislative Fiscal Analyst Comment: This language extended authority from an FY21 RPL (originally approved by the Legislative Budget and Audit Committee on January 18, 2021) through FY23.

Sec. 11. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY. The sum of $6,479,600, which has been declared available by the Alaska Industrial Development and Export Authority board of directors under AS 44.88.088 for appropriation as the dividend for the fiscal year ending June 30, 2023, is appropriated from the unrestricted balance in the Alaska Industrial Development and Export Authority revolving fund (AS 44.88.060), the Alaska Industrial Development and Export Authority sustainable energy transmission and supply development fund (AS 44.88.660), and the Arctic infrastructure development fund (AS 44.88.810) to the general fund.

Section 11 informs the legislature that the anticipated annual Alaska Industrial Development and Export Authority (AIDEA) corporate dividend to the State will be $6.5 million. Dividends for FY19, FY20, FY21 and FY22 were $4.8 million, $10.3 million, $14.5 million, and $17.3 million

respectively. By statute (AS 44.88.088), the dividend made available should not be less than 25 percent and not more than 50 percent of the base year statutory net income.

The FY23 AIDEA dividend approved by the AIDEA Board in December of 2021 is $6,479,600. The dividend was based on statutory net income from the Revolving Fund and the Sustainable Energy Transmission and Supply (SETS) Fund, which combined to be $17.3 million. A third fund, the Arctic Infrastructure Development Fund, posted a loss of $0.5 million and has zero dividend. The dividend was calculated as 37.5% of statutory net income from the two profitable funds.

Legislative Fiscal Analyst Comment: The FY23 AIDEA dividend, which is based on FY21 performance, is lower than recent years due to the economic impacts of the Mustang Field project, reduced revenue from loan modifications, and increased legal costs.

Sec. 12. ALASKA PERMANENT FUND.
(a) The amount calculated under AS 37.13.140(b) in the sum of $3,360,567,100 from the earnings reserve account (AS 37.13.145) is appropriated as follows:
(1) the sum of $1,680,283,550, is appropriated to the dividend fund (AS 43.23.045(a)) for the payment of permanent fund dividends and for administrative and associated costs for the fiscal year ending June 30, 2023;

(2) the sum of $1,680,283,550, is appropriated to the general fund for the fiscal year ending June 30, 2023.

The statutory 5 percent POMV payout is $3.36 billion in FY23. The Governor splits that in half, with 50% going to the general fund in **subsection (a)(1)** and the remaining 50% going to the Permanent Fund Dividend in **subsection (a)(2**).

Legislative Fiscal Analyst Comment: The fiscal summary shows these transfers from the ERA as unrestricted general fund revenue. In previous years, the entire POMV draw was deposited into21 the general fund and the general fund was used to pay PFDs. There is no practical difference between that approach and the language in the Governor’s budget.

(b) The amount required to be deposited under art. IX, sec. 15, Constitution of the State of Alaska, estimated to be $359,100,000, during the fiscal year ending June 30, 2023, is appropriated to the principal of the Alaska permanent fund in satisfaction of that requirement.

Subsection (b) identifies an amount of oil revenue that goes into the Permanent Fund. Because the constitution mandates that at least 25 percent of royalties be deposited in the Permanent Fund, that dedicated revenue flows directly to the Permanent Fund. Dedicated deposits to the Permanent Fund are excluded from general fund revenue and from appropriations reported by the Legislative Finance Division. Arguably, appropriation of dedicated revenue is not necessary, but it does no harm and the language is informative.

(c) After the appropriation made in (b) of this section, the additional amount required to be deposited under AS 37.13.010(a)(2), estimated to be $74,800,000, during the fiscal year ending June 30, 2023, is appropriated from the general fund to the principal of the Alaska permanent fund.

Subsection (c) identifies an amount of oil revenue that goes into the Permanent Fund. This subsection reflects the additional 25 percent of royalties from oil fields newer than 1979 to be deposited into the Permanent Fund. The non-mandated deposits require appropriation and are reflected as additional designated general fund revenue. Both revenue and expenditures are included in reports prepared by Legislative Finance Division.

Legislative Fiscal Analyst Comment: Since FY21, this royalty deposit has been identified using fund code 1262 (Non-mandatory Royalty Deposits to the Permanent Fund) as a Designated General Fund appropriation. Legal advice from Legislative Legal Services and the Department of Law confirm that this deposit is subject to appropriation, and therefore should be counted as statutorily designated revenue.

(d) The amount calculated under AS 37.13.145(c), after the appropriations made in (a) of this section, estimated to be $1,039,000,000, is appropriated from the earnings reserve account (AS 37.13.145) to the principal of the Alaska permanent fund to offset the effect of inflation on the principal of the Alaska permanent fund for the fiscal year ending June 30, 2023.

Subsection (d) appropriates the statutory inflation proofing transfer from the ERA to the principal of the Permanent Fund.

Legislative Fiscal Analyst Comment: In FY20, the legislature appropriated an additional $4 billion for inflation proofing, attaching legislative intent that this would satisfy the inflation proofing requirement for the following four fiscal years (FY21-23). In FY22, the legislature appropriated an additional $4 billion without including similar intent language (see deleted section on next page).

(e) The income earned during the fiscal year ending June 30, 2023, on revenue from the sources set out in AS 37.13.145(d), estimated to be $27,670,000, is appropriated to the Alaska capital income fund (AS 37.05.565).

Subsection (e) appropriates FY23 earnings associated with the State vs. Amerada Hess settlement (that are held within the Permanent Fund) to the Alaska Capital Income Fund. The Alaska Capital Income Fund was established in FY05 and, per ch. 88, SLA 2018, is designated for capital deferred maintenance projects.

Legislative Fiscal Analyst Comment: The Amerada Hess settlement resulted in the creation of a “fenced off” portion of the Permanent Fund that was intended to ensure that Alaska juries

would not be personally affected (via Permanent Fund Dividends) by lawsuits involving revenue to the Permanent Fund.

Deleted Subsection

The sum of $4,000,000,000 is appropriated from the earnings reserve account (AS 37.13.145) to the principal of the Alaska permanent fund.

Sec. 13. DEPARTMENT OF ADMINISTRATION. (a) The amount necessary to fund the uses of the state insurance catastrophe reserve account described in AS 37.05.289(a) is appropriated from that account to the Department of Administration for those uses for the fiscal year ending June 30, 2023.

Subsection (a) references the statute that allows up to $5 million to be swept from lapsing general fund appropriations into the Catastrophe Reserve Account. It appropriates funds from the Catastrophe Reserve Account to the Department of Administration to obtain insurance, establish reserves for the self-insurance program, and to satisfy claims or judgments arising under the program.

Funding: This provision has no fiscal impact; it allows money appropriated elsewhere to be transferred and spent but does not increase total appropriations.

Legislative Fiscal Analyst Comment: This section re-emphasizes the State's authority to expend funds from the State Insurance Catastrophe Reserve Account described in AS 37.05.289(a). The language may not be necessary, but it does no harm.

The Catastrophe Reserve Account sweeps lapsing general fund appropriations annually to maintain a balance not to exceed $5 million. If these funds were not available, two opportunities would remain for meeting catastrophic situations: 1) supplemental appropriations by the legislature; and 2) judgment legislation. Delays that could occur with legislative remedies would cause difficulty in situations that require immediate action.

(b) The amount necessary to fund the uses of the working reserve account described in AS 37.05.510(a) is appropriated from that account to the Department of Administration for those uses for the fiscal year ending June 30, 2023.

Subsection (b) appropriates funds from the Working Reserve Account to the Department of Administration (DOA) to pay leave cash-in, terminal leave, unemployment insurance contributions, workers compensation, and general liability claims.

Funding: This provision has no fiscal impact; it allows money appropriated elsewhere to be transferred to and spent by the DOA, but it does not increase total appropriations.

FY21 actual usage was $47.6 million, up from recent prior years, and collections were $40.2 million, for a $7.4 million shortfall. This shortfall was covered using lapsing balances of other appropriations as authorized in subsection (c). DOA's projected need is

$42.3 million for FY22 and FY23. If the projections are accurate, collections will be $2.3 million less than usage in FY22 and FY23.

However, the effect of COVID-19 on leave cash-in and unemployment insurance contributions in FY22 and FY23 are uncertain. In FY22, employees are taking less leave due to travel restrictions, resulting in an increase in leave cash-ins to meet contractually mandated leave requirements. In addition, unemployment usage in FY21 was higher than normal. The FY22 and FY23 working reserve rates are projected to remain at the FY21 rate of 3.91% but will be updated based on actual usage and collections.

Legislative Fiscal Analyst Comment: This section re-emphasizes the State's authority to expend funds from the Working Reserve Account described in AS 37.05.510. The language may not be necessary, but it does no harm.

The Working Reserve Account consists primarily of money appropriated to agencies (for the listed purposes) as a portion of personal services costs. The Department of Administration allocates money from each agency to the Working Reserve Account as part of the payroll process. If the amount in the account is insufficient to cover expenses, the Department of Administration may sweep lapsing personal services appropriations in order to cover expenses.

(c) The amount necessary to have an unobligated balance of $5,000,000 in the working reserve account described in AS 37.05.510(a) is appropriated from the unencumbered balance of any appropriation enacted to finance the payment of employee salaries and benefits that is determined to be available for lapse at the end of the fiscal year ending June 30, 2023, to the working reserve account (AS 37.05.510(a)).

Subsection (c) appropriates funds from the Working Reserve Account to the Department of Administration to pay leave cash-in, terminal leave, unemployment insurance contributions, workers compensation, and general liability claims.

Legislative Fiscal Analyst Comment: This section re-emphasizes the State's authority to transfer lapsing balances to the Working Reserve Account described in AS 37.05.510. The language may not be necessary, but it does no harm.

(d) The amount necessary, not to exceed $10,000,000, after the appropriation made in (c) of this section, to maintain a balance in the group health and life benefits fund (AS 39.30.095) at the minimum target claim reserve balance of one and a half times the amount of outstanding claims, is appropriated from the unencumbered balance of any appropriation that is determined to be available for lapse at the end of the fiscal year ending June 30, 2023, to the group health and life benefits fund (AS 39.30.095).

Funding: This provision has no fiscal impact; it allows money appropriated elsewhere to be transferred to the Group Health and Life Benefits Fund, but it does not increase total appropriations.

Legislative Fiscal Analyst Comment: Previous versions of this language allowed the unobligated balance of the fund to be capped at $10 million (using lapsing funds); this new language raises the ceiling to 1.5 times the amount of outstanding claims, which is the minimum target claim reserve balance. As an example, in FY21, the outstanding claims (also known as Incurred but Not Recorded [IBNR]) was $13.8 million; the target claim reserve balance would have been $20.7 million (1.5 x $13.8 million). The unobligated fund balance was $14 million on 6/30/21; therefore, the difference between the unobligated fund balance and the target claim reserve balance would have been $6.7 million. This $6.7 million would have been the amount appropriated from lapsing funds under the proposed new language. Under the existing language, $0 of lapsing funds was appropriated because the fund balance of $14 million was greater than the $10 million cap.

The Division of Retirement and Benefits' consultant (Segal) and the Health Benefits Evaluation Committee recommend a range of 1.5 to 2.5 times the IBNR liability to absorb claims volatility and provide stability in premiums. In FY17 the fund balance was declining rapidly and anticipated to be exhausted by the end of that fiscal year. The legislature made a direct appropriation of $7.5 million UGF in FY17 and in FY18 the appropriation of lapsing balances into the fund began.

The unrestricted net position of the fund on June 30, 2021 is $14.0 million, a decrease of $4.9 million from 2020, or 25.9%. According to the June 30, 2021 financial statements, "*Over the long-term, health insurance premiums collected, other income received, and investment income earned are anticipated to sufficiently fund the costs of the Plan. During fiscal year 2021, the Plan saw a significant increases in healthcare benefit costs, up $10.1 million, or 7.9%, from fiscal year 2020. This includes $823 thousand increase in claims payable. These cost increases were partially offset by a $4.0 million subrecipient funding transfer from the Department of Health and Social Services for CARES Act funding and a $1.7 million increase in other revenue.*"

The Division of Retirement and Benefits' benefit consultant (Segal) recommends the employer contribution for the AlaskaCare Employee Health Plan be increased to $1,685, to meet an unanticipated funding gap, after five years of no increases to the $1,555 rate. This funding gap is due to unanticipated circumstances, including atypical COVID-19 medical costs, an unprecedented rise in high-cost claimants (five individuals had claims totaling over $1 million each), and sharply increasing pharmaceutical costs. To close this gap, the Division is pursing multiple strategies to address the plan's funding trajectory, including leveraging federal funds, implementing cost management strategies, and altering funding levels.

Legislative Fiscal Analyst Recommendation: The language would be clearer if the "balance" was clarified to be "unobligated balance."

(e) The amount necessary to have an unobligated balance equal to the amount listed in AS 37.05.289 in the state insurance catastrophe reserve account (AS 37.05.289(a)), after the appropriations made in (c) and (d) of this section and the appropriation made in sec. 27 of this Act, is appropriated from the unencumbered balance of any appropriation that is determined to

be available for lapse at the end of the fiscal year ending June 30, 2023, to the state insurance catastrophe reserve account (AS 37.05.289(a)).

See comments in **section 13(a) and section 27** for additional information about the catastrophe reserve account.

Legislative Fiscal Analyst Comment: This section re-emphasizes the State's authority to transfer lapsing general fund balances to the Insurance Catastrophe Reserve Account described in AS 37.05.289.

This appropriation would allow the transfer, currently in statute to up to $5 million, from lapsing general fund appropriations to the Catastrophe Reserve Account, after the appropriations of lapsing general fund balances are transferred to the Working Reserve Account (up to $5 million), the Group Health Life Account (up to $10 million), and the Office of Management and Budget to central service agencies for central services cost allocation rate shortfalls (up to $5 million).

Legislative Fiscal Analyst Recommendation: The language in subsection 13(e) appears to conflict with ch. 1 SSSLA 2021 (HB 69) sec. 56(e), which states "the amount necessary to have an unobligated balance of $5,000,000 in the state insurance catastrophe reserve account is appropriated to that account from money determined to be available for lapse at the end of the fiscal year ending June 30, 2022" (after the appropriations made in ch. 1 SSSLA 2021 (HB 69) sections 56(b) through (d)). However, sections 13(e) and 27 of the Governor's proposal state this lapsing money should go first to OMB (Cost Allocations) and then to the state insurance catastrophe reserve account.

If the intent is to direct money to OMB (Cost Allocation) first, before the state insurance catastrophe reserve account, HB 69 sec. 56(e) should be amended to establish a clearer priority order.

(f) If the amount necessary to cover plan sponsor costs, including actuarial costs, for retirement system benefit payment calculations exceeds the amount appropriated for that purpose in sec. 1 of this Act, after all allowable payments from retirement system fund sources, that amount, not to exceed $500,000, is appropriated from the general fund to the Department of Administration for that purpose for the fiscal year ending June 30, 2023.

Subsection (f) appropriates general funds to pay for costs of retirement system benefit calculations that exceed the $250.5 appropriated to the Department of Administration in **section 1**.

Legislative Fiscal Analyst Comment: The pension and retiree health plans are trust funds and must adhere to federal and state rules regarding benefit trusts. The rules make a clear distinction between expenses that are for the benefit of the plan participants and expenses that are for the benefit of the plan sponsor. The expenses that benefit the plan sponsor are called settlor expenses or costs. Costs that benefit the plan sponsor cannot be paid for by retiree health trust funds as these expenses are for the benefit of the plan sponsor.

(g) The amount necessary to cover actuarial costs associated with bills introduced by the legislature, estimated to be $0, is appropriated from the general fund to the Department of Administration for that purpose for the fiscal year ending June 30, 2023.

Subsection (g) appropriates general funds in FY23 to pay for actuarial costs associated with bills introduced by the legislature. As with settlor expenses, trust funds cannot be used for costs that do not benefit the trustees.

Sec. 14. DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT. (a) The unexpended and unobligated balance of federal money apportioned to the state as national forest income that the Department of Commerce, Community, and Economic Development determines would lapse into the unrestricted portion of the general fund on June 30, 2023, under AS 41.15.180(j) is appropriated to home rule cities, first class cities, second class cities, a municipality organized under federal law, or regional educational attendance areas entitled to payment from the national forest income for the fiscal year ending June 30, 2023, to be allocated among the recipients of national forest income according to their pro rata share of the total amount distributed under AS 41.15.180(c) and (d) for the fiscal year ending June 30, 2023.

Subsection (a) appropriates any remaining balance of National Forest Receipts to be paid as grants to local governments in the unorganized borough.

Legislative Fiscal Analyst Comment: National Forest Receipts consist of national forest income received by the Department of Commerce, Community, and Economic Development (DCCED) for the portion of national forests located within the unorganized borough. By law, 75 percent of the income is allocated to public schools and 25 percent for maintenance of public roads in the unorganized borough.

AS 41.15.180(j) states that the amount in the national forest receipts fund remaining at the end of the fiscal year lapses into the general fund and shall be used for school and road maintenance in the affected areas of the unorganized borough for which direct distribution has not been made.

Under AS 41.15.180(j), lapsing money must be spent in areas that do not receive money under AS 41.15.180(c) and (d). **Subsection (a)** takes money that would otherwise be spent in unorganized areas within the unorganized borough and appropriates it to local governments within the unorganized borough.

(b) If the amount necessary to make national forest receipts payments under AS 41.15.180 exceeds the amount appropriated for that purpose in sec. 1 of this Act, the amount necessary to make national forest receipts payments is appropriated from federal receipts received for that purpose to the Department of Commerce, Community, and Economic Development, revenue sharing, national forest receipts allocation, for the fiscal year ending June 30, 2023.

Subsection (b) is an open-ended appropriation intended to ensure that all federal funding received for the National Forest Receipts program is disbursed expeditiously to communities.

Funding: The estimated impact of this section is unknown. The $600,000 appropriated in section 1 for this program is the best estimate at this time.

Legislative Fiscal Analyst Comment: Although the National Forest Receipts (NFR) program was scheduled to sunset in FY08, the program continued to be reauthorized for several years. Historical NFR and Secure Rural Schools (SRS) revenue levels averaged $10.7 million annually from FY10 through FY20. In FY17, the Secure Rural Schools program was not extended by Congress so NFR Payments reverted to the original distribution formula of about $600,000. The program was reauthorized in FY18 through FY21. The program is currently pending federal reauthorization for FY22 and FY23 and is projecting the original distribution formula of $600,000 in the meantime.

Legislative Fiscal Analyst Recommendation: Retain **subsections (a) and (b)** despite the outlook for FY23. If there is no program, the language does no harm; if the program is reauthorized, Alaska will be ready to distribute money to communities.

(c) If the amount necessary to make payments in lieu of taxes for cities in the unorganized borough under AS 44.33.020(a)(20) exceeds the amount appropriated for that purpose in sec. 1 of this Act, the amount necessary to make those payments is appropriated from federal receipts received for that purpose to the Department of Commerce, Community, and Economic Development, revenue sharing, payment in lieu of taxes allocation, for the fiscal year ending June 30, 2023.

Subsection (c) is intended to ensure that all federal funding received for the Payment in Lieu of Taxes (PILT) program is disbursed to communities expeditiously.

Funding: The estimated impact of this section is zero. The $10.4 million appropriated in **section 1** for this program should be sufficient.

Legislative Fiscal Analyst Comment: The Payment in Lieu of Taxes (PILT) program is subject to federal appropriation and reauthorization for FY23.

Legislative Fiscal Analyst Recommendation: Retain **subsection (c)** despite the outlook for FY23. If there is no program, the language does no harm; if the program is reauthorized, Alaska will be ready to distribute money to communities.

(d) The amount necessary for the purposes specified in AS 42.45.085(a), estimated to be $32,355,000, not to exceed the amount determined under AS 42.45.080(c)(1), is appropriated from the power cost equalization endowment fund (AS 42.45.070(a)) to the Department of Commerce, Community, and Economic Development, Alaska Energy Authority, power cost equalization allocation, for the fiscal year ending June 30, 2023.

Subsection (d) appropriates money from the Power Cost Equalization Endowment Fund to the Alaska Energy Authority (AEA) for the Power Cost Equalization (PCE) program. As of June 30, 2021, the endowment fund balance was $1.1 billion.

Funding: Total PCE program cost is projected to be $32.4 million in FY23 (the same amount as FY22).

Legislative Fiscal Analyst Comment: See the Department of Commerce, Community, and Economic Development's Summary of Budget Changes for additional details.

(e) The amount received in settlement of a claim against a bond guaranteeing the reclamation of state, federal, or private land, including the plugging or repair of a well, estimated to be $150,000, is appropriated to the Alaska Oil and Gas Conservation Commission for the purpose of reclaiming the state, federal, or private land affected by a use covered by the bond for the fiscal year ending June 30, 2023.

Subsection (e) permits the Alaska Oil and Gas Conservation Commission (AOGCC) to collect on a performance bond, should that action become necessary.

Legislative Fiscal Analyst Comment: Similar language in **section 23(c)** applies to the **Department of Natural Resources.**

(f) The sum of $281,567 is appropriated from the civil legal services fund (AS 37.05.590) to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to Alaska Legal Services Corporation for the fiscal year ending June 30, 2023.

Subsection (f) is a named recipient grant to the Alaska Legal Services Corporation.

Legislative Fiscal Analyst Comment: The capitalization of the Civil Legal Services Fund occurs under Fund Transfers in **section 31(c)**.

(g) The amount of federal receipts received for the reinsurance program under AS 21.55 during the fiscal year ending June 30, 2023, is appropriated to the Department of Commerce, Community, and Economic Development, division of insurance, for the reinsurance program under AS 21.55 for the fiscal year ending June 30, 2023.

New Subsection

(h) The sum of $1,000,000 is appropriated from program receipts collected under AS 21 to the Department of Commerce, Community and Economic Development for actuarial support costs for the fiscal years ending June 30, 2022, and June 30, 2023.

Subsection (h) provides program receipt authority for DCCED to contract out actuarial services that have been difficult to fill due to private sector competition. The Department has two Actuary positions, one for life and health (vacant since FY20) and another for property and casualty (vacant since 9/21). Sufficient revenue exists to cover this request.

Legislative Fiscal Analyst Recommendation: This section should have an FY22 effective date but was mistakenly left out of the supplemental effective date section.

Deleted Subsection

The unexpended and unobligated balance on June 30, 2021, of federal receipts received from the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136) for payments to communities for direct mitigation of and efforts to recover from the novel coronavirus disease (COVID19) public health emergency, approved by the Legislative Budget and Audit Committee as RPLs 08-2020-0260 through 08-2020-0382, and ratified under ch. 32, SLA 2020, estimated to be $0, is reappropriated to the Department of Commerce, Community, and Economic Development for payments to communities for direct mitigation of and efforts to recover from the COVID19 public health emergency for the fiscal year ending June 30, 2022.

Legislative Fiscal Analyst Comment: This carryforward language extended FY21 authority, approved by the Legislative Budget and Audit Committee on May 11, 2020 and ratified under ch. 32, SLA 2020 (HB 313), through FY22.

Sec. 15. DEPARTMENT OF CORRECTIONS. The unexpended and unobligated balance on June 30, 2022, of federal receipts received by the Department of Corrections through man-day billings is appropriated to the Department of Corrections, population management, Anchorage Correctional Complex, for the fiscal year ending June 30, 2023.

Legislative Fiscal Analyst Comment: This carryforward language was added during the 2021 session to fully utilize federal funds in the Anchorage Correctional Complex to even out costs across fiscal years and minimize the need for a UGF supplemental. The Department carried forward $2,201.4 into FY22.

Legislative Fiscal Analyst Recommendation: Move this carryforward language to the numbers section for simplicity.

Sec. 16. DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT. (a) An amount equal to 50 percent of the donations received under AS 43.23.230(b) for the fiscal year ending June 30, 2023, estimated to be $426,100, is appropriated to the Department of Education and Early Development to be distributed as grants to school districts according to the average daily membership for each school district adjusted under AS 14.17.410(b)(1)(A) - (D) for the fiscal year ending June 30, 2023.

Subsection (a) appropriates half of all donations made to the dividend raffle during FY23 to the Department of Education and Early Development for school grants.

Legislative Fiscal Analyst Comment: After taking half of the donations to pay for the aforementioned grants, the remaining donations are distributed equally to the Education Endowment Fund and Dividend Raffle Fund. The education grants are distributed to school districts according to the adjusted average daily membership for each district.

(b) If the unexpended and unobligated balance of federal funds on June 30, 2022, received by the Department of Education and Early Development, Education Support and Administrative Services, Student and School Achievement from the United States Department of Education for grants to educational entities, and nonprofit and nongovernment organizations exceeds the amount appropriated to the Department of Education and Early Development, Education Support and Administrative Services, Student and School Achievement, in sec. 1 of this Act, the excess amount is appropriated to the Department of Education and Early Development, Education Support and Administrative Services, Student and School Achievement for that purpose for the fiscal year ending June 30, 2023.

Subsection (b) appropriates any additional prior year federal revenue not appropriated in section 1 of this act for the purpose of reimbursing federal grant funding to educational entities as well as nonprofit and nongovernmental organizations.

Legislative Fiscal Analyst Comment: The majority of federal grants in the Student and School Achievement component operate on overlapping 27-month grant cycles. Sub-grantees are able to expend grant awards across multiple state fiscal years. In order to accommodate the ability of grantees to expend from multiple concurrent grants, Student and School Achievement requires authority to collect and expend federal revenue awarded in prior years. The previous practice of carrying this necessary authority in the numbers section artificially raised the Department of Education & Early Development's budget. By placing this authority in the language section, the department can avoid carrying over $10 million in excess authority in a given year. This language item was first enacted in FY21.

(c) The proceeds from the sale of state-owned Mt. Edgecumbe High School land in Sitka by the Department of Education and Early Development or the Department of Natural Resources are appropriated from the general fund to the Department of Education and Early Development, Mt. Edgecumbe boarding school, for maintenance and operations for the fiscal year ending June 30, 2023.

Subsection (c) appropriates proceeds from land sales owned by the Department of Education and Early Development to Mt. Edgecumbe boarding school for maintenance and operations. This language section was new in FY21.

Legislative Fiscal Analyst Comment: According to a memorandum from the Department of Law dated November 25, 2020, Southeast Alaska Regional Health Consortium (SEARHC) seeks to buy three parcels on Japonski Island owned by the Department of Education and Early Development (DEED). However, DEED's authority to transfer real property is limited by state statute AS 14.07.030(a)(6) which only allows the transfer of real property to federal or state agencies or political subdivisions. At the time of publication, negotiations between DEED and the City of Sitka are underway for one of the parcels, a seaplane base (Lot 15A). DEED issued a commitment to sell and offer for $753,125 which has initial FAA approval.

Deleted Subsection

The sum of $2,500,000 is appropriated from the general fund to the Department of Education and Early Development, education support and administrative services, pre-kindergarten grants, for the fiscal years ending June 30, 2022, and June 30, 2023.

> **Legislative Fiscal Analyst Comment:** The legislature appropriated $2.5 million UGF as an FY22-FY23 multi-year appropriation for pre-kindergarten grants which was vetoed by the Governor.

New Section

Sec. 17. DEPARTMENT OF FAMILY AND COMMUNITY SERVICES.

New Subsection

(a) The unexpended and unobligated balances, including encumbered amounts, of the following appropriations are reappropriated to the Department of Family and Community Services for fiscal years ending June 30, 2023, and June 30, 2024:

(1) sec. 18(h), ch. 1, SSSLA 2021, page 116, line 31 (John H. Chafee foster care independence program - $2,319,740);

(2) sec. 18(h), ch. 1, SSSLA 2021, page 117, line 1 (education training voucher program - $337,172);

(3) sec. 18(h), ch. 1, SSSLA 2021, page 117, line 2 (promoting safe and stable families program - $146,420).

> **Subsections (a)(1) - (a)(3)** were FY21-FY22 supplemental multi-year appropriations contained in the Department of Health and Social Services and are being extended to FY23 in **Section 7(d)** above. This section then transfers those appropriations to the new Department of Family and Community Services and extends them through FY24.

Modified Subsection

(b) The unexpended and unobligated balances, including encumbered amounts, estimated to be $1,079,900, of the appropriations made in sec. 60(b), ch. 1, SSSLA 2021 (Department of Health and Social Services, activities associated with implementing the Family First Prevention Services Act, including developing plans of safe care, prevention-focused models for families of infants with prenatal substance exposure) is reappropriated to the Department of Family and Community Services for fiscal years June 30, 2023 and June 30, 2024.

> **Subsection (b)** transfers a FY22-FY24 multi-year appropriation contained in the Department of Health and Social Services to the new Department of Family and Community Services for FY23-FY24.

Sec. 18. OFFICE OF THE GOVERNOR. The sum of $1,966,000 is appropriated from the general fund to the Office of the Governor, division of elections, for costs associated with conducting the statewide primary and general elections for the fiscal years ending June 30, 2023, and June 30, 2024.

> **Legislative Fiscal Analyst Comment:** Beginning in FY17, the cost of holding elections every two years was divided in half to reduce volatility in the final authorized budget of the Office of the Governor while allowing for sufficient funding to conduct elections. Note that **section 18** appropriates money for a two-year period, so money not spent in FY23 will be available in FY24.

Deleted Subsection

The sum of $950,000 is appropriated from the general fund to the Office of the Governor, elections, for implementation of the Alaska redistricting proclamation, for the fiscal years ending June 30, 2022, and June 30, 2023.

> **Legislative Fiscal Analyst Comment:** This section appropriated funds to the Division of Elections to implement the redistricting proclamation. If litigation causes the implementation of the new maps to be delayed, this appropriation may need to be extended into subsequent fiscal years.

Sec. 19. DEPARTMENT OF HEALTH. (a) Federal receipts received during the fiscal year ending June 30, 2023, for Medicaid services are appropriated to the Department of Health, Medicaid services, for Medicaid services for the fiscal year ending June 30, 2023.

Subsection (a) provides open-ended federal receipt authority to the Medicaid program.

> **Legislative Fiscal Analyst Comment:** Similar language was added to sec. 28, ch. 8, SLA 2020 specifically to allow the department flexibility with receiving federal funding related to the COVID-19 pandemic. The Families First Coronavirus Response Act, amended by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, authorized a 6.2% percentage point increase in federal Medicaid matching funds to help states respond to the COVID-19 pandemic.
>
> The department anticipates a potential need for this flexibility into FY23 should the enhanced Medicaid Federal Medical Assistance Percentage (FMAP) be extended beyond March 31, 2022, when it is currently set to expire. This FY23 open-ended authorization is also being requested for non-COVID-19 activities.

Modified Subsection

(b) The unexpended and unobligated balances, including encumbered amounts, of the following appropriations are reappropriated to the Department of Health for fiscal years ending June 30, 2023, and June 30, 2024:

(1) sec. 18(c), ch. 1, SSSLA 2021, page 115, lines 1 - 3 (Coronavirus Response and Relief Supplemental Appropriations Act, United Sates Centers for Disease Control and Prevention funding for COVID-19 testing - $42,106,500);

(2) sec. 18(c), ch. 1, SSSLA 2021, page 115, lines 4 - 6 (Coronavirus Response and Relief Supplemental Appropriations Act, United Sates Centers for Disease Control and Prevention funding for COVID-19 vaccination activities - $6,610,133);

(3) sec. 18(d), ch. 1, SSSLA 2021, page 115, line 13 (American Rescue Plan Act, child care block grant- $28,410,000);

(4) sec. 18(d), ch. 1, SSSLA 2021, page 115, line 14 (American Rescue Plan Act, child care stabilization grant - $45,453,000);

(5) sec. 18(d), ch. 1, SSSLA 2021, page 115, lines 15 - 16 (American Rescue Plan Act, child nutrition pandemic electronic benefit transfer program - $768,400);

(6) sec. 18(d), ch. 1, SSSLA 2021, page 115, lines 17 - 18 (American Rescue Plan Act, pandemic temporary assistance for needy families - $3,363,500);

> **Subsections (b)(1) - (6)** were FY21-FY22 supplemental multi-year appropriations contained in the Department of Health and Social Services and are being extended to FY23 in **Sections 7(a) and (b)** above. This section then transfers those appropriations to the new Department of Health and extends them through FY24.

(7) sec. 18(e), ch. 1, SSSLA 2021, page 115, lines 25 - 26 (American Rescue Plan Act, family violence and child abuse prevention and treatment funding - $291,000);

(8) sec. 18(e), ch. 1, SSSLA 2021, page 115, line 27 (American Rescue Plan Act, low-income home energy assistance program - $23,701,000);

(9) sec. 18(e), ch. 1, SSSLA 2021, page 115, line 28 (American Rescue Plan Act, mental health treatment funding - $3,038,000);

(10) sec. 18(e), ch. 1, SSSLA 2021, page 115, lines 29 - 30 (American Rescue Plan Act, senior and disabilities services community-based grants - $7,045,000);

(11) sec. 18(e), ch. 1, SSSLA 2021, page 115, line 31 through page 116, line 1 (American Rescue Plan Act, supplemental nutrition program for women, infants, and children benefit improvements - $1,160,000);

(12) sec. 18(e), ch. 1, SSSLA 2021, page 116, line 2 (American Rescue Plan Act, substance abuse block grant funding - $4,706,000);

(13) sec. 18(e), ch. 1, SSSLA 2021, page 116, lines 3 - 4 (American Rescue Plan Act, United States Centers for Disease Control and Prevention funding for COVID-19 - $22,033,800);

(14) sec. 18(e), ch. 1, SSSLA 2021, page 116, lines 5 - 7 (American Rescue Plan Act, United States Centers for Disease Control and Prevention for COVID-19 vaccination activities - $32,376,600);

Subsections (b)(7) - (14) transfers FY21-FY24 supplemental multi-year appropriations contained in the Department of Health and Social Services s to the new Department of Health and extends them through FY24.

(15) sec. 18(f), ch. 1, SSSLA 2021, page 116, line 8 - 11 (Paycheck Protection Program and Health Care Enhancement Act, epidemiology and laboratory capacity - $53,981,495);

(16) sec. 18(h), ch. 1, SSSLA 2021, page 116, line 29 (Coronavirus Aid, Relief, and Economic Security Act, Alaska prescription drug monitoring program - $1,013,858);

(17) sec. 18(h), ch. 1, SSSLA 2021, page 116, line 30 (Coronavirus Aid, Relief, and Economic Security Act, building epidemiology and lab capacity - $2,410,438);

(18) sec. 18(i), ch. 1, SSSLA 2021, page 117, lines 3 - 6 (Coronavirus Response and Relief Supplemental Appropriations Act, child care and development block grant - $18,899,904);

Subsections (b)(15) - (18) were FY21-FY22 supplemental multi-year appropriations contained in the Department of Health and Social Services and are being extended to FY23 in **Sections 7(b), (c) and (d)** above. This section then transfers those appropriations to the new Department of Health and extends them through FY24.

(19) sec. 60(c), ch. 1, SSSLA 2021, page 142, lines 23 - 30 (Coronavirus Aid, Relief, and Economic Security Act, respond to and mitigate risk of COVID-19), estimated to be $9,000,000;

Subsection (b)(19) was an appropriation originally made as an FY20-21 supplemental multi-year and subsequently extended to FY22, which is extended again to FY23 in **Section 7(f)** above. This section transfers that appropriation to the new Department of Health and extends it through FY24.

(20) sec. 13(a), ch. 1, TSSLA 2021, page 13, lines 22 - 29 (American Rescue Plan Act, detect and mitigate COVID-19 in confinement facilities), estimated to be $1,600,000;

(21) sec. 13(c), ch. 1, TSSLA 2021, page 14, lines 4 - 10 (American Rescue Plan Act, supporting home-delivered meals to seniors, family caregiver support, and transportation services and expanding access to COVID-19 vaccines for seniors and individuals with disabilities), estimated to be $5,000,000.

Subsections (b)(20) and (b)(21) were FY22-24 multi-year appropriations from ch. 1, TSSLA 2021 (HB 3003) contained in the Department of Health and Social Services. This subsection transfers those appropriations to the new Department of Health.

Modified Subsection

(c) The unexpended and unobligated balance, including encumbered amounts, not to exceed $50,222,500, of the appropriation made in sec. 13(b), ch. 1, TSSLA 2021, page 13, lines 30 - 31, through page 14, lines 1 - 3 (American Rescue Plan Act, respond to and mitigate the novel coronavirus disease (COVID-19)) is reappropriated to the Department of Health for fiscal years ending June 30, 2023, June 30, 2024, and June 30, 2025.

Subsection (c) was an FY22-25 multi-year appropriations from ch. 1, TSSLA 2021 (HB 3003) contained in the Department of Health and Social Services. This subsection transfers those appropriations to the new Department of Health.

Deleted Subsection

The amount of federal receipts received from the Family First Transition Act during the fiscal year ending June 30, 2022, estimated to be $1,079,900, is appropriated to the Department of Health and Social Services, children's services, for activities associated with implementing the Family First Prevention Services Act, including developing plans of safe-care, prevention-focused models for families of infants with prenatal substance exposure for the fiscal years ending June 30, 2022, June 30, 2023, and June 30, 2024.

The **deleted subsection** provides federal receipt authority, over three years, to stand up services being implemented through the Families First Prevention Services Act of 2018. Under the Families First Prevention Services Act, states, territories, and tribes with an approved Title IV-E plan have the option to use these funds for prevention services that would allow "candidates for foster care" to stay with their parents or relatives.

The **subsection** was previously contained in the Department of Health and Social Services and is now being requested in the new Department of Family and Community Services for FY23-FY24 in **Section 17(b)**.

Deleted Subsection

Except for federal receipts received from the Coronavirus Relief Fund under the Coronavirus Aid, Relief, and Economic Security Act (P.L. 116-136), estimated to be $331,427,114, the unexpended and unobligated balance on June 30, 2021, of the appropriation made in sec. 8(a), ch. 2, SLA 2020 (Department of Health and Social Services, division of public health, emergency programs - $9,000,000), is reappropriated to the Department of Health and Social Services, division of public health, emergency programs, for responding to and mitigating the risk of a COVID19 outbreak in the state for the fiscal year ending June 30, 2022.

The **deleted subsection** is extended in supplemental **section 7(c)** in the Department of Health and Social Services and reappropriated to the new Department of Health in **section 19(b)(19)**.

Funding: Under this authority, approximately $110,318,857 of federal receipts received in FY20 through the CARES Act is being carried forward into FY22.

Deleted Subsection

The sum of $20,000,000 is appropriated from federal receipts received from sec. 9901, P.L. 117-2 (Subtitle M—Coronavirus State and Local Fiscal Recovery Funds, American Rescue Plan Act of 2021) to the Department of Health and Social Services, division of public health, emergency programs, for responding to public health matters arising from COVID-19 for the fiscal year ending June 30, 2022.

The **deleted subsection** was previously contained in the Department of Health and Social Services and is now being requested in the new Department of Health in the Governor's FY22

Fast Track Supplemental bill. As part of that bill, the Governor requests funding be increased to $40 million and extended through FY25.

Sec. 20. DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT. (a) If the amount necessary to pay benefit payments from the workers' compensation benefits guaranty fund (AS 23.30.082) exceeds the amount appropriated for that purpose in sec. 1 of this Act, the additional amount necessary to pay those benefit payments is appropriated for that purpose from the workers' compensation benefits guaranty fund (AS 23.30.082) to the Department of Labor and Workforce Development, workers' compensation benefits guaranty fund allocation, for the fiscal year ending June 30, 2023.

Subsection (a) allows benefit payments to exceed the amount appropriated in **section 1**, ensuring that expenditure authorization will be sufficient to pay benefits required by law.

Funding: The estimated impact of this section is zero; the $782,600 appropriation in **section 1** is expected to be sufficient.

(b) If the amount necessary to pay benefit payments from the second injury fund (AS 23.30.040(a)) exceeds the amount appropriated for that purpose in sec. 1 of this Act, the additional amount necessary to make those benefit payments is appropriated for that purpose from the second injury fund (AS 23.30.040(a)) to the Department of Labor and Workforce Development, second injury fund allocation, for the fiscal year ending June 30, 2023.

Subsection (b) allows benefit payments to exceed the amount appropriated in **section 1**, ensuring that expenditure authorization will be sufficient to pay benefits required by law.

Funding: The estimated impact of this section is zero; the $2,862,000 appropriation in **section 1** is expected to be sufficient.

(c) If the amount necessary to pay benefit payments from the fishermen's fund (AS 23.35.060) exceeds the amount appropriated for that purpose in sec. 1 of this Act, the additional amount necessary to make those benefit payments is appropriated for that purpose from the fishermen's fund (AS 23.35.060) to the Department of Labor and Workforce Development, fishermen's fund allocation, for the fiscal year ending June 30, 2023.

Subsection (c) allows benefit payments to exceed the amount appropriated in section 1, ensuring that expenditure authorization will be sufficient to pay benefits required by law.

Funding: The estimated impact of this section is zero; the $1,420,000 appropriation in **section 1** is expected to be sufficient.

(d) If the amount of contributions received by the Alaska Vocational Technical Center under AS 21.96.070, AS 43.20.014, AS 43.55.019, AS 43.56.018, AS 43.65.018, AS 43.75.018, and AS 43.77.045 during the fiscal year ending June 30, 2023, exceeds the amount appropriated to the Department of Labor and Workforce Development, Alaska Vocational Technical Center, in sec. 1 of this Act, the additional contributions are appropriated to the Department of Labor and

Workforce Development, Alaska Vocational Technical Center, Alaska Vocational Technical Center allocation, for the purpose of operating the center, for the fiscal year ending June 30, 2023.

Subsection (d) provides open-ended authority to spend program receipts, thereby eliminating all questions regarding Alaska Vocational Technical Center's (AVTEC) ability to accept and spend Technical Vocational Education Program (TVEP) receipts in a timely manner.

Funding: The estimated impact of this section is zero; the $13,124,900 appropriation in **section 1** is expected to be sufficient.

(e) Federal receipts received during the fiscal year ending June 30, 2023, for unemployment insurance benefit payments or for the unemployment compensation fund (AS 23.20.130) are appropriated to the Department of Labor and Workforce Development, unemployment insurance allocation, for unemployment insurance benefit payments and associated administrative costs or for the unemployment compensation fund (AS 23.20.130) for the fiscal year ending June 30, 2023.

Legislative Fiscal Analyst Comment: Similar language was added to **section 61(e)**, ch. 1, SSSLA 2021 (HB 69) specifically to allow the department flexibility with receiving federal funding related to the COVID-19 pandemic (including maintaining the system). Although there are no federal unemployment boosts anticipated in FY23, the Department expects to receive between $4 to $8 million of additional federal receipts to maintain the system. Due to the uncertainty of the amount, the Governor requests open-ended authority.

In September 2021, the Governor announced $66.7 million in unobligated Coronavirus Aid, Relief, and Economic Security Act funding would be deposited into the Alaska Unemployment Insurance (UI) Trust Fund to bolster the fund and minimize costs low for Alaska employers.

This language includes an appropriation to the unemployment compensation fund (AS 23.20.130). The unemployment compensation fund is a federal trust fund established and maintained by the U.S. Treasury. It is used to account for unemployment contributions from employers and unemployment benefits paid to eligible claimants.

Legislative Fiscal Analyst Recommendation: The legislature should weigh the benefits of an open-ended appropriation (flexibility for the department to handle uncertainty) against the drawbacks (loss of legislative control and budget transparency).

New Subsection

(f) The sum of $10,000,000 is appropriated from federal receipts received from sec. 9901, P.L. 117-2 (Subtitle M—Coronavirus State and Local Fiscal Recovery Funds, American Rescue Plan Act of 2021) to the Department of Labor and Workforce Development, workforce investment board, to provide training opportunities to Alaskans impacted by COVID-19 for the fiscal years ending June 30, 2023, and June 30, 2024.

Subsection (f) provides additional federal authority for workforce training as Alaska recovers from COVID-19 and prepares for infrastructure projects associated with the Infrastructure Investment and Jobs Act.

New Section

Sec. 21. DEPARTMENT OF LAW. The sum of $4,000,000 is appropriated from the general fund to the Department of Law, Civil Division, for litigation relating to the defense of rights to develop

and protect the state's natural resources, to access land, to manage its fish and wildlife resources, and to protect state sovereignty in the fiscal years ending June 30, 2023, June 30, 2024, and June 30, 2025.

Section 21 appropriates $4 million UGF to provide legal services related to statehood defense which includes protecting the State's natural resources and managing fish and wildlife resources. This new multi-year appropriation (FY23-FY25) is in addition to the existing $4 million UGF multi-year appropriation, ch. 1 SSSLA 2021 (HB 69) (FY21-FY25).

Sec. 22. DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS. (a) Five percent of the average ending market value in the Alaska veterans' memorial endowment fund (AS 37.14.700) for the fiscal years ending June 30, 2020, June 30, 2021, and June 30, 2022, estimated to be $10,866, is appropriated from the Alaska veterans' memorial endowment fund (AS 37.14.700) to the Department of Military and Veterans' Affairs for the purposes specified in AS 37.14.730(b) for the fiscal year ending June 30, 2023.

Subsection (a) appropriates the payout from the endowment to the Department of Military and Veterans' Affairs. The payout may be used for maintenance, repair, and construction of monuments to the military.

(b) The amount of the fees collected under AS 28.10.421(d) during the fiscal year ending June 30, 2023, for the issuance of special request license plates commemorating Alaska veterans, less the cost of issuing the license plates, estimated to be $7,800, is appropriated from the general fund to the Department of Military and Veterans' Affairs for maintenance, repair, replacement, enhancement, development, and construction of veterans' memorials for the fiscal year ending June 30, 2023.

Subsection (b) appropriates the proceeds of commemorative Alaska veterans license plates, minus the cost of the issuing them, to the Department of Military and Veterans' Affairs for maintenance, repair, replacement, enhancement, development, and construction of veterans' memorials. This language was added by the legislature in FY21 to utilize this license plate revenue for its intended purpose.

Sec. 23. DEPARTMENT OF NATURAL RESOURCES. (a) The interest earned during the fiscal year ending June 30, 2023, on the reclamation bond posted by Cook Inlet Energy for operation of an oil production platform in Cook Inlet under lease with the Department of Natural Resources, estimated to be $150,000, is appropriated from interest held in the general fund to the Department of Natural Resources for the purpose of the bond for the fiscal year ending June 30, 2023.

Subsection (a) appropriates the interest earned on the bond posted by Cook Inlet Energy to the Department of Natural Resources (DNR) for the purpose of the bond.

Legislative Fiscal Analyst Comment: This situation is atypical for reclamation bonding. In 2009, Pacific Energy Resources, Ltd. declared bankruptcy and abandoned the Redoubt Unit in Cook Inlet. Their bond was transferred to the Department of Natural Resources (DNR) for reclamation of the site. Cook Inlet Energy (CIE) then purchased the Redoubt Unit, which meant that DNR did not need to perform further site reclamation work and that the State was holding cash from the Pacific Energy Resources bond. That cash was applied to the reclamation bond requirements imposed on Cook Inlet Energy. As a cost saving measure, the proceeds from the Pacific Energy Resources bond were retained in the general fund. This section appropriates the earnings on the bond to DNR to cover potential reclamation activity in the future.

(b) The amount necessary for the purposes specified in AS 37.14.820 for the fiscal year ending June 30, 2023, estimated to be $30,000, is appropriated from the mine reclamation trust fund operating account (AS 37.14.800(a)) to the Department of Natural Resources for those purposes for the fiscal year ending June 30, 2023.

Subsection (b) appropriates money from the Mine Reclamation Trust Fund operating account to DNR for the purposes specified in AS 37.14.820 (mine reclamation activities).

Funding: The agency estimates the amount needed for mine reclamation expenditures is about $30,000. The money is spent in the Claims, Permits and Leases allocation for reclamation of land use permits and leases on state lands.

Legislative Fiscal Analyst Comment: This section may not be required but does no harm; the appropriation contained in **section 31(j) –** an internal transfer of funds from the income account to the operating account – appears to satisfy the appropriation requirement of AS 37.14.800(b). Once that internal transfer occurs, expenditures require no further appropriation per AS 37.14.820.

(c) The amount received in settlement of a claim against a bond guaranteeing the reclamation of state, federal, or private land, including the plugging or repair of a well, estimated to be $50,000, is appropriated to the Department of Natural Resources for the purpose of reclaiming the state, federal, or private land affected by a use covered by the bond for the fiscal year ending June 30, 2023.

Subsection (c) appropriates receipts associated with bonds for land reclamation to the agencies that will direct the reclamation activities.

Funding: The Department of Natural Resources estimates the impact of this section to be $50,000, $25,000 for reclamation associated with land use permits and leases on state lands in the Mining, Land and Water allocation, and $25,000 for reclamation bonds associated with timber sales on state lands in the Forest Management and Development allocation.

Legislative Fiscal Analyst Comment: Similar language in **section 14(e)** applies to the Alaska Oil and Gas Conservation Commission in the Department of Commerce, Community, and Economic Development.

(d) Federal receipts received for fire suppression during the fiscal year ending June 30, 2023, estimated to be $20,500,000, are appropriated to the Department of Natural Resources for fire suppression activities for the fiscal year ending June 30, 2023.

Subsection (d) appropriates an open-ended amount of federal receipts received for fire suppression to the Department of Natural Resources.

Legislative Fiscal Analyst Comment: See the Department of Natural Resources' Summary of Budget Changes in this publication for additional discussion of the UGF portion of the fire suppression activity.

Sec. 24. DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES. (a) The proceeds received from the sale of Alaska marine highway system assets during the fiscal year ending June 30, 2023, are appropriated to the Alaska marine highway system vessel replacement fund (AS 37.05.550).

Section 24 appropriates proceeds of any sale of Alaska Marine Highway system assets to the Alaska Marine Highway System (AMHS) Vessel Replacement Fund which was created by ch. 145, SLA 1990 as a savings account to be used for AMHS vessel upgrades and replacement.

Legislative Fiscal Analyst Comment: Money in the fund cannot be spent without further appropriation and is subject to Article IX Section 17(d) of the Alaska Constitution, a process commonly referred to as the "CBR sweep." In March, 2021, the State sold the Fairweather and Chenega fast ferries to Spanish ferry operator, Trasmapi, for $5.1 million. Because the sweep was not reversed, that money was transferred to the General Fund on June 30, 2021. The Governor's budget does not propose a reverse sweep or appropriate these funds, so any vessel sale proceeds transferred to the Vessel Replacement Fund under this section would be transferred to the CBR at the end of the fiscal year.

Legislative Fiscal Analyst Recommendation: If the legislature does not anticipate reversing the CBR sweep or appropriating from the Vessel Replacement Fund, this section is unnecessary and can be deleted.

New Subsection

(b) If the amount of federal receipts that are received in the calendar year ending December 31, 2023, fall short of the amount appropriated in sec. 4 of this Act, the amount of the shortfall, not to exceed $20,000,000, is appropriated from the Alaska marine highway system fund (AS 19.65.060(a)) to the Department of Transportation and Public Facilities, Alaska marine highway system for operation of marine highway vessels.

Subsection (b) provides "backstop" language to replace uncollected federal funds with Alaska Marine Highway System (AMHS) funds, up to $20 million, if necessary. On average, AMHS collects approximately $50 million annually. Additionally, the Governor's request uses $6.9 million AMHS funding in AMHS' operating budget and $20 million AMHS funding for vessel overhaul in the capital budget.

Deleted Subsections

The sum of $26,196,000 is appropriated from federal receipts received from the Federal Transit Administration as a result of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (P.L. 116-260) to the Department of Transportation and Public Facilities, Alaska marine highway system, for the fiscal year ending June 30, 2022, for the following purposes and in the following amounts:

PURPOSE	AMOUNT
Marine engineering	$ 1,332,500
Marine shore operations	3,679,800
Marine vessel fuel	4,310,800
Marine vessel operations	14,164,800
Overhaul	301,600
Reservations and marketing	643,600
Vessel operations management	1,762,900

The sum of $21,804,200 is appropriated from federal receipts received from the Federal Transit Administration as a result of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (P.L. 116-260) to the Department of Transportation and Public Facilities, Alaska marine highway system, for the fiscal years ending June 30, 2022, and June 30, 2023, for the following purposes and in the following amounts:

PURPOSE	AMOUNT
Marine engineering	$ 407,100
Marine shore operations	7,359,600
Marine vessel fuel	8,621,500
Overhaul	603,100
Reservations and marketing	1,287,100
Vessel operations management	3,525,800

The sum of $33,393,700 is appropriated from federal receipts received from the Federal Highway Administration as a result of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (P.L. 116-260) to the Department of Transportation and Public Facilities, Alaska marine highway system, for the fiscal year ending June 30, 2022, for the following purposes and in the following amounts:

PURPOSE	AMOUNT
Marine engineering	$ 31,500

Marine shore operations	**74,700**
Marine vessel fuel	**3,898,200**
Marine vessel operations	**29,342,200**
Reservations and marketing	**37,500**
Vessel operations management	**9,600**

The sum of $31,374,100 is appropriated from federal receipts received from the Federal Highway Administration as a result of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (P.L. 116-260) to the Department of Transportation and Public Facilities, Alaska marine highway system, for the fiscal years ending June 30, 2022, and June 30, 2023, for the following purposes and in the following amounts:

PURPOSE	AMOUNT
Marine engineering	**$ 2,267,600**
Marine shore operations	**37,300**
Marine vessel operations	**29,031,600**
Reservations and marketing	**18,500**
Vessel operations management	**19,100**

The sum of $436,150 is appropriated from capital improvement project receipts to the Department of Transportation and Public Facilities, Alaska marine highway system, for the fiscal year ending June 30, 2022, for the following purposes and in the following amounts:

PURPOSE	AMOUNT
Marine engineering	**$ 362,150**
Vessel operations management	**74,000**

The sum of $872,100 is appropriated from capital improvement project receipts to the Department of Transportation and Public Facilities, Alaska marine highway system, for the fiscal years ending June 30, 2022, and June 30, 2023, for the following purposes and in the following amounts:

PURPOSE	AMOUNT
Marine engineering	**$ 724,200**
Vessel operations management	**147,900**

The sum of $1,808,600 is appropriated from motor fuel tax receipts (AS 43.40.010) to the Department of Transportation and Public Facilities, Alaska marine highway system, for marine vessel operations for the fiscal year ending June 30, 2022.

The sum of $3,617,100 is appropriated from motor fuel tax receipts (AS 43.40.010) to the Department of Transportation and Public Facilities, Alaska marine highway system, for marine vessel operations for the fiscal years ending June 30, 2022, and June 30, 2023.

The sum of $1,738,550 is appropriated from the general fund to the Department of Transportation and Public Facilities, Alaska marine highway system, for the fiscal year ending June 30, 2022, for the following purposes and in the following amounts:

PURPOSE	AMOUNT
Marine engineering	$ 37,150
Marine shore operations	112,700
Marine vessel operations	1,473,550
Reservations and marketing	28,600
Vessel operations management	86,550

The sum of $69,477,100 is appropriated from the general fund to the Department of Transportation and Public Facilities, Alaska marine highway system, for the fiscal years ending June 30, 2022, and June 30, 2023, for the following purposes and in the following amounts:

PURPOSE	AMOUNT
Marine engineering	$ 127,400
Marine shore operations	337,400
Marine vessel fuel	7,796,300
Marine vessel operations	60,929,400
Reservations and marketing	113,500
Vessel operations management	173,100

Legislative Fiscal Analyst Comment: The **deleted subsections** appropriated an 18-month budget (covering July 1, 2021 to December 31, 2022) for AMHS to transition to a calendar year budget. For Calendar Year 2023, the Governor moves the AMHS budget to Section 4, a numbers section with appropriate effective dates. Historically, appropriations crossing multiple fiscal years occur
in the language section of the bill.

Deleted Subsection

The sum of $10,525,400 is appropriated to the Department of Transportation and Public Facilities for payments as grants to implement and maintain coordinated public transportation throughout the state for the fiscal years ending June 30, 2022, and June 30, 2023, from the following sources:

(1) $7,786,300 from federal receipts received from the Federal Transit Administration as a result of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (P.L. 116-260);

(2) $2,739,100 from federal receipts received from the Federal Transit Administration as a result of the American Rescue Plan Act of 2021 (P.L. 117-2).

The **deleted subsection** appropriated one-time multi-year grant funding from the Federal Transit Administration to eligible sub-recipients in FY22 and FY23.

Deleted Subsection

The sum of $6,000,000 is appropriated from federal receipts received from the Federal Highway Administration as a result of the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (P.L. 116-260) to the Department of Transportation and Public Facilities for payment as a grant to the Inter-Island Ferry Authority for the fiscal years ending June 30, 2022, and June 30, 2023.

The **deleted subsection** appropriated $6 million in a one-time multi-year grant funding from Federal Highway Administration to the Inter-Island Ferry Authority in FY22 and FY23. The Governor's FY23 Capital appropriations bill includes a $250 thousand grant to the Inter-Island Ferry Authority.

Sec. 25. UNIVERSITY OF ALASKA.

New Subsection

The sum of $22,800,000 is appropriated from federal receipts received from sec. 9901, P.L. 117-2 (Subtitle M—Coronavirus State and Local Fiscal Recovery Funds, American Rescue Plan Act of 2021) to the University of Alaska for responding to the negative economic impacts of COVID-19 for the fiscal years ending June 30, 2023, and June 30, 2024, for the following purposes and in the following amounts:

PURPOSE	AMOUNT
University of Alaska Drone Program	$10,000,000
Critical Minerals and Rare Earth Elements Research and Development	7,800,000
Heavy Oil Recovery Method Research and Development	5,000,000

New subsection uses the Coronavirus State and Local Fiscal Relief Fund (CSLFRF), which is a flexible federal funding source that is available for appropriation through FY24. The Governor's budget utilizes the remaining $504.8 million from the CSLFRF in his FY23 budget proposal. Eligible uses for the funds include replacing revenue lost due to the pandemic, COVID-19 health response, and economic recovery.

Deleted Subsection

If the receipts of the University of Alaska under AS 37.05.146(b)(2) received during the fiscal year ending June 30, 2022, exceed the amount appropriated in sec. 1 of this Act, the amount appropriated from receipts of the University of Alaska under AS 37.05.146(b)(2) in sec. 1 of this Act is increased by $10,000,000.

This **deleted subsection** would have provided the University an additional $10 million in University receipt authority in FY22 - from $304.2 million to $314.2 million - contingent on actual collections exceeding the FY22 amount authorized. Actual FY21 University receipts were $249.5 million. University receipt revenue is projected to decrease in FY22 and this contingency is unlikely to be met.

Sec. 26. BANKCARD SERVICE FEES. (a) The amount necessary to compensate the collector or trustee of fees, licenses, taxes, or other money belonging to the state during the fiscal year ending June 30, 2023, is appropriated for that purpose for the fiscal year ending June 30, 2023, to the agency authorized by law to generate the revenue, from the funds and accounts in which the payments received by the state are deposited. In this subsection, "collector or trustee" includes vendors retained by the state on a contingency fee basis.

Subsection (a) allows the State to compensate vendors that collect fees on behalf of the State. The provision originally addressed Fish and Game fishing, hunting, and trapping license sales in which the vendor retained a portion of the sales. It now applies to several programs in multiple departments.

Funding: These fees do not appear in the bill summary or in Legislative Finance Division reports on the grounds that the State has no effective control over the money.

(b) The amount necessary to compensate the provider of bankcard or credit card services to the state during the fiscal year ending June 30, 2023, is appropriated for that purpose for the fiscal year ending June 30, 2023, to each agency of the executive, legislative, and judicial branches that accepts payment by bankcard or credit card for licenses, permits, goods, and services provided by that agency on behalf of the state, from the funds and accounts in which the payments received by the state are deposited.

Subsection (b) allows credit card service providers to retain fees charged for using a credit card.

Funding: These fees do not appear in the bill summary or in Legislative Finance Division reports on the grounds that the State has no effective control over the money.

New Section

Sec. 27. COST ALLOCATIONS. After the appropriations made in sec. 56(c) - (d), ch. 1, SSSLA 2021, the unencumbered balance of any appropriation that is determined to be available for lapse at the end of the fiscal year ending June 30, 2022, not to exceed $5,000,000, is appropriated to the Office of the Governor, Office of Management and Budget, for distribution to central services agencies in the fiscal years ending June 30, 2022 and June 30, 2023, for costs not covered by receipts received from approved central services cost allocation rates under AS 37.07.080(e)(2)(B).

Section 27 reiterates the Governor's FY22 request to use lapsing funds to handle unexpected shortfalls arising in internal service agencies that lack the ability to increase rates after budget development. The legislature appropriated this funding in FY22 through a UGF temporary

increment (FY22-FY23); the Governor restores the request to use lapsing funds in the language section.

Legislative Fiscal Analyst Comment: Lapsing funds are routinely used for similar purposes (such as refilling the Working Reserve Account) so the request is not unprecedented. However, the legislature's approach makes this appropriation more apparent in budget reports.

Legislative Fiscal Analyst Recommendation: **Section 27** is a FY22-FY23 supplemental multi-year using language that appears to conflict with ch. 1 SSSLA (HB 69) sec. 56(e) which states "the amount necessary to have an unobligated balance of $5,000,000 in the state insurance catastrophe reserve account is appropriated to that account from money determined to be available for lapse at the end of the fiscal year ending June 30, 2022" (after the appropriations made in ch. 1 SSSLA (HB 69) sections 56(b) through (d)). However, of the Governor's proposal state lapsing money should go first to OMB (Cost Allocations) and then to the state insurance catastrophe reserve account.

If the intent is to direct money to OMB (Cost Allocations) first, before the state insurance catastrophe reserve account, HB 69 sec. 56(e) should be amended to clarify the order of distribution in FY22.

Sec. 28. DEBT AND OTHER OBLIGATIONS. (a) The amount required to be paid by the state for the principal of and interest on all issued and outstanding state-guaranteed bonds, estimated to be $0, is appropriated from the general fund to the Alaska Housing Finance Corporation for payment of the principal of and interest on those bonds for the fiscal year ending June 30, 2023.

Subsection (a) appropriates general funds to pay principal and interest on state-guaranteed bonds (veterans' mortgage bonds) if the revenue stream from the mortgage loans is insufficient to make those payments. The primary purpose of the state general obligation pledge is to gain tax-exempt status for the bonds, but it also enhances the credit pledge and marketability of the bonds. The veterans' mortgage bonds have achieved the best credit rating (triple A) on their own and there have been no draws upon the State's general obligation pledge for payment. Because the bonds are general obligations of the State, they must be authorized by law, ratified by the voters, and approved by the State Bond Committee.

Funding: The revenue stream from mortgage loans is expected to be sufficient to cover bond payments as it has been in all prior years, so the expected fiscal impact of this subsection is zero; however, a potential general fund obligation exists.

(b) The amount necessary for payment of principal and interest, redemption premium, and trustee fees, if any, on bonds issued by the state bond committee under AS 37.15.560 for the fiscal year ending June 30, 2023, estimated to be $2,204,500, is appropriated from interest earnings of the Alaska clean water fund (AS 46.03.032(a)) to the Alaska clean water fund revenue bond redemption fund (AS 37.15.565).

(c) The amount necessary for payment of principal and interest, redemption premium, and trustee fees, if any, on bonds issued by the state bond committee under AS 37.15.560 for the fiscal

year ending June 30, 2023, estimated to be $2,724,500, is appropriated from interest earnings of the Alaska drinking water fund (AS 46.03.036(a)) to the Alaska drinking water fund revenue bond redemption fund (AS 37.15.565).

Subsections (b) and (c) appropriate the interest earnings of the clean water and drinking water funds to their respective bond redemption funds. Both funds are capitalized annually with federal receipts that require a state match. Federal rules do not permit investment earnings of the loan funds to be used to pay state match. However, money borrowed by the funds can be used as state match. Investment earnings in the fund are then used to pay back the borrowed funds.

These subsections avoid general fund match appropriations by taking advantage of the ability to use earnings on the funds to pay debt service. Alaska issues short-term bonds (secured by the assets of the loan fund) and uses the proceeds to meet the required federal match. The bonds are then paid off with "restricted" earnings. Effectively, earnings are used to match federal receipts.

(d) The sum of $1,222,321 is appropriated from the general fund to the University of Alaska, Anchorage Community and Technical College Center, and Juneau Readiness Center/UAS Joint Facility, for payment of debt service on outstanding debt authorized by AS 14.40.257, AS 29.60.700, and AS 42.45.065, for the fiscal year ending June 30, 2023.

(e) The amount necessary for payment of lease payments and trustee fees relating to certificates of participation issued for real property for the fiscal year ending June 30, 2023, estimated to be $2,891,750, is appropriated from the general fund to the state bond committee for that purpose for the fiscal year ending June 30, 2023.

Subsection (e) appropriates $2.9 million for trustee fees and to make payments on State of Alaska Certificates of Participation (COPs), a debt that is established based on a legislatively authorized subject to appropriation pledge of the state for a series of future lease payments for real property. This COP funded the Alaska Native Medical Center housing project [authorized in ch. 63, SLA 2013 (SB 88)] which is the only currently outstanding COP.

(f) The sum of $3,303,500 is appropriated from the general fund to the Department of Administration for the purpose of paying the obligation of the Linny Pacillo Parking Garage in Anchorage to the Alaska Housing Finance Corporation for the fiscal year ending June 30, 2023.

Subsection (f) appropriates $3.3 million for a state lease-purchase, a debt that is established based on a legislatively authorized subject to appropriation pledge of the state for a series of future lease payments for real property. This lease-purchase was facilitated by the Alaska Housing Finance Corporation for the downtown Anchorage Parking Garage. The State will own the facility upon final payment of the lease.

(g) The following amounts are appropriated to the state bond committee from the specified sources, and for the stated purposes, for the fiscal year ending June 30, 2023:

A total of $68.8 million general funds and $4.85 million federal funds are appropriated for debt service on general obligation bonds. For FY22, $68.9 million of state funding and $4.85 million of federal receipts were budgeted.

(1) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2010A, estimated to be $2,194,004, from the amount received from the United States Treasury as a result of the American Recovery and Reinvestment Act of 2009, Build America Bond credit payments due on the series 2010A general obligation bonds;

(2) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2010A, after the payments made in (1) of this subsection, estimated to be $4,560,935, from the general fund for that purpose;

(3) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2010B, estimated to be $2,227,757, from the amount received from the United States Treasury as a result of the American Recovery and Reinvestment Act of 2009, Qualified School Construction Bond interest subsidy payments due on the series 2010B general obligation bonds;

(4) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2010B, after the payment made in (3) of this subsection, estimated to be $176,143, from the general fund for that purpose;

The 2010 general election authorized issuance of $397 million in GO bonds to finance educational facilities. The Department of Revenue issued $200 million of bonds in three series in 2010, taking advantage of federal stimulus programs. Series A were issued using Build America Bonds (receiving an original 35% federal subsidy on interest expense); Series B were issued as Qualified School Construction Bonds (receiving a federal subsidy on interest expense of nearly 100%); and Series C were issued as standard tax exempt bonds (paid off in 2015).

Legislative Fiscal Analyst Comment: All authorized bonds are not sold at the same time because IRS rules (for tax exempt status) require complete expenditure of bond proceeds within three years of bond issuance. Furthermore, in recent years there has been a cost in over-issuing bonds as bond proceeds have earned rates that are lower than the interest rate on the bonds themselves. Bonds are issued in specific series as cash is needed for projects. Sequestration was implemented subsequent to the bonds issuance and reduced the federal reimbursement rates on the Series A and Series B bonds, reducing the effective subsidy to near 32.5% and 93%, respectively.

(5) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2012A, estimated to be $7,476,250, from the general fund for that purpose;

Series 2012A bonds refinanced the 2003A bonds for cost savings. 2003A general obligation bonds were authorized by voters in 2002 for construction of schools and university facilities ($236.8 million) and for transportation projects ($124 million).

(6) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2013A, estimated to be $427,658, from the amount received from the United States Treasury as a result of the American Recovery and Reinvestment Act of 2009, Qualified School Construction Bond interest subsidy payments due on the series 2013A general obligation bonds;

(7) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2013A, after the payments made in (6) of this subsection, estimated to be $33,181, from the general fund for that purpose;

New Subsection

(8) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2013B estimated to be $16,168,625, from the general fund for that purpose;

The remaining 2010 authorization (for educational facilities) of $197 million was used when 2013A and 2013B bonds were sold.

Legislative Fiscal Analyst Comment: The Department of Revenue issued two series of bonds to fund the balance of the 2010 Act and take advantage of the State's remaining Qualified School Construction Bond allocation. Series A were issued as Qualified School Construction Bonds (receiving an initial federal subsidy on interest expense of 100%); and Series B were issued as standard tax exempt bonds. All authorized bonds have been sold at this time. Sequestration subsequently reduced the federal reimbursement rates on the Series A by 7.2 points, reducing the effective subsidy to about 93%.

(9) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2015B, estimated to be $12,078,000, from the general fund for that purpose;

(10) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2016A, estimated to be $10,610,250, from the general fund for that purpose;

(11) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2016B, estimated to be $10,414,875, from the general fund for that purpose;

The 2012 general election authorized issuance of $453.5 million in GO bonds to finance transportation projects. Subsections 12 through 15 appropriate an estimated $21.5 million from the general fund for the payment of debt service on series 2016A and 2016B Bond Series issued for those projects.

Legislative Fiscal Analyst Comment: Initial bonding for this authorization utilized short-term Bond Anticipation Notes (BANs) from 2013 through mid-2016 to capture the very low short-term interest rate environment. The BAN program was further used due to the uncertainty and often delayed project expenditure expectations on transportation projects, thereby avoiding the

cost of having higher interest, long-dated borrowed funds idle in the project fund, and complying with IRS project expenditure requirements.

The 2016A general obligation bonds refinanced most of the 2015 general obligation bond anticipation note (BAN). The par amount of the 2016A bonds was $134.8 million which along with bond issue premium generated $159.5 million. The combination of the 2013, 2014, and 2015 BAN issues along with the 2016A issue has generated cumulative project funding of $187.9 million. The 2016B general obligation bonds were issued in the par amount of $128.3 million, which along with bond issue premium generated $155.3 million. The final $110.35 million of authorization was provided by the issuance of the 2020A general obligation bonds in the par amount of $84.6 million which along with original issue premium of $26.2 million provided for the project fund deposit and retained compensation for the underwriter's discount.

(12) the sum of $17,830 from the investment earnings on the bond proceeds deposited in the capital project funds for the series 2020A general obligation bonds, for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2020A;

(13) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2020A, estimated to be $7,169,875, from the general fund for that purpose;

Legislative Fiscal Analyst Comment: The remaining balance of $110.35 million of funding for the 2012 Transportation General Obligation Bond Act was funded on August 5, 2020 through the issuance of the 2020A bond issuance.

(14) the amount necessary for payment of trustee fees on outstanding State of Alaska general obligation bonds, series 2010A, 2010B, 2012A, 2013A, 2013B, 2015B, 2016A, 2016B, and 2020A, estimated to be $3,000, from the general fund for that purpose;

Subsection 14 appropriates an estimated $3,000 for trustee fees on all outstanding GO Bonds.

Legislative Fiscal Analyst Comment: These fees have previously been included in the debt service appropriation for each series of bonds. Trustee fees have been separated from other costs of issuing debt because they are annual costs that last for the life of the bonds. Most other costs of issuing debt are one-time costs paid at closing. That may change if rating agencies are successful in their effort to make their fees annual rather than one time.

(15) the amount necessary for the purpose of authorizing payment to the United States Treasury for arbitrage rebate on outstanding State of Alaska general obligation bonds, estimated to be $50,000, from the general fund for that purpose;

Subsection 15 appropriates money that must be remitted to the federal government when earnings on the proceeds of tax-exempt bonds exceed interest costs. This appropriation applies primarily to the extraordinarily low interest rate 2013C, 2014, and 2015 Bond Anticipation

Notes. The provision is also likely to apply to the 2014A Qualified School Construction Bonds. The payment of these funds is offset by prior year investment earnings.

(16) if the proceeds of state general obligation bonds issued are temporarily insufficient to cover costs incurred on projects approved for funding with these proceeds, the amount necessary to prevent this cash deficiency, from the general fund, contingent on repayment to the general fund as soon as additional state general obligation bond proceeds have been received by the state; and

Subsection 16 is intended to prevent construction delays by permitting short-term borrowing from the general fund.

(17) if the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds exceeds the amounts appropriated in this subsection, the additional amount necessary to pay the obligations, from the general fund for that purpose.

Subsection 17 is a safety measure to ensure that the State can meet its general obligation pledge if unforeseen circumstances or miscalculations leave the appropriations in this section short of debt service requirements.

(h) The following amounts are appropriated to the state bond committee from the specified sources, and for the stated purposes, for the fiscal year ending June 30, 2023:

(1) the amount necessary for debt service on outstanding international airports revenue bonds, estimated to be $5,200,000, from the collection of passenger facility charges approved by the Federal Aviation Administration at the Alaska international airports system;

(2) the amount necessary for payment of debt service and trustee fees on outstanding international airports revenue bonds, after the payment made in (1) of this subsection, estimated to be $12,601,550, from the International Airports Revenue Fund (AS 37.15.430(a)) for that purpose; and

(3) the amount necessary for payment of principal and interest, redemption premiums, and trustee fees, if any, associated with the early redemption of international airports revenue bonds authorized under AS 37.15.410 - 37.15.550, estimated to be $10,000,000, from the International Airports Revenue Fund (AS 37.15.430(a)).

Subsection (h) appropriates funding for payment of debt service and fees on outstanding international airport revenue bonds.

Legislative Fiscal Analyst Comment: The Alaska International Airport System (AIAS) and the State Bond Committee have implemented a multi-year and multi-prong restructuring of the AIAS revenue bond debt to lower debt service from approximately $49.5 million to approximately $17.7 million in fiscal year 2023 and approximately $30.0 million annually after fiscal year 2024. This reduction allows AIAS to more effectively compete with other cargo airports and reduce passenger traffic cost. Phase one of the restructuring occurred in 2016 with

the use of refinancing savings and the slight extension of amortization to more closely match assets' useful life combined with a multi-year use of cash on hand to optionally redeem callable bonds. The (h)(3) appropriation of $10.0 million of AIAS receipts to optionally redeem bonds in fiscal year 2023 combined with a refinancing implemented in fiscal year 2022 with the receipt of the aggregate proceed amount of $105.2 million from the closing of the 2021A, 2021B, and 2021C bond series on August 26, 2021 that used in combination with $40 million of AIAS receipts provided for the defeasance of the 1999A and 2006A series and the refunding of the 2009A, 2010A, 2010C, and 2010D series are the final actions for full plan implementation.

(i) If federal receipts are temporarily insufficient to cover international airports system project expenditures approved for funding with those receipts, the amount necessary to prevent that cash deficiency, estimated to be $0, is appropriated from the general fund to the International Airports Revenue Fund (AS 37.15.430(a)), for the fiscal year ending June 30, 2023, contingent on repayment to the general fund, plus interest, as soon as additional federal receipts have been received by the state for that purpose.

(j) The amount of federal receipts deposited in the International Airports Revenue Fund (AS 37.15.430(a)) necessary to reimburse the general fund for international airports system project expenditures, plus interest, estimated to be $0, is appropriated from the International Airports Revenue Fund (AS 37.15.430(a)) to the general fund.

Subsections (i) and (j) were added to the budget beginning in FY17. The language addresses any potential cash-flow issues related to federal international airport projects and allows for temporary general fund borrowing and repayment. Subsection (i) appropriates general funds contingent upon repayment (plus interest). Subsection (j) appropriates the amount of federal receipts to repay the general fund.

(k) The amount necessary for payment of obligations and fees for the Goose Creek Correctional Center, estimated to be $16,170,413, is appropriated from the general fund to the Department of Administration for that purpose for the fiscal year ending June 30, 2023.

Subsection (k) appropriates $16.2 million for a state lease-purchase, a debt that is established based on a legislatively authorized subject to appropriation pledge of the state for a series of future lease payments for real property. This lease-purchase was facilitated by the Matanuska-Susitna Borough for the Goose Creek Correctional Facility. The State will own the correctional facility upon final payment of the lease.

Legislative Fiscal Analyst Comment: In common language, the contract with the Mat-Su Borough is a lease, but terms of the contracts are such that the Governmental Accounting Standards Board's (GASB) rule #34 classifies them as capital leases. Further, the State's future lease payments were securitized in a Matanuska Lease Revenue Bond issuance that was authorized by law. This means that a default on lease payments would result in a downgrade of the state's credit rating. Because of the impact on credit rating, the obligation is categorized as "subject to appropriation" debt.

(*l*) The sum of $78,975,672 is appropriated to the Department of Education and Early Development for the fiscal year ending June 30, 2023, for state aid for costs of school construction under AS 14.11.100 from the following sources:

(1) $15,100,000 from the School Fund (AS 43.50.140);

(2) the amount necessary, after the appropriation made in (1) of this subsection, estimated to be $63,875,672, from the general fund.

Subsection (*l*) appropriates funding for municipal school debt reimbursement. AS 14.11.100 authorizes the State to reimburse municipalities for selected bonds issued for school construction (from 60-90% of principal and interest depending on the statutory authorization).

Funding: Per the DOR Fall 2021 Revenue Sources Book, FY23 cigarette tax collections (School Fund) are projected to be $15.1 million, down from $15.7 million (projected) in FY22. As cigarette tax revenues decrease, the general fund portion of school debt reimbursement increases.

Legislative Fiscal Analyst Comment: Full reimbursement of municipal debt requires $63.9 million from the general fund in addition to the amount available in the School Fund. The Governor has proposed a budget of 100% of the amount to fully fund the program. In FY22, the legislature funded $30.8 million from the School Fund and $4.15 million from the Statutory Budget Reserve Fund. The remainder of $48.6 million was unfunded due to the failure of the CBR vote, leaving the program funded at 42% in FY22.

Deleted Subsections

the sum of $506,545 from the investment earnings on the bond proceeds deposited in the capital project funds for the series 2013B general obligation bonds, for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2013B;

the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2013B, after the payments made in (8) of this subsection, estimated to be $15,664,180, from the general fund for that purpose;

the sum of $12,600 from the investment earnings on the bond proceeds deposited in the capital project funds for the series 2016B general obligation bonds, for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2016B;

the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2016B, after the payment made in (13) of this subsection, estimated to be $10,497,275, from the general fund for that purpose;

the amount necessary for debt service and trustee fees on outstanding international airports revenue bonds, estimated to be $405,267, from the amount received from the United States Treasury as a result of the American Recovery and Reinvestment Act of 2009, Build America Bonds federal interest subsidy payments due on the series 2010D general airport revenue bonds;

Sec. 29. FEDERAL AND OTHER PROGRAM RECEIPTS. (a) Federal receipts, designated program receipts under AS 37.05.146(b)(3), information services fund program receipts under AS 44.21.045(b), Exxon Valdez oil spill trust receipts under AS 37.05.146(b)(4), receipts of the Alaska Housing Finance Corporation, receipts of the Alaska marine highway system fund under AS 19.65.060(a), receipts of the University of Alaska under AS 37.05.146(b)(2), receipts of the highways equipment working capital fund under AS 44.68.210, and receipts of commercial fisheries test fishing operations under AS 37.05.146(c)(20) that are received during the fiscal year ending June 30, 2023, and that exceed the amounts appropriated by this Act are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h). Receipts received under this subsection during the fiscal year ending June 30, 2023, do not include the balance of a state fund on June 30, 2022.

Section 29 (a) provides appropriation of any of the listed receipts that are collected in FY23 beyond the amounts appropriated in the act. Although the appropriations are conditioned on review by the Legislative Budget and Audit Committee, the Governor can increase authorization for listed fund sources without the approval of the Committee, subject to the statutory requirements. Similar language in the capital budget applies only to appropriations in the capital bill.

Funding: Although requests for approval to spend additional receipts will almost certainly be received, there is no way to determine where the increases will be, how much they will be, or what fund sources would be appropriate. The Legislative Finance Division reports place no dollar value on appropriations made in this section.

(b) If federal or other program receipts under AS 37.05.146 and AS 44.21.045(b) that are received during the fiscal year ending June 30, 2023, exceed the amounts appropriated by this Act, the appropriations from state funds for the affected program shall be reduced by the excess if the reductions are consistent with applicable federal statutes.

Subsection (b) reduces state authorization when unanticipated money is received for projects funded with state funds and when federal statutes allow a reduction of state funds. There is no formal process for tracking potential reductions.

(c) If federal or other program receipts under AS 37.05.146 and AS 44.21.045(b) that are received during the fiscal year ending June 30, 2023, fall short of the amounts appropriated by this Act, the affected appropriation is reduced by the amount of the shortfall in receipts.

Subsection (c) automatically limits authorization of federal and other receipts to the amount actually received.

(d) The amount of designated program receipts under AS 37.05.146(b)(3) appropriated in this Act includes the unexpended and unobligated balance on June 30, 2022, of designated program receipts collected under AS 37.05.146(b)(3) for that purpose.

Subsection (d) allows all Statutory Designated Program Receipts (SDPR) collected and not expended in FY22 to be carried forward into FY23.

Legislative Fiscal Analyst Comment: This section may not be needed since SDPR is limited by the terms of the contractual agreement and cannot lapse to the general fund, but it does no harm.

Deleted Subsections

Notwithstanding (a) of this section and AS 37.07.080(h), an appropriation item for the fiscal year ending June 30, 2022, may not be increased based on receipt of additional designated program receipts received by the Alaska Gasline Development Corporation or on receipt of additional federal receipts from

(1) H.R. 133 (P.L. 116-260 (Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (CRRSAA))) for the Department of Transportation and Public Facilities;

(2) sec. 9901, P.L. 117-2 (Subtitle M—Coronavirus State and Local Fiscal Recovery Funds, American Rescue Plan Act of 2021); or

(3) funds appropriated by the 117th Congress

(A) for infrastructure or jobs, or as part of the American Jobs Plan, as proposed by the President of the United States, or a similar bill or plan;

(B) related to novel coronavirus disease (COVID19) or economic recovery; or

(C) for natural gas pipeline expenditures.

Subsection (e) of this section does not apply to appropriations and expenditures ratified under ch. 32, SLA 2020 (HB 313), or to appropriations that were increased based on compliance with AS 37.07.080(h) before the effective date of (e) of this section.

These **deleted subsections** limit what funding can be increased through the RPL process. Due to the magnitude and unusual flexibility of federal COVID and infrastructure funding, the following elements were excluded from the typical RPL language in order to provide full legislative oversight and involvement over these critical areas:

1. Designated program receipts received by the Alaska Gasline Development Corporation;
2. Flexible federal funds for the Department of Transportation (originating from multiple federal bills);
3. Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) funding through the American Rescue Plan Act of 2021 (another flexible fund source); and
4. Future federal infrastructure legislation (which ultimately became the Infrastructure Investment and Jobs Act, passed in November 2021).

Legislation that extended the COVID-19 disaster emergency, ch. 2, SLA 2021 (HB 76), contained statutory restrictions on the RPL process that aligned with items 2 and 3 above.

Legislative Fiscal Analyst Comment: This language was intended to avoid large-scale RPLs that were outside the typical limited scope of this process. After the 2020 session, the RPL process was used for hundreds of millions of dollars of flexible federal COVID-19 relief funds. These RPLs were legally challenged and the legislature passed a ratification bill to ensure that the funds could be expended and avoid a legal battle.

Sec. 30. FUND CAPITALIZATION. (a) The portions of the fees listed in this subsection that are collected during the fiscal year ending June 30, 2023, estimated to be $14,000, are appropriated to the Alaska children's trust grant account (AS 37.14.205(a)):

(1) fees collected under AS 18.50.225, less the cost of supplies, for the issuance of heirloom birth certificates;

(2) fees collected under AS 18.50.272, less the cost of supplies, for the issuance of heirloom marriage certificates;

(3) fees collected under AS 28.10.421(d) for the issuance of special request Alaska children's trust license plates, less the cost of issuing the license plates.

Subsection (a) appropriates (to the Alaska Children's Trust grant account) net receipts collected during FY23 from sales of heirloom birth certificates, heirloom marriage certificates, and Trust license plates.

Legislative Fiscal Analyst Comment: Before FY12, these receipts were deposited to principal; the Children's Trust board may now spend from the grant account without further appropriation.

The Alaska Children's Trust was created by ch. 19, SLA 1988. The legislature appropriated $6 million from the investment loss trust fund to the principal of the trust in Chapter 123, SLA 1996. The trust was established to provide a continuing source of revenue for grants to community-based programs for the prevention of child abuse and neglect. During recent fiscal years, the principal of the endowment was granted to the Friends of the Children's Trust.

(b) The amount received from fees assessed under AS 05.25.096(a)(5) and (6), civil penalties collected under AS 30.30.015, the sale of vessels under AS 30.30, and donations and other receipts deposited under AS 30.30.096 as program receipts during the fiscal year ending June 30, 2023, less the amount of those program receipts appropriated to the Department of Administration, division of motor vehicles, for the fiscal year ending June 30, 2023, estimated to be $30,000, is appropriated to the derelict vessel prevention program fund (AS 30.30.096).

Subsection (b) appropriates receipts collected and donations received to the Derelict Vessel Prevention Program Fund.

Legislative Fiscal Analyst Comment: To address an increasing number of derelict and abandoned vessels throughout Alaska's coasts and rivers, the legislature passed ch.111, SLA 2018 (SB 92). This legislation established the Derelict Vessel Prevention Program Fund. These non-lapsing funds may be used by the Department of Natural Resources to address derelict vessels and may be expended without further appropriation.

(c) The amount of federal receipts received for disaster relief during the fiscal year ending June 30, 2023, estimated to be $9,000,000, is appropriated to the disaster relief fund (AS 26.23.300(a)).

Subsection (c) appropriates federal receipts for disaster relief to the Disaster Relief Fund (DRF). The Governor needs no specific appropriations to spend money deposited in the Disaster Relief Fund; money can be spent upon declaration of a disaster.

Funding: An annual $9 million estimate for federal receipts for disaster relief has been used for many years.

Legislative Fiscal Analyst Comment: The Governor's fast-track supplemental request includes a deposit of $34 million UGF to the DRF which would leave a balance of approximately $13.5 million, after accounting for pending expenditures which include $26 million associated with the 2018 Cook Inlet Earthquake. The $9 million FY23 request would then bring the balance up to $22.5 million. Currently, the unobligated balance of the fund, accounting for pending expenditures, is ($28.5) million moving into FY23. The Department typically prefers to maintain an available balance of at least $5 million.

(d) Twenty-five percent of the donations received under AS 43.23.230(b), estimated to be $213,050, is appropriated to the dividend raffle fund (AS 43.23.230(a)).

Subsection (d) appropriates a quarter of all donations made to the dividend raffle into the Dividend Raffle Fund.

Legislative Fiscal Analyst Comment: Under AS 43.23.230(d) a total of 15 percent of the Dividend Raffle Fund balance will be paid out amongst four prize recipients and the remaining balance will roll into the next year.

(e) The amount of municipal bond bank receipts determined under AS 44.85.270(h) to be available for transfer by the Alaska Municipal Bond Bank Authority for the fiscal year ending June 30, 2022, estimated to be $0, is appropriated to the Alaska municipal bond bank authority reserve fund (AS 44.85.270(a)).

Subsection (e) appropriates earnings of the Municipal Bond Bank to its Alaska Municipal Bond Bank Authority Reserve Fund.

(f) If the Alaska Municipal Bond Bank Authority must draw on the Alaska municipal bond bank authority reserve fund (AS 44.85.270(a)) because of a default by a borrower, an amount equal to the amount drawn from the reserve is appropriated from the general fund to the Alaska municipal bond bank authority reserve fund (AS 44.85.270(a)).

Subsection (f) provides a moral obligation pledge of general funds if a default causes a draw on reserves of the bank. The intent of this section is to increase the credit rating of the bank and reduce the cost of borrowing money.

(g) The sum of $30,000,000 is appropriated from the power cost equalization endowment fund (AS 42.45.070(a)) to the community assistance fund (AS 29.60.850).

Subsection (g) capitalizes the Community Assistance Fund with Power Cost Equalization Endowment (PCE) funds in FY23, allowing a FY23 payout of about $19.4 million. This distribution amount eliminates per capita payments and would prorate the base amounts to be lower than the statutory basic amount.

Legislative Fiscal Analyst Comment: AS 42.45.085(d) provides statutory guidelines for uses of excess earnings of the PCE Fund. The amount of excess earnings is determined by subtracting anticipated PCE program costs from earnings in the most recently closed fiscal year. Of the excess earnings, 70 percent are available for appropriation as follows:

(1) First, up to $30.0 million is allocated to the Community Assistance program,

(2) Second, up to $25.0 million is allocated to Rural Energy programs.

FY21 PCE earnings were $150.3 million, making $30 million available for the Community Assistance fund in FY23. The Governor's budget includes this amount as a capitalization of the Community Assistance Fund. However, AS 29.60.850 provides that the total capitalization of the fund can be the greater of $30 million or the amount needed to reach a fund balance of $90 million. In FY22, that would require an additional $21.3 deposit of million UGF (for a fund balance of $90 million).

In FY22, the Governor's budget increased management fees charged to the fund by the Department of Revenue by $632.6 as a result of charging a flat one basis point fee. Prior to that, PCE management fees were approximately $360.0. This affects future amounts available from the PCE Fund to the Community Assistance Program because administrative expenses are deducted in the calculation of available earnings.

(h) The amount necessary to fund the total amount for the fiscal year ending June 30, 2023, of state aid calculated under the public school funding formula under AS 14.17.410(b), estimated to be $1,174,560,675, is appropriated to the public education fund (AS 14.17.300) from the following sources:
(1) $31,288,875 from the public school trust fund (AS 37.14.110(a));

(2) the amount necessary, after the appropriation made in (1) of this subsection, estimated to be $1,143,271,800, from the general fund.

(i) The amount necessary to fund transportation of students under AS 14.09.010 for the fiscal year ending June 30, 2023, estimated to be $71,803,000, is appropriated from the general fund to the public education fund (AS 14.17.300).

Subsections (h) and (i) capitalize the Public Education Fund with the amount necessary for the K-12 Foundation and Pupil Transportation formula in FY23.

Legislative Fiscal Analyst Comment: The FY22 and FY23 amounts in the Governor's budget are based on draft student counts and are estimates which will change when the student counts are finalized. The public school funding program is fully funded in both FY22 and FY23.

The FY23 Governor's budget, based on projections by school districts, is $18.9 million less than FY22 projected expenditures. Due to the pandemic, uncertainty continues about the number of in-school and correspondence students that will be in attendance, which may result in the actual student count, and expenditures, differing considerably from projections. A "hold harmless" provision for districts with a five percent or greater reduction in average daily membership (ADM) counts, adjusted for school size, phase in the impacts of reduced student counts over three years. This provision applies to the count of non-correspondence students. In some districts, many students switched from traditional school enrollment to correspondence school. This can result in districts seeing higher total funding because they trigger the hold harmless provision, but also receive additional correspondence funding.

In FY22 approximately $381 million in federal stimulus funding is available to school districts and Mt. Edgecumbe High School to address the impacts of the pandemic. This funding is available for spending through FY24.

(j) The sum of $32,784,000 is appropriated from the general fund to the regional educational attendance area and small municipal school district school fund (AS 14.11.030(a)).

Subsection (j) appropriates $32.8 million to the Regional Educational Attendance Area and Small Municipal School District (REAA) School Fund, which was created to assist in funding school construction projects in regional education attendance areas. Per the consent decree and settlement agreement of Kasayulie vs. State of Alaska, the creation of the fund and adoption of the funding mechanism set forth in AS 14.11.025 provides a remedy for perceived constitutional violations.

Legislative Fiscal Analyst Comment: The Governor proposes a $32.8 million appropriation for FY23, which is 100 percent of the statutory formula. In FY22, the legislature funded the program at 100%, $34.2 million; the Governor vetoed 50% to $17.1 million. This amount necessary is calculated based on the amount appropriated for school bond debt reimbursement for urban school districts. The Governor also proposes to fully fund school bond debt reimbursement **(section 28(*l*)**).

The calculation in AS 14.11.025 links the amount for REAA fund capitalization to the school bond debt reimbursement amount from two years prior. Historically, when the school debt amount is lowered, the REAA amount is also lowered in the same fiscal year. When portions of bond debt were vetoed in FY17, FY20, and FY21, the REAA amount was lowered by the same percentage in the same year, rather than waiting two years to reduce the REAA percentage. In FY22, the vetoed amount was unrelated to the amount funded for school debt reimbursement.

(k) The amount necessary to pay medical insurance premiums for eligible surviving dependents under AS 39.60.040 and the costs of the Department of Public Safety associated with administering the peace officer and firefighter survivors' fund (AS 39.60.010) for the fiscal year ending June 30, 2023, estimated to be $30,000, is appropriated from the general fund to the peace officer and firefighter survivors' fund (AS 39.60.010) for that purpose.

Subsection (k) deposits general funds into the Peace Officer and Firefighter Survivors' Fund for FY23.

Legislative Fiscal Analyst Comment: Ch. 14, SLA 2017 (HB 23) established this fund to provide payments for certain medical insurance premiums for surviving dependents of certain peace officers and firefighters who die in the line of duty.

(l) **The amount of federal receipts awarded or received for capitalization of the Alaska clean water fund (AS 46.03.032(a)) during the fiscal year ending June 30, 2023, less the amount expended for administering the loan fund and other eligible activities, estimated to be $10,560,000, is appropriated from federal receipts to the Alaska clean water fund (AS 46.03.032(a)).**

(m) The amount necessary to match federal receipts awarded or received for capitalization of the Alaska clean water fund (AS 46.03.032(a)) during the fiscal year ending June 30, 2023, estimated to be $2,200,000, is appropriated from Alaska clean water fund revenue bond receipts to the Alaska clean water fund (AS 46.03.032(a)).

(n) The amount of federal receipts awarded or received for capitalization of the Alaska drinking water fund (AS 46.03.036(a)) during the fiscal year ending June 30, 2023, less the amount expended for administering the loan fund and other eligible activities, estimated to be $13,600,000, is appropriated from federal receipts to the Alaska drinking water fund (AS 46.03.036(a)).

(o) The amount necessary to match federal receipts awarded or received for capitalization of the Alaska drinking water fund (AS 46.03.036(a)) during the fiscal year ending June 30, 2023, estimated to be $2,720,000, is appropriated from Alaska drinking water fund revenue bond receipts to the Alaska drinking water fund (AS 46.03.036(a)).

Subsections (*l*), (m), (n), and (o) provide money to develop sewer and water systems in Alaskan communities through revolving loan programs. The State typically issues short-term bonds that are repaid with earnings from the loan programs, and uses the bond proceeds to match federal money. See **sections 28(c) and (d)** for further discussion.

(p) The amount received under AS 18.67.162 as program receipts, estimated to be $70,000, including donations and recoveries of or reimbursement for awards made from the crime victim compensation fund (AS 18.67.162), during the fiscal year ending June 30, 2023, is appropriated to the crime victim compensation fund (AS 18.67.162).

Subsection (p) capitalizes the Crime Victim Compensation Fund with money from donations and recoveries of, or reimbursements for, awards made from the fund. The Violent Crimes Compensation Board may order that compensation (from the fund) be paid to victims of crime (and their dependents) without further appropriation.

Legislative Fiscal Analyst Comment: Ch. 112, SLA 2008 (HB 414) added language to the effect that money appropriated to the fund "may include donations, recoveries of or reimbursements for awards made by the fund, income from the fund, and other program receipts." The language of **subsection (p)** does not appropriate income from the fund, so income will remain in the general fund.

(q) The sum of $857,800 is appropriated from that portion of the dividend fund (AS 43.23.045(a)) that would have been paid to individuals who are not eligible to receive a permanent fund dividend because of a conviction or incarceration under AS 43.23.005(d) to the crime victim compensation fund (AS 18.67.162) for the purposes of the crime victim compensation fund (AS 18.67.162).

Subsection (q) capitalizes the Crime Victim Compensation Fund (CVCF) with a portion of the Restorative Justice Account (formerly known as "PFD Criminal Funds"). The Violent Crime Compensation Board may order that compensation (from the fund) be paid to victims of crime (and their dependents) without further appropriation.

Legislative Fiscal Analyst Comment: Per AS 43.23.005(d), individuals are ineligible to receive a dividend if sentenced for or convicted of a felony or a combination of misdemeanors and a felony. With the passage of ch. 21, SLA 2018 (HB 216), funding from Permanent Fund Dividends that would have been paid to individuals ineligible for a dividend should be used for the following purposes.

(1) Provide services for and payments to crime victims and operating costs of the Violent Crimes Compensation Board;

(2) Pay restitution owed to crime victims;

(3) Grants to nonprofits for services for crime victims, mental health and substance abuse treatment for offenders;

(4) Provide funds for the Office of Victims' Rights;

(5) Provide funds to the Council on Domestic Violence and Sexual Assault for the operation of domestic violence and sexual assault programs; and

(6) Reimburse some of the costs imposed on the Department of Corrections related to incarceration or probation of those individuals.

Between FY12 and FY18, PFD Criminal Funds were concentrated in only two appropriations: the Crime Victim Compensation Fund; and, Inmate Health Care in the Department of Corrections. The intent was to minimize the many confusing fund source changes (swapping UGF and PFD Criminal Funds) caused by year-to-year volatility in the amount of available funding. In the FY23 budget, the funding is appropriated for statutory purposes to the Department of Corrections, Department of Health and Social Services, Department of Public Safety, the Legislature, and to the Crime Victims Compensation Fund.

(r) An amount equal to the interest earned on amounts in the election fund required by the federal Help America Vote Act, estimated to be $70,000, is appropriated to the election fund for use in accordance with 52 U.S.C. 21004(b)(2).

Subsection (r) allows the Election Fund to retain interest earned. The purpose of the fund is to make election administration improvements (primarily equipment and accessibility aids).

New Subsection

(s) The amount of statutory designated program receipts received by the Alaska Gasline Development Corporation for the fiscal year ending June 30, 2023, in the sum of $10,000,000, is appropriated to the Alaska liquefied natural gas project fund (AS 31.25.110).

Subsection (s) appropriates Statutory Designated Program Receipts from third-party investments to the Alaska Liquefied Natural Gas Project Fund.

Legislative Fiscal Analyst Comment: Similar language was included in FY21 in the amount of $20 million and in FY22 the Governor requested $50 million in authority which the legislature denied. Money appropriated to the fund does not lapse and may be spent with no further appropriation.

New Subsection

(t) The amount of federal receipts received by the Alaska Gasline Development Corporation for the fiscal year ending June 30, 2023, is appropriated to the Alaska liquefied natural gas project fund (AS 31.25.110).

Legislative Fiscal Analyst Comment: AGDC is requesting open-ended federal authority through the 8-Star Project to construct a natural gas pipeline from the North Slope – Prudhoe Bay and Pt. Thompson – to Fairbanks. The Governor's FY22 proposed budget included similar language, which was removed by the legislature.

(u) The vaccine assessment program receipts collected under AS 18.09.220 during the fiscal year ending June 30, 2023, estimated to be $15,000,000, are appropriated to the vaccine assessment fund (AS 18.09.230).

Subsection (u) appropriates Vaccine Assessment Program Receipts, estimated to be $15 million, to the Vaccine Assessment Account.

Legislative Fiscal Analyst Comment: With the passage of ch. 17, SLA 2019 (SB 37) the Vaccine Assessment Account is now capitalized with program receipts and money may be spent without further appropriation.

(v) The amount equal to 10 percent of all revenue from taxes levied by AS 43.55.011 that is not required to be deposited in the constitutional budget reserve fund (art. IX, sec. 17(a), Constitution of the State of Alaska) estimated to be $199,000,000, is appropriated from the general fund to the oil and gas tax credit fund (AS 43.55.028).

Subsection (v) appropriates the minimum amount allowed by statute to purchase tax credits. The statutory formula in AS 43.55.028(c) states that 15% of Alaska North Slope (ANS) production taxes levied be deposited in oil and gas tax credit fund when forecasted ANS prices are below $60 per barrel. The rate decreases to 10% when ANS prices are above $60 per barrel.

Legislative Fiscal Analyst Comment: In FY22, $54 million was appropriated to the oil and gas tax credit fund, $60 million less than the statutory calculation. No funds were appropriated for the purchase of tax credits in FY20 or FY21, in anticipation of the tax credit bonding program. HB 331, passed in 2018, would have allowed the state to purchase all outstanding credits at once, using proceeds from a bond program. On September 4, 2020, the Alaska Supreme Court ruled the program unconstitutional. Approximately $587 million in cashable tax credits remain outstanding.

Legislative Fiscal Analyst Recommendation: The Governor's language appropriates 10% of actual production tax levied in FY23, an amount which wouldn't be determined until FY24. This differs from the calculation under AS 43.55.028, which appropriates an amount based on the Department of Revenue's (DOR) forecast for the budget year. The language should appropriate the $199.0 million forecasted in DOR's *Revenue Sources Book*, and the amount should be updated when DOR's Spring 2022 forecast is released.

(w) The sum of $100,000 is appropriated from general fund program receipts collected by the Department of Administration, division of motor vehicles, to the abandoned motor vehicle fund (AS 28.11.110) for the purpose of removing abandoned vehicles from highways, vehicular ways or areas, and public property.

Legislative Fiscal Analyst Comment: The legislature added an identical appropriation in FY21which was vetoed by the Governor.

Sec. 31. FUND TRANSFERS. (a) The federal funds received by the state under 42 U.S.C. 6506a(*l*) or former 42 U.S.C. 6508 not appropriated for grants under AS 37.05.530(d) are appropriated as follows:

(1) to the principal of the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska) and the public school trust fund (AS 37.14.110(a)), according to AS 37.05.530(g)(1) and (2); and

(2) to the principal of the Alaska permanent fund (art. IX, sec. 15, Constitution of the State of Alaska), the public school trust fund (AS 37.14.110(a)), and the power cost equalization endowment fund (AS 42.45.070(a)), according to AS 37.05.530(g)(3).

Subsection (a) appropriates the lapsing balance of NPR-A grants [per AS 37.05.530(g)]. No lapsing balance is anticipated.

Funding: The estimated fiscal impact of this section is zero.

Legislative Fiscal Analyst Recommendation: The intent of AS 37.05.530(g)(3) appropriates remaining balances to the Power Cost Equalization and Rural Electric Capitalization Fund, which is no longer active. AS 37.05.530(g)(3) should also be revised. However, this subsection appropriates remaining balances to the Power Cost Equalization Endowment Fund (AS 42.45.070(a)), which is more appropriate. As noted, no lapsing balance is anticipated.

(b) The loan origination fees collected by the Alaska Commission on Postsecondary Education for the fiscal year ending June 30, 2023, are appropriated to the origination fee account (AS 14.43.120(u)) within the education loan fund (AS 14.42.210(a)) of the Alaska Student Loan Corporation for the purposes specified in AS 14.43.120(u).

Subsection (b) appropriates origination fees charged on student loans to the origination fee account within the Education Loan Fund. The fees are intended to offset loan losses due to death, disability, bankruptcy, and default.

Funding: The amount of the loan origination fee is capped by regulation at 5 percent and set by the corporation. The Alaska Student Loan Corporation set the origination fee at 0 percent for FY22 and has no plans to introduce a fee in FY23. Because the appropriation earmarks money within a fund, there is no impact on state expenditures.

(c) An amount equal to 10 percent of the filing fees received by the Alaska Court System during the fiscal year ending June 30, 2021, estimated to be $281,567, is appropriated from the general fund to the civil legal services fund (AS 37.05.590) for the purpose of making appropriations from the fund to organizations that provide civil legal services to low-income individuals.

Per AS 37.09.17.020(j), the court shall require that 50 percent of individuals' punitive damage awards received during the previous closed fiscal year be deposited into the general fund. **Subsection (c)** appropriates 10 percent of the filing fees received by the Alaska Court System in FY20 into the Civil Legal Services Fund. A separate appropriation in **section 14(f)** appropriates funding from the Civil Legal Services Fund to the Department of Commerce, Community, and Economic Development for payment of a grant to the Alaska Legal Services Corporation.

(d) The following amounts are appropriated to the oil and hazardous substance release prevention account (AS 46.08.010(a)(1)) in the oil and hazardous substance release prevention and response fund (AS 46.08.010(a)) from the sources indicated:

(1) the balance of the oil and hazardous substance release prevention mitigation account (AS 46.08.020(b)) in the general fund on July 1, 2022, estimated to be $1,440,200, not otherwise appropriated by this Act;

(2) the amount collected for the fiscal year ending June 30, 2022, estimated to be $6,400,000, from the surcharge levied under AS 43.55.300; and

> **Subsections (d)(1) and (2)** appropriate (to the Oil and Hazardous Substance Release Prevention Account) the balance of the Release Prevention Mitigation Account and the FY21 collections from the $0.04 per barrel surcharge on oil produced in the state. Amendments effective April 1, 2006, changed the per barrel surcharge from $0.03 to $0.04.

(3) the amount collected for the fiscal year ending June 30, 2022, estimated to be $6,700,000, from the surcharge levied under AS 43.40.005.

> **Subsection (d)(3)** appropriates revenue collected by the motor fuel surcharge to the Oil and Hazardous Substance Release Prevention Account.

(e) The following amounts are appropriated to the oil and hazardous substance release response account (AS 46.08.010(a)(2)) in the oil and hazardous substance release prevention and response fund (AS 46.08.010(a)) from the following sources:

(1) the balance of the oil and hazardous substance release response mitigation account (AS 46.08.025(b)) in the general fund on July 1, 2022, estimated to be $700,000, not otherwise appropriated by this Act; and

(2) the amount collected for the fiscal year ending June 30, 2022, from the surcharge levied under AS 43.55.201, estimated to be $1,600,000.

> **Subsection (e)** appropriates (to the Oil and Hazardous Substance Release Response Account) the balance of the Release Response Mitigation Account and the FY20 collections from the $0.01 per barrel surcharge on oil produced in the state. Amendments effective April 1, 2006 changed, the per barrel surcharge from $0.02 to $0.01.

> **Legislative Fiscal Analyst Comment:** Per AS 43.55.221(d), the surcharge is suspended when the balance of the response account exceeds $50 million. The Commissioner of the Department of Revenue reported that the surcharge was suspended effective January 1, 2013. The surcharge was re-imposed effective July 1, 2013, and remains in place today. The fund is not expected to exceed $50 million in FY23.

(f) The unexpended and unobligated balance on June 30, 2022, estimated to be $978,000, of the Alaska clean water administrative income account (AS 46.03.034(a)(2)) in the Alaska clean water administrative fund (AS 46.03.034) is appropriated to the Alaska clean water administrative

operating account (AS 46.03.034(a)(1)) in the Alaska clean water administrative fund (AS 46.03.034).

(g) The unexpended and unobligated balance on June 30, 2022, estimated to be $800,000, of the Alaska drinking water administrative income account (AS 46.03.038(a)(2)) in the Alaska drinking water administrative fund (AS 46.03.038) is appropriated to the Alaska drinking water administrative operating account (AS 46.03.038(a)(1)) in the Alaska drinking water administrative fund (AS 46.03.038).

The Department of Environmental Conservation (DEC) has been collecting a 0.5 percent fee on all loans made from the clean water and drinking water funds since December 2000.

Beginning in FY15, the department began requesting what is expected to be an annual appropriation from the income account to the operating account, making money available to administer the clean water and drinking water programs. Because the appropriations in **subsections (f) and (g)** simply transfer money within the clean water and drinking water administrative funds, no transactions are shown in the budget. Appropriations from the operating accounts to allocations in DEC appear in **section 1**.

Funding: The Governor's budget uses $805,300 of Clean Water funds and $407,200 of Drinking Water funds in FY23. At the end of FY22, the balance of the Clean Water Administrative Fee Account is expected to be $5.5 million and the balance of the Drinking Water Administrative Fee Account is anticipated to be $5.4 million.

(h) An amount equal to the interest earned on amounts in the special aviation fuel tax account (AS 43.40.010I) during the fiscal year ending June 30, 2023, is appropriated to the special aviation fuel tax account (AS 43.40.010I).

Subsection (h) authorizes the Aviation Fuel Tax Account to retain earnings. The amount of interest earned is expected to be negligible. This appropriation is in response to an FAA requirement that all airport revenue (including earnings on revenue) be spent on the airport system.

(i) An amount equal to the revenue collected from the following sources during the fiscal year ending June 30, 2023, estimated to be $933,000, is appropriated to the fish and game fund (AS 16.05.100):

(1) range fees collected at shooting ranges operated by the Department of Fish and Game (AS 16.05.050(a)(15)), estimated to be $500,000;

(2) receipts from the sale of waterfowl conservation stamp limited edition prints (AS 16.05.826(a)), estimated to be $3,000;

(3) fees collected for sanctuary access permits (AS 16.05.050(a)(15)), estimated to be $130,000; and

(4) fees collected at hunter, boating and angling access sites managed by the Department of Natural Resources, division of parks and outdoor recreation, under a cooperative agreement authorized under AS 16.05.050(a)(6), estimated to be $300,000.

Subsection (i) appropriates revenue from a variety of sources to the Fish and Game (F&G) Fund.

Legislative Fiscal Analyst Comment: Because the boating and angling access sites were constructed with F&G Funds, the federal government has indicated that facility user fees must be appropriated to the F&G Fund.

(j) The amount necessary for the purposes specified in AS 37.14.820 for the fiscal year ending June 30, 2023, estimated to be $30,000, is appropriated from the mine reclamation trust fund income account (AS 37.14.800(a)) to the mine reclamation trust fund operating account (AS 37.14.800(a)).

Subsection (j) authorizes a transfer of funds from the income account to the operating account (both within the Mine Reclamation Trust Fund), where it is available to the Department of Natural Resources for mine reclamation activity under AS 37.14.820.

Funding: The agency projects a transfer of approximately $30,000. The authorization to spend will go to the Mining, Land and Water allocation **(see section 23(b)).**

(k) Twenty-five percent of the donations received under AS 43.23.230(b), estimated to be $213,050, is appropriated to the education endowment fund (AS 43.23.220).

Subsection (k) authorizes a transfer of funds to the Education Endowment Fund from donations made to the Permanent Fund dividend raffle.

(*l*) The remaining balance, estimated to be $375,404,100, is appropriated from federal receipts received from sec. 9901, P.L. 117-2 (Subtitle M—Coronavirus State and Local Fiscal Recovery Funds, American Rescue Plan Act of 2021) to the general fund for general fund revenue replacement.

New Subsection

(m) The sum of $15,000,000 is appropriated from the power cost equalization endowment fund (AS 42.45.070) to the renewable energy grant fund (AS 42.45.045) for the fiscal year ending June 30, 2023.

Subsection (m) capitalizes the Renewable Energy Grant Fund with Power Cost Equalization Endowment (PCE) funds in FY23.

Legislative Fiscal Analyst Comment: AS 42.45.085(d) provides statutory guidelines for uses of excess earnings of the PCE Fund. The amount of excess earnings is determined by subtracting anticipated PCE program costs from earnings in the most recently closed fiscal year. Of the excess earnings, 70 percent are available for appropriation as follows:

(1) First, up to $30.0 million is allocated to the Community Assistance program,

(2) Second, up to $25.0 million is allocated to Rural Energy programs.

FY21 PCE earnings were $150.3 million, making $25 million available for the Renewable Energy Grant Fund. In FY20, the Governor vetoed a $454,000 capitalization of the Grant Fund from the PCE Fund. The most recent capitalization of the Grant Fund was an FY19 appropriation from the PCE Fund of $14 million.

Deleted Subsections

The amount received by the Alaska Commission on Postsecondary Education as repayment of WWAMI medical education program loans, estimated to be $504,044, is appropriated to the Alaska higher education investment fund (AS 37.14.750).

This **deleted subsection** is not applicable in FY23 as loan repayments, if not forgiven, will be deposited into the general fund. In FY22 loan repayments were appropriated to the Alaska Higher Education Investment Fund; however, money in that fund was transferred to the Constitutional Budget Reserve (CBR) at the end of FY22 and will no longer be available for future appropriations.

The unexpended and unobligated balance of the large passenger vessel gaming and gambling tax account (AS 43.35.220) on June 30, 2022, estimated to be $0, is appropriated to the general fund.

Legislative Fiscal Analyst Comment: The Fall 2021 Revenue Sources Book projects $10.2 million from this revenue source in FY23. The Governor's budget does not utilize this fund source, so the entire balance is available for appropriation. Absent this appropriation to the general fund, the balance of the fund will lapse to the CBR at the end of the fiscal year due to the Constitutional sweep provision.

Deleted Section

LEGISLATIVE COUNCIL. Section 40, ch. 8, SLA 2020, is amended to read:

Sec. 40. LEGISLATIVE COUNCIL. The sum of <u>$3,500,000</u> [$2,500,000] is appropriated from the general fund to the Legislative Council for the Redistricting Board for operations for the fiscal years ending June 30, 2021, [AND] June 30, 2022<u>, and June 30, 2023</u>.

This multi-year appropriation increased the appropriation to $3.5 million and extended the timeframe through FY23. Barring extended legal challenges, funding was expected to be sufficient, however, as of January 5, 2022, five lawsuits challenging the new legislative map have been filed.

Sec. 32. RETIREMENT SYSTEM FUNDING. (a) The sum of $33,933,000 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the public employees' retirement system as an additional state contribution under AS 39.35.280 for the fiscal year ending June 30, 2023.

Subsection (a) provides $33,933,000 as an additional state contribution to the Public Employees' Retirement System (PERS).

(b) The sum of $91,029,000 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the teachers' retirement system as an additional state contribution under AS 14.25.085 for the fiscal year ending June 30, 2023.

Subsection (b) provides $91,029,000 as an additional state contribution to the Teachers' Retirement System (TRS).

Legislative Fiscal Analyst Comment: PERS and TRS contribution rates are capped in statute at 22% and 12.56% respectively. This means PERS employers (other than the State of Alaska) pay only 22% of payroll toward retirement for their employees and likewise TRS employers pay 12.56%. This is the case regardless of the rates determined by the systems' actuary to fund the retirement plans. Any cost exceeding the capped rates are paid for as an additional state contribution. Starting in FY22 with the passage of Senate Bill 55, the State of Alaska as an employer pays the full contribution rate rather than the capped amount.

For FY23, the Alaska Retirement Management Board (ARMB) set the PERS and TRS rates at 24.79% and 24.62%. In effect, the State is paying the difference between the actuarial rate and the statutory cap (2.79% for PERS (AS 39.35.280) and 12.06% for TRS (AS 14.25.085)). The additional cost as a result of paying the amount over the capped rate amounts is $33.9 million and $91.0 million for PERS and TRS respectively.

The June 30, 2020, actuarial valuation has the PERS funded ratio at 75.0% and the TRS ratio at 63.6%. This equates to a total unfunded liability between the two of $7.4 billion ($5.6 billion for PERS and $1.9 billion for TRS). An updated report will be available in May, 2022.

The valuation encompasses improved results in the healthcare trusts that are now actually slightly over funded (favorable medical claims experience primarily due to new prescription drug contract with Optum), and slightly decreased funding in the pension trusts (primarily due to greater-than-expected FY19 salary and PRPA/COLA increases). Also, the funded status of the pension and healthcare trusts is slightly decreased versus last year because the actual rate of return averaged for PERS and TERS in FY21 was 27.64%, which was significantly more than the actuarial 7.38% expected rate return.

(c) The sum of $3,225,000 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the judicial retirement system for the purpose of funding the judicial retirement system under AS 22.25.046 for the fiscal year ending June 30, 2023.

Subsection (c) provides $3,225,000 to pay benefits to those eligible under the Judicial Retirement System (JRS).

Legislative Fiscal Analyst Comment: JRS was established in 1963 as a retirement system for judges, justices and the administrator of the Court System. The appropriation is based on the June 30, 2020, actuarial recommendation.

(d) The sum of $1,368,800 is appropriated from the general fund to the Department of Administration to pay benefit payments to eligible members and survivors of eligible members earned under the elected public officers' retirement system for the fiscal year ending June 30, 2022.

Subsection (d) provides $1,368,000 to pay benefits to those eligible under the Elected Public Officers' Retirement System (EPORS).

Legislative Fiscal Analyst Comment: EPORS was a retirement system for elected state officials (Governor, Lieutenant Governor, and Legislators) and began January 1, 1976. It was repealed by referendum in the 1976 general election; however, the Alaska Supreme Court subsequently ruled that those who served in 1976 were entitled to continue to be covered under the terms of the system.

(e) The amount necessary to pay benefit payments to eligible members and survivors of eligible members earned under the Unlicensed Vessel Personnel Annuity Retirement Plan, estimated to be $0, is appropriated from the general fund to the Department of Administration for that purpose for the fiscal year ending June 30, 2023.

Subsection (e) provides an amount, estimated to be zero, to pay benefits to those eligible under the Unlicensed Vessel Personnel Annuity Retirement Plan (UVPARP).

Legislative Fiscal Analyst Comment: UVPARP was a union-sponsored retirement plan offered to Department of Transportation and Public Facilities employees who were working aboard Alaska Marine Highway vessels in the 1960s. Most members of this small retirement system converted their service and contributions to PERS in 1992 and the Division of Retirement and Benefits assumed the role of plan administrator for the remaining members who elected to remain under the UVPARP. This language is included annually because the Division of Retirement and Benefits may locate survivors of members who are deceased but are still eligible for benefits.

Deleted Subsection

The sum of $193,494,000 is appropriated from the general fund to the Department of Administration for deposit in the defined benefit plan account in the public employees' retirement system as an additional state contribution under AS 39.35.280 for the fiscal year ending June 30, 2022.

The **deleted section** represents the amount that would have been paid in FY22 if Senate Bill 55 had not been enacted. With the bill's passage, this section did not come into effect.

Sec. 33. SALARY AND BENEFIT ADJUSTMENTS. (a) The operating budget appropriations made in sec. 1 of this Act include amounts for salary and benefit adjustments for public officials, officers, and employees of the executive branch, Alaska Court System employees, employees of the legislature, and legislators and to implement the monetary terms for the fiscal year ending June 30, 2023, of the following ongoing collective bargaining agreements:

(1) Alaska Correctional Officers Association, representing the correctional officers unit;

(2) Public Safety Employees Association, representing the regularly commissioned public safety officers unit;

(3) Alaska Public Employees Association, for the supervisory unit;

(4) Public Employees Local 71, for the labor, trades, and crafts unit.

(b) The operating budget appropriations made to the University of Alaska in sec. 1 of this Act include amounts for salary and benefit adjustments for the fiscal year ending June 30, 2023, for university employees who are not members of a collective bargaining unit and to implement the monetary terms for the fiscal year ending June 30, 2023, of the following collective bargaining agreements:

(1) Fairbanks Firefighters Union, IAFF Local 1324.

Subsections (a) and (b) appropriate no money; they specify that various salary adjustments are funded with money appropriated in **section 1**. The list changes from year to year, depending on which employees are affected by salary and benefit adjustments.

Legislative Fiscal Analyst Comment: Legislative adoption of **subsections (a) and (b)** is equivalent to legislative approval of bargaining agreements with the listed organizations.

(c) If a collective bargaining agreement listed in (a) of this section is not ratified by the membership of the respective collective bargaining unit, the appropriations made in this Act applicable to the collective bargaining unit's agreement are adjusted proportionately by the amount for that collective bargaining agreement, and the corresponding funding source amounts are adjusted accordingly.

(d) If a collective bargaining agreement listed in (b) of this section is not ratified by the membership of the respective collective bargaining unit and approved by the Board of Regents of the University of Alaska, the appropriations made in this Act applicable to the collective bargaining unit's agreement are adjusted proportionately by the amount for that collective bargaining agreement, and the corresponding funding source amounts are adjusted accordingly.

Subsections (c) and (d) appropriate no funding; they ensure that funding is removed from the budget if collective bargaining unit agreements listed in **subsections (a) and (b)** are not ratified.

Deleted Subsection

The operating budget appropriations made in secs. 64(e) and (g) of this Act include amounts for salary and benefit adjustments and to implement the monetary terms of the ongoing Alaska Public Employees Association collective bargaining agreement for the supervisory unit for the fiscal years ending June 30, 2022, and June 30, 2023.

Legislative Fiscal Analyst Comment: This subsection was added to language in ch. 1, SLA 2021 (HB 69) and is no longer applicable because funding for the Alaska Marine Highway System has moved back from language to the numbers section.

Sec. 34. SHARED TAXES AND FEES. (a) An amount equal to the salmon enhancement tax collected under AS 43.76.001 - 43.76.028 in calendar year 2021, estimated to be $6,931,000, and deposited in the general fund under AS 43.76.025(c), is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for payment in the fiscal year ending June 30, 2023, to qualified regional associations operating within a region designated under AS 16.10.375.

Funding: These "pass-through" amounts, estimated to be $6.9 million, were excluded from budget reports until FY20. They are counted as Other funds using the Statutory Designated Program Receipts fund code 1108.

(b) An amount equal to the seafood development tax collected under AS 43.76.350 - 43.76.399 in calendar year 2021, estimated to be $2,236,000, and deposited in the general fund under AS 43.76.380(d), is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for payment in the fiscal year ending June 30, 2023, to qualified regional seafood development associations for the following purposes:

(1) promotion of seafood and seafood by-products that are harvested in the region and processed for sale;

(2) promotion of improvements to the commercial fishing industry and infrastructure in the seafood development region;

(3) establishment of education, research, advertising, or sales promotion programs for seafood products harvested in the region;

(4) preparation of market research and product development plans for the promotion of seafood and their by-products that are harvested in the region and processed for sale;

(5) cooperation with the Alaska Seafood Marketing Institute and other public or private boards, organizations, or agencies engaged in work or activities similar to the work of the organization, including entering into contracts for joint programs of consumer education, sales promotion, quality control, advertising, and research in the production, processing, or distribution of seafood harvested in the region;

(6) cooperation with commercial fishermen, fishermen's organizations, seafood processors, the Alaska Fisheries Development Foundation, the Fishery Industrial Technology Center, state and federal agencies, and other relevant persons and entities to investigate market reception to new seafood product forms and to develop commodity standards and future markets for seafood products.

Funding: These "pass-through" amounts, estimated to be $2.2 million, were excluded from budget reports until FY20. They are counted as Other funds using the Statutory Designated Program Receipts fund code 1108.

(c) An amount equal to the dive fishery management assessment collected under AS 43.76.150 - 43.76.210 during the fiscal year ending June 30, 2022, estimated to be $300,000, and deposited in the general fund is appropriated from the general fund to the Department of Fish and Game for payment in the fiscal year ending June 30, 2023, to the qualified regional dive fishery development association in the administrative area where the assessment was collected.

Funding: These "pass-through" amounts, estimated to be $300,000, were excluded from budget reports until FY20. They are counted as Other funds using the Statutory Designated Program Receipts fund code 1108.

(d) The amount necessary to refund to local governments and other entities their share of taxes and fees collected in the listed fiscal years under the following programs is appropriated from the general fund to the Department of Revenue for payment to local governments and other entities in the fiscal year ending June 30, 2023:

REVENUE SOURCE	FISCAL YEAR COLLECTED	ESTIMATED AMOUNT
Fisheries business tax (AS 43.75)	**2022**	**$23,961,000**
Fishery resource landing tax (AS 43.77)	**2022**	**5,844,000**
Electric and telephone cooperative tax (AS 10.25.570)	**2023**	**4,156,000**
Liquor license fee (AS 04.11)	**2023**	**640,000**
Cost recovery fisheries (AS 16.10.455)	**2023**	**810,000**

Subsection (d) ensures that the Department of Revenue has the authorization to disburse taxes and fees collected on the behalf of local governments to those entities. The concept applies equally to prior year collections (fisheries receipts) and to current year receipts.

Funding: These "pass-through" taxes, estimated to be $35.4 million, were excluded from budget reports until FY20. They are counted as Designated General Funds using the Shared Taxes fund code 1261.

(e) The amount necessary to refund to local governments the full amount of an aviation fuel tax or surcharge collected under AS 43.40 for the fiscal year ending June 30, 2023, estimated to be $158,000, is appropriated from the proceeds of the aviation fuel tax or surcharge levied under AS 43.40 to the Department of Revenue for that purpose.

Subsection (e) ensures that the Department of Revenue has the authorization to disburse the local government share of aviation fuel taxes.

Funding: This "pass-through" tax, estimated to be $158,000, was excluded from budget reports until FY20. It is now counted using the Aviation Fuel Tax Account fund code 1239.

Legislative Fiscal Analyst Comment: Note that the subsection specifically identifies proceeds of the aviation tax as the source of the payments.

The 40 percent share of aviation tax proceeds retained by the State is dedicated to airport operating and capital expenses. Fund code 1239 was created in the 2016 session to track budgeted aviation fuel tax revenue.

(f) The amount necessary to pay the first seven ports of call their share of the tax collected under AS 43.52.220 in calendar year 2022 according to AS 43.52.230(b), estimated to be $18,123,000, is appropriated from the commercial vessel passenger tax account (AS 43.52.230(a)) to the Department of Revenue for payment to the ports of call for the fiscal year ending June 30, 2023.

Subsection (f) appropriates $18.1 million of Commercial Vessel Passenger "Head" Tax receipts to the first seven ports of call. This is based on DOR's forecast of a 50% capacity cruise ship season in calendar year 2022.

Funding: This "pass-through" tax was excluded from budget reports until FY20. It is now counted using the Commercial Passenger Vessel Tax fund code 1206.

Legislative Fiscal Analyst Comment: Funding is collected on a fiscal year basis but is shared with local governments on a calendar year basis. Due to the COVID-19 pandemic, the fund balance unexpectedly ended FY21 negative due to cancelled sailings. In FY22, the shared amount will likely be prorated to bring the account balance back to zero.

(g) If the amount available for appropriation from the commercial vessel passenger tax account (AS 43.52.230(a)) is less than the amount necessary to pay the first seven ports of call their share of the tax collected under AS 43.52.220 in calendar year 2022 according to AS 43.52.230(b), the appropriation made in (f) of this section shall be reduced in proportion to the amount of the shortfall.

Subsection (g) is intended to prorate "pass-through" funding to the first seven ports of call if revenue is less than the calculated amount of "pass-through".

Legislative Fiscal Analyst Comment: Despite this language, the COVID-19 pandemic caused the account balance to go negative because of a timing issue – the revenue was shared in February 2020, before the extent of the pandemic was apparent, so no negative balance was anticipated when that transfer was made. When subsequent sailings were canceled, the fund balance ended up negative at the end of FY21.

Deleted Subsections

An amount equal to the difference between the amount necessary to pay the first seven ports of call their share of the tax collected under AS 43.52.220 in calendar year 2019, appropriated according to AS 43.52.230(b), and the amount necessary to pay the first seven ports of call their share of the tax collected under AS 43.52.220 in calendar year 2021 according to AS 43.52.230(b), estimated to be $21,230,720, is appropriated from federal receipts received from sec. 9901, P.L. 117-2 (Subtitle M—Coronavirus State and Local Fiscal Recovery Funds, American Rescue Plan Act of 2021) to the Department of Revenue for payment to the ports of call for the fiscal year ending June 30, 2022.

An amount equal to the difference between the amount necessary to refund to local governments and other entities their share of the fisheries business tax (AS 43.75) collected in the fiscal year ending June 30, 2019, and the amount necessary to refund to local governments and other entities their share of the fisheries business tax (AS 43.75) collected in the fiscal year ending June 30, 2021, estimated to be $2,117,872, is appropriated from federal receipts received from sec. 9901, P.L. 117-2 (Subtitle M—Coronavirus State and Local Fiscal Recovery Funds, American Rescue Plan Act of 2021) to the Department of Revenue for payment to local governments and other entities for the fiscal year ending June 30, 2022.

The **deleted subsections** appropriated funding from the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) to local governments to offset lower revenue in FY22 due to the COVID-19 pandemic. The first deleted section applied to the Commercial Vessel Passenger Tax, the second to the Fisheries Business Tax.

Sec. 35. RATIFICATION OF SMALL AMOUNTS IN STATE ACCOUNTING SYSTEM. The appropriation to each department under this Act for the fiscal year ending June 30, 2023, is reduced to reverse negative account balances in amounts of $1,000 or less for the department in the state accounting system for each prior fiscal year in which a negative account balance of $1,000 or less exists.

Section 35 allows departments to use money appropriated for FY23 to clean up small negative account balances (or ratifications) from prior fiscal years. This section removes the need for minuscule ratifications.

Deleted Section

STATUTORY BUDGET RESERVE FUND. (a) The unencumbered balance of any unrestricted general fund appropriation that is determined to be available for lapse at the end of the fiscal year ending June 30, 2021, after the appropriations made in sec. 24, ch. 8, SLA 2020, and sec. 15(a) of this Act, is appropriated to the budget reserve fund (AS 37.05.540(a)).
(b) The sum of $325,000,000 is appropriated from the general fund to the budget reserve fund (AS 37.05.540(a)).

Legislative Fiscal Analyst Comment: This supplemental section included an estimated $85.7 million in lapsing unrestricted general fund appropriations and a transfer of $325 million from the general fund to the Statutory Budget Reserve Fund. Of this $410.7 million estimate, $330 million partially funded the Permanent Fund Dividend and $80.7 million was appropriated in various agencies.

Sec. 36. LAPSE OF APPROPRIATIONS. The appropriations made in secs. 10(c), 11, 12, 13(c) - (e), 28(b) and (c), 30, 31, and 32(a) - (c) of this Act are for the capitalization of funds and do not lapse.

Section 29 ensures that money deposited into various funds will not lapse at the end of FY23.

Deleted Subsection

The appropriations made in secs. 8, 11, 28(2), 31(2), 32(a), 34(a), 35(a), 36(a), 37, 38(a) and (e), 39(a), 40(b), and 41 of this Act are for capital projects and lapse under AS 37.25.020.

The **deleted section** applied to capital projects that were included in House Bill 69 because that bill combined the operating and capital budgets.

Sec. 37. RETROACTIVITY. The appropriations made in sec. 1 of this Act that appropriate either the unexpended and unobligated balance of specific fiscal year 2022 program receipts or the unexpended and unobligated balance on June 30, 2022, of a specified account are retroactive to June 30, 2022, solely for the purpose of carrying forward a prior fiscal year balance.

Section 37 is standard language to ensure that revenue attached to appropriations or allocations with carryforward language does not lapse at the end of FY23.

Sec. 38. Section 37 of this Act takes effect immediately under AS 01.10.070(c).

Sec. 39. Section 7 of this Act takes effect June 30, 2022.

Legislative Fiscal Analyst Recommendation: The January 1, 2023 effective date for the Alaska Marine Highway Services (AMHS) appropriation should be specified in the bill's effective date section rather than only in lead-in text. Additionally, the AMHS lead-in text in **section 4** should be changed to "the period starting January 1" instead of "the fiscal year starting January 1".

Sec. 40. Except as provided in secs. 38 and 39 of this Act, this Act takes effect July 1, 2022.

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Capital Budget

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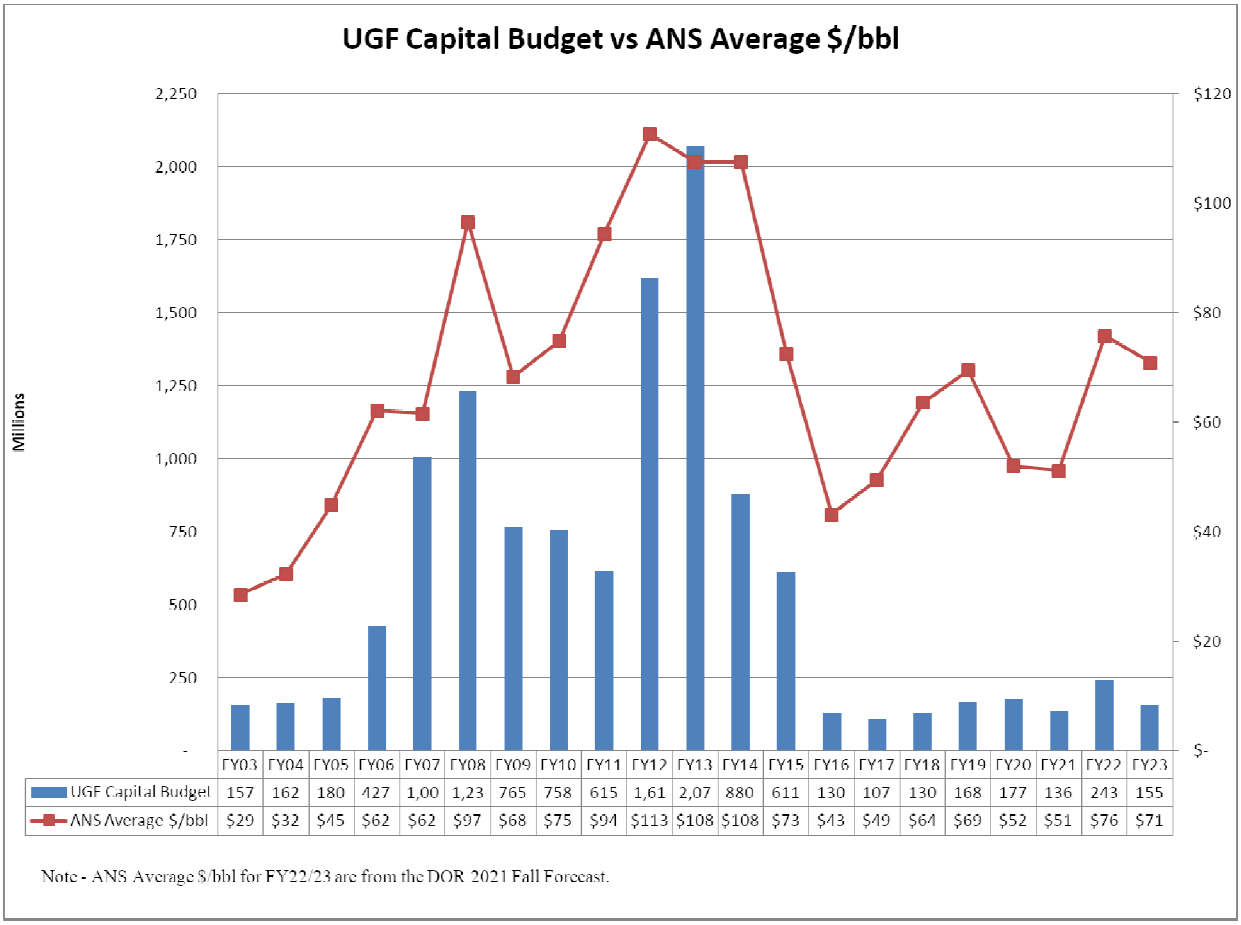
Capital Budget Overview

The Governor's FY23 capital budget submission totals $154.7 million of unrestricted general funds (UGF). The Governor's budget proposal includes an additional $93 million in UGF for FY22 supplemental spending. It also includes an additional $308.5 million in General Obligation bond projects. Taken altogether, the Governor's capital budget submission is a substantial increase in capital spending over recent years.

The graph below shows the relationship between oil prices and capital appropriations.



As illustrated in the graph, the years FY06-FY15 saw unprecedented capital investment. During that ten-year span, over $25 billion of State and federal funding was appropriated for capital projects. This includes nearly $10 billion of UGF. As those projects were completed, lapsing balances were available for re-appropriation to new projects, so the true decline in capital spending was less dramatic than the data indicates. From FY16-FY19, the budget included an average of $55.6 million of UGF reappropriations. By FY20, few of the projects from the boom years remained open and the legislature only reappropriated $9.4 million of UGF, $6.3 million of which was vetoed by the Governor. The FY21 budget reappropriated $15.4 million of past UGF balances to federal highway match and other projects. In FY22, $18.2 million UGF was reappropriated to other projects. The Governor's FY23 budget only uses reappropriations for the purpose of moving existing projects into new departments.

The Governor's FY23 Capital Budget

The FY17-FY22 capital budgets primarily included projects that leveraged non-UGF fund sources. The Governor's FY23 capital budget again focuses on leveraging federal transportation and Village Safe Water funding but includes some UGF-funded items that are important to the Governor. The following table summarizes the Governor's budget in thousands of dollars.

Agency	UGF	DGF	Other	Federal	All Funds
Commerce	$ 7,015.0	$ 25,000.0	$ 400.0	$ 74,450.0	$ 106,865.0
Environmental Conservation	$ 19,500.0		$ 5,058.4	$ 57,934.8	$ 82,493.2
Family and Community Svs.	$ 250.0		$ 250.0		$ 500.0
Fish and Game	$ 2,500.0	$ 150.0	$ 9,097.6	$ 14,800.0	$ 26,547.6
Governor		$ 23,880.0			$ 23,880.0
Health	$ 2,350.0		$ 400.0	$ 61,500.0	$ 64,250.0
Military & Veterans Affairs				$ 21,000.0	$ 21,000.0
Natural Resources	$ 8,200.0	$ 500.0	$ 4,329.6	$ 56,774.4	$ 69,804.0
Public Safety	$ 750.0			$ 1,200.0	$ 1,950.0
Revenue	$ 22,800.0		$ 1,650.0	$ 17,200.0	$ 41,650.0
Transportation & Facilities	$ 90,230.6	$ 20,000.0	$ 44,861.0	$ 991,309.3	$ 1,146,400.9
University of Alaska				$ 114,400.0	$ 114,400.0
Judiciary	$ 1,130.0	$ 3,820.0			$ 4,950.0
Total	**$ 154,225.6**	**$ 73,350.0**	**$ 66,046.6**	**$ 1,410,568.5**	**$ 1,704,690.7**

Major issues to discuss in the Governor's capital budget include:

1. **Federal Program Match**
2. **Federal Infrastructure Bill**
3. **Deferred Maintenance**
4. **Supplemental Spending**
5. **G.O. Bonds**
6. **Coronavirus Relief Funds**

1. Federal Program Match

$117.2 million (76%) of the UGF in the Governor's capital budget is used to match federal funding totaling $1.4 billion.

The major federal match projects are:

- **Federal-Aid Highway Match** (Department of Transportation and Public Facilities) – $70.2 million UGF to match $669.5 million of federal funds;
- **Federal-Aid Aviation State Match** (Department of Transportation and Public Facilities) – $17.6 million UGF to match $200 million of federal funds; and

- **Village Safe Water and Wastewater Infrastructure Projects** (Department of Environmental Conservation) – $19.5 million in UGF, and $0.5 million in Statutory Designated Program Receipts to match $52.3 million of federal funds.

Starting in FY18, the capital budget did away with allocations to specific federally funded transportation projects and instead appropriated a lump sum under both the Surface Transportation Improvement Program (STIP) and Airport Improvement Program (AIP) appropriations. In the FY22 budget, allocations were again done by project. The Governor's capital budget reverts back to the structure of the STIP and AIP appropriations that existed prior to FY22. The practice of lump sum appropriation has also been followed for the Village Safe Water and Wastewater programs since FY12. Even prior to FY18, the Governor's budget proposal included lump sum appropriations and the legislature created individual allocations for projects.

In order for a project to be eligible to receive funding in either the STIP or AIP program, it must appear on a federally-approved capital improvement plan. For highways, this means the STIP. For rural airports, it means the AIP. These plans follow federal requirements for project ranking and public involvement and, historically, determined the allocations that made up the appropriations.

Legislative Fiscal Analyst Comment: With the consolidated approach, the budget more closely reflects actual spending. Under the previous approach, DOT&PF carried extra authorization to ensure that there was room to redirect funds if a project was delayed. Without allocations, DOT&PF can freely move money from one project to another without requiring surplus authorization.

The disadvantage of the consolidated approach is a loss of information about which projects are funded. To mitigate this, the Department has provided quarterly reports on funding to the Finance Committee Co-Chairs. In the FY22 budget there was an effort to lower the extra authorization included in individual projects and an appropriation for project acceleration was created by the legislature to provide some of the flexibility offered by a single lump sum appropriation. The Governor vetoed that appropriation. That limited the Department's ability to prioritize projects and move funding to accelerated projects when others stalled.

2. Federal Infrastructure Bill

In November of 2021, Congress passed the Infrastructure Investment and Jobs Act (IIJA). Due to the timing of this bill the Governor's FY23 capital budget does not include funding from the IIJA. The bill provides funding to the State over a five-year period from federal FY22 through FFY25. Funding will come in three forms: formula grants through existing programs, new formula grants to the State, and competitive grant funding from federal agencies. The majority of IIJA funding will come in the large federal programs that are in the State's budget annually:

- Federal-aid Highway;

- Airport Improvement Program; and
- Village Safe Water and Wastewater Infrastructure.

Each of these require state match (see section 3).

The following are approximations of what the State can expect to receive based on existing formulas:

- **$3.7 billion** in Federal-Aid Highway formula funding for highways and bridges. This is an additional **$160 million per year** over the FY22 apportionment. On an average annual basis, this is about 26% more than the State's Federal-aid highway formula funding under previous federal law. This does not account for the August redistribution which adds considerable federal funding each year as other states fail to fully-obligate their portion of federal funding. [1]
- **$392 million over five years** for infrastructure development for airports.
- **$325 million over five years** for Village Safe Water and Wastewater Infrastructure. The Environmental Protection Agency (EPA) has not yet clarified if the EPA's portion of this funding will be supplemental or will supplant existing annual federal funding.[2]

In addition to those programs there are a number of other formula programs that are currently funded in the federal budget. Statutory formulas allow us to extrapolate funding levels for the State. Unlike the larger programs above, many of these do not come with match requirements.

- **$82 million over five years** in formula funding to reduce transportation-related emissions;
- **$93 million over five years** for the Promoting Resilient Operations for Transformative, Efficient, and Cost-saving Transportation (PROTECT) Program. The State may also apply federal aid dollars towards climate resilience and safety projects;
- **$9.8 million over five years** to augment the commercial motor vehicle (CMV) safety efforts to reduce CMV crashes through the Federal Motor Carrier Safety Administration's Motor Carrier Safety Assistance Program (MCSAP) formula grant. This represents about a 57% increase in funding compared to the 2015 initiative, Fixing America's Surface Transportation Act (FAST) levels;
- **$404 million over five years** in Federal Transit Administration grants to improve public transportation options across the state. In the first year the bill appropriates **$78 million**, this represents about a 44% increase over 2021 FAST Act formula transit funding levels;

[1] Unless otherwise indicated the following estimates are from the U.S. Department of Transportation press release "The bipartisan Infrastructure Law will Deliver for Alaska" November 18th, 2021. https://www.transportation.gov/briefing-room/bipartisan-infrastructure-law-will-deliver-alaska

[2] EPA Bipartisan Infrastructure Law: Environmental Protection Agency 2022 State Revolving Fund (SRF) Estimated Allotments to States, Tribes, and Territories by Program https://www.epa.gov/system/files/documents/2021-12/fy-2022-bil-srfs-allotment-summary-508.pdf

- **$52 million over five years** to support the expansion of an electric vehicle (EV) charging network in the state. Alaska will also have the opportunity to apply for grants out of the $2.5 billion available for EV charging. The Governor's supplemental budget includes a $1.5 million UGF project for the Alaska Energy Authority to create a program to make the State eligible to apply for these grants; and
- **$73 million** for the Construction of Ferry Boats and Ferry Terminals Facilities Program.

There are many other discretionary grants and additional funding to federal agencies that will be made available to states over the next few years under the IIJA, though the amounts are not yet known. The Governor's amended FY23 budget will likely include many of these items, but others may take some time to develop. The federal agencies responsible for these newly-created grants will need to develop grant criteria and programs to manage the grants.

The IIJA became active in FFY22. Given the differences between federal and Alaska's fiscal years there is a possibility that some of these funds may be available during the State FY22 budget cycle and could be supplemental items for the FY22 budget.

3. Meeting Federal Match

Given the sheer scale of infrastructure funding coming from IIJA, the State may have difficulty in managing cash flow when coming up with matching funds for the available federal infrastructure funding. While exact required matching amounts are not yet known, it is possible to extrapolate based on current match amounts.

Additional potential match for federal programs in the State's annual budget:

- Federal-aid Highway- $16.0 million[3];
- Airport Improvement Program- $7.1 million[4]; and
- Village Safe Water and Wastewater Infrastructure- $13.3 million.[5]

TOTAL: $36.4 million

There is additional match of $2.8 million for $67 million of federal funding going into the State Drinking Water and Clean Water Revolving Fund. Though this money is spent on capital projects, the deposit of money into the funds is reflected as a fund capitalization in the operating budget. The

[3] This is based off the FY23 10% required match for the additional $160 million increase in annual Federal-aid Highway funding. The current federal program has an average match of 10% (some as low as 9.02% and a smaller portion at 20%).
[4] This is based off the FY23 9% required match for the additional $78.4 million increase in annual Airport Improvement Program.
[5] This depends on whether the EPA's Alaska Native Villages Grant of $40 million in FY23 supplements or supplants the existing annual grant amount.

Department of Environmental Conservation anticipates that these funds will all flow through the Drinking Water and Clean Water Loan Fund as capitalization grants and then loans will be issued for projects and borrowers eligible under the federal rules and State statutes.

In SLA2021 the Governor proposed a $101.6 million Alaska Housing Finance Corporation (AHFC) Statewide bonding package. This would have leveraged the AHFC's credit rating to sell bonds and pay for the servicing of that debt through AHFC revenue that would otherwise go into the General Fund as an AHFC dividend. This AHFC bond funding was proposed to be exclusively used for federal program matching. This mechanism may still be a viable tool for financing a portion of the State's additional matching requirement in order to maximize the amount of federal funding available to the State.

> **Legislative Fiscal Analyst Comment:** The legislature has previously appropriated $222 million in federal receipt authority in FY18 for Alaska Marine Highway vessel replacement with an additional $22 million as match. In December, 2021 the Governor announced the administration's intention to begin building a replacement for the F/V Tustumena using that existing State funding. This $22 million in match funding could potentially be applied to the State's required federal match in FY23, which would considerably reduce the amount of additional state match required to access IIJA funding.

4. Deferred Maintenance

Deferred maintenance is maintenance that has been deferred to another time, usually as a consequence of insufficient funding. The most recent estimates by the Office of Management and Budget provide a deferred maintenance backlog totaling just over $2 billion (see the table on the following page). Two-thirds of this backlog ($1.4 billion) is within the University of Alaska.

In FY11, the Parnell administration began a five-year initiative to address the deferred maintenance backlog. Over those five years an average of $123 million was appropriated to deferred maintenance, and the backlog shrunk from $2.3 billion to $1.6 billion. However, since FY16, reduced funding has caused the backlog to gradually increase again.

To address this, the legislature passed SB 107 (Chapter 88, SLA 2018), which designated the Alaska Capital Income Fund (ACIF) for deferred maintenance. This provides a steady source of funding for deferred maintenance – roughly $30 million per year – though this alone is not sufficient to eliminate the backlog. In 2018, the executive branch launched the statewide Division of Facilities Services to integrate State agency maintenance and prioritize deferred maintenance needs. Since FY18, the bulk of deferred maintenance funding has gone to a centralized appropriation to the Office of Management and Budget to distribute funds to the highest-priority needs statewide.

The Governor's FY23 capital budget spends $23.8 million on deferred maintenance managed through the Governor's office, plus another $1.4 million using Coronavirus State and Local Fiscal Recovery Funds in the Department of Natural Resources (see section 7). No deferred maintenance funding was

appropriated in FY21. The FY22 budget included a $49 million appropriation to the Governor's office using the available balance of the ACIF and a $5.9 million FY21 supplemental appropriation.

Additionally, the legislature appropriated another $5.9 million in "Public Building Fund Deferred Maintenance, Renovation, Repair and Equipment" paid for out of the Public Building Fund as an FY21 supplemental item. No FY22 supplemental for deferred maintenance was included in the Governor's proposed budget.

Agency	FY21 Total DM Backlog	% of Total DM Backlog	% of Total DM Excl. University
Administration	$77,056,645	3.8%	12.9%
Corrections	$55,190,000	2.7%	9.2%
Education	$16,791,750	0.8%	2.8%
Environmental Conservation	$200,000	0.0%	0.0%
Fish & Game	$9,733,000	0.5%	1.6%
Health & Social Services	$40,353,409	2.0%	6.8%
Labor	$20,025,000	1.0%	3.4%
Military	$28,874,945	1.4%	4.8%
Natural Resources	$67,469,500	3.3%	11.3%
Public Safety	$7,540,000	0.4%	1.3%
Transportation	$264,528,600	13.1%	44.3%
Facilities	$50,036,600	2.5%	8.4%
Highways	$153,806,600	7.6%	25.7%
Aviation	$38,690,000	1.9%	6.5%
Harbors	$19,216,400	1.0%	3.2%
Marine Highways	$2,779,000	0.1%	0.5%
University	$1,420,815,812	70.4%	N/A
Courts	$9,916,500	0.5%	1.7%
Totals	**$2,018,495,161**	**100%**	**100%**

A portion of the Amerada Hess oil pricing settlement is managed as a "fenced off" portion of Permanent Fund principal and is valued at approximately $425 million. Earnings from that principal are deposited into the ACIF.

Legislative Fiscal Analyst Comment: While the $23.8 million appropriated in FY23 is certainly an increase over the FY21 budget, it is a decrease of $25 million from FY22, and it is well below the "1% rule." General best practice maintenance should cost at least one percent of the property value per year. The State has over 2,400 facilities with a total value around $9.7 billion. Following the "1%" rule, basic maintenance on those buildings would be around $97 million a year just to avoid a growing deferred maintenance backlog.

The Governor's budget does not include specific funding for the University of Alaska's deferred maintenance backlog, which makes up the vast majority (70.4%) of the State's total backlog. The University of Alaska typically allocates a portion of its budget to deferred maintenance and the legislature often supplements that funding to address the sizeable backlog. Deferred maintenance funding is an area that the University has had to reduce as the legislature has reduced its UGF operating support of the University. In FY22, the Governor vetoed all capital appropriations to the University of Alaska, totaling $31.5 million.

In addition to State-owned facilities, there are substantial deferred maintenance backlogs in school facilities and rural water and sewer facilities that receive maintenance funding from the State. Water and sanitation facility maintenance is funded through the Village Safe Water program, which is divided between new projects and maintenance of existing service. As of 2021, the total funding needed for necessary upgrades was about $580 million. School district deferred maintenance is funded through the Major Maintenance Grant fund. The FY23 list includes $196 million of projects submitted by the districts. The $196 million amount only accounts for those projects submitted by districts for the program and does not represent the total need of schools in the state.

5. Supplemental Spending

Fast Track Supplemental

The Governor has proposed four fast track supplemental projects:

- Azure Adoption to Assist with Cloud Migration- $23.1 million UGF
- Suicide Prevention Barriers- $0.8 million UGF
- William N. Miller K-12 Memorial School Replacement, Napakiak- $22.1 million UGF
- Information Technology Security Program Assessment- $1.9 million UGF

Total: $47.9 million UGF

Regular Supplemental

The Governor has until 15 days into the session to officially submit supplemental budget items and typically, the majority of supplemental budget items are submitted at that date. With the budget submitted December 15th, the Governor has 24 supplemental projects included in the capital bill totaling

$45.1 million UGF. This is an unusually high amount of supplemental budget items to be included at the December 15th deadline.

The backup material provided for many of these projects does not include justification for them being supplemental FY22 items rather than FY23 projects. By shifting so many projects into FY22, the Governor's budget artificially lowers the FY23 capital budget.

Some of these projects provide justification for their necessity as a supplemental due to the urgent need to expend federal funding in FY22, but then use UGF as the proposed funding source. It is not clear what specific urgency there is for these projects without using the deadline associated with this federal funding source as a justification.

Projects included in the December 15th budget that clearly meet an FY22 specific need:

- Hiland Mountain Intake Administration Project- $4.5 million
- Fire Crew Vehicle Replacement- $0.7 million
- Alaska Wildlife Trooper Medium-Class Vessel Replacement- $1.8 million

In contrast, the Veteran's Cemetery project has backup information indicating that no construction will start until FY23 at the earliest.

6. General Obligation Bonds

The Governor has proposed a $308 million General Obligation (G.O.) Bond package. This follows the Governor's previous $354.6 million G.O. Bond package that failed to pass during the SLA2021 session. Some projects included in the previous package were integrated into the regular FY22 capital budget. Unlike last year, the G.O. Bond package was factored into the Governor's 10-year plan projections. The Governor proposes spending $243 million in grants to communities, $47 million on transportation projects, and $18.5 million in University renovations.

The Governor's bond proposal would be paid for using the State's general obligation pledge for payment. While the costs of issuing bonds are at historic lows, the State's credit rating has diminished over the last few years due to fiscal uncertainty. Because the bonds are general obligations of the State, they must be authorized by law, ratified by the voters, and approved by the State Bond Committee. All authorized bonds are not typically sold at the same time because IRS rules (for tax exempt status) require complete expenditure of bond proceeds within three years of bond issuance. Bonds are issued in specific series as cash is needed for projects. The State has issued G.O. Bonds over 50 times since statehood, the last being approved by voters in 2012. The interest cost of G.O. Bond issuances is determined by many factors, the largest being the general interest rates in the economy; however, the State's credit rating and the perception of the State's general credit worthiness are also important.

As recently as April 2021, Fitch credit agency gave the State of Alaska a negative outlook stating that "*Alaska's steady draws on its reserves to fund operations in recent years leave it in a weaker fiscal*

position than most states. The Negative Outlook reflects the direction the rating is likely to move should the state fail to enact measures in fiscal 2022 that produce sustainable fiscal balance." That same month Moody's revised the outlook for Alaska's credit rating from negative to stable. Despite giving an improved outlook, Moody's currently gives only two states worse credit ratings than Alaska: Illinois and New Jersey.

Current G. O. Bond Ratings

- Moody's Investors Service: Aa3
- Fitch Ratings: A+
- S&P Global Ratings: AA-

Previous G.O. Bond Projects Funded in FY22

A number of the Governor's proposed G.O. bond projects passed as regular budget items funded with other fund sources. The Governor also eventually vetoed a number of these projects as noted below:

- West Susitna Road Access - $8.5 million
- Houston Middle School Replacement - $9 million
- Vetoed Major Maintenance Grant Fund - $21.6 million
- Vetoed Mount Edgecumbe High School Repairs - $7.9 million
- Fairbanks Youth Facility - $18.9 million
- Palmer Alaska Veterans' and Pioneer Home Roof Replacement - $5.5 million
- Vetoed Alaska Vocational Technical Center Upgrades - $12.5 million
- Wildland Firefighting Aircraft Replacement - $0.7 million
- Wildland Fire Engine Replacement - $0.3 million
- Statewide Firebreak Construction - $10 million
- Statewide Park Sanitation and Facility Upgrades - $2 million
- Alaska Wildlife Troopers Marine Enforcement Repair and Replacement - $1.4 million
- Boat Upgrades, Haul Outs, and Vessel Replacement - $0.5 million
- Vetoed Fairbanks to Seward Multi-use Recreation Trail - $13.2 million
- Vetoed Craig Harbor - $4.4 million
- Municipal Harbor Facility Grant Fund - $6.7 million after partial veto
- Vetoed UAA Building Energy Performance Upgrades - $10.9 million
- Vetoed Bartlett Hall and Moore Hall Modernization and Renewal - $18.7 million

Project Overlap with SLA2021 G.O. Bond

The Governor has proposed two projects previously from the earlier G.O. Bond package in the new proposal, both of which were vetoed last year when the legislature funded them with UGF.

- Craig Harbor- $8.3 million
- Bartlett Hall and Moore Hall Modernization and Renewal- $18.7 million

Legislative Fiscal Analyst Comment: Some issues the legislature may wish to consider for the Governor's G.O. bond proposal:

– Does Alaska's construction industry have the capacity to take on so many projects simultaneously with the number of IIJA-funded capital projects set to occur over the next five years?

– The cost and availability of building materials and labor when every other state is making massive investments in infrastructure using IIJA funding.

– The amount of time that it takes to approve G.O. Bond projects. They must be approved by voters. Alaska's last G.O Bond was in 2012 and projects were still open five years later.

7. Federal Coronavirus Response Funding

Coronavirus State and Local Fiscal Recovery Funds (CSFRLF)

The Governor has a number of projects totaling $72 million using CSFLRF as a funding source.

- City of Palmer Wastewater Treatment Plant Improvements - Phase II - $6.9 million
- Economic Recovery Mariculture Incentive Grant Program - $25 million
- Alaska Travel Industry Association Grant - $5 million
- Division of Public Assistance E-forms and Online Noticing - $4.7 million
- Division of Public Assistance Eligibility System Replacement - $4.7 million
- Food Security Agriculture Incentive Grant Program - $25 million
- Statewide Park Sanitation Deferred Maintenance and Facility Upgrades - $1.4 million

Legislative Fiscal Analyst Comment: While each of these projects may be eligible for reimbursement using CSFLRF, that funding source can also be used for revenue replacement and as such is functionally equivalent to UGF. Any dollar spent on capital projects is a dollar that is not deposited into the general fund. This is not "use it or lose it" federal funding and should not be viewed as limited federal funding that can only be used on eligible capital projects. Each of these projects should stand on their own merit and not rely upon this funding source as justification for their being accepted or rejected by the legislature.

Coronavirus Capital Projects Fund

The American Rescue Plan appropriated $111.8 million in Coronavirus Capital Projects funds to Alaska "to carry out critical capital projects directly enabling work, education, and health monitoring, including remote options, in response to the public health emergency with respect to the Coronavirus Disease (COVID-19)." According to Treasury guidance Capital Project fund recipients may award funds to subrecipients, such as other levels or units of government (e.g., municipalities or counties), non-profits, or private entities.

For a Capital Project to be an eligible use of Capital Projects Fund grant funds, it must meet all of the following criteria:

1. The Capital Project invests in capital assets designed to directly enable work, education, and health monitoring.
2. The Capital Project is designed to address a critical need that resulted from or was made apparent or exacerbated by the COVID-19 public health emergency.
3. The Capital Project is designed to address a critical need of the community to be served by it.

In order for the State to receive the federal funding it must submit an application and the Department of Treasury must approve each project. This application needs to be submitted by September 2022.

The Governor proposes spending $63.8 million on the following three projects:

1. Healthcare Record Infrastructure Improvements - $30 million
2. Eagle River Fire Crew Facility - $13.8 million
3. Student Information Technology Systems - $20 million

This leaves around $48.2 million in funds available for other projects that meet the criteria listed above. Treasury's guidance strongly suggested that they expect most projects to primarily be broadband and internet connectivity projects. If the full amount available is not appropriated by the September 2022 deadline the State will forfeit the remaining amount. This is "use it or lose it" federal funding.

Legislative Fiscal Analyst Comment: Treasury guidance indicates that the Healthcare and Education projects likely meet project eligibility requirements. The Administration's position is that the Fire Crew Facility meets eligibility because it can be used as a community center. Supporting documentation does not indicate how it meets criteria No. 2 for addressing a critical need exacerbated by COVID-19.

Other Items of Note

For the first time in two years, the Governor's budget includes funding for School Construction. The Governor also fully capitalizes the Regional Education Attendance Area (REAA) fund with $32.7

million in his proposed FY23 operating budget. In FY22, the Governor vetoed a $21.6 million UGF appropriation to the REAA fund. The Governor proposes a fast track FY22 supplemental of $22.1 million UGF for the William N. Miller K-12 Memorial School Replacement in Napakiak, which is the first project on the school construction list. Additionally, the Governor has included $32.7 million of authority to spend from the REAA fund that would also go towards construction of the Napakiak School in this FY22 fast track supplemental. This appropriation from the fund is unnecessary given that the fund can be expended without further appropriation. This also brings up a timing issue because the fund does not become capitalized until the FY23 budget.

Legislative Fiscal Analyst Comment: HB 212 (Chapter 79, SLA 2018) allowed the REAA fund to be used for major maintenance in addition to school construction. While this provides an additional fund source to address maintenance needs, the Governor vetoed all of the REAA appropriation in FY21 and half of it in FY22. There may be insufficient funding available from this source alone to address major maintenance needs, particularly if the full FY23 deposit amount is allocated to Napakiak school replacement.

Language Sections of the Governor's FY23 Capital Budget

Sec. 10. FEDERAL AND OTHER PROGRAM RECEIPTS. Federal receipts, designated program receipts under AS 37.05.146(b)(3), information services fund program receipts under AS 44.21.045(b), Exxon Valdez oil spill trust receipts under AS 37.05.146(b)(4), receipts of the Alaska Housing Finance Corporation, receipts of the Alaska marine highway system fund under AS 19.65.060(a), receipts of the vaccine assessment account (AS 18.09.230), receipts of the University of Alaska under AS 37.05.146(b)(2), receipts of the highways equipment working capital fund under AS 44.68.210, and receipts of commercial fisheries test fishing operations under AS 37.05.146(c)(20) that are received during the fiscal year ending June 30, 2023, and that exceed the amounts appropriated by this Act are appropriated conditioned on compliance with the program review provisions of AS 37.07.080(h).

Section 10 provides appropriation of any of the listed receipts that are collected in FY23 beyond the amounts appropriated in the act. Although the appropriations are conditioned on review by the Legislative Budget and Audit Committee (LB&A), the Governor can increase authorization for listed fund sources without the approval of the Committee for expenditures that are subject to the statutory requirements. Similar language in the operating budget applies only to appropriations in the operating bill.

Funding: Although requests for approval to spend additional receipts will almost certainly be received, there is no way to determine where the increases will be, how much they will be, or what fund sources would be appropriate. The Legislative Finance Division reports place no dollar value on appropriations made in this section as the amounts cannot be reasonably anticipated.

Legislative Fiscal Analyst Comment: The appropriation language specifically reads that only receipts recorded in FY23 beyond the amounts appropriated in the act are appropriated conditioned on the statutory requirements. The statute, AS 37.07.080(h), further limits the increase of an appropriation by "additional federal or other program receipt…"

Recent federal Coronavirus relief legislation, has led to an increase in cases of additional federal authority being approved through the RPL process under AS 37.07.080(h). Because of the timing of the bills and the delayed release of federal funding not aligning with the regular legislative session, the Office of Management and Budget has submitted additional requests the last two years based on these increases in federal funding. Given the recent passage of the federal infrastructure bill and its many competitive grants, there may be unexpected federal funding coming to the State outside of the regular session.

Legislative Fiscal Analyst Recommendation: The legislature included additional language in this section in FY22 that was carried forward in the corresponding Governor's proposed operating budget in FY23, but was not included in this Capital budget section. The following sentence should be added to the end of this language to match what is included in the operating bill.
"Receipts received under the subsection during the fiscal year ending June 30, 2023, do not include the balance of a state fund on June 30, 2022."

Sec. 11. INSURANCE CLAIMS. The amounts to be received in settlement of insurance claims for losses and the amounts to be received as recovery for losses are appropriated from the general fund to the

(1) state insurance catastrophe reserve account (AS 37.05.289(a)); or

(2) appropriate state agency to mitigate the loss.

Section 11 allows an agency to receive insurance claim settlement payments directly from a third party. Without this provision, settlements would remain in the general fund and would not be available to offset an agency's loss without a specific appropriation.

Sec. 12. NATIONAL PETROLEUM RESERVE - ALASKA IMPACT GRANT PROGRAM. The amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530(a)) under 42 U.S.C. 6506a(*l*) or former 42 U.S.C. 6508 by June 30, 2021, estimated to be $13,800,000, is appropriated from that fund to the Department of Commerce, Community, and Economic Development for capital project grants under the National Petroleum Reserve - Alaska impact grant program.

Section 12 appropriates the entire amount received (estimated to be $13.8 million for FY21) from the revenue shared by the federal government from sales, rentals, bonuses, and royalties on leases issued within the NPR-A to the NPR-A Impact Grant Program. Grants are awarded to municipalities impacted by oil and gas development in the NPR-A. AS 37.05.530(g) states that receipts not appropriated as grants are to be distributed as follows: 25 percent to Permanent Fund Principal, 0.5 percent to the Public School Trust Fund, and any remaining amount to the Power Cost Equalization and Rural Electric Capitalization Fund.

Legislative Fiscal Analyst Comment: The fiscal year included is for the one ending June 30, 2021. This is a technical error and should be June 30, 2022. Recent capital bills contained a list of grantees and the projects to be funded. Providing this information allows it to be entered into the budget system so that it is available for future queries regarding grants.
The estimated revenue figure does not match the estimate made by the Department of Revenue in the Fall 2021 Revenue Sources Book, which is $13.9 million.

Legislative Fiscal Analyst Recommendation: Update the June 30th date to 2022**.** Grantees and a short description of projects should appear in the bill. Grantees are typically selected during the session and a list is often submitted as part of the amendment process.

The estimate in the bill and in the Revenue Sources Book should match. The Office of Management and Budget and agencies should coordinate efforts and present a single agreed-upon forecast in future budget requests.

New Section: Volkswagen Settlement

Sec. 13. DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT. The amount of interest earned on funds from the 2016 Volkswagen Settlement environmental mitigation trust, estimated to be $400,000, is appropriated to the Department of

Commerce, Community, and Economic Development, Alaska Energy Authority, for activities related to the Volkswagen Settlement.

Section 13 provides appropriation of Volkswagen Settlement interest earnings to the Alaska Energy Authority, for activities related to the Volkswagen Settlement.

New Section: Family and Community Services Supplemental Reappropriations

Sec. 14. DEPARTMENT OF FAMILY AND COMMUNITY SERVICES. The available balances, including encumbered amounts, of the following appropriations are reappropriated from the Department of Health and Social Services to the Department of Family and Community Services:

(1) sec. 5(c), ch. 10, SLA 2007, as amended by secs. 12(b) and 30(a) - (c), and sec. 21(j)(3), ch. 1, TSSLA 2017 (Department of Health and Social Services, Fairbanks virology laboratory completion);

(2) sec. 1, ch. 17, SLA 2012, page 119, lines 14 - 16, and allocated on page 119, lines 23 - 25 (Department of Health and Social Services, deferred maintenance, renewal, repair and equipment, pioneer homes, Juneau Pioneer Home deferred maintenance - $2,210,830);

(3) sec. 1, ch. 16, SLA 2013, page 66, lines 27 - 29, and allocated on page 67, lines 9 - 11 (Department of Health and Social Services, non-pioneer home deferred maintenance, renovation, repair and equipment, Fairbanks Youth Facility deferred maintenance - $33,700);

(4) sec. 1, ch. 16, SLA 2013, page 66, lines 27 - 29, and allocated on page 67, lines 24 - 26 (Department of Health and Social Services, non-pioneer home deferred maintenance, renovation, repair and equipment, McLaughlin Youth Center deferred maintenance - $1,249,300);

(5) sec. 1, ch. 16, SLA 2013, page 66, lines 27 - 29, and allocated on page 67, lines 27 - 29 (Department of Health and Social Services, non-pioneer home deferred maintenance, renovation, repair and equipment, Nome Youth Facility deferred maintenance - $189,800);

(6) sec. 1, ch. 16, SLA 2013, page 67, line 33, through page 68, line 4, and allocated on page 68, lines 20 - 22 (Department of Health and Social Services, pioneer homes deferred maintenance, renovation, repair and equipment, Sitka Pioneer Home deferred maintenance - $974,200);

(7) sec. 1, ch. 18, SLA 2014, page 53, lines 30 - 32 (Department of Health and Social Services, Office of Children Services safety enhancements to offices, facilities and equipment - $94,800);

(8) sec. 1, ch. 18, SLA 2014, page 54, lines 5 - 6, and allocated on page 54, lines 10 - 12 (Department of Health and Social Services, non-pioneer home deferred maintenance, renovation, repair and equipment, Fairbanks Youth Facility deferred maintenance - $344,610);

(9) sec. 1, ch. 18, SLA 2014, page 54, lines 5 - 6, and allocated on page 54, lines 13 -15 (Department of Health and Social Services, non-pioneer home deferred maintenance, renovation, repair and equipment, Johnson Youth Center deferred maintenance - $532,188);

(10) sec. 1, ch. 18, SLA 2014, page 54, lines 5 - 6, and allocated on page 54, lines 22 - 24 (Department of Health and Social Services, non-pioneer home deferred maintenance, renovation, repair and equipment, McLaughlin Youth Center deferred maintenance - $1,013,654);

(11) sec. 1, ch. 18, SLA 2014, page 54, lines 5 - 6, and allocated on page 54, lines 25 - 27 (Department of Health and Social Services, non-pioneer home deferred maintenance, renovation, repair and equipment, Nome Youth Facility deferred maintenance - $726,354);

(12) sec. 1, ch. 18, SLA 2014, page 54, lines 28 - 29, and allocated on page 54, lines 30 - 32 (Department of Health and Social Services, pioneer homes deferred maintenance, renovation, repair and equipment, Alaska veterans and pioneer home deferred maintenance - $294,412);

(13) sec. 1, ch. 18, SLA 2014, page 54, lines 28 - 29, and allocated on page 55, lines 5 - 7 (Department of Health and Social Services, pioneer homes deferred maintenance, renovation, repair and equipment, Fairbanks Pioneer Home deferred maintenance - $709,754);

(14) sec. 1, ch. 18, SLA 2014, page 54, lines 28 - 29, and allocated on page 55, lines 8 - 10 (Department of Health and Social Services, pioneer homes deferred maintenance, renovation, repair and equipment, Juneau Pioneer Home deferred maintenance - $277,140);

(15) sec. 1, ch. 18, SLA 2014, page 54, lines 28 - 29, and allocated on page 55, lines 11 - 13 (Department of Health and Social Services, pioneer homes deferred maintenance, renovation, repair and equipment, Ketchikan Pioneer Home deferred maintenance - $2,214,685);

(16) sec. 1, ch. 2, 4SSLA 2016, page 4, lines 30 - 32 (Department of Health and Social Services, non-pioneer home deferred maintenance, renovation, repair and equipment - $1,416,845);

(17) sec. 1, ch. 2, 4SSLA 2016, page 5, lines 4 - 6 (Department of Health and Social Services, pioneer homes deferred maintenance, renovation, repair and equipment - $1,417,500);

(18) sec. 16(a), ch. 1, TSSLA 2017 (Department of Health and Social Services, deferred maintenance, renovation, repair, and equipment for Alaska Pioneers' Homes);

(19) sec. 1, ch. 19, SLA 2018, page 7, lines 8 - 9 (Department of Health and Social Services, Office of Children's Services safety and support enhancements - $1,239,352);

(20) sec. 1, ch. 19, SLA 2018, page 7, lines 10 - 11 (Department of Health and Social Services, pioneer homes renovations and repair - $1,000,000);

(21) sec. 5, ch. 8, SLA 2020, page 65, lines 23 - 25 (Department of Health and Social Services, Alaska Psychiatric Institute projects to comply with corrective action plan - $1,619,264);

(22) sec. 5, ch. 8, SLA 2020, page 65, lines 26 - 27 (Department of Health and Social Services, Anchorage Pioneer Home renovations - $2,080,000);

(23) sec. 8, ch. 1, SSSLA 2021, page 73, line 15, and allocated on page 73, lines 16 - 18 (Department of Health and Social Services, pioneer homes facility improvements, Ketchikan Pioneer Home HVAC intake damper assembly - $76,500);

(24) sec. 8, ch. 1, SSSLA 2021, page 73, line 15, and allocated on page 73, lines 19 - 20 (Department of Health and Social Services, pioneer homes facility improvements, Palmer Alaska Veterans' and Pioneers Home roof replacement - $5,518,000);

(25) sec. 8, ch. 1, SSSLA 2021, page 73, line 15, and allocated on page 73, lines 21 - 23 (Department of Health and Social Services, pioneer homes facility improvements, Palmer Alaska Veterans' and Pioneers Home safety fencing - $61,200);

(26) sec. 8, ch. 1. SSSLA 2021, page 73, line 15, and allocated on page 73, lines 24 - 26 (Department of Health and Social Services, pioneer homes facility improvements, Juneau Pioneer Home ADA-compliant courtyard - $424,000).

Section 14 reappropriates 26 active capital projects from the Department of Health and Social Services to the proposed new Department of Family and Community Services.

New Section: Fish and Game Vessel and Aircraft Renewal and Maintenance

Sec. 15. DEPARTMENT OF FISH AND GAME. The proceeds from the sale of state-owned vessels and aircraft in the fiscal year ending June 30, 2023, by the Department of Fish and Game, estimated to be $150,000, are appropriated from the general fund, to the Department of Fish and Game for renewal, replacement, and maintenance of vessels and aircraft.

Section 15 appropriates an estimated $150,000 in proceeds from the sale of State-owned vessels and aircraft belonging to Department of Fish and Game in FY23 back to the Department of Fish and Game for renewal, replacement, and maintenance of vessels and aircraft.

New Section: Health Supplemental Reappropriations

Sec. 16. DEPARTMENT OF HEALTH. (a) The unexpended and unobligated balances, including encumbered amounts, of the following appropriations are reappropriated to the Department of Health:

(1) sec. 4, ch. 29, SLA 2007, page 13, lines 10 - 14, as amended by sec. 8(b), ch. 14, SLA 2009, as amended by sec. 33, ch. 43, SLA 2010, as amended by sec. 28(a), ch. 5, FSSLA 2011, as amended by sec. 23(b), ch. 2, 4SSLA 2016, and as amended by sec. 34(a), ch. 1, SSLA 2021 (Department of Health and Social Services, MH Southcentral Eklutna Residential Psychiatric Treatment Center, match for Bring the Kids Home);

(2) sec. 4, ch. 30, SLA 2007, page 95, lines 18 - 20 (Department of Health and Social Services, Medicaid management information system completion - $12,040,900);

(3) sec. 40(a), ch. 15, SLA 2009 (Department of Health and Social Services, statewide electronic health information exchange system - $23,947,500);

(4) sec. 40(b), ch. 15, SLA 2009 (Department of Health and Social Services, statewide electronic health information exchange system - $2,727,500)

(5) sec. 1, ch. 5, FSSLA 2011, page 84, lines 28 - 30 (Department of Health and Social Services, electronic health record incentive payments - $36,518,800);

(6) sec. 1, ch. 5, FSSLA 2011, page 85, lines 25 - 27, as amended by sec. 21(j)(45), ch. 1, TSSLA 2017 (Department of Health and Social Services, Medicaid management information system completion);

(7) sec. 1, ch. 5, FSSLA 2011, page 85, lines 28 - 30 (Department of Health and Social Services, senior and disability services system upgrade - $2,700,000);

(8) sec. 1, ch. 17, SLA 2012, page 118, line 33, through page 119, line 4 (Department of Health and Social Services, state improvements to health information gateway - $3,641,400);

(9) sec. 5, ch. 15, SLA 2013, page 12, lines 10 - 12 (Department of Health and Social Services, MH deferred maintenance and accessibility improvements - $1,000,000);

(10) sec. 1, ch. 16, SLA 2013, page 66, lines 4 - 6 (Department of Health and Social Services, electronic health record incentive payments - $30,187,500);

(11) sec. 1, ch. 16, SLA 2013, page 66, lines 19 - 23 (Department of Health and Social Services, master client index, state interface improvements to the health information and direct secure messaging gateway - $5,749,700);

(12) sec. 1, ch. 18, SLA 2014, page 53, lines 27 - 29, as amended by sec. 34(b)(1), ch. 1, SSSLA 2021 (Department of Health and Social Services, competitive grants for chronic inebriate anti-recidivism treatment programs);

(13) sec. 4, ch. 24, SLA 2015, page 11, lines 10 - 11, as amended by sec. 34(b)(2), ch. 1, SSSLA 2021 (Department of Health and Social Services, MH home modification and upgrades to retain housing);

(14) sec. 1, ch. 38, SLA 2015, page 5, lines 4 - 5, as amended by sec. 34(b)(3), ch. 1, SSSLA 2021 (Department of Health and Social Services, emergency medical services match for code blue project);

(15) sec. 5, ch. 1, 4SSLA 2016, page 16, lines 10 - 11 (Department of Health and Social Services, MH essential program equipment - $500,000);

(16) sec. 5, ch. 1, 4SSLA 2016, page 16, line 12 - 13 (Department of Health and Social Services, MH home modification and upgrades to retain housing - $1,050,000);

(17) sec. 1, ch. 2, 4SSLA 2016, page 4, lines 26 - 27 (Department of Health and Social Services, emergency medical services match for code blue project - $500,000);

(18) sec. 1, ch. 2, 4SSLA 2016, page 4, lines 28 - 29 (Department of Health and Social Services, health information exchange providers incentive program - $4,080,000);

(19) sec. 1, ch. 2, 4SSLA 2016, page 4, line 33, through page 5, line 3 (Department of Health and Social Services, Office of the Civil Rights remediation completion - $2,773,980);

(20) sec. 23(a), ch. 2, 4SSLA 2016 (Department of Health and Social Services, modification to the Medicaid management information system, connection of health care providers to the health information exchange, and development of a health information infrastructure plan - $10,448,000);

(21) sec. 4, ch. 1, FSSLA 2017, page 12, lines 10 - 11 (Department of Health and Social Services, MH deferred maintenance and accessibility improvements - $250,000);

(22) sec. 4, ch. 1, FSSLA 2017, page 12, lines 12 - 13 (Department of Health and Social Services, MH home modification and upgrades to retain housing - $1,050,000);

(23) sec. 1, ch. 1, TSSLA 2017, page 5, lines 12 - 13 (Department of Health and Social Services, emergency medical services match for code blue project - $500,000);

(24) sec. 1, ch. 1, TSSLA 2017, page 5, lines 14 - 15 (Department of Health and Social Services, statewide electronic health information exchange system - $7,628,548);

(25) sec. 16(b), ch. 1, TSSLA 2017 (Department of Health and Social Services, deferred maintenance, renovation, repair, and equipment for facilities of the department other than Alaska Pioneers' Homes);

(26) sec. 4, ch. 18, SLA 2018, page 12, lines 10 - 11 (Department of Health and Social Services, MH essential program equipment - $500,000);

(27) sec. 4, ch. 18, SLA 2018, page 12, lines 12 - 13 (Department of Health and Social Services, MH home modification and upgrades to retain housing - $1,050,000);

(28) sec. 1, ch. 19, SLA 2018, page 6, lines 9 - 10, and allocated on page 6, lines 11 - 14 (Office of the Governor, statewide information technology projects, Alaska's resource for integrated eligibility services enhancement - $36,786,502);

(29) sec. 1, ch. 19, SLA 2018, page 6, lines 9 - 10, and allocated on page 6, lines 21 - 23 (Office of the Governor, statewide information technology projects, Medicaid management information system upgrade - $4,692,000);

(30) sec. 1, ch. 19, SLA 2018, page 6, lines 9 - 10, and allocated on page 6, lines 28 - 30 (Office of the Governor, statewide information technology projects, senior and disabilities services system upgrade - $4,712,016).

(31) sec. 1, ch. 19, SLA 2018, page 7, lines 6 - 7 (Department of Health and Social Services, emergency medical services match for code blue project - $500,000);

(32) sec. 4, ch. 19, SLA 2018, page 19, lines 7 - 8 (Department of Health and Social Services, substance use disorder service expansion - $12,000,000);

(33) sec. 4, ch. 2, FSSLA 2019, page 11, lines 11 - 12 (Department of Health and Social Services, MH: deferred maintenance and accessibility improvements - $250,000);

(34) sec. 4, ch. 2, FSSLA 2019, page 11, lines 13 - 14 (Department of Health and Social Services, MH: home modification and upgrades to retain housing - $300,000);

(35) sec. 4, ch. 3, FSSLA 2019, page 15, lines 6 - 7 (Department of Health and Social Services, electronic visit verification system implementation - $4,272,900);

(36) sec. 7, ch. 1, SSSLA 2019, page 14, line 10 (Department of Health and Social Services, MH: assistive technology - $500,000);

(37) sec. 7, ch. 1, SSSLA 2019, page 14, lines 11 - 12 (Department of Health and Social Services, MH: deferred maintenance and accessibility improvements - $250,000);

(38) sec. 7, ch. 1, SSSLA 2019, page 14, lines 13 - 14 (Department of Health and Social Services, MH: home modification and upgrades to retain housing - $750,000);

(39) sec. 4, ch. 2, SLA 2020, page 11, line 10 (Department of Health and Social Services, MH: assistive technology - $500,000);

(40) sec. 4, ch. 2, SLA 2020, page 11, lines 11 - 12 (Department of Health and Social Services, MH deferred maintenance and accessibility improvements - $500,000);

(41) sec. 4, ch. 2, SLA 2020, page 11, lines 13 - 14 (Department of Health and Social Services, MH essential program equipment - $600,000);

(42) sec. 4, ch. 2, SLA 2020, page 11, lines 15 - 16 (Department of Health and Social Services, MH home modification and upgrades to retain housing - $1,050,000);

(43) sec. 5, ch. 8, SLA 2020, page 65, lines 28 - 29 (Department of Health and Social Services, emergency medical services match for code blue project - $500,000);

(44) sec. 8, ch. 1, SSSLA 2021, page 73, line 11 (Department of Health and Social Services, health information exchange - $4,080,908);

(45) sec. 8, ch. 1, SSSLA 2021, page 73, lines 12 - 13 (Department of Health and Social Services, emergency medical services match for code blue project - $500,000);

(46) sec. 8, ch. 1, SSSLA 2021, page 73, line 14 (Department of Health and Social Services, Fairbanks Youth Facility - $18,986,720).

Section 16 reappropriates 46 active capital projects from the Department of Health and Social Services to the proposed new Department of Health.

New Section: Alaska Public Safety Communications Reappropriations

Sec. 17. DEPARTMENT OF PUBLIC SAFETY. The unexpended and unobligated balances, including encumbered amounts, estimated to be a total of $7,082,768, of the following appropriations are reappropriated to the Department of Public Safety for Alaska Public Safety Communication Services:

(1) sec. 10, ch. 29, SLA 2008, page 32, lines 9 - 11, as amended by sec. 17(b), ch. 2, 4SSLA 2016, as amended by sec. 35(a)(1), ch. 1, SSSLA 2021 (Department of Administration, Alaska land mobile radio system), estimated balance of $338,785;

(2) sec. 4, ch. 2, 4SSLA 2016, page 24, lines 10 - 11, as amended by sec. 35(a)(2), ch. 1, SSSLA 2021 (Department of Administration, Alaska land mobile radio system), estimated balance of $820,204;

(3) sec. 1, ch. 1, TSSLA 2017, page 2, lines 10 - 11, as amended by sec. 35(a)(3), ch. 1, SSSLA 2021 (Department of Administration, Alaska land mobile radio system), estimated balance of $942,509;

(4) sec. 4, ch. 7, SLA 2020, page 8, lines 25 - 26 (Department of Military and Veterans Affairs, Alaska land mobile radio site refresh), estimated balance of $6,480,000;

(5) sec. 5, ch. 8, SLA 2020, page 66, lines 13 - 15 (Department of Military and Veterans Affairs, Alaska land mobile radio and State of Alaska telecommunications system - $5,000,000), estimated balance of $4,981,270.

Section 17 reappropriates three active capital appropriations from the Department of Administration, and one active capital appropriation from the Department of Military and Veterans Affairs to the Department of Public Safety for Alaska Public Safety Communication Services.

Legislative Fiscal Analyst Comment: The Governor proposes the move of Alaska Public Safety Communications Services to the Department of Public Safety in the Operating budget. This had previously been two separate appropriations called Alaska Land Mobile Radio System and the Alaska Telecommunications System until they were combined into a single appropriation in FY22 budget. They had resided in Department of Administration before being moved over to the Department of Military and Veterans Affairs in FY21.

Sec. 18. (a) The appropriations made in secs. 1, 4, and 7 of this Act are for capital projects and lapse under AS 37.25.020.

(b) A grant awarded in this Act to a named recipient under AS 37.05.316 is for a capital project and lapses under AS 37.05.316 unless designated for a specific fiscal year.

Sec. 19. Section 4 of this Act takes effect June 30, 2022.

This identifies that **Section 4** takes effect prior to the end of FY22. Section 4 is for supplemental items. Reappropriations of prior capital project funding normally take effect before the end of the current fiscal year in order to avoid the potential lapse of funding.

Legislative Fiscal Analyst Comment: The reappropriations made in **sections 14**, **16**, and **17** are all for the movement of projects from their current department to proposed new departments and as such do not require the usual early effective date associated with traditional reappropriations. Because of the effective date these reappropriations will not be able to be moved to these agencies in the State accounting system until after July 1st, 2022.

Sec. 20. Except as provided in sec. 19 of this Act, this Act takes effect July 1, 2022.

Agency Narratives and Funding Summaries

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2022 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Administration

Appropriation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Centralized Admin. Services	97,908.3	98,254.0	98,254.0	95,247.7	98,011.8	-242.2	-0.2 %	2,764.1	2.9 %
Shared Services of Alaska	19,059.8	19,059.8	19,059.8	18,793.2	19,966.1	906.3	4.8 %	1,172.9	6.2 %
Admin State Facilities Rent	506.2	506.2	506.2	506.2	506.2	0.0		0.0	
Public Communications Services	3,596.1	879.5	879.5	879.5	879.5	0.0		0.0	
Office of Information Tech	58,720.3	58,720.3	58,720.3	57,795.3	63,332.5	4,612.2	7.9 %	5,537.2	9.6 %
Risk Management	40,605.6	40,605.6	40,605.6	40,580.9	40,580.9	-24.7	-0.1 %	0.0	
Legal & Advocacy Services	62,525.3	62,439.3	62,439.3	61,189.1	63,113.7	674.4	1.1 %	1,924.6	3.1 %
Alaska Public Offices Comm	1,090.6	1,090.6	1,090.6	1,071.5	1,071.5	-19.1	-1.8 %	0.0	
Motor Vehicles	18,464.9	18,464.9	18,464.9	18,148.3	18,548.3	83.4	0.5 %	400.0	2.2 %
Agency Unallocated	0.0	0.0	0.0	122.8	608.6	608.6	>999 %	485.8	395.6 %
Agency Total	**302,477.1**	**300,020.2**	**300,020.2**	**294,334.5**	**306,619.1**	**6,598.9**	**2.2 %**	**12,284.6**	**4.2 %**
Funding Summary									
Unrestricted General (UGF)	77,778.1	75,321.2	75,321.2	69,233.3	70,442.1	-4,879.1	-6.5 %	1,208.8	1.7 %
Designated General (DGF)	27,992.3	27,992.3	27,992.3	27,979.4	29,022.6	1,030.3	3.7 %	1,043.2	3.7 %
Other State Funds (Other)	195,388.5	195,388.5	195,388.5	195,813.2	205,291.9	9,903.4	5.1 %	9,478.7	4.8 %
Federal Receipts (Fed)	1,318.2	1,318.2	1,318.2	1,308.6	1,862.5	544.3	41.3 %	553.9	42.3 %

Department of Administration

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Various	One-Time Fund Source Change to Utilize ARPA Revenue Replacement in Office of Public Advocacy and Public Defender Agency	**Net Zero** ($20,000.0) Gen Fund (UGF) $20,000.0 ARPA Rev R (UGF)	The Governor utilizes $20 million of American Rescue Plan Act (ARPA) revenue replacement in this agency's budget, out of a total of $375.4 million statewide. One of the allowable uses for the State's allocation from the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) within ARPA is replacing revenue lost due to the COVID-19 pandemic. This funding can be used for any cost of State government that is within the scope of normal government operations. To avoid distorting the budget, the funds used for revenue replacement are appropriated to the general fund, and a UGF tracking code (1271) is used for activities that fit the federal requirements, adding up to the total amount of revenue replaced. Since 1271 is just a UGF tracking code, there is no impact on the agency's operations. The fund change will be reversed in the FY24 Adjusted Base. **Office of Public Advocacy** -$10,000.0 UGF (1004) / $10,0000.0 ARPA Rev Replacement (1271) **Public Defender Agency** -$10,000.0 UGF (1004) / $10,0000.0 ARPA Rev Replacement (1271)
2	Centralized Administrative Services / Administrative Services	Add Deputy Director (02-1163) for Program Acceleration Office	**Net Zero** **1 PFT Position**	This position will oversee the Program Acceleration Office (PAO) and provide support to the Administrative Services Director. The PAO works with project managers and program directors to act as a centralized hub for communication, messaging, and program progress to maximize effectiveness of statewide projects. Current projects include the human resources, procurement, and OIT consolidations; cybersecurity enchancement; the AspireAlaska platform (see **Item 8**); the AlaskaNow service management system; and desktop standardization. This position is funded by existing interagency receipts and UGF.
3	Centralized Administrative Services / Finance	Increased Costs Associated with the State's Financial and Reporting Systems	$1,862.5 I/A Rcpts (Other)	This increment allows for a variety of updates for the State's financial and reporting systems, including addressing an audit finding related to the functionality of the State's financial system. These costs are billed to agencies through a Reimbursable Services Agreement with the Division of Finance. **Fiscal Analyst Comment:** If the legislature approves this item, it should also approve the corresponding rate

Department of Administration

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Centralized Administrative Services / Finance	Increased Costs Associated with the State's Financial and Reporting Systems	$1,862.5 I/A Rcpts (Other)	(continued) adjustment increments in the unallocated appropriation for each agency (see corresponding rate adjustment item and funding below). The true effect of approving this increment results in costs from the following amounts and fund sources listed below. <u>FY23 Administrative Systems Upgrade Ongoing Cost Increases, $1,862.5 Total</u>: $590.0 UGF $114.5 DGF $375.7 Other $782.3 Federal Additional information on the rate adjustments can be found in the Legislative Fiscal Analyst's Overview of the Governor's Request.
4	Centralized Administrative Services / Finance	Add Two Additional State Accountant Positions and Funding to Address Audit Findings	$355.6 Gen Fund (UGF) **2 PFT Positions**	These new positions will support the Accounting Services section with adoption and implementation of new, complex Governmental Accounting Standards Board (GASB) reporting standards. In FY22 GASB 84 standards for agency trust funds and certain liabilities will be adopted, and GASB 87 lease standards will be implemented in FY23. The positions will assist in meeting the statutory deadline for submitting the Annual Comprehensive Financial Report (ACFR) to the Division of Legislative Audit (DLA). Additionally, the new State Accountants will help with the backlog of audit findings in the ACFR from DLA. There is currently one State Accountant performing these tasks.
5	Centralized Administrative Services / Various	Transfer Payroll Services Management Office from Personnel to Finance for Organizational Efficiencies	n/a	**1 PPT and 74 PFT positions and a total of $7,789.9 ($554.6 UGF / $7,235.3 I/A Rcpts)** from the Personnel allocation's Payroll Management Office were transferred and combined with the payroll section in the Division of Finance. The agency asserts that a single payroll agency, rather than the bifurcated model of two divisions sharing payroll work, will better serve the personnel database and payroll production needs of the State. **Items 5 and 7 are related.**
6	Centralized Administrative Services / Various	Consolidate E-Travel Activities with the Division of Finance	n/a	**1 PFT position and a total of $1,553.5 ($7.2 UGF / $1,546.3 I/A Rcpts)** in the E-Travel allocation are transferred to the Division of Finance (DOF). The E-Travel allocation is completely managed by DOF, and the E-Travel coordinator position currently helps DOF

Department of Administration

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Centralized Administrative Services / Various	Consolidate E-Travel Activities with the Division of Finance	n/a	(continued) with payroll corrections and the P-Card program. These functions fall under the purview of DOF. This transfer consolidates and simplifies the division's budget process and reduces the administrative burden of maintaining separate components.
7	Centralized Administrative Services / Various	Reverse Transfer of Funds from Division of Finance for Bi-Weekly Payroll Costs	n/a	A consolidation of payroll services in FY22 Management Plan transferred all payroll-related positions and associated funding from the Personnel allocation to the Finance allocation. This item reverses the **$554.6 UGF** portion that was transferred back into the Personnel allocation in order to support increased bi-weekly payroll costs. The Department had a one-time UGF increment of $1.65 million to partially offset a $2 million UGF increase in bi-weekly payroll costs within the Personnel allocation. The Department stated that cost-saving measures would be realized in FY22 and out years. **Items 5 and 7 are related.**
8	Centralized Administrative Services / Personnel	AspireAlaska Contract to Maintain Advanced Online Training Platform and Add Streamlined Performance Management System	$546.0 I/A Rcpts (Other)	In FY22, the Division of Personnel (DOP) acquired the platform branded AspireAlaska to provide essential training opportunities for remote workers as a response to the global COVID-19 pandemic. This platform has three modules: 1. Learning (user access to the Learning side of the system); 2. Performance (user access to the new Performance Management Learning and Development forms and processes); and 3. Cornerstone Content Anytime (CCA) with a library of various courses relating to leadership and management, modern compliance, professional skills, and technology. The Department found AspireAlaska to be very succesful as a training platform and learning library. All CCA content is provided pre-packaged on an annual subscription basis to AspireAlaska users and can be accessed on a laptop, tablet, or mobile device. This increment for license and system costs will extend the contract indefinitely, expand user access to include the legislature and essential contractors, and add the performance management and evaluation side

Department of Administration

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
8	Centralized Administrative Services / Personnel	AspireAlaska Contract to Maintain Advanced Online Training Platform and Add Streamlined Performance Management System	$546.0 I/A Rcpts (Other)	(continued) of the CCA platform. These costs will be billed out to agencies through a Reimbursable Services Agreement. A decision not to approve this increment will result in a negative services line item in FY23, which the Division of Personnel will need to realize through other measures. A negative line item in Adjusted Base was mainly a result of reversing the one-time UGF increment of $1.65 million for bi-weekly payroll, and transferring the Payroll Services Section and its associated authority to the Division of Finance. **Fiscal Analyst Comment:** If the legislature approves this item, it should also approve the corresponding rate adjustment increments in the unallocated appropriation for each agency (see corresponding rate adjustment item and funding below). The true effect of approving this increment results in spending the following amounts and fund sources listed below. <u>FY23 Human Resources Rate Aspire Alaska, $545.7 Total</u>: $213.5 UGF $60.3 DGF $177.0 Other $94.9 Federal Additional information on the rate adjustments can be found in the Legislative Fiscal Analyst's Overview of the Governor's Request.
9	Shared Services of Alaska / Office of Procurement and Property Management	Transfer Procurement Positions Back to State Agencies to Align with Procurement Consolidation Schedule	**Net Zero** **(41) PFT Positions**	In FY22, the Office of Procurement and Property Management (OPPM) was established after the Governor's directive to implement a statewide procurement consolidation under Administrative Order 304. A total of 43 positions from eleven agencies were transferred into OPPM. However, due to schedule adjustments and further analysis of standardized business practices to implement this consolidation, 41 positions will be transferred back to their initial agencies until further review.

Department of Administration

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Shared Services of Alaska / Accounting	Finalize Statewide Consolidation of Accounts Payable and Travel Expense Reimbursement	**Total: $1,172.9** $586.4 GF/Prgm (DGF) $586.5 I/A Rcpts (Other) **10 PFT Positions**	Shared Services of Alaska (SSoA) was implemented in FY18 to consolidate cross-departmental services such as accounts payable, travel, P-Cards, procurement, facilities management, collection of delinquent accounts, and centralized mail and print services. This increment finalizes the statewide consolidation of the accounts payable and travel expense reimbursement portions of SSoA with onboarding of the departments of Fish and Game, and Health and Social Services. SSoA will bill these agencies through a Reimbursable Services Agreement. **The following positions from the agencies below are transferred into the Accounting allocation:** <u>Department of Health and Social Services</u> Full-time Social Services Associate (06-3052), range 12, located in Utqiagvik Full-time Accounting Tech 1 (06-0094), range 12, located in Juneau Full-time Accounting Clerk (06-0524), range 10, located in Juneau Full-time Accounting Clerk (06-0098), range 10, located in Juneau Full-time Accounting Clerk (06-1818), range 10, located in Juneau <u>Department of Fish and Game</u> Accounting Technician 1 (11-0217), range 12, located in Juneau Accounting Clerk (11-0236), range 10, located in Juneau Accounting Technician 1 (11-0262), range 12, located in Juneau Accounting Technician 1 (11-1860), range 12, located in Juneau Accounting Clerk (11-7072), range 10, located in Juneau
11	Office of Information Technology / Alaska Division of Information Technology	Add Authority for Statewide Information Technology Core Infrastructure Upkeep Activities	$1,550.0 Info Svc (Other)	Additional authority will support the following core infrastructure upkeep activities in the Office of Information Technology (OIT) in FY23: 1. Network equipment upgrades and renewals (Meraki, wireless, routers, switches, firewalls); 2. Battery replacements for equipment requiring alternative power source in the event of primary power failure; and 3. PC upgrades for OIT employees with aging and/or

Department of Administration

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
11	Office of Information Technology / Alaska Division of Information Technology	Add Authority for Statewide Information Technology Core Infrastructure Upkeep Activities	$1,550.0 Info Svc (Other)	(continued) unsupportable equipment. **Fiscal Analyst Comment:** If the legislature approves this item, it should also approve the corresponding rate adjustment increments in the unallocated appropriation for each agency (see corresponding rate adjustment item and funding below). The true effect of approving this increment results in spending the following amounts and fund sources listed below. <u>FY23 Office of Information Technology Core Services Rate Infrastructure Upkeep Increase, $1,550.0 Total</u>: $634.1 UGF $174.9 DGF $447.5 Other $293.5 Federal Additional information on the rate adjustments can be found in the Legislative Fiscal Analyst's Overview of the Governor's Request.
12	Office of Information Technology / Alaska Division of Information Technology	Add Authority for Statewide Information Technology Core Services Software Increases	$3,800.6 Info Svc (Other)	Additional authority will support various unanticipated IT services and cybersecurity to State agencies. The unanticipated services and costs are listed below: -Azure Security Logging, $1,000.0 -Mainframe Budget, $1,000.0 -Microsoft Licensing, $1,184.0 -Azure Connectivity, $301.0 -Red Hat Directory Server, $50.0 -Commissioner and Administrative Services Chargeback, $265.6 **Fiscal Analyst Comment:** If the legislature approves this item, it should also approve the corresponding rate adjustment increments in the unallocated appropriation for each agency (see corresponding rate adjustment items and funding below). The true effect of approving this increment results in spending the following amounts and fund sources listed below. <u>FY23 Office of Information Technology Core Services Rate Software Increases, $3,437.5 Total</u>: $1,406.2 UGF $387.9 DGF $662.7 Other

Department of Administration

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
12	Office of Information Technology / Alaska Division of Information Technology	Add Authority for Statewide Information Technology Core Services Software Increases	$3,800.6 Info Svc (Other)	(continued) $650.7 Federal <u>FY23 Office of Information Technology Mainframe Increases, $749.7 Total</u>: $561.0 UGF $39.1 DGF $164.9 Other -$15.3 Federal Note: The aggregate total of the rate adjustments listed above does not balance with this item due to utilization of excess receipt authority in OIT for part of this increment. Additional information on the rate adjustments can be found in the Legislative Fiscal Analyst's Overview of the Governor's Request.
13	Office of Information Technology / Alaska Division of Information Technology	Add Department Technology Officer 2 (02-#179) for Department of Family and Community Services	$186.6 Info Svc (Other) **1 PFT Position**	Through an Executive Order, the Governor proposed to reorganize the Department of Health and Social Services into two distinct executive branch departments in FY23: the Department of Health and the Department of Family and Community Services. This position would facilitate the new Department of Family and Community Services' information technology needs.
14	Legal and Advocacy Services / Office of Public Advocacy	Increase Federal Authority for Over Collected Grant Funding and Additional Awards	$550.0 Fed Rcpts (Fed)	The Office of Public Advocacy (OPA) has received additional grant revenues related to the Court Appointed Special Advocate (CASA) grant in FY22, a grant related to mentoring children in need. Additionally, OPA has applied for and anticipates receiving a three-year grant of approximately $749.8 from the Office of Juvenile Justice and Delinquency Prevention, for the Opioid Effected Youth Initiative. This additional federal authority will allow OPA to continue its efforts on these two public safety related causes.
15	Legal and Advocacy Services / Office of Public Advocacy	Increase General Fund Match Receipts for Additional Medicaid Funding	$250.0 GF/Match (UGF)	This funding will allow the Office of Public Advocacy to provide general fund match funds to the Department of Health and Social Services, leveraging up to $500.0 in annually available Medicaid funding for the work that public guardians perform in filling out Medicaid forms for wards of the State.

Department of Administration

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
16	Legal and Advocacy Services / Public Defender Agency	Add Funding and Positions for Increased Defense Caseload in Response to Sex Crime Increment	$428.7 Gen Fund (UGF) **4 PFT Positions**	In FY22, the legislature added seven public defender positions and associated funding to address the increase in sex crime caseloads in response to the 19 positions added in the Department of Law to support prosecutions. The Public Defender Agency is requesting the following additional four support positions to assist with the impending increase in workload: 1. Investigator 1 (02-#168), range 14, located in Anchorage; 2. Paralegal 1 (02-#169), range 14 located in Ketchikan; 3. Law Office Assistant 1 (02-#171), range 11, located in Anchorage; and 4. Law Office Assistant 1 (02-#172), range 11, located in Bethel.
17	Motor Vehicles / Motor Vehicles	Lease Office Space for Division of Motor Vehicles in Fairbanks	$400.0 GF/Prgm (DGF)	The Division of Motor Vehicles (DMV) used to operate under the Department of Public Safety (DPS) and has historically used space leased by DPS for its operations in Fairbanks. Recently, DPS notified the Department of Administration that it is in need of additional space and can no longer cover the leasing expense related to DMV. DPS has requested that DMV find a new location. The Department of Transportation and Public Facilities has identified a suitable location in Fairbanks and has requested the DMV to encumber approximately $400.0 to pay for the new lease in FY22. This expense was not included in the FY22 budget and the additional annual authority is necessary in order for the DMV to continue its operations. The DMV has excess general fund program receipt revenues from FY22 but requires additional authority to make this payment for a newly leased space in Fairbanks.

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2022 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Commerce, Community and Economic Development

Appropriation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Executive Administration	5,894.0	5,894.0	5,894.0	5,772.6	5,984.7	90.7	1.5 %	212.1	3.7 %
Banking and Securities	4,341.7	4,341.7	4,341.7	4,249.6	4,249.6	-92.1	-2.1 %	0.0	
Community and Regional Affairs	12,220.4	197,251.1	197,251.1	11,353.5	11,488.5	-185,762.6	-94.2 %	135.0	1.2 %
Revenue Sharing	14,128.2	14,128.2	14,128.2	14,128.2	14,128.2	0.0		0.0	
Corp, Bus & Prof Licensing	15,905.2	17,667.1	17,667.1	15,844.2	17,443.4	-223.7	-1.3 %	1,599.2	10.1 %
Economic Development	216.6	1,216.6	1,216.6	212.1	0.0	-1,216.6	-100.0 %	-212.1	-100.0 %
Investments	5,554.2	5,554.2	5,554.2	5,449.0	5,449.0	-105.2	-1.9 %	0.0	
Insurance Operations	8,176.5	8,176.5	8,176.5	8,029.0	7,940.5	-236.0	-2.9 %	-88.5	-1.1 %
AK Oil & Gas Conservation Comm	8,360.6	8,360.6	8,360.6	8,203.6	8,203.6	-157.0	-1.9 %	0.0	
Alcohol and Marijuana Control	4,008.4	4,008.4	4,008.4	3,942.0	3,942.0	-66.4	-1.7 %	0.0	
AK Gasline Development Corp	3,172.5	3,172.5	3,172.5	3,082.1	3,082.1	-90.4	-2.8 %	0.0	
Alaska Energy Authority	40,854.0	40,854.0	40,854.0	40,854.0	40,854.0	0.0		0.0	
AIDEA	15,834.4	15,834.4	15,834.4	15,538.7	15,538.7	-295.7	-1.9 %	0.0	
Alaska Seafood Marketing Inst	31,601.7	33,126.1	33,126.1	21,536.3	28,536.3	-4,589.8	-13.9 %	7,000.0	32.5 %
Regulatory Commission of AK	9,929.8	9,929.8	9,929.8	9,735.9	9,735.9	-193.9	-2.0 %	0.0	
DCCED State Facilities Rent	1,359.4	1,359.4	1,359.4	1,359.4	1,359.4	0.0		0.0	
Agency Unallocated	0.0	0.0	0.0	7.4	326.4	326.4	>999 %	319.0	>999 %
Agency Total	**181,557.6**	**370,874.6**	**370,874.6**	**169,297.6**	**178,262.3**	**-192,612.3**	**-51.9 %**	**8,964.7**	**5.3 %**
Funding Summary									
Unrestricted General (UGF)	10,446.5	11,581.5	11,581.5	8,462.2	10,166.2	-1,415.3	-12.2 %	1,704.0	20.1 %
Designated General (DGF)	88,735.5	88,997.4	88,997.4	88,997.7	89,122.6	125.2	0.1 %	124.9	0.1 %
Other State Funds (Other)	50,185.0	50,185.0	50,185.0	49,626.7	49,715.1	-469.9	-0.9 %	88.4	0.2 %
Federal Receipts (Fed)	32,190.6	220,110.7	220,110.7	22,211.0	29,258.4	-190,852.3	-86.7 %	7,047.4	31.7 %

Department of Commerce, Community and Economic Development

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Community and Regional Affairs / Community and Regional Affairs	Add Grants Administrator 2 (08-#031), Range 17, in Fairbanks to Support Increased Grant Volume	**1 PFT Position**	This new position will support several new multi-year grant programs from both State agencies and the federal government that have been assigned to the Division in recent years. The new programs cover a variety of purposes, including emergency law enforcement assistance, targeted air shed, and community block grants. In addition, the Division has been tasked with awarding and administering hundreds of grants to communities and grantees for Coronavirus Aid, Relief, and Economic Security Act- and American Rescue Plan Act-related programs. This position will be funded using existing authority in the Division's budget.
2	Corporations, Business and Professional Licensing / Corporations, Business and Professional Licensing	Revenue Replacement for Professional and Business License Fee Freeze for FY2023	$1,500.0 Gen Fund (UGF) **IncOTI**	This one-time funding offsets the amount necessary to keep professional and business licensing programs fully operational without adding a fee increase in FY23 to assist with COVID-19 economic recovery. AS 08.01.065 requires the Department to set fees at a level so the total amount of fees collected approximately equals the regulatory costs of the licensure program. This amount is an estimate based on FY22 needs and will be updated in the Governor's amended budget. **Fiscal Analyst Comment:** SB 241 (Ch. 10, SLA 2020) halted the increase of professional licensing fees for professions licensed by the Division of Corporations, Business and Professional Licensing during the COVID-19 public health emergency declaration. The legislature passed an FY21 supplemental appropriation of $411.7 UGF and an FY22 appropriation (HB 3003) of $1,500.0 UGF to offset the licensing program deficits so that licensees weren't burdened with increased fees.
3	Corporations, Business and Professional Licensing / Corporations, Business and Professional Licensing	Add Occupational Licensing Examiners for the Board of Nursing and Board of Certified Real Estate Appraisers	$206.2 Rcpt Svcs (DGF) **2 PFT Positions**	Two Occupational Licensing Examiners (OLEs), range 14, will support the Board of Nursing and Board of Certified Real Estate Appraisers. Both OLEs are located in Anchorage. The Board of Nursing is the largest program within the Division and has experienced a 14% increase in licenses in FY21. An OLE position and additional authority to cover personnel costs will allow the Division to keep up with the increased volume of applicants due to the COVID-19 pandemic.

Department of Commerce, Community and Economic Development

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Corporations, Business and Professional Licensing / Corporations, Business and Professional Licensing	Add Occupational Licensing Examiners for the Board of Nursing and Board of Certified Real Estate Appraisers	$206.2 Rcpt Svcs (DGF) **2 PFT Positions**	(continued) The Board of Real Estate Appraisers and Real Estate Commission are aligning their real estate programs under the Executive Administrator of the Real Estate Commission. An additional OLE position and authority to cover personnel costs will provide additional coverage for the board.
4	Corporations, Business and Professional Licensing / Corporations, Business and Professional Licensing	Savings through Eliminating Hard Copy Licenses, Renewal Notices, and Planned Computer Refresh No Longer Needed	($107.0) Rcpt Svcs (DGF)	The Division of Corporations, Business and Professional Licensing plans on reducing the issuance of paper renewal and certificate mailings as it transitions into electronic communications. This will yield savings in postage, paper, and ink. Additionally, the Division will no longer be doing its scheduled FY23 computer refresh as it was able to use Coronavirus Aid, Relief, and Economic Security Act funds to replace computers in FY20 and FY21. This reduction in authority reflects these savings.
5	Economic Development / Economic Development	Prioritize Economic Development Activity in the Commissioner's Office	($212.1) Gen Fund (UGF) **(1) TMP Position**	This item transfers **one non-permanent position and $212.1 UGF** from the Economic Development allocation to the Commissioner's Office. All positions and funding will be zeroed out of Economic Development, which would effectively eliminate the allocation. In FY21, the Governor established the Alaska Development Team (ADT) which previously resided under the Economic Development allocation. In FY22, all ADT activities, including two Development Manager positions and their associated funding were transferred to the Office of the Governor. **Items 5 and 6 are related.**
6	Various	Transfer Director (08-124X) from Economic Development to Investments for Better Alignment of Resources	n/a	This Division Director position oversees the Division of Economic Development, which contains both Economic Development and Investment appropriations. The position currently resides under the Economic Development appropriation and is split funded between both appropriations where a majority is funded by the Investments allocation's loan funds. With some economic development activities being prioritized within the Office of the Governor (Alaska Development Team) and some in the Commissioner's Office, transferring the Division Director to Investments best serves their needs by overseeing its loan programs.

Department of Commerce, Community and Economic Development

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Various	Transfer Director (08-124X) from Economic Development to Investments for Better Alignment of Resources	n/a	(continued) **Items 5 and 6 are related.**
7	Insurance Operations / Insurance Operations	Delete Secretary (08-4021) Vacant for Over One Year No Longer Needed	($88.5) Rcpt Svcs (DGF) **(1) PFT Position**	Delete a vacant Secretary (08-4021), range 11, located in Anchorage. This position provided administrative support for the Director. However, this position has been vacant over 12 months and the work has been absorbed by other staff.
8	Insurance Operations / Insurance Operations	Increase Authority for Insurance Actuarial Support (FY22-FY23) **Supplemental**	$1,000.0 Rcpt Svcs (DGF)	The Division of Insurance is requesting a **$1 million UGF** supplemental in receipt authority to contract out actuarial services for its insurance filings for FY22 and FY23. The Division has been actively recruiting for a life and health actuary since FY20, and has had difficulty filling the position despite using a variety of recruiting platforms in addition to Workplace Alaska. In FY21, the Division collected approximately $6.9 million from license, permits, and service fees in excess of expenditures and carryforward. The remainder lapsed to the general fund.
9	Alaska Energy Authority / Alaska Energy Authority Power Cost Equalization	FY2023 Alaska Energy Authority Power Cost Equalization and Allocation	$32,355.0 PCE Endow (DGF)	The Alaska Energy Authority (AEA) is requesting $32.4 million for the Power Cost Equalization (PCE) program in FY23. This is the same amount of funding appropriated in FY22, so there is no change in the requested amount. The projected program costs are less than the five percent payout from the PCE endowment allowable under the statutory formula (AS 42.45.070-085). As of June 30, 2021, the PCE endowment fund balance was $1.1 billion. The PCE program provides economic assistance to communities and residents in rural areas, where the cost of electricity can be three to five times higher than for customers in more urban areas of the state. The program was created to equalize power cost per kilowatt-hour (kWh) statewide at a cost close to or equal to the mean of the cost per kWh in Anchorage, Fairbanks, and Juneau. Program costs are impacted by the "PCE floor" calculated by the Regulatory Commission of Alaska (RCA). Per AS 42.45.100-170, the RCA determines if a utility is eligible to participate in the program and calculates the amount of PCE per kWh payable to the

Department of Commerce, Community and Economic Development

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
9	Alaska Energy Authority / Alaska Energy Authority Power Cost Equalization	FY2023 Alaska Energy Authority Power Cost Equalization and Allocation	$32,355.0 PCE Endow (DGF)	(continued) utility. AEA determines eligibility of community facilities and residential customers and authorizes reimbursement to the electric utility for the PCE credits extended to customers.

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2022 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Corrections

Appropriation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Facility Capital Improvement	1,595.0	1,595.0	1,595.0	1,575.8	1,575.8	-19.2	-1.2 %	0.0	
Administration and Support	9,808.8	10,956.8	10,801.8	9,701.6	10,204.2	-597.6	-5.5 %	502.6	5.2 %
Population Management	258,283.8	260,485.2	260,640.2	256,776.3	258,883.6	-1,756.6	-0.7 %	2,107.3	0.8 %
Community Residential Centers	17,987.4	17,987.4	17,987.4	17,987.4	17,987.4	0.0		0.0	
Electronic Monitoring	2,302.9	2,302.9	2,302.9	2,250.0	2,250.0	-52.9	-2.3 %	0.0	
Health and Rehab Services	90,545.0	90,545.0	90,545.0	89,117.1	90,601.4	56.4	0.1 %	1,484.3	1.7 %
Offender Habilitation	1,597.5	1,597.5	1,597.5	1,585.3	1,585.3	-12.2	-0.8 %	0.0	
Recidivism Reduction Grants	1,504.9	1,504.9	1,504.9	1,502.6	1,502.6	-2.3	-0.2 %	0.0	
24 Hr. Institutional Utilities	11,662.6	11,662.6	11,662.6	11,662.6	11,662.6	0.0		0.0	
Agency Unallocated	0.0	0.0	0.0	175.1	873.6	873.6	>999 %	698.5	398.9 %
Agency Total	**395,287.9**	**398,637.3**	**398,637.3**	**392,333.8**	**397,126.5**	**-1,510.8**	**-0.4 %**	**4,792.7**	**1.2 %**
Funding Summary									
Unrestricted General (UGF)	351,671.5	351,671.5	351,671.5	348,085.0	356,138.6	4,467.1	1.3 %	8,053.6	2.3 %
Designated General (DGF)	17,244.9	17,244.9	17,244.9	17,199.1	14,272.8	-2,972.1	-17.2 %	-2,926.3	-17.0 %
Other State Funds (Other)	9,658.9	9,658.9	9,658.9	9,348.7	8,978.5	-680.4	-7.0 %	-370.2	-4.0 %
Federal Receipts (Fed)	16,712.6	20,062.0	20,062.0	17,701.0	17,736.6	-2,325.4	-11.6 %	35.6	0.2 %

Department of Corrections

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Various	American Rescue Plan Act (ARPA) Revenue Replacement	**Net Zero** ($150,000.0) Gen Fund (UGF) $150,000.0 ARPA Rev R (UGF)	The Governor utilizes **$150 million** of American Rescue Plan Act (ARPA) revenue replacement in this agency's budget, out of a total of $375.4 million statewide. One of the allowable uses for the State's allocation from the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) within ARPA is replacing revenue lost due to the Covid-19 pandemic. This funding can be used for any cost of State government that is within the scope of normal government operations. To avoid distorting the budget, the funds used for revenue replacement are appropriated to the general fund, and a UGF tracking code (1271) is used for activities that fit the federal requirements, adding up to the total amount of revenue replaced. Since 1271 is just a UGF tracking code, there is no impact on the agency's operations. The fund change will be reversed in the FY24 Adjusted Base.
2	Administration and Support / Office of the Commissioner	Criminal Justice Planner/ Technicians added in FY22 for Offender DNA Collection	n/a	In FY22, the legislature approved a Governor's request for ten Criminal Justice Technicians to collect offender DNA upon booking. This increment was funded with $1,010.5 of Coronavirus State and Local Fiscal Relief Funds (CSLFRF) which then remained in the base budget for FY23. These positions are distributed from the Commissioner's Office (where they were originally approved) to various institutions in the FY23 budget. **Fiscal Analyst Comment:** CSLFRF is a one-time fund source and will need to be replaced in FY24 in order to maintain funding for these positions.
3	Population Management / Recruitment and Retention	Transfer Human Resource Consultants and Tech (07-1605, 20-1013, 20-6002) to Administrative Services for Staffing Support	($502.6) Gen Fund (UGF) **(3) PFT Positions**	In FY21 the legislature created a new Recruitment and Retention Unit for the Department of Corrections, adding $400.0 UGF and three PFT positions to be added as 'recruitment officers.' In addition, the agency received a $75.0 UGF increment in the Office of the Commissioner for expanded recruitment outreach, and a $61.8 UGF increment in Administrative Services for officer applicant medical exams for a total of $136.8. In the FY22 Management Plan, the agency moved the sum of $136.8 into the new Recruitment and Retention Unit, as well as two Admin Officers who perform work related to Alaska Police Standards Council requirements for commissioned officers: a Human Resource Consultant (20-1013) and a Human Resource Technician (20-6002) with a sum of $196.2

Department of Corrections

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Population Management / Recruitment and Retention	Transfer Human Resource Consultants and Tech (07-1605, 20-1013, 20-6002) to Administrative Services for Staffing Support	($502.6) Gen Fund (UGF) **(3) PFT Positions**	(continued) UGF to support those two positions. The agency also transferred a Human Resource Consultant (07-1605) and $155.0 UGF from Administrative Service to the Recruitment and Retention Unit. In FY23, the Governor's budget moves the Recruitment and Retention unit to the Population Management appropriation, and transfers the three employees mentioned above back to Administrative Services. The three positions were originally transferred in with a total of $351.2 UGF. Additional funding in this transfer includes the $136.8 amount authorized in FY21, as well as the sum of all salary adjustments that have occurred in the allocation since it was established. The Recruitment and Retention Unit moves forward with $400.0 UGF and three budgeted positions, as originally authorized in FY21. **Items 3 and 4 are related.**
4	Population Management / Recruitment and Retention	Move Recruitment and Retention Allocation from Administration and Support to the Population Management Appropriation	n/a	The Recruitment and Retention unit is moved from Administration and Support to the Population Management appropriation with a total of $400.0 UGF and three positions, which reflects the initial FY21 legislative increment. The Recruitment and Retention Unit was originally placed in the Administration and Support appropriation at the request of the agency, as most hiring activity occurs within Administrative Services. Challenges arose when the unit could not hire Correctional Officers as 'recruitment officers' as the legislature had intended, because it was determined that those individuals would lose their status as fully-commissioned officers. Instead, the agency has used temporary duty assignment work to incorporate Correctional Officers into this unit. By moving this unit to Population Management, the agency will have increased flexibility in hiring Correctional Officers to support recruitment and retention efforts. At the time of publication, an Admin Officer II and Admin Assistant II position are both filled, and OMB reports a third unfilled Admin Assistant II position with the unit. In addition to these budgeted positions, the unit is also supported by temporary duty assignment work from two Correctional Officers, and a non-permanent on-call Human Resources

Department of Corrections

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Population Management / Recruitment and Retention	Move Recruitment and Retention Allocation from Administration and Support to the Population Management Appropriation	n/a	(continued) Technician. This unit is supervised by a Human Resources Consultant who is budgeted in the Division of Administrative Services. **Items 3 and 4 are related.**
5	Various	Establish New Mental Health Unit at Hiland Mountain Correctional Center	$1,663.4 Gen Fund (UGF) **11 PFT Positions**	The new Mental Health Unit at Hiland Mountain Correctional Center would be staffed by five Correctional Officer I/II's, a Registered Nurse/ Physician's Assistant, four Correctional Nurse I/II's, and one Mental Health Clinician I/II. The agency describes a growing need for mental health services, and reports a 19% increase since 2008 in the number of inmates requiring treatment for severe and persistent mental illness (SPMI). The agency also reports an increasing need for acute detoxification services. **Population Management** - Combined Hiland Mountain Correctional Center: **$655.1 and 5 PFTs** **Health and Rehabilitation Services** - Behavioral Health Care: **$1,008.3 and 6 PFTs** **Fiscal Analyst Comment:** The agency mentions that 65% of the prison population is comprised of Mental Health Trustees, and if the legislature chooses to fund these increments for a new Mental Health Unit, it may be appropriate to update the fund source to General Fund / Mental Health (fund code 1037) for tracking and reporting purposes.
6	Various	Establish New Booking Area at Hiland Mountain Correctional Center	$1,428.3 Gen Fund (UGF) **10 PFT Positions**	The agency began booking female inmates directly at the Hiland Mountain Correctional Center in response to the COVID-19 pandemic to allow the Anchorage Correctional Complex to focus on quarantine efforts upon intake. The agency reports that this practice has facilitated population management activities, and reduced the turnaround time for local law enforcement to turn over custody of those individuals. Funding and personnel are requested to make this a permanent practice. Currently, these services are provided by existing staff and the workload is causing increases in overtime pay. New positions include five Correctional Officer I/II's, one Correctional Officer III, and one Correctional Officer IV, as well as two Correctional Nurse I/II's and a Mental Health Clinician I/II.

Department of Corrections

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Various	Establish New Booking Area at Hiland Mountain Correctional Center	$1,428.3 Gen Fund (UGF) **10 PFT Positions**	(continued) **Population Management** - Combined Hiland Mountain Correctional Center: **$952.3** and **7 PFTs** **Health and Rehabilitation Services** - Physical Health Care: **$476.0** and **3 PFTs**
7	Population Management / Various	Add Institutional Support Positions and Funding to Support Booking and Property Staffing	$1,002.5 Gen Fund (UGF) **9 PFT Positions**	Criminal Justice Technician II positions are added to assume non-security functions that are currently performed by Correctional Officers. Responsibilities will include: inmate property inventory and distribution, booking, facility supplies, inmate work schedules, reception and visitor scheduling and screening, inmate accounting, inmate records, inmate time accounting, and more. Added support should reduce the amount of overtime required of Correctional Officers. **Positions are added in the following institutions:** Fairbanks CC: **$211.2** and **2 PFTs** Ketchikan CC: **$103.1** and **1 PFT** Lemon Creek CC: **$216.6** and **2 PFTs** Mat-Su CC: **$103.0** and **1 PFT** Yukon-Kuskokwim CC: **$265.6** and **2 PFTs** Pt. MacKenzie CF: **$103.0** and **1 PFT**
8	Health and Rehabilitation Services / Physical Health Care	Replace Restorative Justice Funding Due to Reduced Availability of the Formula-Driven Fund Source	**Net Zero** $391.5 Gen Fund (UGF) ($391.5) Rest Just (Other)	The amount of Restorative Justice Account funds available for appropriation in FY23 is significantly less than the FY22 amount due to a sharp decline in the number of incarcerated individuals. This is primarily due to the impact of the COVID-19 pandemic on the Alaska Court System and other facets of the criminal justice system. In FY22, the calculation was based on 9,446 ineligible Alaskans (calendar year 2019) and a $992 dividend, and in FY23 it is based on 7,700 ineligible Alaskans (calendar year 2020) and a $1,114 dividend. This fund source has historically shown significant volatility due to changes in the dividend amount as well as inmate and felon counts, and the impacts of COVID-19 will likely carry into the FY24 Restorative Justice fund calculation well, as 2021 incarceration rates did not show a significant uptick over 2020. **Fiscal Analyst Comment:** Alaska Statute 43.23.048(b) states that the legislature may appropriate Restorative Justice funds for the following purposes and percentages, and in priority order:

Department of Corrections

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
8	Health and Rehabilitation Services / Physical Health Care	Replace Restorative Justice Funding Due to Reduced Availability of the Formula-Driven Fund Source	**Net Zero** $391.5 Gen Fund (UGF) ($391.5) Rest Just (Other)	(continued) **10-13%** - Crime Victims Compensation Fund **(Fund Cap)** **2-6%** - Office of Victims' Rights **(Leg)** **1-3%** - Nonprofits for Services for Crime Victims and Domestic Violence and Sexual Assault Programs **(DPS)** **1-3%** - Nonprofits for Mental Health Services and Substance Abuse Treatment for Offenders **(DOH)** **79-88%** - Costs related to to incarceration or probation **(DOC)** The Governor's FY23 request currently allocates the minimum amount to meet the threshold for the Crime Victim Compensation Fund, and just meets the minimum for grants to nonprofits through DPS and DOH. Currently, 84% of the funding is directed to the Department of Corrections. The availability of Restorative Justice funds is significantly lower than the past five years due to reduced incarcerations and dividend amounts which results in the need to reduce funding levels or replace this fund source with UGF.

2022 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Education and Early Development

Appropriation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
K-12 Aid to School Districts	1,286,252.1	1,286,252.1	1,286,252.1	1,286,252.1	1,267,580.8	-18,671.3	-1.5 %	-18,671.3	-1.5 %
K-12 Support	12,946.8	13,480.3	13,480.3	13,480.3	13,706.3	226.0	1.7 %	226.0	1.7 %
Education Support and Admin	253,454.0	626,933.8	626,933.8	250,530.2	250,664.9	-376,268.9	-60.0 %	134.7	0.1 %
AK State Council on the Arts	3,890.1	4,648.8	4,648.8	3,877.7	3,877.7	-771.1	-16.6 %	0.0	
Commissions and Boards	262.4	262.4	262.4	258.0	258.0	-4.4	-1.7 %	0.0	
Mt. Edgecumbe High School	14,765.3	19,491.4	19,491.4	14,667.5	14,667.5	-4,823.9	-24.7 %	0.0	
State Facilities Rent	1,068.2	1,068.2	1,068.2	1,068.2	1,068.2	0.0		0.0	
Libraries, Archives & Museums	20,049.3	21,304.3	21,304.3	18,754.1	17,982.6	-3,321.7	-15.6 %	-771.5	-4.1 %
Alaska Postsecondary Education	19,752.6	19,752.6	19,752.6	19,601.9	15,302.5	-4,450.1	-22.5 %	-4,299.4	-21.9 %
AK Student Loan Corporation	9,936.5	9,936.5	9,936.5	9,936.5	9,794.5	-142.0	-1.4 %	-142.0	-1.4 %
Student Financial Aid Programs	11,750.0	11,750.0	11,750.0	11,750.0	17,591.8	5,841.8	49.7 %	5,841.8	49.7 %
Agency Unallocated	0.0	0.0	0.0	128.9	362.5	362.5	>999 %	233.6	181.2 %
Agency Total	**1,634,127.3**	**2,014,880.4**	**2,014,880.4**	**1,630,305.4**	**1,612,857.3**	**-402,023.1**	**-20.0 %**	**-17,448.1**	**-1.1 %**
Funding Summary									
Unrestricted General (UGF)	1,296,878.1	1,293,798.1	1,293,798.1	1,293,330.4	1,297,353.5	3,555.4	0.3 %	4,023.1	0.3 %
Designated General (DGF)	24,202.0	24,174.6	24,174.6	24,149.0	2,650.8	-21,523.8	-89.0 %	-21,498.2	-89.0 %
Other State Funds (Other)	65,685.3	65,685.3	65,685.3	65,506.0	65,417.4	-267.9	-0.4 %	-88.6	-0.1 %
Federal Receipts (Fed)	247,361.9	631,222.4	631,222.4	247,320.0	247,435.6	-383,786.8	-60.8 %	115.6	

Department of Education and Early Development

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	K-12 Aid to School Districts / Foundation Program	FY2023 Estimated Foundation Expenditures	**Total: $1,195,351.7** $1,143,271.8 Gen Fund (UGF) $20,791.0 Impact Aid (Fed) $31,288.9 Pub School (Other)	Under AS 14.17.300(b) funds may be expended from the Public Education Fund without further appropriation. In order to reflect the anticipated need in the Foundation Program, a miscellaneous adjustment is used to track anticipated spending. The FY23 Foundation Program estimate includes a base student allocation of $5,930. **Fiscal Analyst Comment:** The FY22 and FY23 amounts in the Governor's budget are based on draft student counts and are estimates which will change when the student counts are finalized. The public school funding program is fully funded in both FY22 and FY23. The student count period is a twenty school day period ending the fourth Friday in October. The FY22 student counts are scheduled to be finalized by mid-January, 2022. By statute, payments to school districts for the first nine months of a fiscal year are based on the prior fiscal year foundation formula; the final three months of payments are re-calculated and payments are based on the final student counts for the current fiscal year. The FY23 Foundation Formula projection, based on projections by school districts, is $18.9 million less than FY22 projected expenditures. Due to the pandemic, uncertainty continues about the number of in-school and correspondence students that will be in attendance, which may result in the actual student count, and expenditures, differing considerably from projections.
2	K-12 Aid to School Districts / Pupil Transportation	FY2023 Pupil Transportation Expenditures from Public Education Fund	$71,803.0 Gen Fund (UGF)	Under AS 14.17.300(b) funds may be expended from the Public Education Fund without further appropriation. In order to reflect the anticipated need in Pupil Transportation, a miscellaneous adjustment is used to track estimated appropriations. The anticipated need is based on projected average daily memberships, excluding Mt. Edgecumbe High School. **Fiscal Analyst Comment:** Like the Foundation Program, expenditures will be based on the actual student count finalized in FY23. Correspondence students are not counted when calculating student numbers for Pupil Transportation grants.

Department of Education and Early Development

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	K-12 Support / Residential Schools Program	Increment for the Lower Yukon School District's Career and Technical Education Residential Program	$228.0 Gen Fund (UGF)	The Lower Yukon School District's current residential school program serves a maximum of 50 11th or 12th grade students who leave their community for up to nine weeks to receive career and technical training from Anchorage School District instructors. The additional budget authority will allow the program to be expanded from 50 to 70 students, and increase the bed count to accommodate up to 20 additional students from other rural districts so that they can attend year-round at the Alaska Middle College. The additional 20 students will reside at the residential school the full year. **Fiscal Analyst Comment:** This program is a partnership between the Lower Yukon School District, the Anchorage School District, and the University of Alaska.
4	Education Support and Admin Services / Information Services	Add a Data Processing Manager for Information Technology Project Management and Oversight	$149.7 I/A Rcpts (Other) **1 PFT Position**	Add a full-time Data Processing Manager to perform oversight of the department's application portfolio, departmental supervision of the analyst programmers, vendor oversight, and project management for the Department of Education and Early Development (DEED)'s existing line of business IT portfolio and staff. **Fiscal Analyst Comment:** This would increase the number of budgeted information technology positions from four to five.
5	Mt. Edgecumbe High School / Mt. Edgecumbe Aquatic Center	Transfer Aquatic Center Authority from Mt. Edgecumbe Facilities Maintenance for Budget Transparency	**Total: $550.0** $400.0 Gen Fund (UGF) $150.0 GF/Prgm (DGF)	Establish a new allocation for the Mt. Edgecumbe Aquatic Center separate from the Mt. Edgecumbe Facilities Maintenance allocation for budget clarity. Two positions will be transferred from Mt. Edgecumbe High School, an Aquatic Facility Manager and a Lifeguard 2.
6	Alaska State Libraries, Archives and Museums / Broadband Assistance Grants	Reverse Internet for Schools (SB74) (Sec2 Ch8 SLA2020 P41 L23 (HB205))	($771.5) Gen Fund (UGF)	The school Broadband Assistance Grants (BAG) program was expanded through the passage of SB 74, Internet for Schools, during the 2020 legislative session. The legislation increased the megabit threshold from 10 megabits to 25 megabits per second (Mbps). The original fiscal note calculation was based on bringing a maximum of 173 schools up to the increased speed and projected an annual 3% reduction in the out-years. The estimated reduction for FY23 was $228.5, however, the Governor's proposed reduction includes an additional $771.5 for a total

Department of Education and Early Development

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Alaska State Libraries, Archives and Museums / Broadband Assistance Grants	Reverse Internet for Schools (SB74) (Sec2 Ch8 SLA2020 P41 L23 (HB205))	($771.5) Gen Fund (UGF)	(continued) decrease of $1 million in FY23. As the program is implemented and internet costs decrease, the cost of the program has also decreased resulting in excess funding. In FY2022, all 28 eligible school districts consisting of 154 schools were funded at the full amount and the department is projecting to lapse approximately $1,629.0. This reduction does not represent the full excess authority, and instead reserves approximately $600.0 to accommodate any new applications during FY2023. **Fiscal Analyst Comment:** The BAG award amounts by school district for FY15-FY21 are available at: https://lam.alaska.gov/schoolbag.
7	Alaska Commission on Postsecondary Education / WWAMI Medical Education	Expand the WWAMI Medical Education Program by 10 Students from 20 to 30 Students	$1,647.5 Gen Fund (UGF)	The current WWAMI contract cost for FY2023 is $3,294.9 for 20 students. Expanding the program to include an additional ten students (for a total of 30) would increase the University of Washington School of Medicine (UWSoM) contract cost by approximately $1,647.5 for a total budget of $4,942.4. **Fiscal Analyst Comment:** WWAMI is a collaboration among universities in five northwestern states (Washington, Wyoming, Alaska, Montana and Idaho) under the overarching administration of the University of Washington School of Medicine (UWSOM). Each year 20 Alaskans are admitted into the Alaska WWAMI program. These medical students take courses at the University of Alaska Anchorage and a series of clinical clerkships in the third and fourth year of the curriculum that can be taken in any of the five WWAMI states. Students who choose the "Alaska Track" can take nearly all of these clerkships in Alaska. The WWAMI program repayment obligation is equal to 50 percent of the amount the State pays UWSOM. The loan repayment is eligible for up to 100% forgiveness if the student returns to Alaska and is employed as a physician in a professional medical practice. The amount forgiven annually depends on if the student is practicing medicine in a rural verus non-rural community. Participants who initially practice medicine in a rural community receive forgiveness on

Department of Education and Early Development

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Alaska Commission on Postsecondary Education / WWAMI Medical Education	Expand the WWAMI Medical Education Program by 10 Students from 20 to 30 Students	$1,647.5 Gen Fund (UGF)	(continued) 33 1/3% of the loan after the first year of practice and each subsequent year. The non-rural forgiveness benefit is 20% after each year of practice. Forgiveness of the loan balance will take 3-5 years, depending on where a participant practices medicine in Alaska. Loan repayments, if not forgiven, will be deposited into the general fund in FY23. In FY22 the loan repayments were appropriated to the Alaska Higher Education Investment Fund; however, money in that fund was transferred to the Constitutional Budget Reserve (CBR) fund at the end of FY22 and will no longer be available for future appropriations.
8	Student Financial Aid Programs / Alaska Performance Scholarship Awards	Change Appropriation to an Allocation Under the Student Financial Aid Programs Appropriation	n/a	The Alaska Performance Scholarship Awards budget is proposed as an allocation under a new "Student Financial Aid Programs" appropriation.
9	Student Financial Aid Programs / Alaska Education Grants	Transfer Alaska Education Grants from Program Administration and Operations	$5,841.8 High Ed (DGF)	Establish a new allocation for "Alaska Education Grants" under a new "Student Financial Aid Programs" appropriation for budget clarity. The new budget structure will clearly identify grants for higher education and postsecondary education programs in Alaska separate from the budget for ACPE operations.
10	Various	Replace Authority Unavailable due to Alaska Constitution Article IX Section 17(d)	**Net Zero** $21,539.2 Gen Fund (UGF) ($21,539.2) High Ed (DGF)	Under Article IX, Section 17(d) of the Alaska Constitution, available balances of certain funds used by various appropriations within DEED were transferred to the Constitutional Budget Reserve Fund (CBR); a process commonly referred to as the "CBR sweep." Budget authority that cannot be satisfied with projected FY23 revenue collections is replaced with unrestricted general funds in the Governor's budget to ensure continuity of service. **Fiscal Analyst Comment:** The Alaska Higher Education Investment Fund is subject to transfer to the CBR. The following allocations previously appropriated money from the Alaska Higher Education Investment Fund will need to be replaced with unrestricted general funds in FY23 to continue to provide existing service levels: Libraries, Archives & Museums, Live Homework Help: $138.2

Department of Education and Early Development

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Various	Replace Authority Unavailable due to Alaska Constitution Article IX Section 17(d)	**Net Zero** $21,539.2 Gen Fund (UGF) ($21,539.2) High Ed (DGF)	(continued) Alaska Postsecondary Education, Program Administration & Operations: $514.3 Alaska Postsecondary Education, WWAMI Medical Education: $3,294.9 Student Financial Aid Programs, Alaska Performance Scholarship Awards: $11,750.0 Student Financial Aid Programs, Alaska Education Grants: $5,841.8

2022 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Department of Environmental Conservation

Allocation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Administration									
Office of the Commissioner	1,071.5	1,071.5	1,706.7	1,666.4	1,666.4	-40.3	-2.4 %	0.0	
Administrative Services	5,648.2	5,648.2	5,013.0	4,924.5	4,924.5	-88.5	-1.8 %	0.0	
State Support Services	2,831.4	2,831.4	2,831.4	2,831.4	2,831.4	0.0		0.0	
EVOS Trustee Council	2,410.9	2,410.9	2,410.9	2,400.7	2,400.7	-10.2	-0.4 %	0.0	
Appropriation Total	**11,962.0**	**11,962.0**	**11,962.0**	**11,823.0**	**11,823.0**	**-139.0**	**-1.2 %**	**0.0**	
DEC Bldgs Maint & Operations									
DEC Bldgs Maint & Operations	657.0	657.0	657.0	656.3	656.3	-0.7	-0.1 %	0.0	
Appropriation Total	**657.0**	**657.0**	**657.0**	**656.3**	**656.3**	**-0.7**	**-0.1 %**	**0.0**	
Environmental Health									
Environmental Health	18,363.1	18,363.1	18,363.1	17,951.4	18,781.4	418.3	2.3 %	830.0	4.6 %
Appropriation Total	**18,363.1**	**18,363.1**	**18,363.1**	**17,951.4**	**18,781.4**	**418.3**	**2.3 %**	**830.0**	**4.6 %**
Air Quality									
Air Quality	11,463.4	11,463.4	11,463.4	11,248.3	11,248.3	-215.1	-1.9 %	0.0	
Appropriation Total	**11,463.4**	**11,463.4**	**11,463.4**	**11,248.3**	**11,248.3**	**-215.1**	**-1.9 %**	**0.0**	
Spill Prevention and Response									
Spill Prevention and Response	20,538.7	20,076.0	20,076.0	19,707.8	19,707.8	-368.2	-1.8 %	0.0	
Appropriation Total	**20,538.7**	**20,076.0**	**20,076.0**	**19,707.8**	**19,707.8**	**-368.2**	**-1.8 %**	**0.0**	
Water									
Water Quality Infrastructure	22,955.5	22,955.5	22,955.5	22,575.8	27,479.8	4,524.3	19.7 %	4,904.0	21.7 %
Appropriation Total	**22,955.5**	**22,955.5**	**22,955.5**	**22,575.8**	**27,479.8**	**4,524.3**	**19.7 %**	**4,904.0**	**21.7 %**
Agency Unallocated									
Unallocated Rates Adjustment	0.0	0.0	0.0	68.5	280.8	280.8	>999 %	212.3	309.9 %
Appropriation Total	**0.0**	**0.0**	**0.0**	**68.5**	**280.8**	**280.8**	**>999 %**	**212.3**	**309.9 %**
Agency Total	**85,939.7**	**85,477.0**	**85,477.0**	**84,031.1**	**89,977.4**	**4,500.4**	**5.3 %**	**5,946.3**	**7.1 %**
Funding Summary									
Unrestricted General (UGF)	17,686.1	17,686.1	17,686.1	16,515.4	23,893.9	6,207.8	35.1 %	7,378.5	44.7 %
Designated General (DGF)	24,800.7	24,389.4	24,389.4	24,517.1	21,506.4	-2,883.0	-11.8 %	-3,010.7	-12.3 %
Other State Funds (Other)	17,546.0	17,524.4	17,524.4	17,462.5	19,323.7	1,799.3	10.3 %	1,861.2	10.7 %
Federal Receipts (Fed)	25,906.9	25,877.1	25,877.1	25,536.1	25,253.4	-623.7	-2.4 %	-282.7	-1.1 %

Department of Environmental Conservation

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Administration / EVOS Trustee Council	Transfer Exxon Valdez Oil Spill Trustee Council from Department of Fish and Game	**Total: $2,400.7** $456.9 Fed Rcpts (Fed) $1,943.8 EVOS Civil (Other) **3 PFT Positions**	The Exxon Valdez Oil Spill Trustee Council is tasked with oversight of the remediation of damages caused by the 1989 Exxon Valdez Oil Spill. The Council currently manages the $109 million balance of the original $900 million settlement against Exxon and distributes grants for ongoing clean-up and mitigation efforts. This function has resided under the Department of Fish and Game since 1993. The Council's three State Trustees are the Commissioner of Fish and Game, the Commissioner of Environmental Conservation, and the Attorney General. The decision to accept or reject this transfer will occur in the budget process for the Department of Environmental Conservation.
2	Environmental Health / Environmental Health	Assume Primacy of Hazardous Waste Management Under Resource Conservation and Recovery Act, Subtitle C	$830.0 Gen Fund (UGF) **6 PFT Positions**	The Department proposes to assume primacy to operate a Resource Conservation and Recovery Act (RCRA) Subtitle C program within its Environmental Health division as a section of the Solid Waste Management program, which already manages RCRA Subtitle D. The RCRA is a federal law that covers the management of solid waste. RCRA Subtitle C covers the management of hazardous waste, while RCRA Subtitle D covers non-hazardous solid waste management. Currently, the Environmental Protection Agency (EPA) Region 10 oversees hazardous waste management in Alaska. Program implementation is proposed to be a two-year process, with year one involving discussions with the EPA on requirements for program primacy, development of regulations to implement Subtitle C in Alaska, and hiring and training staff. Year two involves continued staff training, making the application for state program authorization to the EPA, and full operation of Subtitle C. Once primacy is granted, federal funds of $400.0 are available annually beginning in FY25 to offset general funds. **Fiscal Analyst Comment:** Currently, 48 states and two territories have primacy for management of Subtitle C in their state or territory. Alaska and Iowa are the only two states that do not have state hazardous waste programs.

Department of Environmental Conservation

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Environmental Health / Environmental Health	Replace Ocean Ranger Fees for Fish Tissue Testing	**Net Zero** $324.6 Gen Fund (UGF) ($324.6) Ocn Ranger (Other)	The Department received an opinion from the Department of Law that the use of Commercial Passenger Vessel Environmental Compliance (CPVEC) fees to fund fish tissue testing violates the Tonnage Clause of the U.S. Constitution. **Fiscal Analyst Comment:** In SLA2021 the legislature changed the funding source for shellfish testing from CPVEC to UGF for these same legal reasons. In addition to the constitutional issues brought up by the Department of Law, the use of the CPVEC for fish tissue testing is not a designated use of the fund under state law. Fish tissue testing would need to be done whether or not there was a cruise ship industry. Commercial Passenger Vessel Environmental Compliance fund contains both CPVEC and the Ocean Ranger fees that are the funding source for the Ocean Ranger program and are referred to as Ocean Ranger (1205). These fees are tracked separately while residing in the same fund.
4	Spill Prevention and Response / Spill Prevention and Response	Replace Authority Unavailable due to Alaska Constitution Article IX Section 17(d)	**Net Zero** $1,275.2 Gen Fund (UGF) ($1,275.2) Oil/Haz Fd (DGF)	The enactment of Article IX, Section 17(d) of the Alaska Constitution transferred available balances of funds used by this appropriation to the Constitutional Budget Reserve Fund (CBR); a process commonly referred to as the "CBR sweep." Budget authority that cannot be satisfied with projected FY23 revenue collections are replaced in the Governor's proposed budget with unrestricted general funds in order to ensure continuity of service.
5	Water / Water Quality, Infrastructure Support & Financing	Assumption of Primacy over Section 404 Permitting of the Discharge of Dredged or Fill Material into Waters and Wetlands	$4,904.0 Gen Fund (UGF) **28 PFT Positions**	Section 404 of the Clean Water Act (CWA) regulates the discharge of dredged or fill material into the waters and wetlands of the United States (WOTUS) and requires the U.S. Army Corps of Engineers (USACE) to issue a Section 404 permit before dredged and fill material may be discharged in WOTUS. Activities typically requiring a Section 404 permit include: - Site improvements for residential, commercial, or recreational development; - Construction of revetments, groins, breakwaters, levees, dams, dikes, and weirs; and - Placement of riprap and fill material for roads, airports, or buildings. Section 404(g)(1) of the CWA gives states the ability to assume partial authority over the Section 404

Department of Environmental Conservation

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Water / Water Quality, Infrastructure Support & Financing	Assumption of Primacy over Section 404 Permitting of the Discharge of Dredged or Fill Material into Waters and Wetlands	$4,904.0 Gen Fund (UGF) **28 PFT Positions**	(continued) program. It states that the "Governor of any State desiring to administer its own individual and general permit program for the discharge of dredged or fill material into navigable waters ... within its jurisdiction may submit to the Administrator a full and complete description of the program it proposes to establish and administer under State law." This provision requires the USACE to retain permitting authority over certain categories of waters and allows the State to assume permitting authority over all other WOTUS (commonly known as "assumable waters"). The Department asserts that assumption of the Section 404 program would provide a streamlined permitting procedure, greater certainty to the regulated community, conservation of resources of both the applicant and regulator, and greater control over the development of its natural resources while complying with federal law. The Department will apply for Environmental Protection Agency (EPA) approval in FY22 and FY23 with the expectation that state primacy will be assumed and fully implemented by FY24. Additionally, the Department anticipates needing four more positions in FY24 to fully implement the program. **Fiscal Analyst Comment:** To date, Michigan, New Jersey, and Florida have assumed administration of the Section 404 program. The U.S. Army Corps of Engineers retains permitting authority for the rest of the country. Alaska has 65% of the wetlands in the United States totaling 174 million acres, which is about 43% of Alaska's surface area. The last major move towards 404 assumption in Alaska was in SLA2013 with the passage of SB27 directing the Department to evaluate and seek primacy and report to the legislature. The legislature subsequently defunded the effort in the FY15 budget.

2022 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Family and Community Services

Appropriation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Alaska Pioneer Homes	106,981.1	107,389.2	107,389.2	105,837.8	103,637.8	-3,751.4	-3.5 %	-2,200.0	-2.1 %
Inpatient Mental Health	63,850.4	69,852.0	69,852.0	59,303.4	70,856.4	1,004.4	1.4 %	11,553.0	19.5 %
Children's Services	186,527.4	183,606.0	183,606.0	178,614.3	180,014.3	-3,591.7	-2.0 %	1,400.0	0.8 %
Juvenile Justice	61,522.4	61,080.3	61,080.3	59,844.7	59,847.9	-1,232.4	-2.0 %	3.2	
Departmental Support Services	0.0	0.0	0.0	14,323.4	15,526.9	15,526.9	>999 %	1,203.5	8.4 %
Agency Unallocated	0.0	0.0	0.0	101.4	875.9	875.9	>999 %	774.5	763.8 %
Agency Total	**418,881.3**	**421,927.5**	**421,927.5**	**418,025.0**	**430,759.2**	**8,831.7**	**2.1 %**	**12,734.2**	**3.0 %**
Funding Summary									
Unrestricted General (UGF)	231,503.3	227,086.2	227,086.2	223,130.8	229,430.9	2,344.7	1.0 %	6,300.1	2.8 %
Designated General (DGF)	25,132.8	25,132.8	25,132.8	25,251.5	25,296.6	163.8	0.7 %	45.1	0.2 %
Other State Funds (Other)	86,954.3	86,941.5	86,941.5	92,718.4	97,851.8	10,910.3	12.5 %	5,133.4	5.5 %
Federal Receipts (Fed)	75,290.9	82,767.0	82,767.0	76,924.3	78,179.9	-4,587.1	-5.5 %	1,255.6	1.6 %

Department of Family and Community Services

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Alaska Pioneer Homes / Alaska Pioneer Homes Payment Assistance	One-Time Fund Source Change to Utilize ARPA Revenue Replacement	**Net Zero** ($25,404.1) Gen Fund (UGF) $25,404.1 ARPA Rev R (UGF)	The Governor utilizes **$25.4 million** of American Rescue Plan Act (ARPA) revenue replacement in this agency's budget, out of a total of $375.4 million statewide. One of the allowable uses for the State's allocation from the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) within ARPA is replacing revenue lost due to the COVID-19 pandemic. This funding can be used for any cost of State government that is within the scope of normal government operations. To avoid distorting the budget, the funds used for revenue replacement are appropriated to the general fund, and a UGF tracking code (1271) is used for activities that fit the federal requirements, adding up to the total amount of revenue replaced. Since 1271 is just a UGF tracking code, there is no impact on the agency's operations. The fund change will be reversed in the FY24 Adjusted Base.
2	Alaska Pioneer Homes / Alaska Pioneer Homes Payment Assistance	Align Alaska Pioneer Homes Payment Assistance with Need	($3,000.0) Gen Fund (UGF)	In FY21, the Pioneer Homes Payment Assistance allocation received $6.1 million UGF through Ch. 23, SLA 2020 (HB 96) to align payment assistance with inflation and Social Security cost of living adjustments. Around the same time, COVID-19 began to spread, which reduced occupancy rates. The Department notes this $3 million decrement is associated with lapsing approximately $7 million UGF in FY21. An FY23 reduction of $3 million appears reasonable based on FY21 experience, however, it is not clear how occupancy rates will trend going forward. The total number of elders served includes 592 in FY19, 594 in FY20, and 607 in FY21. Increased turnover led to more elders served than in FY21, but it also left beds vacant for longer, since the process for a new resident to move in is about six weeks. **Fiscal Analyst Comment:** Given the fact the program is not operating from an established baseline post HB 96, and there was reduced occupancy due to COVID-19, it is difficult to determine if the HB 96 increase was appropriate and what the new baseline will look like.
3	Alaska Pioneer Homes / Pioneer Homes	Federal Reimbursement from the Veteran's Administration	$800.0 Fed Rcpts (Fed)	In FY19, a $525.0 increase in federal authority was approved to support the Veterans and Pioneer Home in Palmer upgrading its certification to be reimbursed for a higher Nursing Home level of care than Domiciliary

Department of Family and Community Services

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Alaska Pioneer Homes / Pioneer Homes	Federal Reimbursement from the Veteran's Administration	$800.0 Fed Rcpts (Fed)	(continued) Care, for up to 14 residents. This FY23 increment provides authority to further expand the reimbursement rate for those 14 higher-need beds to a 'Nursing Home Service Connected' (NHSC) rate. **Fiscal Analyst Comment:** At the time of publication, the daily rates include $50.91 for Domiciliary Care, $117.93 for Nursing Home Care, and $547.07 for the NHSC rate. The higher NHSC rate applies to veterans with a service-connected disability, which is an injury or disease that was incurred or aggravated, beyond normal progression, during active military service. Service-connected disabilities can apply to both physical and mental health conditions.
4	Inpatient Mental Health / Designated Evaluation and Treatment	Move DET Allocation from (Old) DHSS Behavioral Health Appropriation to (New) DFCS Inpatient Mental Health Appropriation	n/a	The **Designated Evaluation and Treatment** allocation was previously housed in the **Behavioral Health** appropriation, which is in the Department of Health. According to the Department, it is more appropriate to house this allocation with the API allocation in the new **Inpatient Mental Health** appropriation.
5	Inpatient Mental Health / Designated Evaluation and Treatment	Disability Law Center Settlement	**Total: $10,875.0** $4,500.0 GF/ Match (UGF) $1,875.0 Gen Fund (UGF) $4,500.0 I/A Rcpts (Other)	Initial funding for this settlement was appropriated during SLA 2021 through a supplemental in the Judgments, Claims, and Settlement appropriation ($7.4 million UGF and $4.5 million Federal Receipts). This request increases base funding in the Designated Evaluation & Treatment allocation (previously housed in the DHSS, Behavioral Health appropriation) to satisfy settlement terms entered into between the State and the plaintiffs in The Disability Law Center of Alaska, Inc. v. State of Alaska, Department of Health and Social Services, 3AN-18-09814CI, to fund the programs described in the court-ordered plan. The case involved how the Department handles individuals who are under civil court orders to receive psychiatric evaluations or treatment in jail instead of a health facility. The $4.5 million I/A is supported with federal receipts in the Medicaid appropriation. Funding included in the DET allocation supports Designated Evaluation, Stabilization & Treatment, non-Institutional Mental Disorder Disproportionate Share Hospital (non-IMD-DSH), and Secure

Department of Family and Community Services

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Inpatient Mental Health / Designated Evaluation and Treatment	Disability Law Center Settlement	**Total: $10,875.0** $4,500.0 GF/ Match (UGF) $1,875.0 Gen Fund (UGF) $4,500.0 I/A Rcpts (Other)	(continued) Transport. Funding included in the API allocation supports crisis placement. **Fiscal Analyst Comment:** The $1,875.0 UGF portion of this increment would be more appropriately coded to GF/MH (fund code 1037) to provide better tracking of mental health funding. **Items 5 and 6 are related**.
6	Inpatient Mental Health / Alaska Psychiatric Institute	Disability Law Center Settlement	$678.0 Gen Fund (UGF)	The terms of the Disability Law Center Settlement under Case No. 3AN-18-9814 CI require the department to seek an appropriation for crisis placement provider agreements to increase capacity for individuals requiring timely evaluations and treatment in the least restrictive settings. This funding request in Alaska Psychiatric Institute's (API) budget will satisfy the crisis stabilization component of the settlement to divert individuals experiencing a behavioral health emergency to API and away from law enforcement, emergency medical services (EMS), and hospital emergency rooms. Funding included in the DET allocation supports Designated Evaluation, Stabilization & Treatment, non-Institutional Mental Disorder Disproportionate Share Hospital (IMD-DSH), and Secure Transport. Funding included in the API allocation supports crisis placement. **Fiscal Analyst Comment:** This increment would be more appropriately coded to GF/MH (fund code 1037) to provide better tracking of mental health funding. **Items 5 and 6 are related**.
7	Children's Services / Front Line Social Workers	Support for the Tribal Child Welfare Compact	$1,400.0 Gen Fund (UGF)	The department is finalizing negotiations for FY2023 with Tribes regarding the Alaska Tribal Child Welfare Compact. Increased funding for FY2023 will enhance provisions of prevention activities by the Tribes, build capacity, and focus efforts on secondary prevention for identified at-risk children and families. The goal of the Compact is to improve life outcomes of Alaska Native children in state custody by helping the Office of Children's Services (OCS) perform its function more "efficiently at a lower cost and higher

Department of Family and Community Services

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Children's Services / Front Line Social Workers	Support for the Tribal Child Welfare Compact	$1,400.0 Gen Fund (UGF)	(continued) quality." The program cost has been provided with existing OCS resources as follows: FY18 - $1.3 million FY19 - $1.5 million FY20 - $1.5 million FY21 - $1.5 million. FY22 - $1.8 million FY23 - $1.7 million **Fiscal Analyst Comment:** This $1.4 million increment would expand services currently being provided through the Compact. If approved, the total FY23 commitment would be $3.1 million when combined with the $1.7 million OCS currently has allocated for the effort.
8	Various	Executive Order Support Positions	**Total: $1,202.2** $313.9 Fed Rcpts (Fed) $434.3 GF/Match (UGF) $454.0 I/A Rcpts (Other) **5 PFT Positions** **3 TMP Positions**	Through Executive Order, the Governor is proposing to restructure the Department of Health and Social Services into two departments. The **Department of Health** would include: 1. Division of Public Health; 2. Division of Public Assistance; 3. Division of Behavioral Health; 4. Division of Healthcare Services; and 5. Division of Senior and Disabilities Services. The **Department of Family and Community Services** (DFCS) would include: 1. Division of Juvenile Justice; 2. Alaska Psychiatric Institute; 3. Alaska Pioneer Homes; and 4. Office of Children's Services. In addition to reclassing some positions for a total of **$190.0 ($66.4 GF Match, $68.6 Federal Receipts, and $55.0 Inter-agency Receipts)**, the following new positions are being requested in DFCS: **Commissioner's Office ($367.9 GF/Match and $245.3 Federal Receipts)** 1. Full-time Commissioner (26-#001), located in

Department of Family and Community Services

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
8	Various	Executive Order Support Positions	**Total: $1,202.2** $313.9 Fed Rcpts (Fed) $434.3 GF/Match (UGF) $454.0 I/A Rcpts (Other) **5 PFT Positions** **3 TMP Positions**	(continued) Juneau 2. Full-time Executive Secretary 3 (26-#002), range 16, located in Juneau 3. Full-time Project Coordinator (26-#003), range 22, located in Juneau **Information Technology ($399.0 Inter-agency Receipts)** 1. Full-time Data Processing Manager 1 (26-#004), range 22, located in Juneau 2. Full-time Systems Programmer 1/2 (26-#005), range 20/22, located in Juneau 3. Non-permanent Microcomputer/Network Technician 1 (26-#006), range 14, located in Juneau 4. Non-permanent Microcomputer/Network Technician 1 (26-#007), range 14, located in Fairbanks 5. Non-permanent Microcomputer/Network Technician 1 (26-#008), range 14, located in Anchorage. **Fiscal Analyst Comment:** Along with the three requested positions listed above for the Commissioner's Office, a full-time Special Assistant to the Commissioner will complement the leadership team. The Special Assistant was added in FY21 and therefore additional funding is not reflected in this increment. Additionally, a Technology Officer II ($186.6 Info Svc Funding) in the Department of Administration as well as an Administrative Services Director ($204.1 I/A) at OMB is being requested to support the new DFCS. Additional general funds may be requested to support inter-agency receipts.
9	Various	Cross-appropriation Transfer Authority up to $20 million	**Net Zero**	Cross-appropriation transfer authority is requested in each of the proposed departments (Department of Family and Community Services and the Department of Health). In recent years, the legislature has approved this flexibility in the Department of Health and Social Services, up to $20 million, with the exception that no funding may be transferred out of the Medicaid appropriation.

2022 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Fish and Game

Appropriation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Commercial Fisheries	80,059.7	80,059.7	80,059.7	78,066.2	81,333.0	1,273.3	1.6 %	3,266.8	4.2 %
Sport Fisheries	53,965.4	53,315.4	53,315.4	52,714.5	49,303.5	-4,011.9	-7.5 %	-3,411.0	-6.5 %
Wildlife Conservation	63,552.6	63,552.6	63,552.6	63,036.3	63,036.3	-516.3	-0.8 %	0.0	
Statewide Support Services	20,270.7	20,270.7	20,270.7	20,105.1	22,078.8	1,808.1	8.9 %	1,973.7	9.8 %
Habitat	5,708.7	5,708.7	5,708.7	5,599.0	5,599.0	-109.7	-1.9 %	0.0	
Subsistence Research/Monitoring	5,547.3	5,547.3	5,547.3	5,440.7	5,440.7	-106.6	-1.9 %	0.0	
Agency Unallocated	0.0	0.0	0.0	212.9	812.2	812.2	>999 %	599.3	281.5 %
Agency Total	**229,104.4**	**228,454.4**	**228,454.4**	**225,174.7**	**227,603.5**	**-850.9**	**-0.4 %**	**2,428.8**	**1.1 %**
Funding Summary									
Unrestricted General (UGF)	57,443.0	57,443.0	57,443.0	53,651.0	53,674.1	-3,768.9	-6.6 %	23.1	
Designated General (DGF)	15,088.9	15,088.9	15,088.9	15,202.4	15,240.8	151.9	1.0 %	38.4	0.3 %
Other State Funds (Other)	68,179.2	67,529.2	67,529.2	67,773.8	68,145.9	616.7	0.9 %	372.1	0.5 %
Federal Receipts (Fed)	88,393.3	88,393.3	88,393.3	88,547.5	90,542.7	2,149.4	2.4 %	1,995.2	2.3 %

Department of Fish and Game

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Commercial Fisheries / Southeast Region Fisheries Management	Delete Funding for Southeast Region Fisheries Management Publication Specialist II Position	($144.2) Gen Fund (UGF)	A Publications Specialist II was identified for deletion, which will result in a reduced level of service and possible delays in the dissemination of information to user groups in Southeast Alaska. This is a filled position that supports all types of Commercial Fisheries publications.
2	Various	Transfer 24 Positions and Funding from Sport Fisheries to Commercial Fisheries to Consolidate Salmon Assessment Research	**Total: $3,411.0** $1,984.7 Fed Rcpts (Fed) $556.8 GF/Match (UGF) $869.5 Stat Desig (Other) **6 PFT Positions** **18 PPT Positions**	The agency moved 24 positions from Sport Fisheries to Commercial Fisheries in the FY22 Management Plan to consolidate personnel responsible for salmon stock assessments and research related to the Pacific Salmon Treaty. Previously, the Sport Fisheries Division was responsible for stock assessments and research relating to Chinook and coho, while the Commercial Fisheries Division conducted research related to other salmon species. This consolidation enables staffing efficiencies at certain weirs and project sites, and allows the agency to meet Pacific Salmon Treaty agreements with existing resources. The positions will continue to perform the same work as they did under Sport Fisheries using the same fund sources. **Fiscal Analyst Comment:** In FY22, these positions are funded through a Reimbursable Services Agreement (RSA) that allows the agency to continue to support these positions with the original GF/Match and receipt authority from Sport Fisheries. The types of receipts used under that authority originate from Pacific Salmon Treaty related sources, and are not specific to Sport Fisheries. The Statutory Designated Program Receipt (SDPR) authority allows the agency to receive money from the Northern Fisheries Enhancement Fund, which is an endowment that was set aside over 20 years ago by the Pacific Salmon Commission to support activities in Southeast Alaska and northern British Columbia and is managed by the Salmon Commission office in Vancouver, BC Canada. The federal receipt authority is for Pacific Salmon Treaty funding received from annual US Congressional appropriations through NOAA-NMFS grant funds. The Governor's FY23 request will move that funding and authority to the Commercial Fisheries Division where the work is occurring, and negate the need for an RSA.

Department of Fish and Game

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Various	Move the Exxon Valdez Oil Spill Trustee Council from Fish and Game to the Department of Environmental Conservation	n/a	The Exxon Valdez Oil Spill Trustee Council is tasked with oversight of the remediation of damages caused by the 1989 Exxon Valdez Oil Spill. The Trust currently manages the $109 million balance of the original $900 million settlement against Exxon, and distributes grants for ongoing clean-up and mitigation efforts. This function has resided at the Department of Fish and Game since it was established in 1993 through the RPL process. The Council's three State Trustees include the Commissioner of Fish and Game, the Commissioner of Environmental Conservation, and the Attorney General. The decision to accept or reject this transfer will occur in the budget process for the Department of Environmental Conservation.

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2022 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Office of the Governor

Allocation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Commissions/Special Offices									
Human Rights Commission	2,555.9	2,555.9	2,555.9	2,522.0	2,522.0	-33.9	-1.3 %	0.0	
Appropriation Total	**2,555.9**	**2,555.9**	**2,555.9**	**2,522.0**	**2,522.0**	**-33.9**	**-1.3 %**	**0.0**	
Executive Operations									
Executive Office	11,551.8	11,551.8	11,551.8	11,384.7	11,540.0	-11.8	-0.1 %	155.3	1.4 %
Governor's House	756.7	756.7	756.7	750.1	750.1	-6.6	-0.9 %	0.0	
Contingency Fund	250.0	250.0	250.0	250.0	250.0	0.0		0.0	
Lieutenant Governor	1,219.8	1,219.8	1,219.8	1,203.7	1,203.7	-16.1	-1.3 %	0.0	
Appropriation Total	**13,778.3**	**13,778.3**	**13,778.3**	**13,588.5**	**13,743.8**	**-34.5**	**-0.3 %**	**155.3**	**1.1 %**
Office of Gov State Fac Rent									
Gov Office Facilities Rent	596.2	596.2	596.2	596.2	596.2	0.0		0.0	
Governor's Office Leasing	490.6	490.6	490.6	490.6	490.6	0.0		0.0	
Appropriation Total	**1,086.8**	**1,086.8**	**1,086.8**	**1,086.8**	**1,086.8**	**0.0**		**0.0**	
Office of Management & Budget									
Admin Services Directors	3,053.0	3,053.0	3,053.0	2,987.5	3,191.6	138.6	4.5 %	204.1	6.8 %
Office of Management & Budget	2,787.4	2,787.4	2,787.4	2,732.9	2,732.9	-54.5	-2.0 %	0.0	
Appropriation Total	**5,840.4**	**5,840.4**	**5,840.4**	**5,720.4**	**5,924.5**	**84.1**	**1.4 %**	**204.1**	**3.6 %**
Elections									
Elections	7,239.3	7,290.5	7,290.5	6,242.0	6,958.7	-331.8	-4.6 %	716.7	11.5 %
Appropriation Total	**7,239.3**	**7,290.5**	**7,290.5**	**6,242.0**	**6,958.7**	**-331.8**	**-4.6 %**	**716.7**	**11.5 %**
Agency Unallocated									
Unallocated Rates Adjustment	0.0	0.0	0.0	6.2	54.5	54.5	>999 %	48.3	779.0 %
Appropriation Total	**0.0**	**0.0**	**0.0**	**6.2**	**54.5**	**54.5**	**>999 %**	**48.3**	**779.0 %**
Ctrl Svcs Cost Allocation Rates									
Ctrl Svcs Cost Allocation Rates	5,000.0	5,000.0	5,000.0	5,000.0	0.0	-5,000.0	-100.0 %	-5,000.0	-100.0 %
Appropriation Total	**5,000.0**	**5,000.0**	**5,000.0**	**5,000.0**	**0.0**	**-5,000.0**	**-100.0 %**	**-5,000.0**	**-100.0 %**
Agency Total	**35,500.7**	**35,551.9**	**35,551.9**	**34,165.9**	**30,290.3**	**-5,261.6**	**-14.8 %**	**-3,875.6**	**-11.3 %**
Funding Summary									
Unrestricted General (UGF)	32,183.8	32,235.0	32,235.0	30,771.4	26,359.2	-5,875.8	-18.2 %	-4,412.2	-14.3 %
Other State Funds (Other)	3,087.9	3,087.9	3,087.9	3,167.0	3,703.3	615.4	19.9 %	536.3	16.9 %
Federal Receipts (Fed)	229.0	229.0	229.0	227.5	227.8	-1.2	-0.5 %	0.3	0.1 %

Office of the Governor

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Executive Operations / Executive Office	Homeless Coordinator for Safety First Initiative Homelessness Program	$155.3 Gen Fund (UGF) **1 PFT Position**	This position will oversee a multiagency homelessness program as part of the Safety First Initiative.
2	Elections / Elections	Align State Election Poll Worker Hourly Rate	$390.3 Gen Fund (UGF)	This increase aligns State election poll worker hourly pay with local election poll workers.
3	Elections / Elections	Voter Outreach, Language Assistance and Election Security (FY22-FY23)	$4,300.0 Gen Fund (UGF) **1 PFT Position MultiYr**	This item is part of the Governor's proposed fast-track supplemental bill. $3 million of this request is for additional voter outreach about the implementation of Ballot Measure 2, which will institute a ranked choice voting system in Alaska starting with the 2022 election. This outreach will include monthly direct mailings to all registered voters as well as media, public relations, and translation services. This portion is a one-time request. $300.0 of this request is to expand the language assistance program, including hiring a Language Assistance Coordinator. This is an ongoing cost and will be requested as an increment in the FY24 budget. The remaining $1 million of this increment is for systems security for the Voter Registration and Election Management System. This will include security testing, a possible new module, and additional project staff. This portion is a one-time request.
4	Central Services Cost Allocation Rates / Central Services Cost Allocation Rates	Convert Central Services Cost Allocation Rate Smoothing Appropriation to Language Using Lapsing Funds	($5,000.0) Gen Fund (UGF)	In FY22, the Governor requested an appropriation of $5 million of lapsing funds that could be used to handle unexpected shortfalls that arise in internal service agencies. That request was part of a larger project to set rates in advance in order to give agencies certainty heading into budget development. By setting the rates in advance, the internal service agencies do not have the ability to make up unexpected shortfalls by increasing rates. This appropriation was intended to provide a source of funds to offset these shortfalls. The legislature instead appropriated $5 million in the numbers section for the same purpose as a temporary increment for FY22-23, with the intention of revisiting the amount after two years. In FY23, the Governor is again asking to use lapsing funds rather than using this numbers appropriation. This decrement is offset by the proposed appropriation from lapsing funds in the same amount.

Office of the Governor

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Central Services Cost Allocation Rates / Central Services Cost Allocation Rates	Convert Central Services Cost Allocation Rate Smoothing Appropriation to Language Using Lapsing Funds	($5,000.0) Gen Fund (UGF)	(continued) **Fiscal Analyst Comment:** The legislature's approach in FY22 transparently showed this cost as part of the FY22 budget, whereas use of lapsing funds is not counted in budget reports. However, lapsing funds are routinely used for similar purposes (such as refilling the Working Reserve Account) so the request is not unprecedented.

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2022 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Health

Appropriation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Behavioral Health	88,532.2	94,218.2	94,218.2	85,937.0	86,412.5	-7,805.7	-8.3 %	475.5	0.6 %
Health Care Services	21,411.8	21,411.8	21,411.8	21,044.2	20,843.2	-568.6	-2.7 %	-201.0	-1.0 %
Public Assistance	272,392.2	393,079.0	393,079.0	270,355.4	283,640.4	-109,438.6	-27.8 %	13,285.0	4.9 %
Senior Benefits Payment Program	20,786.1	20,786.1	20,786.1	20,786.1	20,786.1	0.0		0.0	
Public Health	145,882.9	466,373.7	466,373.7	124,985.5	125,208.4	-341,165.3	-73.2 %	222.9	0.2 %
Senior and Disabilities Svcs	64,373.7	75,940.8	75,940.8	63,156.1	64,171.9	-11,768.9	-15.5 %	1,015.8	1.6 %
Departmental Support Services	49,145.4	48,512.5	48,512.5	33,360.0	36,977.2	-11,535.3	-23.8 %	3,617.2	10.8 %
Human Svcs Comm Matching Grant	1,387.0	1,387.0	1,387.0	1,387.0	1,387.0	0.0		0.0	
Community Initiative Grants	861.7	861.7	861.7	861.7	861.7	0.0		0.0	
Medicaid Services	2,404,657.9	2,383,657.9	2,383,657.9	2,383,657.9	2,428,657.9	45,000.0	1.9 %	45,000.0	1.9 %
Agency Unallocated	0.0	0.0	0.0	42.8	1,776.5	1,776.5	>999 %	1,733.7	>999 %
Agency Total	**3,069,430.9**	**3,506,228.7**	**3,506,228.7**	**3,005,573.7**	**3,070,722.8**	**-435,505.9**	**-12.4 %**	**65,149.1**	**2.2 %**
Funding Summary									
Unrestricted General (UGF)	892,261.4	872,367.6	872,367.6	864,486.0	918,042.8	45,675.2	5.2 %	53,556.8	6.2 %
Designated General (DGF)	62,015.7	60,515.7	60,515.7	60,436.1	53,516.8	-6,998.9	-11.6 %	-6,919.3	-11.4 %
Other State Funds (Other)	92,900.7	92,900.7	92,900.7	86,886.2	104,394.8	11,494.1	12.4 %	17,508.6	20.2 %
Federal Receipts (Fed)	2,022,253.1	2,480,444.7	2,480,444.7	1,993,765.4	1,994,768.4	-485,676.3	-19.6 %	1,003.0	0.1 %

Department of Health

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Behavioral Health / Behavioral Health Treatment and Recovery Grants	Transition Behavioral Health Treatment and Recovery Grants to 1115 Medicaid Waiver	($790.0) GF/MH (UGF)	The Department reports there will be no interruption in services with this decrement for transitioning services (previously provided through UGF grants) to services provided through the Medicaid 1115 waiver. **Fiscal Analyst Comment:** Some providers have indicated that 1115 waivers cannot replace UGF grant revenue.
2	Behavioral Health / Behavioral Health Prevention and Early Intervention Grants	MH Trust: Crisis Now Continuum of Care Grants (FY23-FY26)	$900.0 GF/MH (UGF) **IncT**	The Crisis Now model is intended to reduce the amount of law enforcement and emergency room utilization by individuals experiencing a mental health crisis. As envisioned, a crisis call center would accept calls from individuals in need of assistance and direct callers to the appropriate service. Alternatively, individuals in crisis could also be dropped off by law enforcement or walk into a local stabilization center, where available. In addition to a crisis call center, the model utilizes a Mobile Crisis Team, 23 Hour-Crisis Stabilization Services, and Short-term Stabilization to create a behavioral health emergency network of services. Determination of the right level/type of treatment occurs through the behavioral health providers implementing the model. The Department is utilizing the 1115 Behavioral Health Medicaid Waiver to fund these crisis services which are allowable Medicaid expenses if the individual is Medicaid eligible and the provider is eligible to bill Medicaid. States that have implemented the model, including Arizona and Louisiana, report most individuals who contact the crisis call center have their crisis resolved over the phone. Individuals may be diverted initially to 23-Hour Stabilization services in communities that establish them. In addition, mobile crisis teams may be deployed to resolve behavioral health crises. In communities that do not have the full continuum, individuals may divert directly into short term crisis residential centers or utilize the current Title 47 civil commitment process that includes a hold in a hospital or other facility until admission to API or another Designated Evaluation and Treatment Center (DET) including Fairbanks Memorial Hospital, Mat-Su Regional Medical Center, or Bartlett Regional Hospital.

Department of Health

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	Behavioral Health / Behavioral Health Prevention and Early Intervention Grants	MH Trust: Crisis Now Continuum of Care Grants (FY23-FY26)	$900.0 GF/MH (UGF) **IncT**	(continued) The pilot project (FY23-FY26) will initially be stood up in Fairbanks, Mat-Su, Anchorage and Juneau. **Fiscal Analyst Comment:** This funding is more appropriately placed in the Behavioral Health Treatment and Recovery Grant allocation within the Behavioral Health appropriation.
3	Health Care Services / Medical Assistance Administration	Transition Pilot Health Home Project to Medicaid	($201.0) GF/Match (UGF)	Chapter 24 SLA 2016 (SB 74) provided a pilot care coordination demonstration program using 100% GF. The contractor is paid a per member per month fee to case manage 5,000 patients. Due to differences between reporting capabilities and reporting requirements, the deliverables have been difficult to fulfill and the contract is being reduced 50% in FY23 while the remainder will be eliminated in FY24. The Department reports that services will be continued through the Medicaid section 1915(b) waiver. **Fiscal Analyst Comment:** Medicaid section 1915(b) waivers, commonly referred to as "freedom-of-choice" waivers, allow a state to require Medicaid patients to participate in managed care for some or all of their benefits (except for family planning). If this reduction moves forward, the Department will need to apply to the Centers for Medicare and Medicaid Services (CMS) for the 1915(b) waiver, and that turnaround is estimated to take approximately six months for approval.
4	Public Assistance / Permanent Fund Dividend Hold Harmless	Permanent Fund Dividend Hold Harmless	$13,500.0 PFD Fund (Other) **IncOTI**	The PFD Hold Harmless appropriation provides payments that replace Alaska Temporary Assistance, Adult Public Assistance, Supplemental Security Income, and Supplemental Nutrition Assistance Program (SNAP) benefits for individuals who would lose eligibility or whose benefits would be reduced if they received a Permanent Fund Dividend. The program has maintained $17.7 million in budget authority for several years (FY15 to current); actual expenditures have averaged around $14.9 million. This request would bring total FY23 authority to $31,224.7. **Fiscal Analyst Comment:** The Governor requests an identical amount in the fast-track supplemental budget

Department of Health

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Public Assistance / Permanent Fund Dividend Hold Harmless	Permanent Fund Dividend Hold Harmless	$13,500.0 PFD Fund (Other) **IncOTI**	(continued) which is associated with a second PFD payment in FY22. This FY23 request appears to be unnecessary.
5	Public Assistance / Public Assistance Field Services	Delete Authority No Longer Needed for Devices	($215.0) GF/Match (UGF)	The Department associates this savings with the deletion of 121 positions in FY22 and a resulting reduction in core service costs. **Fiscal Analyst Comment:** The FY22 reduction of 121 positions included 20 positions added in FY19 on a temporary basis (to address an application backlog) and scheduled to be removed in FY22, plus 101 positions the Department had planned to remove through attrition. As of January 14, 2022, 101 of the 121 PCNs are vacant.
6	Senior and Disabilities Services / Governor's Council on Disabilities and Special Education	MH Trust: Governor's Council on Disabilities and Special Education	$50.0 GF/MH (UGF)	Additional funding would address a small gap to support the Council's Research Analyst 3 position. Due to a couple Executive Director changes in recent years, a review of the GCDSE's operating budget and fund sources has been underway. It was determined that the federal funds they receive need to be reallocated to ensure federal compliance, resulting in a small gap. This $50.0 GF/MH increment will make the GCDSE's operating budget whole.
7	Departmental Support Services / Various	GF Match Replacement to Meet Federal Match Requirements	**Net Zero** $1,778.6 GF/ Match (UGF) ($1,220.0) Gen Fund (UGF) ($558.6) GF/MH (UGF)	To ensure federal match requirements are met, fund changes to replace UGF (fund code 1004) and GF/MH (fund code 1037) with GF Match (fund code 1003) occur in the following allocations: **Public Affairs:** $67.1 GF Match, ($67.1) UGF 1004 **Commissioner's Office**: $284.9 GF Match, ($76.3) UGF 1004 and ($208.6) GF/MH **Admin Support Services**: $254.8 GF Match, ($254.8) UGF 1004 **Info Tech Services**: $1,025.1 GF Match, ($725.1) UGF 1004 and ($300.0) GF/MH **State Facilities Rent**: $146.7 GF Match, ($96.7) UGF 1004 and ($50.0) GF/MH
8	Departmental Support Services / Commissioner's Office	Homeless Management Information Systems	**Total: $750.0** $375.0 Gen Fund (UGF) $375.0 Stat Desig (Other) **IncOTI**	As part of the Governor's "People First Initiative", funding will support the creation of a new database on homelessness which will be inclusive of the elements in the existing Homeless Management Information System (HMIS) database, but with additional data elements that will allow for improved services to individuals experiencing homelessness and better insight into the challenges of addressing this issue.

Department of Health

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
8	Departmental Support Services / Commissioner's Office	Homeless Management Information Systems	**Total: $750.0** $375.0 Gen Fund (UGF) $375.0 Stat Desig (Other) **IncOTI**	(continued) **Fiscal Analyst Comment:** The transaction notes state this is part of the Safety First Initiative program which began in 2016 as a collaboration with the Anchorage Community Development Authority and the Anchorage Downtown Partnership. However, the program was discontinued on January 1, 2022 as the overwhelmed safety ambassadors patrolling downtown Anchorage are encountering more situations that necessitate Anchorage Police Department (APD) involvement. The safety ambassadors will still patrol downtown Anchorage as the "eyes and ears" for APD. The Statutory Designated Program Receipts (SDPR) will be collected from other agencies supporting those experiencing homelessness. **Items 8 and 9 are related.**
9	Departmental Support Services / Commissioner's Office	Initiative to Address Homelessness	**Total: $382.3** $46.3 Fed Rcpts (Fed) $336.0 GF/Match (UGF) **1 PFT Position**	Funding will support one position to manage the new database on homelessness (see item 8) and provide $250.0 for additional database management. **Items 8 and 9 are related.**
10	Departmental Support Services / Various	Executive Order Support Positions	**Total: $734.9** $733.7 I/A Rcpts (Other) $1.2 CIP Rcpts (Other) **2 PFT Positions** **3 TMP Positions**	Through Executive Order, the Governor is proposing to restructure the Department of Health and Social Services into two departments. **The Department of Health** (DOH) would include: 1. Division of Public Health; 2. Division of Public Assistance; 3. Division of Behavioral Health; 4. Division of Healthcare Services; and 5. Division of Senior and Disabilities Services. **The Department of Family and Community Services** (DFCS) would include: 1. Division of Juvenile Justice; 2. Alaska Psychiatric Institute; 3. Alaska Pioneer Homes; and 4. Office of Children's Services. In addition to reclassing a full-time network specialist position for $42.3 I/A in the Health Care Services

Department of Health

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Departmental Support Services / Various	Executive Order Support Positions	**Total: $734.9** $733.7 I/A Rcpts (Other) $1.2 CIP Rcpts (Other) **2 PFT Positions** **3 TMP Positions**	(continued) appropriation, the following new positions are being requested in the Departmental Support Services appropriation: **Public Affairs ($131.7 Inter-agency Receipts)** 1. Full-time Information Officer (06-#415), range 20, located in Anchorage **Administrative Support Services ($202.9 Inter-agency Receipts)** 2. Full-time Office Assistant 2 (06-#416), range 10, located in Juneau 3. Full-time Administrative Officer 2 (06-#417), range 19, located in Juneau **Information Technology ($399.0 Inter-agency Receipts, $1.2 CIP)** 4. Full-time Data Processing Manager 1 (06-#421), range 22, located in Juneau 5. Full-time Systems Programmer 1/2 (06-#422), range 20/22, located in Juneau 6. Non-permanent Microcomputer/Network Technician 1 (06-#418), range 14, located in Juneau 7. Non-permanent Microcomputer/Network Technician 1 (06-#419), range 14, located in Fairbanks 8. Non-permanent Microcomputer/Network Technician 1 (06-#420), range 14, located in Anchorage.
11	Medicaid Services / Medicaid Services	Match Requirement for Increased Medicaid Utilization	$45,000.0 GF/ Match (UGF)	This **$45 million UGF** request restores $35 million decremented in FY22 and adds another $10 million to Medicaid's FY23 base budget. In FY22, the Governor requested a $35 million decrement, along with backstop language using unspent FY21 Medicaid funding. In FY20, the program lapsed $59.1 million UGF which was primarily due to a 6.2% increase to the regular Medicaid Federal Medical Assistance Percentage (FMAP) due to the Public Health Emergency (PHE). At that time, the enhanced FMAP (more federal revenue) looked likely to continue well into FY21 (which it did), increasing the probability that FY21 would lapse a sufficient cushion, should the backstop be needed. The FY22 base reduction was expected to be realized in FY23, however, the short-term justification revolved around the enhanced FMAP and $59.1 million of UGF savings realized in

Department of Health

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
11	Medicaid Services / Medicaid Services	Match Requirement for Increased Medicaid Utilization	$45,000.0 GF/ Match (UGF)	(continued) FY20. The legislature approved half of the requested reduction -- $17.5 million -- and the Governor vetoed the remaining $17.5 million. The backstop language provision was denied. Moving into FY23, the Department projects a $72 million UGF shortfall due to a variety of reasons including, but not limited to, the following: 1.Increased utilization - as the pandemic nears its full two year mark, individuals are seeking care that they may have delayed early in the pandemic; 2. Inflation has increased the cost of care; and 3. The enhanced FMAP will end with the PHE. Savings associated with the enhanced FMAP were quantified at around $17 million per quarter in FY21. Of the projected $72 million shortfall, $45 million is being requested and approximately $27 million is intended to be addressed through some combination of the following efforts (the listed amounts exceed $27 million as the Department has not always been able to realize planned savings): 1. **$17 million** projected to be captured once Medicaid eligibility redetermination resumes. Until the PHE is over, states receiving the enhanced FMAP must adhere to the continuous enrollment requirement). 2. **$7 million** - Implementation of "Section 1945 Health Homes". Section 1945 Health Home Services are patient centered medical homes, authorized during SLA 2016 (Ch. 25, SB 74); 3. **$3 million** - Pay for performance incentive for hospitals. This incentive to encourage hospitals to report their costs is intended to provide an entry point to move from fee for service towards managed care; 4. **$4.64 million** - Expand tribal reclaiming to the Administrative Services Organization (ASO) for the Division of Behavioral Health. **Fiscal Analyst Comment:** The FY21 UGF lapse was approximately $87.6 million, however, the final amount could change as this figure includes encumbrances that may be liquidated. The enhanced FMAP is currently set to expire at the end of June,

Department of Health

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
11	Medicaid Services / Medicaid Services	Match Requirement for Increased Medicaid Utilization	$45,000.0 GF/ Match (UGF)	(continued) 2022. **Items 11 and 12 are related.**
12	Medicaid Services / Medicaid Services	FY23 Open Ended Federal Receipt Authority	**Net Zero**	The legislature approved open-ended federal authority in FY20, FY21, and FY22 in response to COVID-19. The Department has indicated that this authority is requested for both COVID and non-COVID activities. **Items 11 and 12 are related.**
13	Various	Replace Authority Unavailable due to Alaska Constitution Article IX Section 17(d)	**Net Zero** $6,935.5 UGF ($6,935.5) DGF	The Recidivism Reduction Fund, Marijuana Education and Treatment Fund, and Tobacco Education and Cessation Fund are subject to transfer to the CBR. The following appropriations previously appropriated money from these funds and will need to be replaced with unrestricted general funds in FY23 to continue to provide existing service levels: **Behavioral Health:** $3,791.2 1037 GF/MH UGF ($243.2) 1180 A/D T&P Fund DGF ($1,042.3) 1246 RcdvsmFund DGF ($2,505.7) 1254 MET Fund DGF **Public Health:** $2,672.8 1004 UGF ($2,672.8) 1168 Tob ED/CES DGF **Medicaid Services:** $97.5 1004 UGF $375.0 1037 GF/MH UGF ($97.5) 1168 TobED/CES DGF ($375.0) 1246 RcdvsmFnd DGF **Total:** $6,935.5 UGF ($6,935.5) DGF **Fiscal Analyst Comment:** Under Article IX, Section 17(d) of the Alaska Constitution, available balances of certain funds used by various appropriations within DHSS were transferred to the Constitutional Budget Reserve Fund (CBR); a process commonly referred to as the "CBR sweep." Budget authority that cannot be satisfied with projected fiscal year 2023 revenue collections is replaced with unrestricted general funds

Department of Health

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
13	Various	Replace Authority Unavailable due to Alaska Constitution Article IX Section 17(d)	**Net Zero** $6,935.5 UGF ($6,935.5) DGF	(continued) in the Governor's budget to ensure continuity of service. The legislature may wish to ask if the premise of these fund changes assumes there is no carryforward.
14	Various	Mental Health Trust Authority Authorized Receipts Funding	$3,080.8 MHTAAR (Other)	The Mental Health Trust Authority submits a "zero-based" budget for Mental Health Trust Authority Authorized Receipts - meaning that all MHTAAR funding in state agencies is removed from the adjusted base and reconsidered by the Mental Health Trust Authority each fiscal year. For FY23, MHTAAR is requested in the following appropriations for various mental health efforts: **Behavioral Health**: $1,023.1 **Public Health**: $461.9 **Senior and Disabilities** Services: $1,578.1 **Items 14 and 15 are related.**
15	Various	Restore GF/MH Mental Health Trust Recommendations Approved by the Legislature in FY22 and Vetoed by the Governor	$545.5 GF/MH (UGF)	In addition to MHTAAR funding (see item xx), the Mental Health Trust Authority also makes recommendations involving general funds (GF/MH). In FY22, the legislature approved the Trust's GF/MH recommendations, however, the Governor vetoed them. This year, the Governor is putting forward the Trust's FY23 GF/MH recommendations. GF/MH items vetoed in FY22 and restored in the FY23 request are listed as follows (by appropriation): **Behavioral Health / Behavioral Health Administration** Peer Support Certification: $50.0 (a lower amount of $20.0 GF/MH was approved in FY22) Zero Suicide Initiative: $62.5 (a lower amount of $53.5 GF/MH was approved in FY22) **Public Health / Emergency Programs** DHSS Comprehensive Program Planning Coordinator: $75.0 Beneficiary Mental Health Status Data Collection: $45.0 **Senior and Disability Services (SDS) / SDS Grants** Maintain Aging and Disability Resource Centers: $250.0 SDS Administration: $63.0

Department of Health

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
15	Various	Restore GF/MH Mental Health Trust Recommendations Approved by the Legislature in FY22 and Vetoed by the Governor	$545.5 GF/MH (UGF)	(continued) **Items 14 and 15 are related.**
16	Various	Cross-appropriation Transfer Authority up to $20 million	**Net Zero**	Cross-appropriation transfer authority is requested in each of the proposed departments (Department of Family and Community Services and the Department of Health). In recent years, the legislature has approved this flexibility in the Department of Health and Social Services, up to $20 million, with the exception that no funding may be transferred out of the Medicaid appropriation.

2022 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Labor and Workforce Development

Appropriation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Commissioner and Admin Svcs	36,183.7	35,518.3	35,518.3	32,492.5	40,172.8	4,654.5	13.1 %	7,680.3	23.6 %
Workers' Compensation	11,594.6	11,594.6	11,594.6	11,443.9	11,443.9	-150.7	-1.3 %	0.0	
Labor Standards and Safety	11,493.5	11,493.5	11,493.5	11,411.0	10,693.0	-800.5	-7.0 %	-718.0	-6.3 %
Employment & Training Services	54,124.4	54,055.5	54,055.5	55,988.0	55,988.0	1,932.5	3.6 %	0.0	
Vocational Rehabilitation	26,220.6	26,220.6	26,220.6	25,842.3	25,818.6	-402.0	-1.5 %	-23.7	-0.1 %
AVTEC	15,850.8	15,909.5	15,909.5	15,354.0	15,079.0	-830.5	-5.2 %	-275.0	-1.8 %
Agency Unallocated	0.0	0.0	0.0	33.8	353.1	353.1	>999 %	319.3	944.7 %
Agency Total	**155,467.6**	**154,792.0**	**154,792.0**	**152,565.5**	**159,548.4**	**4,756.4**	**3.1 %**	**6,982.9**	**4.6 %**
Funding Summary									
Unrestricted General (UGF)	18,123.7	18,123.7	18,123.7	17,908.0	19,987.5	1,863.8	10.3 %	2,079.5	11.6 %
Designated General (DGF)	39,523.9	38,407.3	38,407.3	38,148.8	34,620.7	-3,786.6	-9.9 %	-3,528.1	-9.2 %
Other State Funds (Other)	17,806.9	17,806.9	17,806.9	17,669.6	15,912.8	-1,894.1	-10.6 %	-1,756.8	-9.9 %
Federal Receipts (Fed)	80,013.1	80,454.1	80,454.1	78,839.1	89,027.4	8,573.3	10.7 %	10,188.3	12.9 %

Department of Labor and Workforce Development

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Commissioner and Administrative Services / Workforce Investment Board	Provide Training Opportunities to Alaskans Impacted by COVID-19 (FY23-FY24)	$10,000.0 CSLFRF (Fed) **MultiYr**	Many Alaskans were unemployed as a result of the COVID-19 pandemic, which has also impacted the job market. This funding will support competitive grants to training providers as Alaska recovers from the pandemic and prepares for infrastructure projects resulting from the Infrastructure Investment and Jobs Act (IIJA). **Fiscal Analyst Comment:** The fund source is the Coronavirus State and Local Fiscal Relief Fund (CSLFRF), which is a flexible federal funding source that is available for appropriation through FY24. The Governor's budget utilizes the remaining $504.8 million from the CSLFRF in his FY23 budget proposal. Eligible uses for the funds include replacing revenue lost due to the pandemic, COVID-19 health response, and economic recovery.
2	Commissioner and Administrative Services / Leasing	Reduce Funding for Leasing Costs and Leverage Other Funding Sources	($500.0) Gen Fund (UGF)	The Department is primarily located in leased facilities. In FY19, the Leasing allocation reduced its budget by $141.4 UGF by realizing efficiencies. It also reduced its leased space expenditures by 17% from FY20 to FY21. This request reduces this allocation's funding by $500.0 as the Department states it will leverage other funding sources, including increasing the federal indirect rate to support leasing costs.
3	Various	Transfer Data Processing Unit to Employment and Training Services Administration for Operational Efficiences	n/a	**One non-permanent and 16 PFT positions and a total of $2,806.0 [$15.0 UGF / $2,791.0 Fed Rcpts]** are transferred from the Data Processing (DP) allocation to the Employment and Training Services Administration allocation. The DP unit primarily supports allocations under the Employment and Training Services (ETS) appropriation and this transfer aligns DP services with the programs they serve and eliminates the need for reimbursable service agreements. All positions and authority are zeroed out of Data Processing, effectively eliminating the allocation. Additionally, **a total of $3,905.6 [$3,675.6 Fed / $230 I/A Rcpts]** from the allocations below are transferred into the Employment and Training Services Administration allocation: -Workforce Services, ($532.8) Federal / ($230.0) I/A Rcpts

Department of Labor and Workforce Development

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Various	Transfer Data Processing Unit to Employment and Training Services Administration for Operational Efficiencies	n/a	(continued) -Workforce Development, ($351.6) Federal -Unemployment Insurance, ($2,791.2) Federal
4	Various	Agency-wide Savings	**Total: ($2,814.5)** ($81.2) Gen Fund (UGF) ($310.8) GF/Prgm (DGF) ($1,765.3) I/A Rcpts (Other) ($568.9) Wrkrs Safe (DGF) ($88.3) Bldg Safe (DGF) **(1) PFT Position**	The Department has realized several savings from the following appropriations/allocations: **Commissioner and Administrative Services: ($1,821.5) Total** Management Services: Funding no longer needed, ($56.2) UGF Data Processing: Authority no longer needed with services being transferred to Employment and Training Services, ($1,620.3) I/A Rcpts Labor Market Information: Authority no longer needed, ($145.0) I/A Rcpts **Labor Standards and Safety: (1) PFT Position and ($718.0) Total** Wage and Hour Administration: Authority no longer needed, ($48.2) GF/Prgm Rcpts Mechanical Inspection: Deletion of one vacant Boiler & Pressure Vessel Inspector position and its authority, ($88.3) Bldg Safety Acct Occupational Safety and Health: Excess authority no longer needed, ($568.9) Wrkrs Safe & Comp Acct / ($12.6) GF/Prgm Rcpts **Alaska Vocational Technical Center: ($275.0) Total** Alaska Vocational Technical Center: Reductions from Instructors Aide position moving from full-time to part-time and reduction in receipts collected from student fees and tuition, ($25.0) UGF / ($250.0) GF/ Prgm Rcpts

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2022 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Law

Appropriation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Criminal Division	40,364.5	40,364.5	40,364.5	39,506.0	40,151.6	-212.9	-0.5 %	645.6	1.6 %
Civil Division	50,030.5	54,030.5	54,030.5	49,122.4	53,122.4	-908.1	-1.7 %	4,000.0	8.1 %
Administration and Support	4,858.5	4,858.5	4,858.5	4,794.1	4,794.1	-64.4	-1.3 %	0.0	
Agency Unallocated	0.0	0.0	0.0	179.4	412.7	412.7	>999 %	233.3	130.0 %
Janus v AFSCME Legal Contracts	20.0	0.0	0.0	0.0	0.0	0.0		0.0	
Agency Total	**95,273.5**	**99,253.5**	**99,253.5**	**93,601.9**	**98,480.8**	**-772.7**	**-0.8 %**	**4,878.9**	**5.2 %**
Funding Summary									
Unrestricted General (UGF)	57,973.2	61,953.2	61,953.2	56,129.4	61,026.5	-926.7	-1.5 %	4,897.1	8.7 %
Designated General (DGF)	2,776.5	2,776.5	2,776.5	2,741.8	2,746.7	-29.8	-1.1 %	4.9	0.2 %
Other State Funds (Other)	32,488.3	32,488.3	32,488.3	32,679.4	32,651.4	163.1	0.5 %	-28.0	-0.1 %
Federal Receipts (Fed)	2,035.5	2,035.5	2,035.5	2,051.3	2,056.2	20.7	1.0 %	4.9	0.2 %

Department of Law

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Criminal Division / Various	Fully Fund Attorneys and Support Staff Added with 75% Funding in FY22 to Prosecute Sexual Assault	$749.8 Gen Fund (UGF)	In FY22, the legislature added 19 PFT positions in the Criminal Division to prosecute sexual assault offenses. The positions were provided with 75% funding to account for the time required to recruit and hire personnel. In the FY23 budget, the Governor requests the remaining 25% funding required to fully-fund all 19 positions. The positions and their hiring status are listed here: **First Judicial District: $78.7** Attorney IV in Juneau - Hired as of 1/18/22 Paralegal II in Juneau - Filled **Second Judicial District: $121.2** Attorney IV in Nome - Vacant Paralegal II in Nome - Filled Law Office Assistant I in Nome - Vacant **Third Judicial District, Anchorage: $140.0** Attorney IV in Anchorage - Filled Attorney IV in Anchorage - Filled Paralegal II in Anchorage - Vacant Law Office Assistant I in Anchorage - Filled **Third Judicial District, Outside Anchorage: $119.2** Attorney IV in Palmer - Filled Paralegal in Palmer - Filled Attorney IV in Kenai - Filled **Fourth Judicial District: $148.0** Attorney IV in Bethel - Filled Paralegal II in Bethel - Filled Attorney IV in Fairbanks - Filled **Criminal Appeals/Special Litigation: $142.7** Attorney IV in Anchorage - Vacant Attorney IV in Anchorage - Filled Paralegal II in Anchorage - Filled Law Office Assistant I in Anchorage - Hired as of 1/10/22 **Fiscal Analyst Comment:** The legislature included FY22 intent requesting that the Office of Management and Budget provide a report to the Legislative Finance Division by December 1, 2021 describing the impacts of added prosecutorial capacity to the workload and budgetary needs of other State agencies. This request was not met.

Department of Law

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	Civil Division / Deputy Attorney General's Office	Additional Outside Counsel and Expertise to Support Statehood Defense (FY23-FY25)	$4,000.0 Gen Fund (UGF) **MultiYr**	In FY22, the legislature provided an FY21 Multi-Year Supplemental appropriation for $4 million that would be available from FY21 through FY25 for litigation related to statehood defense. In FY23, the Governor requests a second appropriation for the same amount of funding that will be effective from FY23 through FY25. Since the authorization of the FY21 Multi-Year transaction, a total of 13 new and existing statehood defense matters are being supported with this funding.

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2022 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Department of Military and Veterans' Affairs

Allocation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Military and Veterans' Affairs									
Office of the Commissioner	5,745.6	5,745.6	5,745.6	5,663.1	6,027.3	281.7	4.9 %	364.2	6.4 %
Homeland Security & Emerg Mgt	9,041.7	9,924.0	9,924.0	8,875.2	8,896.8	-1,027.2	-10.4 %	21.6	0.2 %
Army Guard Facilities Maint.	12,255.4	12,255.4	12,255.4	12,152.9	13,504.1	1,248.7	10.2 %	1,351.2	11.1 %
Air Guard Facilities Maint.	7,121.8	7,121.8	7,121.8	7,086.3	7,086.3	-35.5	-0.5 %	0.0	
Alaska Military Youth Academy	10,189.5	10,189.5	10,189.5	10,006.4	10,006.4	-183.1	-1.8 %	0.0	
Veterans' Services	2,239.2	2,238.5	2,238.5	2,222.6	2,222.6	-15.9	-0.7 %	0.0	
State Active Duty	325.0	325.0	325.0	325.0	325.0	0.0		0.0	
Civil Air Patrol	250.0	0.0	0.0	0.0	0.0	0.0		0.0	
Appropriation Total	**47,168.2**	**47,799.8**	**47,799.8**	**46,331.5**	**48,068.5**	**268.7**	**0.6 %**	**1,737.0**	**3.7 %**
Alaska Aerospace Corporation									
Alaska Aerospace Corporation	4,128.4	4,128.4	4,128.4	4,100.6	3,869.7	-258.7	-6.3 %	-230.9	-5.6 %
AAC Facilities Maintenance	6,749.2	6,749.2	6,749.2	6,733.3	6,576.5	-172.7	-2.6 %	-156.8	-2.3 %
Appropriation Total	**10,877.6**	**10,877.6**	**10,877.6**	**10,833.9**	**10,446.2**	**-431.4**	**-4.0 %**	**-387.7**	**-3.6 %**
Agency Unallocated									
Unallocated Rates Adjustment	0.0	0.0	0.0	-49.8	74.0	74.0	>999 %	123.8	-248.6 %
Appropriation Total	**0.0**	**0.0**	**0.0**	**-49.8**	**74.0**	**74.0**	**>999 %**	**123.8**	**-248.6 %**
Agency Total	**58,045.8**	**58,677.4**	**58,677.4**	**57,115.6**	**58,588.7**	**-88.7**	**-0.2 %**	**1,473.1**	**2.6 %**
Funding Summary									
Unrestricted General (UGF)	15,950.4	15,700.4	15,700.4	15,485.0	15,437.8	-262.6	-1.7 %	-47.2	-0.3 %
Designated General (DGF)	36.2	36.2	36.2	36.2	36.3	0.1	0.3 %	0.1	0.3 %
Other State Funds (Other)	12,173.1	12,172.4	12,172.4	11,980.5	11,923.5	-248.9	-2.0 %	-57.0	-0.5 %
Federal Receipts (Fed)	29,886.1	30,768.4	30,768.4	29,613.9	31,191.1	422.7	1.4 %	1,577.2	5.3 %

Department of Military and Veterans' Affairs

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Military and Veterans' Affairs / Office of the Commissioner	Expand Alaska State Defense Force	**Total: $400.2** $359.5 Gen Fund (UGF) $40.7 I/A Rcpts (Other) **1 PFT Position**	The Department is requesting to expand the Alaska State Defense Force (ASDF) to increase community emergency capacity and resiliency, meet Alaska's needs in a changing Arctic, and engage remote communities utilizing a voluntary military force. The following position would be added to facilitate ASDF expansion: - Full-time Administrative Assistant 2 (09-#009), range 14, located at Joint Base Elmendorf-Richardson
2	Military and Veterans' Affairs / Office of the Commissioner	Move the Alaska Public Safety Communication Services Allocation from Military and Veterans' Affairs to Public Safety	n/a	**Fiscal Analyst Comment:** The Department took over operating the Alaska Telecommunications System (SATS) and the Alaska Land Mobile Radio (ALMR) allocations from the Department of Administration in FY21. The Department then merged the two allocations and renamed it Alaska Public Safety Communication Services (APSCS) in FY22. This structure change now moves that allocation to the Department of Public Safety in FY23.
3	Military and Veterans' Affairs / Homeland Security and Emergency Management	Emergency Response Travel for Undeclared Incidents	$21.6 Gen Fund (UGF)	The Department would like to deploy operations and response staff to jurisdictions that are experiencing a potential disaster incident or event in order to gain firsthand knowledge of the event and the effects. If the event is subsequently declared a state disaster, the Disaster Relief Fund will cover the travel expenses. If a state disaster reaches the level of a federal disaster, the State typically sees a reimbursement of 75% of those travel costs. This increment would cover travel not covered by these funding sources.
4	Military and Veterans' Affairs / Army Guard Facilities Maintenance	Federal Funding to fulfill Office Furniture Requirements in Army National Guard Buildings	$500.0 Fed Rcpts (Fed)	Federal receipt authority is needed to fulfill furniture requirements associated with building maintenance and life cycle requirements throughout all Army National Guard buildings. Furniture will be purchased via state procurement processes which the Department contends will be the most economically feasible way to provide furniture to Army Guard buildings. **Fiscal Analyst Comment:** This annual increment would represent roughly 5% of the National Guard's furniture inventory. The life cycle of office furnishings varies from about seven years for upholstered items to the maximum of 15 years for high-end solid wood items. At this funding level the Department would never achieve 100% replacement because the life cycle on office furniture is shorter than the time it would take to achieve 100% replacement.

Department of Military and Veterans' Affairs

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Military and Veterans' Affairs / Army Guard Facilities Maintenance	Add Five New Army Guard Facility Positions using Federal Funding	$667.6 Fed Rcpts (Fed) **5 PFT Positions**	The following positions would be located at Joint Base Elmendorf-Richardson: -Maintenance Generalist - Journey (09-#004) for maintenance support -Building Management Specialist (09-#005) for construction contract development and acquisition -Environmental Program Specialist 3 (09-#006) for facilities maintenance -Full-time Environmental Program Specialist 4 (09-#007) for facilities maintenance -Planner 3 (09-#008) to assist with supervising and managing facilities
6	Military and Veterans' Affairs / Alaska Military Youth Academy	Leverage Federal Reimbursement for Utilities Expenditures	**Net Zero** $176.0 Fed Rcpts (Fed) ($176.0) Gen Fund (UGF)	The most recent Master Cooperative Agreement (MCA) between DMVA and the National Guard Bureau allows for direct cost reimbursement of utility costs, which allows the division to shift expenditures from UGF to Federal.
7	Military and Veterans' Affairs / Alaska Military Youth Academy	Align Authority with Department of Education and Early Development USDA Child Nutrition Grant	**Net Zero** ($263.0) Gen Fund (UGF) $263.0 I/A Rcpts (Other)	The Alaska Military Youth Academy (AMYA) is reimbursed for dining operations staff personal services costs through a United States Department of Agriculture (USDA) grant with the Department of Education and Early Development (DEED). As a result, personal services expenditures will reflect the amount billed to DEED's Child Nutrition Grant to align with USDA grant reimbursements.
8	Military and Veterans' Affairs / Alaska Wing Civil Air Patrol	Civil Air Patrol Funding Entirely Vetoed in FY22	n/a	The Governor vetoed the entire $250.0 amount appropriated by the legislature in FY22. There is no Civil Air Patrol allocation in the Governor's FY23 budget proposal.

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2022 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Natural Resources

Appropriation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Administration & Support	28,942.5	28,942.5	28,942.5	28,688.5	29,293.6	351.1	1.2 %	605.1	2.1 %
Oil & Gas	21,689.2	21,689.2	21,689.2	21,389.1	21,389.1	-300.1	-1.4 %	0.0	
Fire, Land & Water Resources	108,531.6	109,601.6	109,601.6	108,706.3	113,193.4	3,591.8	3.3 %	4,487.1	4.1 %
Agriculture	5,871.7	6,608.1	6,608.1	6,542.9	6,722.9	114.8	1.7 %	180.0	2.8 %
Parks & Outdoor Recreation	17,178.4	16,978.4	16,978.4	16,775.3	17,820.4	842.0	5.0 %	1,045.1	6.2 %
Agency Unallocated	0.0	0.0	0.0	219.5	761.3	761.3	>999 %	541.8	246.8 %
Agency Total	**182,213.4**	**183,819.8**	**183,819.8**	**182,321.6**	**189,180.7**	**5,360.9**	**2.9 %**	**6,859.1**	**3.8 %**
Funding Summary									
Unrestricted General (UGF)	66,082.2	66,352.2	66,352.2	65,501.4	70,777.8	4,425.6	6.7 %	5,276.4	8.1 %
Designated General (DGF)	40,536.2	41,072.6	41,072.6	40,763.5	41,450.1	377.5	0.9 %	686.6	1.7 %
Other State Funds (Other)	37,265.7	38,065.7	38,065.7	37,804.5	38,626.9	561.2	1.5 %	822.4	2.2 %
Federal Receipts (Fed)	38,329.3	38,329.3	38,329.3	38,252.2	38,325.9	-3.4		73.7	0.2 %

Department of Natural Resources

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Administration & Support Services / Facilities	Increased Geological Material Center Occupancy Costs Due to State Pipeline Coordinator Moving Out	$125.0 Gen Fund (UGF)	The Geological Material Center (GMC) is a State-owned property, and the Division of Geological & Geophysical Surveys (DGGS) is the main occupant. Historically, the State Pipeline Coordinator's Section (SPCS) shared the space with DGGS, which allowed for the cost to be split between the two divisions. The FY21 budget had a $218.0 decrement consolidating SPCS into the Division of Oil and Gas's space in the Atwood Building. No new tenant has moved in since SPCS vacated the GMC, but multiple DNR divisions now use the GMC's additional space for meetings and trainings. The Department is requesting additional funding to cover the Occupancy Agreement, which includes the annual operating cost of the space.
2	Fire Suppression, Land & Water Resources / Forest Management & Development	Expand Inspection and Administration Capacity for Timber Sales	$460.0 Gen Fund (UGF) **4 PFT Positions**	The Division of Forestry (DOF) inspects timber sales on state, private and municipal lands to ensure compliance with the Alaska Forest Resources and Practices Act (FRPA, AS 41.17). FRPA sets standards for habitat protection, water quality, and reforestation plans. This increment would increase DOF's capacity for inspections, with the goal of growing Alaska's timber sales. The request would add 4 positions: 1. Full-time Forester 2 located in Ketchikan, which would be reclassed from a permanent part-time position; 2. Full-time Forester 3 located in Haines; 3. Full-time Forester 5 in an undetermined location; and 4. Part-time Equipment Operator located in Fairbanks. In addition, a Forester 2 located in Palmer would be reclassed from a part-time to permanent full-time position.
3	Fire Suppression, Land & Water Resources / Fire Suppression Preparedness	Increase Protection of Alaska from Wildland Fire	$3,300.0 Gen Fund (UGF) **24 PFT Positions** **6 PPT Positions**	Currently, firefighters and support staff are funded by a variety of non-general fund sources including federal grant funds, which can fluctuate widely from year to year. This increment provides more predictable funding to current staff. It would also extend health care benefits for permanent seasonal firefighters through the period they are on seasonal leave yet still being paid for accrued overtime. Currently, their health benefits end on the last day of the month their seasonal employment ends.

Department of Natural Resources

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Fire Suppression, Land & Water Resources / Fire Suppression Preparedness	Increase Protection of Alaska from Wildland Fire	$3,300.0 Gen Fund (UGF) **24 PFT Positions** **6 PPT Positions**	(continued) The increment would allow each fire management area to be staffed at Preparedness Level 3, which is a normal high-risk summer day. **The following new positions would be created:** 7 PFT & 12 PPT Wildland Fire and Resource Technicians 2 PFT Administrative Assistants 2 PFT Foresters 1 PFT Procurement Specialist 5 PPT Office Assistants 1 PPT GIS Analyst **In addition, 12 existing permanent part-time positions would be reclassed to permanent full-time:** 5 Fire Management Officers 3 Wildland Fire and Resource Technicians 3 Office Assistants 1 Maintenance Generalist
4	Fire Suppression, Land & Water Resources / Fire Suppression Preparedness	Reinstate Wildland Firefighter Academy	$500.0 Gen Fund (UGF)	The McGrath Wildland Fire Academy was discontinued in the FY16 budget. The Department is proposing to reinstate the Academy, which would move between locations based on need. This increment would cover: 1. Week-long basic academies anticipating 50 to 60 students; 2. A long-term non-permanent employee program; 3. Advanced Academy -- classes required to qualify as a Wildland Fire and Resource Technician 2; and 4. Training Officer wages for three months to administer the Academy program.
5	Agriculture / Agricultural Development	Sponsor Future Farmers of America	$180.0 Gen Fund (UGF)	Future Farmers of America (FFA) is a student organization providing education and preparation for careers related to agriculture. The Governor's budget proposes granting $180.0 annually to the organization. The funding is intended to broadly support the organization's goals and is not tied to any specific projects.
6	Parks & Outdoor Recreation / Parks Management & Access	Expand Maintenance and Operation Capacity for Statewide Parks	$1,045.1 VehRntlTax (DGF)	The COVID-19 pandemic has led to increased usage across Alaska State Parks, which raises administrative costs. The Department is still developing specifics of the proposal, and funding for individual priorities is yet to be determined. Line item changes would be

Department of Natural Resources

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Parks & Outdoor Recreation / Parks Management & Access	Expand Maintenance and Operation Capacity for Statewide Parks	$1,045.1 VehRntlTax (DGF)	(continued) made in Management Plan as needed. The proposal includes the following changes to facility sanitation and maintenance: 1. Alaska Conservation Corps janitorial staff and an on-site host would be added to Matanuska Lakes State Recreation Area; 2. Statewide increases for dumpsters, latrine pumping, cleaning supplies, toilet paper, and associated costs. This includes travel costs to cover outlying park units; 3. Fund additional Alaska Conservation Corps staff for cleanliness and sanitation; and 4. Add funding for emergency facility repair in cases of public use cabin issues, vandalism, and erosion. The proposal also covers the following law enforcement priorities: 1. Five part-time Park Rangers, budgeted for 10 months, would be reclassed to permanent full-time; 2. An existing PCN would be reclassed to manage the law enforcement program for the division; 3. Training and certifications (e.g., firearms, tasers, and control tactics); and 4. Replace aging equipment including firearms, bulletproof vests, and web gear. **Fiscal Analyst Comment:** The Governor proposed a $250.0 increment in FY22 to fund increased training and overtime pay costs for Park Rangers. The increment was denied by the legislature. **Items 6 and 7 are related.**
7	Parks & Outdoor Recreation / Parks Management & Access	Fully Utilize Vehicle Rental Tax Receipts	**Net Zero** ($198.7) Gen Fund (UGF) $198.7 VehRntlTax (DGF)	This fund change increases the Governor's FY23 budget proposal's total appropriation from the Vehicle Rental Tax (VRT) account to $12.0 million. The intent is to align appropriations with the Department of Revenue's forecasted FY23 VRT revenue of $12.0 million. **Fiscal Analyst Comment:** Appropriations from the VRT account have historically been based on two-year lagged collections. Under historical practice, FY23 VRT appropriations would be equal to FY21 actual collections (approximately $7.9 million). The Department based the change on the nonoccurrence of

Department of Natural Resources

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Parks & Outdoor Recreation / Parks Management & Access	Fully Utilize Vehicle Rental Tax Receipts	**Net Zero** ($198.7) Gen Fund (UGF) $198.7 VehRntlTax (DGF)	(continued) the reverse sweep from the Constitutional Budget Reserve (CBR) in FY22. Budgeting based on forecasted receipts of a volatile revenue source may cause budget planning issues and increase the likelihood of a supplemental request. Carryforward language could allow for additional stability from year to year if revenue is spent as it is received - similar language currently applies to Park Receipts in this allocation. AS 43.52.080(c) provides that "the legislature may appropriate the actual balance of the vehicle rental tax account," which does not align with either the Governor's proposed method or historical practice. Another approach, which would align with the statutory guidance, would be to appropriate this fund source to a capital project, with the actual grant amount matching actual collections. This latter approach is currently used for Snow Machine Registration Receipts (code 1195). While the legislature has historically appropriated VRT to Parks, this use is not in accordance with AS 43.52.080(c), which designates VRT funds for "tourism development and marketing." **Items 6 and 7 are related.**

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2022 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Public Safety

Appropriation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Fire and Life Safety	5,896.7	5,896.7	5,896.7	5,805.4	6,544.6	647.9	11.0 %	739.2	12.7 %
Alaska State Troopers	158,102.8	158,102.8	157,861.0	156,551.6	165,910.8	8,049.8	5.1 %	9,359.2	6.0 %
Village Public Safety Officers	13,740.7	13,740.7	13,740.7	13,734.9	16,806.0	3,065.3	22.3 %	3,071.1	22.4 %
AK Police Standards Council	1,416.9	1,416.9	1,416.9	1,399.9	1,399.9	-17.0	-1.2 %	0.0	
Domestic Viol/Sexual Assault	26,747.1	34,747.1	34,747.1	26,711.8	30,986.1	-3,761.0	-10.8 %	4,274.3	16.0 %
Statewide Support	39,085.4	39,085.4	39,085.4	39,154.1	49,566.0	10,480.6	26.8 %	10,411.9	26.6 %
Violent Crimes Comp Board	2,027.2	2,027.2	2,027.2	2,015.5	1,857.8	-169.4	-8.4 %	-157.7	-7.8 %
Agency Unallocated	0.0	0.0	0.0	104.6	980.8	980.8	>999 %	876.2	837.7 %
Agency Total	**247,016.8**	**255,016.8**	**254,775.0**	**245,477.8**	**274,052.0**	**19,277.0**	**7.6 %**	**28,574.2**	**11.6 %**
Funding Summary									
Unrestricted General (UGF)	195,046.6	195,046.6	194,804.8	193,673.2	212,193.3	17,388.5	8.9 %	18,520.1	9.6 %
Designated General (DGF)	8,983.5	8,983.5	8,983.5	8,921.7	8,669.7	-313.8	-3.5 %	-252.0	-2.8 %
Other State Funds (Other)	12,749.1	12,749.1	12,749.1	12,672.2	13,239.8	490.7	3.8 %	567.6	4.5 %
Federal Receipts (Fed)	30,237.6	38,237.6	38,237.6	30,210.7	39,949.2	1,711.6	4.5 %	9,738.5	32.2 %

Department of Public Safety

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Various	American Rescue Plan Act (ARPA) Revenue Replacement	**Net Zero** ($90,000.0) Gen Fund (UGF) $90,000.0 ARPA Rev R (UGF)	The Governor utilizes **$90 million** of American Rescue Plan Act (ARPA) revenue replacement in this agency's budget, out of a total of $375.4 million statewide. One of the allowable uses for the State's allocation from the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) within ARPA is replacing revenue lost due to the Covid-19 pandemic. This funding can be used for any cost of State government that is within the scope of normal government operations. To avoid distorting the budget, the funds used for revenue replacement are appropriated to the general fund, and a UGF tracking code (1271) is used for activities that fit the federal requirements, adding up to the total amount of revenue replaced. Since 1271 is just a UGF tracking code, there is no impact on the agency's operations. The fund change will be reversed in the FY24 Adjusted Base.
2	Fire and Life Safety / Fire and Life Safety	Add Full-time Deputy Fire Marshal 2 (12-#230) for Rural Fire Investigations	$392.2 Gen Fund (UGF) **1 PFT Position**	A full-time Deputy Fire Marshal will be established in Bethel to assist with rural fire and life safety issues. This increment includes $170.0 UGF for ongoing annual contractual costs, including lease and utility costs, consumables, and departmental charge-backs such as OIT and Shared Services. **Items 2 and 3 are related.**
3	Fire and Life Safety / Fire and Life Safety	Add Funding for Equipment in Support of New Deputy Fire Marshal 2 in Bethel	$65.0 Gen Fund (UGF) **IncOTI**	This one-time increment will provide startup costs for a new Deputy Fire Marshal in Bethel, including a vehicle and computer. **Items 2 and 3 are related.**
4	Fire and Life Safety / Fire and Life Safety	Rural Fire Training and Education	$282.0 Gen Fund (UGF)	This increment will be used to establish a new Rural Fire Training and Education Program. This will allow fire training specialists to travel to rural locations to provide hands on training and education to rural fire departments. The program will provide funding for rural fire officers and the chief to attend training in urban locations in Alaska. It will also provide public education on fire prevention through the distribution of materials such as kid-friendly tangibles, smoke detectors, and fire prevention information.
5	Alaska State Troopers / Dispatch Services	Establish New Dispatch Services Allocation	n/a	A new Dispatch Services allocation is established with the transfer of **27 PFT positions** and **$4,870.7 UGF** funding from Alaska State Trooper Detachments. This structure provides increased transparency for the funding, contracts, and personnel resources that support dispatch efforts.

Department of Public Safety

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($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Alaska State Troopers / Dispatch Services	Establish New Dispatch Services Allocation	n/a	(continued) **Items 5 and 6 are related.**
6	Alaska State Troopers / Dispatch Services	Add Funding for Dispatch Services Contract with Kenai Peninsula Borough	$1,819.4 Gen Fund (UGF)	The Department completed contractual negotiations for two dispatch services contracts and additional authority is necessary to cover the increased contract cost for services with the Soldotna Public Safety Communications Center (SPSCC). The Department maintains dispatch services contracts with the Kenai Peninsula Borough (SPSCC) and the City of Wasilla (MatCom). The Department also manages a dispatch center in the Fairbanks trooper post providing dispatch services for troopers in areas outside of those covered under the Kenai Peninsula Borough and City of Wasilla dispatch services contracts. The $1.8 million UGF request is to fund this new contract with the Kenai Peninsula Borough. **Items 5 and 6 are related.**
7	Alaska State Troopers / Various	Move General Investigative Unit Troopers and Sergeants out of AST Detachments and into Alaska Bureau of Investigation	n/a	In the FY22 Management Plan, the agency moved the General Investigative Unit along with **26 Troopers (including four Sergeants and a Lieutenant)**, **3 support staff** and **$6,170.6 UGF** funding out of Alaska State Trooper Detachments and into the Alaska Bureau of Investigation to increase the quality and consistency of statewide investigations. The Alaska Bureau of Investigation houses multiple other investigative units including the Cold Case Unit (CCU), Major Crimes Unit (MCU) Technical Crimes Unit (TCU), Financial Crimes Unit (FCU), Special Crimes Investigation Unit (SCIU).
8	Alaska State Troopers / Various	Reduction of Funding from Various Programs to Support Increments in Alaska State Trooper Detachments (Inc/Dec Pairs)	**Net Zero**	In the FY22 Management Plan, the agency moved a total of **$1,075.2 UGF** from various programs into the Alaska State Trooper Detachments allocation. Because of the programmatic shift of the fund usage, these transactions have been converted into Inc/Dec Pairs for legislative review. The reduction of UGF funding is significant for certain allocations, particularly Search and Rescue, and Rural Trooper Housing. Remaining funds are still sufficient to meet the FY19 - FY21 actual expenditures for each allocation with the exception of Prisoner Transportation, where the FY23 Gov amount is approximately $250.0 less than FY19 and FY20 actuals, but in line with a reduced level of service in FY21. Corresponding increments in the Alaska State Trooper Detachments describe a general

Department of Public Safety

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
8	Alaska State Troopers / Various	Reduction of Funding from Various Programs to Support Increments in Alaska State Trooper Detachments (Inc/Dec Pairs)	**Net Zero**	(continued) need for increased funding. **<u>Total Funds Added to Alaska State Troopers Detachments: $1,075.2 UGF</u>** Alaska Bureau of Judicial Services: ($241.8) 5% reduction Prisoner Transportation: ($249.9) 13% reduction Search and Rescue: ($258.5) 45% reduction Rural Trooper Housing: ($325.0) 11% reduction or 25% reduction of UGF
9	Alaska State Troopers / Alaska State Trooper Detachments	Add Troopers in Anchorage (1), Tok (1), Palmer (5), Wasilla (5), and Public Safety Techs in Juneau (1) and Soldotna (1)	**Net Zero** **14 PFT Positions**	In the FY22 Management Plan, the agency added **14 State Troopers**, primarily in Palmer and Wasilla, and noted that a funding request is forthcoming as the Department demonstrates the need based on recruitment efforts.
10	Various	Transfer Public Information Office to Commissioner's Office for Reorganization Initiative	($1,059.4) Gen Fund (UGF) **(9) PFT Positions**	In FY22 Management Plan, the agency moved the Public Information Office along with **9 PFT positions** and **$1,059.4 UGF** to the Commissioner's Office to align with existing operations. The Public Information Office responds to thousands of Alaska Public Records Act requests each year, and has reclassified five Emergency Services Dispatcher positions up to three Research Analysts, a Paralegal, and a Department Communications Manager in order to meet this demand.
11	Alaska State Troopers / Alaska State Trooper Detachments	Expand Alaska State Trooper In-Car Video Storage Services	$631.5 Gen Fund (UGF)	The agency will establish a contract with FirstNet for secure cloud storage of video footage recorded by cameras installed in troopers' vehicles. In addition to data storage services, the contract will cover expanded camera placement in trooper vehicles across the state, as well as equipment service and replacement.
12	Alaska State Troopers / Alaska State Trooper Detachments	Add Full Funding for New FY2021 Filled Positions	$460.2 Gen Fund (UGF)	In FY21, the legislature approved the addition of 28 new positions in the Alaska State Trooper Detachments allocation, and provided 75% funding to account for recruitment delays. In FY22, the legislature reviewed the recruitment and hiring process, and determined that insufficient progress had been made to warrant additional funding at that time. In FY23, the agency has requested funding to bring filled positions up to full funding levels. **AST Detachments FY21 Positions Hiring Status as of January 14, 2022** (15) State Troopers - Eight filled (5) Court Service Officer - Two filled

Department of Public Safety

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
12	Alaska State Troopers / Alaska State Trooper Detachments	Add Full Funding for New FY2021 Filled Positions	$460.2 Gen Fund (UGF)	(continued) (5) Criminal Justice Technician II - Five filled Public Safety Technician II - Filled Office Assistant II - Previously filled, now vacant, working to fill again Administrative Assistant I - Filled
13	Alaska State Troopers / Alaska State Trooper Detachments	Add Funding to Establish Office Space for Troopers Stationed in Togiak and Hooper Bay	$200.0 Gen Fund (UGF)	Troopers stationed in Togiak and Hooper Bay are currently working out of their homes due to a lack of office space. This increment provides $100.0 annually for office space for each trooper, or $8,333 monthly. **Fiscal Analyst Comment:** Availability of rental units and office space is very limited in these communities. If renovation or construction costs are built in to this increment, they should be split out as a one-time increment (IncOTI) or multi-year transaction (MultiYr).
14	Alaska State Troopers / Alaska State Trooper Detachments	Add Seven Positions and Funding to Address Domestic Violence, Sexual Assault, and Missing/ Murdered Indigenous Persons	$818.8 Gen Fund (UGF) **7 PFT Positions**	Seven positions are added to establish and support a victim/witness coordination program to support the Missing and Murdered Indigenous Persons (MMIP) campaign as well as to provide Domestic Violence and Sexual Assault training for law enforcement. **Positions are added in the following locations:** Four Victim/Witness Paralegal I positions, range 14 - Anchorage Training Specialist I, range 16 - Anchorage Program Coordinator I, range 18 - Anchorage Forensic Technician II, range 15 - Bethel **Fiscal Analyst Comment:** The MMIP initiative is a new program; however, it will supplement existing resources for the missing persons clearinghouse within the Department. The Department reports that it currently has resources for the Domestic Violence and Sexual Assault initiative through funding to Alaska State Troopers (AST), Statewide Support, and Council of Domestic Violence and Sexual Assault (CDVSA). The Alaska State Trooper Detachments component has provided resources to these two initiatives since its inception, and has a Program Coordinator that currently support the missing persons clearinghouse as well as a Program Coordinator under Special Projects that manages the DVSA Training program. Statewide Support has a technical position that is responsible for managing and maintaining the missing persons

Department of Public Safety

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($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
14	Alaska State Troopers / Alaska State Trooper Detachments	Add Seven Positions and Funding to Address Domestic Violence, Sexual Assault, and Missing/ Murdered Indigenous Persons	$818.8 Gen Fund (UGF) **7 PFT Positions**	(continued) clearinghouse. CDVSA's primary mission is to provide funding for service for victims of domestic violence and sexual assault as well as funding prevention programs. **Items 14 and 33 are related.**
15	Alaska State Troopers / Alaska State Trooper Detachments	Add Four Criminal Justice Techs in Anchorage (2), Soldotna (1), and Juneau (1) to Enhance Timely Response	$404.4 Gen Fund (UGF) **4 PFT Positions**	Four Criminal Justice Technician I positions are added to enhance timely response to incidents by providing additional administrative support. The positions will perform paraprofessional work in support of State Troopers, primarily in the area of improving department-wide evidence compliance by processing and storing evidence received from all areas of the state, maintaining chain of custody and integrity of evidence, and completing transfer and disposition of property via destruction, forfeiture to the State, or return to owners. They will also act as liaisons for district attorneys to ensure timely and accurate responses to requests for discovery. In some smaller posts, Troopers are currently performing this function. Under this proposal, evidence from those smaller posts would be sent to the hub locations for processing and storage.
16	Alaska State Troopers / Alaska Bureau of Investigation	Add Positions to Increase Staffing and Operational Capacity within the Alaska Bureau of Investigation	$395.5 Gen Fund (UGF) **4 PFT Positions**	Administrative Staff are added to support the Alaska Bureau of Investigation. In the FY22 Management Plan, a total of 25 State Troopers and 3 administrative staff were moved from the Alaska State Trooper Detachments to the Alaska Bureau of Investigations. This added administrative capacity will support the recently-augmented component. **Positions are added in the following locations:** Criminal Justice Tech I, range 12 - Anchorage - Missing Persons Clearinghouse Criminal Justice Tech I/II, range 12/14 - Anchorage - Child Abuse Investigative Unit Office Assistant III, range 11 - Anchorage - Support the rural Bethel unit Office Assistant II, range 10 - Anchorage - Public Information Requests
17	Alaska State Troopers / Alaska Bureau of Investigation	Add Positions for the Digital Forensics Laboratory	$234.9 Gen Fund (UGF) **2 PFT Positions**	The Digital Forensics Library is currently operated by one supervisor and two technicians. This increment adds two Criminal Intelligence Analyst I positions, range 14, in Anchorage, and provides funding for workstations for those individuals. The agency reports

Department of Public Safety

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
17	Alaska State Troopers / Alaska Bureau of Investigation	Add Positions for the Digital Forensics Laboratory	$234.9 Gen Fund (UGF) **2 PFT Positions**	(continued) that most of the digital forensic workstations are at the end of their useful life, with four being eight years old. The amount of data from an average suspect computer has increased four times and the average cell phone has increased ten times in the last eight years. **Fiscal Analyst Comment:** The legislature may consider splitting this transaction into an Increment (Inc) for the position and funding, and a One-Time Increment (IncOTI) for any start-up costs associated with the position, such as the purchase of new digital forensic workstations.
18	Alaska State Troopers / Aircraft Section	Establish New Aircraft Section Allocation Within the Alaska State Troopers Appropriation	n/a	A total of **$8,457.8 [$7,631.3 UGF, $826.5 I/A]** and **27 PFT positions** are transferred from the Alaska Wildlife Troopers (AWT) Aircraft Section allocation to establish a new Aircraft Section allocation, effectively eliminating the AWT Aircraft Section allocation. This structure more accurately reflects the breadth of services provided by this Section. **OMB Lists the Following Core Services for the Component:** 1) Provide aircraft services to the Department of Public Safety for transportation of prisoners, search and rescue missions, criminal investigations, and law enforcement support to the citizens of Alaska. 2) Provide aircraft services to the Office of the Governor. 3) Provide aircraft services to the Department of Corrections for transportation of prisoners. 4) Coordinate and provide annual training to all department pilots through flight instruction and safety seminars.
19	Alaska State Troopers / Alaska Wildlife Troopers	Add Wildlife Troopers in St. Mary's (1), Galena (1), and Yakutat (1) to Increase Rural Staffing and Operational Capacity	**Net Zero** **3 PFT Positions**	Wildlife Trooper positions are added without funding to address demands for statewide law enforcement services. **Positions are added in the following locations:** State Trooper, range 77 - Saint Mary's State Trooper, range 77 - Galena State Trooper, range 77 - Yakutat
20	Alaska State Troopers / Alaska Wildlife Troopers	Add Funding for Public Safety Technicians Time Status Changes	$369.4 Gen Fund (UGF) **6 PFT Positions** **(6) PPT Positions**	This increment provides funding to transition six permanent part-time (PPT) positions into permanent full-time (PFT) positions, and extends the seasonal coverage provided by six other rural Public Safety

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($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
20	Alaska State Troopers / Alaska Wildlife Troopers	Add Funding for Public Safety Technicians Time Status Changes	$369.4 Gen Fund (UGF) **6 PFT Positions** **(6) PPT Positions**	(continued) Technicians. Each of these positions are located at posts that have only one or two Alaska Wildlife Troopers, and patrol is frequently conducted using a medium-class vessel. Expanded coverage at these locations will ensure that these vessels are always operated with two personnel on board, which greatly enhances officer safety during operations, particularly when Wildlife Troopers need to board vessels. Additionally, these positions would be the primary person responsible for maintenance and upkeep on the vessels. **Seasonal Public Safety Technicians in the following locations will change to PFT status:** Cordova - currently 9 months Anchor Point - currently 3 months Petersburg - currently 4 months Anchorage - currently 3 months, relocate to Hoonah Wrangell - currently 4 months Craig - currently 6 months **Seasonal Public Safety Technicians in the following locations will be funded for additional months:** Delta Junction - currently 4 months, extend to 6 months, relocate to Bethel King Salmon (2 positions) - currently 3 months each, extend to 4 months each Kodiak - currently 3 months, extend to 4 months Dillingham - currently 3 months, extend to 4 months Haines - currently 3 months, extend to 4 months
21	Alaska State Troopers / Alaska Wildlife Troopers Aircraft Section	Add Troopers in Anchorage (1) and Palmer (1) as Tactical Flight Officers, and One Aircraft Pilot in Dillingham	$614.2 Gen Fund (UGF) **3 PFT Positions**	The agency requests three new State Trooper positions to enhance operational capacity. This increment adds an Aircraft Pilot in Dillingham, as well as Tactical Flight Officers in Anchorage and Palmer. Tactical Flight Officers are State Troopers who perform law enforcement functions on DPS aircraft. Specifically, Tactical Flight Officer Troopers operate the MX-10 camera systems installed on DPS' two A-Star helicopters to conduct law enforcement and search and rescue operations. They also assist the pilot as a safety officer of the aircraft and are fully-functional Alaska State Troopers responding to calls for service utilizing DPS' A-Star helicopters. This increment also includes funding for Alaska Law

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Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
21	Alaska State Troopers / Alaska Wildlife Troopers Aircraft Section	Add Troopers in Anchorage (1) and Palmer (1) as Tactical Flight Officers, and One Aircraft Pilot in Dillingham	$614.2 Gen Fund (UGF) **3 PFT Positions**	(continued) Enforcement Training (ALET), which is the 16-week training program (18 weeks for State Troopers) provided at the Public Safety Training Academy in Sitka that fulfills the requirements to be certified as an Alaska State Trooper or municipal police officer. In addition to ALET, the Public Safety Training Academy conducts other law enforcement training such as recertifications and a training course for lateral State Trooper recruits. **Fiscal Analyst Comment:** These positions are added under the AWT Aircraft Section allocation, and a subsequent TrOut will move all positions and funding out of AWT Aircraft Section and into the newly-created Aircraft Section allocation. Funding associated with ALET training is a one-time cost and should be split out into a separate IncOTI.
22	Alaska State Troopers / Alaska Wildlife Troopers Aircraft Section	Add Funding for Aircraft Maintenance and Repairs	$1,800.0 Gen Fund (UGF)	The agency describes a significant increase in costs for aircraft fuel and parts due to cost increases over the past two fiscal years. The Department states that this additional funding will also allow for increased flight hours to support quick response times for rural incidents, as well as initial and recurring training needs that encompass the entire spectrum of fleet operations to meet federal regulations and safety standards. **Fiscal Analyst Comment:** This funding is added under the AWT Aircraft Section allocation, and a subsequent TrOut will move all positions and funding out of AWT Aircraft Section and into the newly-created Aircraft Section allocation.
23	Alaska State Troopers / Alaska Wildlife Troopers Marine Enforcement	Add Funding for Large and Medium Vessel Fuel and Parts	$500.0 Gen Fund (UGF)	Increased funding is requested for fuel, parts, and miscellaneous docking and service fees in order to maintain a mission readiness status. The agency describes a significant increase in these costs over the past two fiscal years.
24	Village Public Safety Officer Program / Village Public Safety Officer Program	Add Tribal Liaison to Work with Local Tribes and Communities	$125.5 Gen Fund (UGF) **1 PFT Position**	A Program Coordinator I is added in Anchorage to serve as a Tribal Liaison to promote engagement, consultation, and collaboration with Alaska Tribes, tribal organizations, and the Alaska Native Community.

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Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
25	Village Public Safety Officer Program / Village Public Safety Officer Program	Add 10 Village Public Safety Officers for Rural Alaska	$2,328.0 Gen Fund (UGF)	This increment expands the availability of grant funding to support ten new Village Public Safety Officers (VPSOs). Placement of these officers is based on agency review of grant applications from eligible tribal organizations and communities. Existing funding in the base budget supports 55 positions, but only 47 are filled at the time of publication. Filled positions will vary over the course of the year. Funding for the VPSO program has fluctuated significantly over the past several years: **UGF Funding on the Grants Line with Final Budget Compared to Actual Expenditures** FY15: $14,380.0 Final, $14,035.6 Actual FY16: $12,311.1 Final, $12,004.0 Actual FY17: $12,105.4 Final, $9,689.7 Actual FY18: $11,905.4 Final, $9,231.9 Actual FY19: $11,905.4 Final, $8,584.7 Actual FY20: $8,905.4 Final, $7,878.5 Actual FY21: $11,905.4 Final, $11,809.4 Actual FY22: $11,905.4 Final FY23: $14,851.0 Gov **Items 25 and 26 are related.** **Fiscal Analyst Comment:** Historically, the agency has been successful in identifying grant recipients and distributing grant funding up to the budgeted amount, even in FY15 when the program's total grant availability reached $14.4 million. At that time, the agency also had 11 PFT positions dedicated to administration of the program. In FY22, there are now three PFT positions who administer the program, which could have an impact on the agency's ability to perform outreach to eligible grantees and provide grant administration oversight. VPSOs are hired by the grant recipients, and are not State employees. In FY20, the Governor vetoed $3 million of grant funding for the VPSO program in response to the fact that FY18 actual expenditures were approximately $3 million lower than budgeted funding levels. The legislature restored the funding in a subsequent appropriations bill, and the Governor again vetoed the funding. Actual expenditures fell by another $700.0 UGF in FY19, and saw a further $700.0 decrease in

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Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
25	Village Public Safety Officer Program / Village Public Safety Officer Program	Add 10 Village Public Safety Officers for Rural Alaska	$2,328.0 Gen Fund (UGF)	(continued) FY20. In FY21, the legislature restored $3 million of funding at the recommendation of the VPSO Working Group. In FY22, the Governor proposed a decrement of $340.8 UGF to "Implement Operating Reductions to Maintain Department's Core Activities" and the legislature accepted this reduction. While VPSO recruitment remains a significant challenge, the FY21 actuals for grant expenditures were 99% of the available funding, in part due to a $4/hr pay increase for all VPSOs, which is part of a three-year plan to increase VPSO salaries by a total of $7/hr by FY24.
26	Village Public Safety Officer Program / Village Public Safety Officer Program	Village Public Safety Officer 5% Salary Increase	$617.6 Gen Fund (UGF)	In FY22, the Department implemented a three-year plan to increase VPSO pay in order to attract qualified applicants and to compensate existing VPSOs at a level that more closely matched other law enforcement salaries. Currently, VPSO regulation 13 AAC 96.030(2) restricts grantees from compensating VPSOs at any amount above the salary schedule. With this funding, the salary schedule can be modified so that VPSOs will ultimately earn a base salary of $32.79 per hour by FY24. <u>Planned annual increments:</u> FY22: $4/hr increase FY23: $2/hr increase FY24: $1/hr increase **Items 25 and 26 are related.** **Fiscal Analyst Comment:** VPSOs and Alaska State Troopers are often a point of comparison for compensation, though while the responsibilities are similar, the qualifications and training for these positions can differ significantly. Starting pay (salary only, no COLA, premium pay, or benefits) for an Alaska State Trooper at a rural posting is between $60-70/hr, and housing costs are sometimes provided separately. VPSOs are not eligible for the same benefits that State-employed commissioned officers receive. Instead, their benefits vary as they are determined by the grantee, whether a village or tribal organization, or another form of local government.

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Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
27	Council on Domestic Violence and Sexual Assault / Council on Domestic Violence and Sexual Assault	Add Authority for Domestic Violence and Sexual Assault Victim Services Grants Support	$3,500.0 CSLFRF (Fed) **IncOTI**	The FY23 budget request includes one-time American Rescue Plan Act (ARPA) funding through Coronavirus State and Local Fiscal Relief Fund (CSLFRF) to maintain grants to nonprofits who assist victims of domestic violence and sexual assault. The rate of domestic violence and sexual assault in Alaska continues to increase, even while the overall crime rate is decreasing. Alaska maintains the highest rate of sexual assault in the nation; four times the national average. These issues have been exacerbated during the COVID-19 pandemic due to isolation, socioeconomic pressures, and other factors. The majority of this grant funding supports entities who provide emergency shelter and supportive services to victims. **Fiscal Analyst Comment:** In FY22, the legislature approved a separate $8 million multi-year appropriation (FY21-FY24) of CSLFRF grant support for nonprofits who assist victims of sexual assault, human trafficking, and domestic violence. The agency projects that those funds will be fully expended by the end of FY23, necessitating this new one-time increment (IncOTI) to supplant lost Victims of Crime Act (VOCA) revenues and restore FY21 levels of grant availability in FY23. Federal VOCA Fix legislation could reverse the downward trend in the availability of these funds, but funding levels will still fall below previous years. The Department expects that the VOCA formula grant allocations will reach a stable funding level for Alaska by FY25, providing between $3.5 and $4.0 million on an annual basis. This IncOTI utilizes CSLFRF, which is a one-time fund source, and the legislature should anticipate an FY24 funding shortfall of approximately $6.3 million for the program based on current projections, though a variety of other factors could influence that outcome.
28	Council on Domestic Violence and Sexual Assault / Council on Domestic Violence and Sexual Assault	Add Two Program Coordinators to Manage Victim Services and Perpetrator Intervention Programs	**Total: $286.4** $93.2 Fed Rcpts (Fed) $193.2 Gen Fund (UGF) **2 PFT Positions**	A Program Coordinator is added in Juneau to manage the **Victim Services Program** which distributes grant funding to 24 victim service programs. Most grant recipients provide emergency shelter for victims of domestic violence and victims of sexual assault, though services are not limited to emergency shelter functions. While most programs are located in hub communities, all grant recipients provide services to rural areas as well.

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Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
28	Council on Domestic Violence and Sexual Assault / Council on Domestic Violence and Sexual Assault	Add Two Program Coordinators to Manage Victim Services and Perpetrator Intervention Programs	**Total: $286.4** $93.2 Fed Rcpts (Fed) $193.2 Gen Fund (UGF) **2 PFT Positions**	(continued) A second Program Coordinator is added in Juneau to manage a **Perpetrator Intervention Program**. This program works with perpetrators to identify and change abusive behaviors.
29	Council on Domestic Violence and Sexual Assault / Council on Domestic Violence and Sexual Assault	Alaska Family Justice Center Model Study	$500.0 Gen Fund (UGF)	Funding is requested to conduct a study to identify partners and locations, evaluate scalability, and determine the long-term fiscal and human capital investments necessary to implement and establish an Alaska Family Justice Center (AFJC). The agency describes the prospective AFJC as being dedicated to transitioning victims of domestic violence, sexual assault, and sex trafficking into survivors: "The AFJC is a team of professionals including therapists, nurses, attorneys, prosecutors, advocates, police, and other social service providers. The AFJC will provide services free of charge to individuals to empower them to break free of their abusers, end the pattern of violence, and become thriving members of society. The AFJC provides a safe environment to victims and their families and offers culturally relevant and evidence-based programs and services which enable them to regain their self-worth and find their way out of abusive relationships and into a new violence-free life."
30	Statewide Support / Commissioner's Office	Add Tribal Liaison to Work with Tribes and Local Communities	$125.5 Gen Fund (UGF) **1 PFT Position**	A Program Coordinator I is added in Anchorage to serve as a Tribal Liaison to promote engagement, consultation, and collaboration with Alaska Tribes, tribal organizations, and the Alaska Native community. This position will focus on Missing and Murdered Indigenous Persons (MMIP).
31	Statewide Support / Information Systems	Add Funding for Two Analyst/Programmers, a Geographic Info Systems Analyst, and Two Data Communication Specialists	$700.3 Gen Fund (UGF) **5 PFT Positions**	Positions and funding are added to support critical line of business equipment, networks, and services that remain unsupported due to scope of work after the Office of Information Technology (OIT) consolidation. Additional support will be provided to computer-aided dispatch services, mapping, and interfaces related to dispatch. These positions will further the goal of being able to provide a statewide road system map suitable for dispatching for most or all of the state with regular updates and support for map creation.

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Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
31	Statewide Support / Information Systems	Add Funding for Two Analyst/Programmers, a Geographic Info Systems Analyst, and Two Data Communication Specialists	$700.3 Gen Fund (UGF) **5 PFT Positions**	(continued) These positions will support the following systems: Combined DNA Index System (CODIS) network and workstations at the crime lab; Special circuits and connectivity to the Wireless Information Network (WIN); National Crime Information Center (NCIC); Regional Information Secure Cloud (RISSNET); and National Law Enforcement Telecommunications System (NLETS). The positions will also support partner agency connections and secure tunnels, including: Alaska Public Safety Information Network (APSIN); Automated Biometric Identification System (ABIS); and Army Master Data File Retrieval Microform System (ARMS). **Positions are added in the following locations:** Two Analyst/Programmers II/III/IV positions, range 16/18/20 - Anchorage One Geographic Information Systems (GIS) Analyst II/III, range 17/19 - Anchorage Two Data Communication Specialist I/II positions, range 19/21 - Anchorage
32	Statewide Support / Criminal Justice Information Systems Program	Increase Designated Program Receipt Authority for Criminal Background Checks to Balance Excess Carryforward	$622.4 GF/Prgm (DGF)	The agency reports a balance of approximately $600.0 in General Fund Program receipt carryforward due to ever-increasing Criminal Background Check activity. This increased authority will allow the agency to expend those funds on direct costs associated with this function.
33	Statewide Support / Criminal Justice Information Systems Program	Add 6 Criminal Justice Positions to Support National Crime Information Center Missing Persons Validation Audits	**Total: $673.7** $606.3 Fed Rcpts (Fed) $67.4 Gen Fund (UGF) **6 PFT Positions**	The Department of Public Safety (DPS) is required to complete audits and verify information placed in to the Alaska Public Safety Information Network (APSIN) / National Crime Information Center (NCIC) databases. In 2021, an audit performed by the Federal Bureau of Investigation (FBI) found that DPS was deficient in missing person validations and audits. Validation work is spread through many parts of the organization and is not being handled in a systematic and manageable manner as it should be. Validation refers to the auditing and validating of records relating to felony warrants, misdemeanor warrants, protective orders, probation conditions, condition of release, missing persons, identify theft, property records, and locates in

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Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
33	Statewide Support / Criminal Justice Information Systems Program	Add 6 Criminal Justice Positions to Support National Crime Information Center Missing Persons Validation Audits	**Total: $673.7** $606.3 Fed Rcpts (Fed) $67.4 Gen Fund (UGF) **6 PFT Positions**	(continued) APSIN. **Positions Supported with this Increment:** Five Criminal Justice Technicians I/II - Anchorage One Criminal Justice Specialist - Anchorage **Items 14 and 33 are related.**
34	Statewide Support / Criminal Justice Information Systems Program	Increase Federal Authority for Existing Multi-Year Grants Related to Criminal History and Records Improvement Projects	$4,841.3 Fed Rcpts (Fed)	On December 15, 2021, the Legislative Audit and Budget Committee approved RPL 12-2022-0105 for $4,843.9 Fed to "Increase Federal Authority for Existing Grants." This increment reflects the FY22 supplemental as an ongoing item in the FY23 budget. Federal awards pertain to the following grant types: National Criminal History Improvement Program (NCHIP), National Instant Criminal Background Check System (NICS) Act Record Improvement Program (NARIP), and Sexual Offender Registration and Notification Act (SORNA). Of these grant types, only NCHIP has a state match requirement (10%). Projects under each award run on two to three year grant cycles, and the Division requires sufficient authority to cover multiple, concurrent grant cycles. The Alaska Court System (ACS) is a subgrantee of DPS, which is why $1 million of this transaction is reflected in the Grants/Benefits line.
35	Statewide Support / Laboratory Services	Increase Federal Receipt Authority for Existing Multi-Year Grants for Forensics, DNA, and Sexual Assault Kit Tracking	$627.0 Fed Rcpts (Fed)	On December 15, 2021, the Legislative Audit and Budget Committee approved RPL 12-2022-0104 for $600.9 Fed to "Increase Federal Authority for Existing Grants Including Funding for a Sexual Assault Kit Tracking System." This increment reflects the FY22 supplemental as an ongoing item in the FY23 budget. This increase in federal receipt authority will support programs at the Alaska Scientific Crime Detection Laboratory (ASCDL), including Coverdell Forensic Science Improvement, DNA Capacity Enhancement and Backlog Reduction, and Implementation of a Sexual Assault Kit Tracking Program, as well as anticipated increases in spending associated with these grants. The agency is purchasing STACS DNA which will interface with the existing Crime Lab system, and is currently used by the Federal Bureau of Investigation and over a dozen other US states. At this time, Laboratory Services is fully staffed with no vacant positions. The agency does not plan to use this

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Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
35	Statewide Support / Laboratory Services	Increase Federal Receipt Authority for Existing Multi-Year Grants for Forensics, DNA, and Sexual Assault Kit Tracking	$627.0 Fed Rcpts (Fed)	(continued) grant funding to send additional backlog kits to external laboratories.
36	Statewide Support / Laboratory Services	Add Three Forensic Scientists, a Forensic Technician, and an Admin Assistant to Reduce Turnaround Time on DNA Testing	$1,229.3 Gen Fund (UGF) **6 PFT Positions**	The Alaska Scientific Crime Detection Laboratory (ASCDL) requires additional staff to reduce the turnaround time on DNA testing, including addressing the sexual assault kit backlog. Currently, the turnaround time for sexual assault kit testing is one year; these added positions should reduce the turnaround time to three months after ASCDL's receipt of the test kit, while maintaining the current level of service for other DNA services (property crimes, homicides, etc.). This increment includes non-personnel costs for additional services and commodities that will be required annually with the increased staffing capacity. **Positions are added in the following locations:** Administrative Assistant II, range 14 - Anchorage Forensic Technician I, range 13 - Anchorage Forensic Scientist I, range 15 - Anchorage Two Forensic Scientists I/II, range 15/17 - Anchorage Forensic Scientist III, range 19 - Anchorage
37	Violent Crimes Compensation Board / Violent Crimes Compensation Board	Reduce Authority Due to Decreased Availability of Restorative Justice Funding for the Crime Victim Compensation Fund	($157.7) Crime VCF (Other)	The Crime Victims Compensation fund is capitalized with Restorative Justice Account funds, formerly known as Permanent Fund Dividend (PFD) Criminal funds. The amount of Restorative Justice Account funds available for appropriation in FY23 is significantly less than the FY22 amount due to a sharp decline in the number of incarcerated individuals. This is primarily due to the impact of the COVID-19 pandemic on the Alaska Court System and other facets of the criminal justice system. In FY22, the calculation was based on 9,446 ineligible Alaskans (calendar year 2019) and a $992 dividend, and in FY23 it is based on 7,700 ineligible Alaskans (calendar year 2020) and a $1,114 dividend. This fund source has historically shown significant volatility due to changes in the dividend amount as well as inmate and felon counts, and the impacts of COVID-19 will likely carry into the FY24 Restorative Justice fund calculation well, as 2021 incarceration rates did not show a significant uptick over 2020.

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Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
37	Violent Crimes Compensation Board / Violent Crimes Compensation Board	Reduce Authority Due to Decreased Availability of Restorative Justice Funding for the Crime Victim Compensation Fund	($157.7) Crime VCF (Other)	(continued) **Fiscal Analyst Comment:** Alaska Statute 43.23.048(b) states that the legislature may appropriate Restorative Justice funds for the following purposes and percentages, in priority order: **10-13%** - Crime Victims Compensation Fund (Fund Cap) **2-6%** - Office of Victims' Rights (Leg) **1-3%** - Nonprofits for Services for Crime Victims and Domestic Violence and Sexual Assault Programs (DPS) **1-3%** - Nonprofits for Mental Health Services and Substance Abuse Treatment for Offenders (DHS) **79-88%** - Costs related to to incarceration or probation (DOC) The Governor's FY23 request currently allocates the minimum amount to meet the threshold for the Crime Victim Compensation Fund, and just meets the minimum for grants to nonprofits through DPS and DHS. Currently, 84% of the funding is directed to the Department of Corrections. The availability of Restorative Justice funds is significantly lower than the past five years due to reduced incarcerations and dividend amounts which results in the need to reduce funding levels or replace this fund source with UGF.

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2022 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Revenue

Appropriation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Taxation and Treasury	82,589.4	82,368.4	82,368.4	80,903.8	84,836.0	2,467.6	3.0 %	3,932.2	4.9 %
Child Support Services	25,334.5	25,334.5	25,334.5	24,840.5	24,840.5	-494.0	-1.9 %	0.0	
Administration and Support	4,779.7	4,779.7	4,779.7	4,691.9	4,669.9	-109.8	-2.3 %	-22.0	-0.5 %
Mental Health Trust Authority	5,311.0	5,311.0	5,311.0	5,215.7	5,305.6	-5.4	-0.1 %	89.9	1.7 %
AK Muni Bond Bank Authority	1,021.5	1,021.5	1,021.5	1,014.3	1,014.3	-7.2	-0.7 %	0.0	
AK Housing Finance Corporation	266,844.6	489,844.6	489,844.6	102,250.7	143,516.6	-346,328.0	-70.7 %	41,265.9	40.4 %
AK Permanent Fund Corporation	212,575.1	212,575.1	212,575.1	212,177.7	217,802.0	5,226.9	2.5 %	5,624.3	2.7 %
Agency Unallocated	0.0	0.0	0.0	112.1	-499.0	-499.0	<-999 %	-611.1	-545.1 %
Agency Total	**598,455.8**	**821,234.8**	**821,234.8**	**431,206.7**	**481,485.9**	**-339,748.9**	**-41.4 %**	**50,279.2**	**11.7 %**
Funding Summary									
Unrestricted General (UGF)	27,266.4	27,685.2	27,685.2	26,436.6	27,118.0	-567.2	-2.0 %	681.4	2.6 %
Designated General (DGF)	3,395.3	3,395.3	3,395.3	3,345.0	3,174.5	-220.8	-6.5 %	-170.5	-5.1 %
Other State Funds (Other)	322,963.4	418,323.6	418,323.6	321,485.8	369,233.9	-49,089.7	-11.7 %	47,748.1	14.9 %
Federal Receipts (Fed)	244,830.7	371,830.7	371,830.7	79,939.3	81,959.5	-289,871.2	-78.0 %	2,020.2	2.5 %

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Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Taxation and Treasury / Tax Division	Restore One-Time Fund Source Change to Utilize ARPA Revenue Replacement	**Net Zero** ($10,000.0) Gen Fund (UGF) $10,000.0 ARPA Rev R (UGF)	The Governor utilizes **$10 million** of American Rescue Plan Act (ARPA) revenue replacement in this agency's budget, out of a total of $375.4 million statewide. One of the allowable uses for the State's allocation from the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) within ARPA is replacing revenue lost due to the Covid-19 pandemic. This funding can be used for any cost of State government that is within the scope of normal government operations. To avoid distorting the budget, the funds used for revenue replacement are appropriated to the general fund, and a UGF tracking code (1271) is used for activities that fit the federal requirements, adding up to the total amount of revenue replaced. Since 1271 is just a UGF tracking code, there is no impact on the agency's operations. The fund change will be reversed in the FY24 Adjusted Base.
2	Taxation and Treasury / Treasury Division	Exempt Salary Increase	**Total: $870.4** $174.1 Gen Fund (UGF) $696.3 I/A Rcpts (Other)	The Treasury Division manages $50 billion on behalf of State entities. While continually exceeding benchmarks, Treasury has saved ~$30 million per year through fee negotiation, increasing internal investment management, and portfolio restructuring. Treasury has recruitment and retention concerns, since uneven staffing could affect investment performance or force a return to external management, which is much more expensive. Investment professionals are in high demand, and employees can earn significantly higher salaries elsewhere. McLagan, a consulting firm specializing in financial services industry compensation, found Treasury's salaries to be at the 24th percentile of public pension funds. The compensation increases move staff to the 36th percentile. The compensation plan was implemented in the FY22 Management Plan, and the agency may take reductions elsewhere in the appropriation if the increment is denied.
3	Taxation and Treasury / Treasury Division	Investment Management Resources	**Total: $250.0** $50.0 Gen Fund (UGF) $200.0 I/A Rcpts (Other)	The Treasury Division is requesting new investment tools to improve efficiency and reduce reliance on external managers for developed markets. The additional software and tools include but are not limited to the following: 1. Three additional Bloomberg licenses, with an approximate total cost of $50.0-$75.0 annually. The

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Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Taxation and Treasury / Treasury Division	Investment Management Resources	**Total: $250.0** $50.0 Gen Fund (UGF) $200.0 I/A Rcpts (Other)	(continued) additional licenses would provide all Investment Officers direct access to a Bloomberg terminal. 2. Subscriptions to two additional products from Bloomberg: the Server API (~$75.0) and the RECON function (~$60.0). Both products would automate ad-hoc manual processes that are currently time-consuming and fallible. In addition, the RECON function would be necessary for establishing an internally managed developed markets strategy, which Treasury plans to do in order to save money on external manager fees. 3. In order to establish an internally managed developed markets strategy, Treasury also requires a SEDOL license (~$25.0). The SEDOL is an unique identification code for securities traded on the London Stock Exchange, and a license is required for data access. The license would also replace a complicated matching process Treasury currently uses to reconcile inconsistent identifiers used by various data sources for domestic markets.
4	Taxation and Treasury / Treasury Division	Payment Card Industry (PCI) Compliance	$100.0 Gen Fund (UGF)	The Treasury Division has entered an agreement to reimburse the Office of Information Technology (OIT) to piggyback on OIT's existing contract with Structured Communication Systems, Inc. The intent is to bring Treasury into payment card processing compliance, ensuring security of public data and avoiding fines. Non-compliance can also potentially impact credit ratings.
5	Taxation and Treasury / Permanent Fund Dividend Division	Seasonal Dividend Application Scanning and Mail Sorting	$72.0 PFD Fund (Other) **2 PPT Positions**	Due to implementing new optical scanning software, the Permanent Fund Dividend Division's FY21 budget eliminated six seasonal Office Assistant positions with a $527.6 decrement. The optical scanning software has shown higher than acceptable error rates, and Division staff have to manually review applications uploaded by the software. This unanticipated work has diverted Division resources from other tasks, leading to processing delays. This increment would add two permanent part-time Office Assistant I positions to perform the reviews.
6	Taxation and Treasury / Permanent Fund Dividend Division	Dividend Applicant Identity Verification	$2,000.0 PFD Fund (Other)	The Permanent Fund Dividend (PFD) Division has seen an increase in suspicious activity, such as duplicate applications and payment receiving methods changing immediately before PFDs are distributed. Given recent attacks on other State systems, the Division is concerned about the possibility of large-

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Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Taxation and Treasury / Permanent Fund Dividend Division	Dividend Applicant Identity Verification	$2,000.0 PFD Fund (Other)	(continued) scale fraud. The Division proposes to contract with a third party to screen identities for all PFD applicants. Appropriations from the PFD Fund, such as this increment, are deductions from the PFD distribution.
7	Alaska Housing Finance Corporation / AHFC Operations	Foster Youth to Independence and Emergency Housing Voucher Programs	$3,200.0 Fed Rcpts (Fed)	The Alaska Housing Finance Corporation is requesting receipt authority for two Federal grant programs administered by the U.S. Department of Housing and Urban Development. The Foster Youth to Independence program provides rental assistance to young adults aging out of the foster care system. The Emergency Housing Voucher Program provides housing to families who are homeless, at risk of homelessness, or are fleeing a domestic violence situation.
8	Alaska Permanent Fund Corporation / APFC Operations	Investment Staff Incentive Compensation Program	$710.0 PF Gross (Other)	In FY22, the legislature approved a $890.0 increment to partially fund a performance based bonus program for investment staff. Based on FY21 year-end performance, the bonus formula would have paid out approximately $1.6 million in FY22. Since funding was insufficient, staff bonuses were prorated. The FY23 proposed increment would expand the program to $1,600.0, which would be distributed based on FY22 year-end performance. If the calculated distribution based on FY22 performance exceeds this amount, staff bonuses would be prorated to keep the total distribution at $1,600.0. If the calculated distribution is less than $1,600.0, the entire amount available would not be distributed, and the undistributed portion would remain in the Earnings Reserve Account.
9	Alaska Permanent Fund Corporation / APFC Operations	Merit and Cost of Living Adjustment	$438.4 PF Gross (Other)	APFC is requesting this increment to increase wages for operational staff by 3% and investment staff by 4%. Unlike most State employees, APFC staff do not receive annual merit step increases. This increment is intended to acknowledge employee performance in the absence of step increases, as well as to account for inflation.
10	Alaska Permanent Fund Corporation / APFC Operations	Staffing Support for Front and Back Office	$1,572.6 PF Gross (Other) **7 PFT Positions**	This increment would fund seven positions, five investment staff and two operational, as follows: 1. Three Portfolio Managers and one Data Analyst would be added to the Alternative Investments team, which focuses on non-conventional strategies such as private equity. The additional staff will allow for

Department of Revenue

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Alaska Permanent Fund Corporation / APFC Operations	Staffing Support for Front and Back Office	$1,572.6 PF Gross (Other) **7 PFT Positions**	(continued) greater subsector specialization, and a growing portfolio. The total value of alternative investments was $25.6 billion at the end of FY22, and APFC hopes to grow the portfolio to $40 billion in four years. 2. A Senior Investment Analyst would be added to the Real Estate team due to the increasing size and complexity of the portfolio. APFC anticipates the Real Estate portfolio will double in the next three to five years. 3. One IT Security Specialist and one IT Project Manager would be added. The added IT staff is to support the growing complexity of APFC's overall investment strategies.
11	Alaska Permanent Fund Corporation / APFC Investment Management Fees	Forecasted Investment Management Fees and Supporting Investment Systems	$2,828.9 PF Gross (Other)	$2,091.4 of the increment is intended for forecasted external manager fees. Two types of external manager fees are included in the forecast, base and incentive. Base fees are related to market performance and are paid in alignment with the fiscal year. These fee projections are developed using the management contract terms in conjunction with Callan's market assumptions. Incentive fees are contracted and paid based on managers outperforming their relative benchmark on a calendar year basis. The methodology for forecasting incentive fees has been updated and is now based on basis points paid by manager in FY21 unless the historical average was still an accurate representation. $810.8 would be added to support investment systems. As a result of FY21 performance, more funding is required for contracts based on total assets under management. The increment would also fund systems upgrades directed at risk management and furthering analytical capabilities for private markets. The proposed budget reduces investment due diligence funding by $373.3 due to lower anticipated legal fees specific to investments. It also includes an additional $300.0 for custody fees associated with outsourcing of new collateral margining requirements, bringing the total increment to $2,828.9.

Department of Revenue

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
12	Agency Unallocated / Unallocated Rates Adjustment	FY2023 Office of Information Technology Mainframe Increases	**Total: ($852.5)** ($590.9) Fed Rcpts (Fed) ($259.9) Gen Fund (UGF) ($1.7) GF/Prgm (DGF)	This transaction was made in error, as the Department already accounted for the move away from the Office of Information Technology Mainframe in the FY22 budget with a $1,131.3 decrement. OMB has indicated this transaction will be removed in the Governor's amended budget release.

2022 Legislature - Operating Budget
Appropriation Summary - Governor Structure

Numbers and Language

Agency: Department of Transportation and Public Facilities

Appropriation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Division of Facilities Services	111,030.1	111,030.1	111,030.1	110,891.0	99,341.4	-11,688.7	-10.5 %	-11,549.6	-10.4 %
Administration and Support	65,511.6	69,319.8	69,319.8	51,626.3	51,954.9	-17,364.9	-25.1 %	328.6	0.6 %
Design, Engineering & Constr	124,813.8	124,813.8	124,813.8	118,381.9	118,431.1	-6,382.7	-5.1 %	49.2	
State Equipment Fleet	35,670.2	35,670.2	35,670.2	35,691.3	35,691.3	21.1	0.1 %	0.0	
Highways/Aviation & Facilities	167,517.2	165,343.2	165,343.2	160,429.6	163,011.5	-2,331.7	-1.4 %	2,581.9	1.6 %
International Airports	95,436.3	95,436.3	95,436.3	95,184.5	95,184.5	-251.8	-0.3 %	0.0	
Marine Highway System	190,717.8	182,903.6	182,903.6	182,697.6	141,754.4	-41,149.2	-22.5 %	-40,943.2	-22.4 %
Agency Unallocated	0.0	0.0	0.0	769.1	2,210.7	2,210.7	>999 %	1,441.6	187.4 %
Agency Total	**790,697.0**	**784,517.0**	**784,517.0**	**755,671.3**	**707,579.8**	**-76,937.2**	**-9.8 %**	**-48,091.5**	**-6.4 %**
Funding Summary									
Unrestricted General (UGF)	144,931.6	134,943.4	134,943.4	131,065.7	74,507.5	-60,435.9	-44.8 %	-56,558.2	-43.2 %
Designated General (DGF)	49,131.7	49,131.7	49,131.7	49,339.6	55,386.9	6,255.2	12.7 %	6,047.3	12.3 %
Other State Funds (Other)	427,871.7	427,871.7	427,871.7	428,227.5	417,365.5	-10,506.2	-2.5 %	-10,862.0	-2.5 %
Federal Receipts (Fed)	168,762.0	172,570.2	172,570.2	147,038.5	160,319.9	-12,250.3	-7.1 %	13,281.4	9.0 %

Department of Transportation and Public Facilities

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Division of Facilities Services / Facilities Services	Reduce Interagency Receipt Authority for Facilities Maintenance and Operations	($11,525.0) I/A Rcpts (Other)	In FY19, the State of Alaska started transitioning from a decentralized method of facilities maintenance to a shared services method and has fully implemented this approach in FY22. Inter-agency receipt authority can be reduced due to the full implementation. **Fiscal Analyst Comment:** This is a cleanup of previously duplicate authority no longer needed now that all facilities services are consolidated. It is not representative of a reduction in funding or real dollars expended.
2	Administration and Support / Various	Reverse One-Time Fund Source Change to Utilize Federal Highway Administration CRRSAA Funding	**Net Zero** $1,953.7 Marine Hwy (DGF) ($1,953.7) FHWA CRRSA (Fed)	In the FY22 budget, Federal Highway Administration's Coronavirus Response and Relief Supplemental Appropriations Act (FHWA CRRSAA) displaced Marine Highway spending in the Department's operating budget across multiple appropriations. In addition to the Administration and Support appropriation this fund change took place in Statewide Design and Engineering, and Southcoast Region Facilities allocations. In FY23 the department anticipates this fund source will be depleted and not available to substitute the Alaska Marine Highway System (AMHS) fund authority. This fund change will return the indirect AMHS administrative costs outside of the AMHS appropriation back to the AMHS fund. Department estimates made at the beginning of FY22 predict the fund balance to be around $58 million by the end of FY22.
3	Design, Engineering and Construction / Northern Region Design, Engineering, and Construction	Consolidating Northern Construction & CIP and Northern Design & Engineering Services into Single Allocation	n/a	This is a consolidation of staff and resources from both design and construction into a single team. The Department asserts that the Northern Region would benefit from combining staff and the two budgets into a single regional allocation. The consolidation would streamline budget and fiscal processes to maximize administrative and operational efficiencies. **Fiscal Analyst Comment:** This change in budget structure reflects the operational change made by the Department to administratively consolidate these offices.
4	Highways, Aviation and Facilities / Various	Fund Source Swap to Utilize Federal Aviation Administration CARES Act Funding and Displace Unrestricted General Fund	**Net Zero** ($4,190.2) Gen Fund (UGF) $4,190.2 COVID Fed (Fed)	The State of Alaska Rural Airport System was allocated approximately $49 million of Federal Aviation Administration (FAA) CARES Act grants. Funds provided under the Grant Agreement must only be used for purposes directly related to airports. Such purposes can include the reimbursement of an airport's

Department of Transportation and Public Facilities

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Highways, Aviation and Facilities / Various	Fund Source Swap to Utilize Federal Aviation Administration CARES Act Funding and Displace Unrestricted General Fund	**Net Zero** ($4,190.2) Gen Fund (UGF) $4,190.2 COVID Fed (Fed)	(continued) operational and maintenance expenses. This fund source change takes place in the following allocations: Northern Region Facilities: $2,621.0 Southcoast Region Facilities: $1,569.2 The Department was previously appropriated FAA CARES totaling $8,263.3 in FY20, and $19,965.5 in FY21. The following amounts of one-time FAA CARES grant funding were appropriated in FY22: Rural airport paint striping: $2,302.3 Offset of Aviation Fuel tax: $276.4 Rural airport deferred maintenance capital projects: $11,000.0 Ketchikan Airport Operation: $502.0 The remaining FAA grant funding is sufficient to make this fund source swap in FY23. To maintain these levels of service, the federal receipt authority will need to be replaced with general funds at the expiration of Federal COVID relief. This will likely be in FY24 depending on the remaining amount of CARES funding.
5	Highways, Aviation and Facilities / Central Region Highways and Aviation	Reverse One-Time Use of Federal Relief Funding for Reopening of Silvertip Maintenance Station	($620.0) FHWA CRRSA (Fed)	The Department has removed one-time funding for the Silvertip maintenance station from the FY23 budget. The Department has indicated that they intend to keep the station open in FY23 and have added five new positions associated with the station. There is no new funding included in the FY23 budget for this reopening. **Fiscal Analyst Comment:** The Department has not yet stated the funding available for this activity and an amendment to the budget may be necessary.
6	Highways, Aviation and Facilities / Central Region Highways and Aviation	Mission Critical Incentive Pay Increment for Bethel Airport Foreman and Equipment Operators	$100.0 Gen Fund (UGF)	The Department states that the lack of experienced and stable workforce in combination with the requirement for manning a 24-hour facility puts its ability to maintain basic operations of the facility at risk. The allocation did not receive additional personal services authority when a Letter of Agreement was reached to pay eligible employees Mission Critical Incentive Pay.

Department of Transportation and Public Facilities

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Highways, Aviation and Facilities / Various	Reverse One-time Use of FAA CARES Act Federal Funding to Cover Aviation Fuel Tax Shortfall	**Net Zero** $276.4 AvFuel Tax (Other) ($276.4) COVID Fed (Fed)	The Department reversed one-time use of Federal Aviation Administration CARES Act federal funding to cover Aviation Fuel Tax shortfall. This fund source change takes place in the following allocations: Central Highways and Aviation: $86.5 Northern Highways and Aviation: $141.5 Southcoast Highways and Aviation: $48.4 **Fiscal Analyst Comment:** The fall revenue forecast for Aviation Fuel Tax receipts is $4.5 million in FY23. The Department proposes $4.4 million in total Aviation Fuel Tax receipt authority in the FY23 budget.
8	Highways, Aviation and Facilities / Various	Reverse One-Time Fund Source Change to Utilize FHWA CRRSAA Funding and Displace UGF	**Net Zero** $17,756.4 Gen Fund (UGF) ($17,756.4) FHWA CRRSA (Fed)	The Department reversed a one-time fund source swap of unrestricted general funds to Federal Highway Administration Coronavirus Response and Relief Supplemental Appropriations Act (FHWA CRRSAA). This fund source was almost fully expended in the FY22 budget and is not available as an ongoing funding source. This fund source change takes place in the following allocations: Central Highways and Aviation: $5,406.8 Northern Highways and Aviation: $10,492.2 Southcoast Highways and Aviation: $1,857.4
9	Highways, Aviation and Facilities / Various	Reverse One-Time Fund Source Swap to Utilize FAA CRRSAA Funding and Displace UGF	**Net Zero** $11,507.9 Gen Fund (UGF) ($11,507.9) COVID Fed (Fed)	The Department reversed a one-time fund source swap of UGF to federal receipt authority to utilize FAA CRRSAA revenue for Rural Airports. This fund source change takes place in the following allocations: Central Highways and Aviation: $3,607.9 Northern Highways and Aviation: $5,247.4 Southcoast Highways and Aviation: $2,652.6
10	Highways, Aviation and Facilities / Various	Utilize Available Motor Fuel Tax Receipts	**Net Zero** ($4,119.9) Gen Fund (UGF) $4,119.9 Motor Fuel (DGF)	Motor fuel tax receipt authority was previously used in the Alaska Marine Highway System budget. Use of federal funds to support Marine Highway operations makes Motor Fuel Tax receipt authority available for use to support highway maintenance. This fund source change takes place in the following allocations: Central Highways and Aviation: $1,187.8

Department of Transportation and Public Facilities

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Highways, Aviation and Facilities / Various	Utilize Available Motor Fuel Tax Receipts	**Net Zero** ($4,119.9) Gen Fund (UGF) $4,119.9 Motor Fuel (DGF)	(continued) Northern Highways and Aviation: $2,186.5 Southcoast Highways and Aviation: $745.6 **Fiscal Analyst Comment:** The fall revenue forecast for Motor Fuel Tax receipts is $34.2 million in FY23. The Department proposes $36.3 million in Motor Fuel Tax receipt authority in the FY23 budget. That is a potential $2.1 million shortfall.
11	Highways, Aviation and Facilities / Various	Maintenance and Operations Funding for Rural Airport Paint Striping	$2,719.3 COVID Fed (Fed)	The Department currently performs striping at paved airports utilizing available capital funds from the annual Airport Improvement Program (AIP) Surface Maintenance program. Under this program, the Department was previously eligible to perform striping activities at one-year and three-year intervals depending upon the airport. The Federal Aviation Administration (FAA) has now changed the frequency of eligibility for striping for all paved airports to three years. The frequency creates a challenge due to significant snow removal activities during the winter season. Part 139 airports need to be restriped annually to ensure compliance with FAA Part 139 certificates and avoid Letters of Correction from the FAA. The Department received one-time funding for this activity in FY22. That was automatically removed from the adjusted base budget in FY23. This new increment will again appropriate one-time funding in the following allocations: Central Highways and Aviation: $500.0 Northern Highways and Aviation: $390.0 Southcoast Highways and Aviation: $1,829.3
12	Highways, Aviation and Facilities / Various	One-Time Fund Source Swap to Utilize Federal Relief Funding and Displace UGF	**Net Zero** ($14,668.0) Gen Fund (UGF) $14,668.0 COVID Fed (Fed)	One-time fund source swap of UGF to federal relief funding (ARPA & CRRSAA) to be used for purposes directly related to airports. Such purposes can include the reimbursement of an airport's operational and maintenance expenses. Funding is included in the following allocations: Central Highways and Aviation: $4,157.9 Northern Highways and Aviation: $6,505.6 Southcoast Highways and Aviation: $4,004.5 To maintain current levels of service the federal

Department of Transportation and Public Facilities

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
12	Highways, Aviation and Facilities / Various	One-Time Fund Source Swap to Utilize Federal Relief Funding and Displace UGF	**Net Zero** ($14,668.0) Gen Fund (UGF) $14,668.0 COVID Fed (Fed)	(continued) receipt authority will need to be replaced with general fund authority at the expiration of the federal relief funding. **Item 12 and 16 are related.**
13	Highways, Aviation and Facilities / Northern Region Highways and Aviation	Reverse Dalton District Shift Change - Two Weeks On/Two Weeks Off	($1,298.6) FHWA CRRSA (Fed)	The Department reversed one-time federal funding authority that is no longer available in FY23. **Fiscal Analyst Comment:** The Department has indicated that the end of this federal funding does not mean that the change in shift schedules has been reversed. New positions added to facilitate this shift change remain. The department has not yet stated how this is being paid for in the FY23 budget. An amendment to the budget may be necessary.
14	Highways, Aviation and Facilities / Northern Region Highways and Aviation	Mission Critical Incentive Pay Increment for Fairbanks Electricians and Nome Duty Station Equipment Operators	$279.0 Gen Fund (UGF)	Northern Region entered into a Letter of Agreement for Mission Critical Incentive Pay, in response to ongoing recruitment and retention issues with electrician and equipment operator job classes at specific locations. The Department asserts that pay incentives will improve recruitment, prevent reductions in service hours at the Nome Airport, and ensure critical signal and traffic lighting work is completed in the Fairbanks area.
15	Highways, Aviation and Facilities / Northern Region Highways and Aviation	Reverse Maintenance and Operations Funding for Reopening of Chitina and Birch Lake Maintenance Stations	($794.6) FHWA CRRSA (Fed)	Though this one-time funding is ending, the Department's FY23 budget has added four new full-time positions to operate the two maintenance stations without an associated budget increase. **Fiscal Analyst Comment:** The Department has indicated that they intend to keep the stations open but have not yet stated what funding source they intend to use. This may need to be addressed as an amendment to the budget.
16	Highways, Aviation and Facilities / Southcoast Region Highways and Aviation	Reverse One-Time Fund Source Swap to Utilize FAA CARES Funding for UGF Costs at the Ketchikan Airport	**Net Zero** $502.0 Gen Fund (UGF) ($502.0) COVID Fed (Fed)	The Ketchikan International Airport (KTN) is the only State-owned airport managed by another entity. The Southcoast Region Highways and Aviation component pays an annual fixed management fee to the Ketchikan Gateway Borough. **Fiscal Analyst Comment:** One-time funding for KTN is included in the federal funding authority requested in Southcoast Region Highways and Aviation in the Governor's FY23 budget proposal.

Department of Transportation and Public Facilities

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
16	Highways, Aviation and Facilities / Southcoast Region Highways and Aviation	Reverse One-Time Fund Source Swap to Utilize FAA CARES Funding for UGF Costs at the Ketchikan Airport	**Net Zero** $502.0 Gen Fund (UGF) ($502.0) COVID Fed (Fed)	(continued) **Item 12 and 16 are related.**
17	Marine Highway System / Various	Alaska Marine Highway System Calendar Year 2023 Operating Budget (FY23-FY24)	**Total: $141,754.4** $135,894.7 Fed Rcpts (Fed) $859.7 CIP Rcpts (Other) $5,000.0 Marine Hwy (DGF)	In FY22, the Alaska Marine Highway System (AMHS) operating budget shifted from running on the State fiscal year to running on the calendar year (CY) allowing for better system planning, service, and full-year advanced schedule releases. In FY23, federal receipts will be available through the Infrastructure Investment and Jobs Act (IIJA). This proposed CY23 operating budget represents an increase in planned service weeks and port calls and eliminates all service gaps, providing consistent service levels to communities throughout the year. Boats will only be out of service for regular (or required) maintenance, not as a cost savings measure. This is an increase of $22.6 million above CY22 funding levels. In CY22, the AMHS is funded using a mixture of federal COVID relief funds and UGF. The proposed CY23 budget changes funding to almost entirely federal grant funding through the IIJA. Marine Highway Fund authority is included for costs that the Department has determined to be ineligible for expenses under IIJA. Department estimates made at the beginning of FY22 have the fund balance at $58 million by the end of FY22. The Marine Highway Fund is sweepable under Article IX, Section 17(d) of the Alaska Constitution. Without action by the legislature, the unappropriated balance of the fund will be transferred to the Constitutional Budget Reserve Fund (CBR) at the end of the fiscal year. Additionally, the Governor's request uses $20 million for vessel overhaul in the capital budget. In total the Governor's budget appropriates $26.9 million of the available AMHS funds. The Governor's budget also includes a language section provision that provides "backstop" language to replace uncollected federal funds with AMHS funds, up to $20 million, if necessary. This would obligate up to $46.9 million of the available AMHS funds.

Department of Transportation and Public Facilities

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
17	Marine Highway System / Various	Alaska Marine Highway System Calendar Year 2023 Operating Budget (FY23-FY24)	**Total: $141,754.4** $135,894.7 Fed Rcpts (Fed) $859.7 CIP Rcpts (Other) $5,000.0 Marine Hwy (DGF)	(continued) The Governor's bill moves the AMHS budget from the language section of the bill to a seperate numbers section. This allows for a different effective date than other numbers section items. Bringing the AMHS budget into the numbers section places it back under the purview of the DOT&PF legislative budget subcommittees.

2022 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: University of Alaska

Allocation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
University of Alaska									
Systemwide Reduction/Additions	-21,234.6	-22,246.6	10,001.1	1.1	26,801.1	16,800.0	168.0 %	26,800.0	>999 %
Systemwide Services	36,427.7	36,427.7	29,552.8	29,552.8	29,552.8	0.0		0.0	
Office of Information Technology	15,115.1	15,115.1	15,251.9	15,251.9	15,251.9	0.0		0.0	
Anchorage Campus	247,062.3	268,387.5	260,592.3	238,942.1	239,042.1	-21,550.2	-8.3 %	100.0	
Small Business Development Ctr	3,684.6	3,684.6	3,684.6	3,684.6	3,684.6	0.0		0.0	
Fairbanks Campus	378,347.7	391,623.3	373,664.6	360,389.0	410,389.0	36,724.4	9.8 %	50,000.0	13.9 %
Education Trust of Alaska	2,998.4	2,998.4	4,239.8	4,239.8	4,239.8	0.0		0.0	
Kenai Peninsula College	16,298.1	16,298.1	16,204.4	16,204.4	16,204.4	0.0		0.0	
Kodiak College	5,546.1	5,546.1	5,558.7	5,558.7	5,558.7	0.0		0.0	
Matanuska-Susitna College	13,192.5	13,192.5	13,347.6	13,347.6	13,347.6	0.0		0.0	
Prince William Sound College	6,252.4	6,252.4	6,252.4	6,252.4	6,252.4	0.0		0.0	
Bristol Bay Campus	4,052.6	4,052.6	3,967.6	3,967.6	3,967.6	0.0		0.0	
Chukchi Campus	2,185.4	2,185.4	2,185.4	2,185.4	2,185.4	0.0		0.0	
College of Rural & Comm Dev	9,211.2	9,211.2	9,211.2	9,211.2	9,211.2	0.0		0.0	
Interior Alaska Campus	5,234.0	5,234.0	5,201.2	5,201.2	5,201.2	0.0		0.0	
Kuskokwim Campus	6,016.6	6,016.6	6,223.2	6,223.2	6,223.2	0.0		0.0	
Northwest Campus	5,017.9	5,017.9	4,922.0	4,922.0	4,922.0	0.0		0.0	
UAF Community and Tech College	13,406.0	13,406.0	12,408.9	12,408.9	12,408.9	0.0		0.0	
Ketchikan Campus	5,089.6	5,089.6	4,922.0	4,922.0	4,922.0	0.0		0.0	
Sitka Campus	7,041.4	7,041.4	6,965.0	6,965.0	6,965.0	0.0		0.0	
Juneau Campus	44,885.5	47,622.2	47,799.3	45,062.6	45,062.6	-2,736.7	-5.7 %	0.0	
Appropriation Total	**805,830.5**	**842,156.0**	**842,156.0**	**794,493.5**	**871,393.5**	**29,237.5**	**3.5 %**	**76,900.0**	**9.7 %**
Agency Total	**805,830.5**	**842,156.0**	**842,156.0**	**794,493.5**	**871,393.5**	**29,237.5**	**3.5 %**	**76,900.0**	**9.7 %**
Funding Summary									
Unrestricted General (UGF)	273,058.5	272,733.5	272,733.5	272,733.5	276,833.5	4,100.0	1.5 %	4,100.0	1.5 %
Designated General (DGF)	320,430.0	319,418.0	319,418.0	309,418.0	309,418.0	-10,000.0	-3.1 %	0.0	
Other State Funds (Other)	75,116.1	75,116.1	75,116.1	75,116.1	75,116.1	0.0		0.0	
Federal Receipts (Fed)	137,225.9	174,888.4	174,888.4	137,225.9	210,025.9	35,137.5	20.1 %	72,800.0	53.1 %

University of Alaska

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	University of Alaska / Budget Reductions/ Additions - Systemwide	Consolidate All University Allocations Into One Appropriation	n/a	The Governor's budget proposes one appropriation instead of the two-appropriation structure adopted by the legislature for FY22. The primary advantage of the one-appropriation model is that it limits the amount of necessary internal billing between different parts of the university system and provides more financial and budgetary management flexibility. **Fiscal Analyst Comment:** The two-appropriation structure passed by the legislature consists of the University of Alaska appropriation and the University of Alaska Community Campuses appropriation, which also includes the University of Alaska Southeast Juneau campus. The one-appropriation structure provides the Board of Regents (BOR) and University management authority to reallocate budget authority among all of the allocations. The multiple-appropriations structure limits the authority to reallocate budget authority among only the allocations within a specific appropriation. Budget authority cannot be transferred between allocations in different appropriations.
2	University of Alaska / Budget Reductions/ Additions - Systemwide	University of Alaska Drone Program (FY23-FY24)	$10,000.0 CSLFRF (Fed) **MultiYr**	This proposal uses federal relief money for a drone project (also known as Unmanned Aircraft Systems (UAS)) within the Alaska Center for Unmanned Aircraft Systems Integration (ACUASI) at the University of Alaska Fairbanks. The University of Alaska conducts testing and training operations to support the full integration of drones with traditional aircraft in U.S. airspace and to develop the workforce to support this emerging industry in Alaska. ACUASI has partnered with the Federal Aviation Administration (FAA) in operating and evaluating various UAS programs. According to the University, UAS have potential uses in remote infrastructure monitoring within the oil and gas industry, medical supply and cargo delivery to aviation-dependent communities, mapping and surveying, and wildlife monitoring and protection. Additionally, international drone air cargo flights, utilizing drone cargo hubs in Alaska, such as the Fairbanks International Airport (FAI), have the potential to greatly increase Alaska's international standing as a leading cargo gateway and provide an

University of Alaska

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	University of Alaska / Budget Reductions/ Additions - Systemwide	University of Alaska Drone Program (FY23-FY24)	$10,000.0 CSLFRF (Fed) **MultiYr**	(continued) emerging economic opportunity for Alaska. The University of Alaska conducts many of the testing operations needed to support integration of drones with traditional aircraft in U.S. airspace and develop the workforce needed to support this emerging industry in Alaska. Some of the activities ACUASI envisions in advancing the UAS program include: -Increase staffing for testing technologies and drone cargo delivery; -Increase participation in FAA programs; -Increase participation in conferences, symposia, and congressional hearings; -Coordinate and collaborate with the Alaska Department of Transportation and Public Facilities (DOT&PF) to advance the use of drones; -Acquire facilities to conduct classified research in support of military projects; -Establish a test range for drone manufacturers, technology providers, and others; -Establish a drone flight school for training. **Fiscal Analyst Comment:** The fund source is the Coronavirus State and Local Fiscal Relief Fund (CSLFRF), which is a flexible federal funding source that is available for appropriation through FY24. The Governor's budget utilizes the remaining $504.8 million from the CSLFRF in his FY23 budget proposal. Eligible uses for the funds include replacing revenue lost due to the pandemic, COVID-19 health response, and economic recovery.
3	University of Alaska / Budget Reductions/ Additions - Systemwide	Heavy Oil Recovery Method Research and Development (FY23-FY24)	$5,000.0 CSLFRF (Fed) **MultiYr**	Funding to develop technology enabling the production of heavy oil in the Ugnu formation, for which no production technique currently exists. A new enhanced oil recovery method, called polymer-alternating solvent (PAS), will enable heavy oil development in the Arctic, a 12-15 billion-barrel target. This funding will allow the University of Alaska Fairbanks to immediately begin lab work leading to a field demonstration, conducted in partnership with Hilcorp, within two years. Development of this technology requires lab improvements and increased faculty research capacity.

University of Alaska

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	University of Alaska / Budget Reductions/ Additions - Systemwide	Heavy Oil Recovery Method Research and Development (FY23-FY24)	$5,000.0 CSLFRF (Fed) **MultiYr**	(continued) A successful field demonstration will prove the technology necessary to add approximately 10 billion barrels of heavy oil to Alaska's recoverable reserve base. Successful development, demonstration, and ultimately deployment of the PAS method could spur ancillary benefits such as development of an Alaska-based polymer production facility which may have practical applications within the industry. This initiative is contingent upon procurement of polymer for field trials by industry partners. **Fiscal Analyst Comment:** The fund source is the Coronavirus State and Local Fiscal Relief Fund (CSLFRF), which is a flexible federal funding source that is available for appropriation through FY24. The Governor's budget utilizes the remaining $504.8 million from the CSLFRF in his FY23 budget proposal. Eligible uses for the funds include replacing revenue lost due to the pandemic, COVID-19 health response, and economic recovery.
4	University of Alaska / Budget Reductions/ Additions - Systemwide	Critical Minerals and Rare Earth Elements Research and Development (FY23-FY24)	$7,800.0 CSLFRF (Fed) **MultiYr**	This project will develop Alaska's critical mineral industry. In the short-term, it will leverage an existing Department of Energy (DOE) grant and promote manufacturing of value-added Rare Earth Elements and Critical Minerals (REE-CM) based components (e.g., magnets for wind turbines, electric vehicles, military applications). With State funding, the DOE-sponsored Technology Innovation Center focus on critical minerals can be expanded to incorporate a broader Critical Minerals Group (CMG), also emphasizing hyperspectral imaging for exploration, advances in metallurgy/mineral ore processing, and mining workforce development (e.g., MAPTS program). The university seeks to initiate the CMG within the existing Mineral Industries Research Lab (MIRL) at the University of Alaska Fairbanks (UAF) to grow the critical minerals industry in Alaska from exploration, to mining, to processing, and includes workforce mine training through the Mining and Petroleum Training Service (MAPTS). UAF will create a critical mass of research expertise with a faculty cohort, renovate key labs and equipment to support faculty and students, and modernize workforce training facilities to

University of Alaska

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	University of Alaska / Budget Reductions/ Additions - Systemwide	Critical Minerals and Rare Earth Elements Research and Development (FY23-FY24)	$7,800.0 CSLFRF (Fed) **MultiYr**	(continued) accommodate new mining techniques. Existing partners include: - The Alaska Division of Geological & Geophysical Surveys (DGGS) - UCORE Rare Minerals, Inc. - Ahtna, Inc., Alaska Native Corporation - JWP LLC - Technology Holding LLC - Red Leaf Resources Inc. - Graphite One - ESP Research Inc. - Arctic Slope Regional Corporation - Doyon Lmtd - FGX Sep Tech LLC - NANA Regional Corporation - Usibelli Coal Mine - Vermeer, North American Coal The University of Alaska Southeast (UAS) will expand its programs in Mining Industry Workforce Development. The University of Alaska Anchorage (UAA) will: 1) Enhanced Recovery of Alaska Rare Earth Elements through bio-weathering technology through the UAA College of Arts & Sciences (CAS), and 2) Compare petroleum and mineral development in Alaska to world standards through the Institute of Social & Economic Research (ISER). Comparative research will be conducted to evaluate Alaska's regulatory and environmental standards for petroleum and mineral development. The project has a one-year timeline and results will be available to provide context to ongoing policy making around Alaska's key export industries. **Fiscal Analyst Comment:** The fund source is the Coronavirus State and Local Fiscal Relief Fund (CSLFRF), which is a flexible federal funding source that is available for appropriation through FY24. The Governor's budget utilizes the remaining $504.8 million from the CSLFRF in his FY23 budget proposal. Eligible uses for the funds include replacing

University of Alaska

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	University of Alaska / Budget Reductions/ Additions - Systemwide	Critical Minerals and Rare Earth Elements Research and Development (FY23-FY24)	$7,800.0 CSLFRF (Fed) **MultiYr**	(continued) revenue lost due to the pandemic, COVID-19 health response, and economic recovery.
5	University of Alaska / Budget Reductions/ Additions - Systemwide	University of Alaska Fixed Cost Increases	$4,000.0 Gen Fund (UGF)	The FY23 request is to cover a portion of an estimated $11.1 million in fixed cost increases. The University's unavoidable costs necessary for operations continue to climb. Due to enrollment declines related to COVID-19, these cost increases cannot be covered by tuition and fee revenue. The University will continue to identify additional efficiencies across the system to fund operating cost increases until student enrollment recovers. The estimated $11.1 million of fixed cost increases are: <u>Compensation: $4.7 million</u> - The estimate includes a 2% average salary adjustment for all non-union staff and union-represented firefighters. It also includes a small amount to realign student salaries ($110,000-$130,000). In the past five years, except for a market adjustment in FY20, there has only been one across-the-board increase of 1% for employees. <u>Information Technology Operations: $1.0 million</u> - The University is moving its Enterprise Resource Planning (ERP) system to the cloud. This effort will reduce the risk associated with operating in-house hardware systems and increase the University's capabilities in terms of systems availability, agility, disaster recovery and business continuity. Improvements to cybersecurity capabilities are necessary to meet the ever-increasing risk and cost caused by security breaches. Insurance carriers and third-parties are increasingly requiring the deployment of best-in-class cybersecurity systems in order to do business with the University. <u>Insurance Premiums: $2.0 million</u> - Property insurance premiums have doubled and other insurance coverages, such as cybersecurity coverage, have also seen significant increases. The rising cost of insurance is a national issue.

University of Alaska

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	University of Alaska / Budget Reductions/ Additions - Systemwide	University of Alaska Fixed Cost Increases	$4,000.0 Gen Fund (UGF)	(continued) Facilities Maintenance: $3.4 million - Annual state-funded capital appropriations for deferred maintenance/renewal & repurposing (DM/R&R) activities averaged $31 million from FY07-FY15 and dropped to an average of $3 million annually from FY16-FY22. In addition to capital appropriations, a portion of the annual operating appropriation is dedicated to facilities maintenance ($25.6 million in FY22). In FY17, a multi-year plan to incrementally increase the annual funding to reach a goal of $60.0 million was implemented. This increment will help close the $34.4 million funding gap in in ten years. **Fiscal Analyst Comment:** The estimated $4.7 million request for compensation excludes three union contracts, listed below, that end in FY22 and are currently being negotiated for FY23. Budget requests will be made when a collective bargaining agreement (CBA) has been negotiated and ratified by the union. United Academics (UNAC) - expired 12/31/21; United Academics - Adjuncts (UNAD) - expires 2/28/22; Alaska Higher Education Crafts & Trades Employees (Local 6070) - expires 06/30/22
6	University of Alaska / Anchorage Campus	MH Trust: The Alaska Training Cooperative (FY23-FY25)	$100.0 GF/MH (UGF) **IncT**	The Alaska Training Cooperative (AKTC) promotes career development opportunities for non-degreed professionals, direct service workers, supervisors, and professionals in the behavioral health, home and community-based, and long-term care support services working with Alaska Mental Health Trust Authority beneficiaries. **Fiscal Analyst Comment:** The FY22 request for $100.0 GF/MH was vetoed by the Governor. There is also $885.6 in MHTAAR funds proposed; MHTAAR funding for the Alaska Training Cooperative has been in the budget since FY13.
7	University of Alaska / Fairbanks Campus	Increase Federal Receipt Authority to Align with Anticipated Revenue	$50,000.0 Fed Rcpts (Fed)	This increment provides federal budget authority for research activity that continues to grow at UAF. The largest contributing factor is the growth of a newly established University Affiliated Research Center (UARC) through the UAF Geophysical Institute (GI), Wilson Alaska Technical Center. The UARC provides the necessary structure for US Government agencies to

University of Alaska

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	University of Alaska / Fairbanks Campus	Increase Federal Receipt Authority to Align with Anticipated Revenue	$50,000.0 Fed Rcpts (Fed)	(continued) quickly issue sole-source contracts (task orders) that fall under the core mission of geophysical detection of nuclear proliferation. The UARC was created initially with a $50 million ceiling (over five years). As federal, primarily Department of Defense (DoD), contractual engagement has increased, this ceiling was increased to $100 million by the DoD in the spring of 2021 (FY21). According to the University, UAF strives to grow the research mission of the institution which directly contributes to the State of Alaska economy, and this model has tremendous potential.

2022 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Judiciary

Allocation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Alaska Court System									
Appellate Courts	8,179.1	8,179.1	8,179.1	8,170.1	8,230.1	51.0	0.6 %	60.0	0.7 %
Trial Courts	93,547.4	93,547.4	93,547.4	92,923.6	95,741.2	2,193.8	2.3 %	2,817.6	3.0 %
Administration and Support	11,317.2	11,317.2	11,317.2	11,124.7	11,316.2	-1.0		191.5	1.7 %
Appropriation Total	**113,043.7**	**113,043.7**	**113,043.7**	**112,218.4**	**115,287.5**	**2,243.8**	**2.0 %**	**3,069.1**	**2.7 %**
Therapeutic Courts									
Therapeutic Courts	6,763.9	6,763.9	6,763.9	6,799.7	6,965.5	201.6	3.0 %	165.8	2.4 %
Appropriation Total	**6,763.9**	**6,763.9**	**6,763.9**	**6,799.7**	**6,965.5**	**201.6**	**3.0 %**	**165.8**	**2.4 %**
Commission on Judicial Conduct									
Commission on Judicial Conduct	475.1	475.1	475.1	466.2	466.2	-8.9	-1.9 %	0.0	
Appropriation Total	**475.1**	**475.1**	**475.1**	**466.2**	**466.2**	**-8.9**	**-1.9 %**	**0.0**	
Judicial Council									
Judicial Council	1,418.6	1,418.6	1,418.6	1,392.4	1,392.4	-26.2	-1.8 %	0.0	
Appropriation Total	**1,418.6**	**1,418.6**	**1,418.6**	**1,392.4**	**1,392.4**	**-26.2**	**-1.8 %**	**0.0**	
Judiciary Unallocated									
Unallocated Rates Adjustment	0.0	0.0	0.0	-3.0	40.7	40.7	>999 %	43.7	<-999 %
Appropriation Total	**0.0**	**0.0**	**0.0**	**-3.0**	**40.7**	**40.7**	**>999 %**	**43.7**	**<-999 %**
Agency Total	**121,701.3**	**121,701.3**	**121,701.3**	**120,873.7**	**124,152.3**	**2,451.0**	**2.0 %**	**3,278.6**	**2.7 %**
Funding Summary									
Unrestricted General (UGF)	117,961.6	117,961.6	117,961.6	117,134.1	120,411.5	2,449.9	2.1 %	3,277.4	2.8 %
Designated General (DGF)	518.0	518.0	518.0	518.0	518.2	0.2		0.2	
Other State Funds (Other)	2,246.1	2,246.1	2,246.1	2,246.0	2,246.7	0.6		0.7	
Federal Receipts (Fed)	975.6	975.6	975.6	975.6	975.9	0.3		0.3	

Judiciary

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Alaska Court System / Trial Courts	FY23 Fund Source Change to Utilize ARPA Revenue Replacement from Coronavirus State and Local Fiscal Recovery Funds	**Net Zero** ($80,000.0) Gen Fund (UGF) $80,000.0 ARPA Rev R (UGF)	The Governor utilizes **$80 million** of American Rescue Plan Act (ARPA) revenue replacement in this agency's budget, out of a total of $375.4 million statewide. One of the allowable uses for the State's allocation from the Coronavirus State and Local Fiscal Recovery Fund (CSLFRF) within ARPA is replacing revenue lost due to the COVID-19 pandemic. This funding can be used for any cost of State government that is within the scope of normal government operations. To avoid distorting the budget, the funds used for revenue replacement are appropriated to the general fund, and a UGF tracking code (1271) is used for activities that fit the federal requirements, adding up to the total amount of revenue replaced. Since fund code 1271 is just a UGF fund tracking code, there is no impact on the agency's operations. The fund change will be reversed in the FY24 Adjusted Base.
2	Alaska Court System / Trial Courts	Evidence Management Software	$150.0 Gen Fund (UGF)	Funding to support procurement of a cloud-based digital evidence subscription system to address access and security, functionality, system data exchange and storage, and customer support needs for managing and presenting evidence during trials. For criminal cases, the system allows prosecutors and defense attorneys to manage, store, and share digital evidence, and display it during the trial from the system's secure online database. It allows evidence to be displayed both in-person and during remote hearings and trials. It reduces risks associated with the pandemic by enabling evidence to be presented on large screens instead of documents having to be physically passed among jurors. It improves cybersecurity by eliminating the risky and insecure practice of attorneys and litigants either bringing evidence on flash drives, which are plugged into court system computers, or sending emails with evidence attached.
3	Alaska Court System / Trial Courts	Facility Maintenance and Operating Expenses	$661.5 Gen Fund (UGF)	The court system occupies 40 facilities across the state and requires additional funding for increased costs for facility leases and utilities, and for janitorial, security screening, snow plowing and facility maintenance contractual costs. The cost increases are: Consumer price index (CPI) increases for leases and an increased cost for Public Building Fund facilities: $107.7

Judiciary

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Alaska Court System / Trial Courts	Facility Maintenance and Operating Expenses	$661.5 Gen Fund (UGF)	(continued) Utilities and facility maintenance: $128.8 Expected increases in janitorial contracts: $200.0 Court security screening services: $225.0
4	Alaska Court System / Trial Courts	Software Subscription and Maintenance Costs	$1,091.8 Gen Fund (UGF)	The Alaska Court System purchased software subscriptions to help protect the court system's network and prevent another cybersecurity attack like the one suffered during the latter part of FY2021. The majority of the software subscriptions were purchased using federal Coronavirus Aid, Relief, and Economic Security Act (CARES) funding. Funding is also being requested for the Online Dispute Resolution Project; contractually negotiated CPI increases for CourtView and other court applications; Zoom licenses to continue remote hearings and administrative meetings; and to purchase Qmatic, which is used to schedule appointments with members of the public who want to limit time spent at the court system conducting non-emergency business. The annual costs are: Cybersecurity: $722.8 Qmatic: $33.1 Zoom licenses: $58.5 Online Dispute Resolution: $240.0 CourtView: $37.4
5	Therapeutic Courts / Therapeutic Courts	Treatment and Supervision Costs for Therapeutic Courts	$136.5 Gen Fund (UGF) **1 PFT Position** **(1) PPT Position**	Increased costs for treatment services in the Palmer, Kenai, and Anchorage therapeutic courts ($50.0), and to fully fund a Probation Officer (currently the position is partially funded), testing supplies, and treatment services for the Bethel Therapeutic Court ($85.0).
6	Various	Increased Hours for Non-Judicial Employees	$1,195.1 Gen Fund (UGF)	In FY2017, the court system reduced its regular workweek from 37.5 hours to 36.0 hours for all permanent, full-time non-judge positions. This reduction was made in response to statewide budget cutting efforts. The change allowed the court system's budget to be reduced by approximately $2 million dollars per year for a cumulative six-year total of $12 million - the savings achieved by decreasing staff salaries by 4% to account for the reduction in working hours. For FY2023, funding will be used to increase the hours for court employees to address the work

Judiciary

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Various	Increased Hours for Non-Judicial Employees	$1,195.1 Gen Fund (UGF)	(continued) backlogs that have accumulated during the pandemic and the hours that the court system customer service counters are available to the public and State agencies on Friday afternoons. The cost for all positions currently working a 36.0-hour workweek to return to a 37.5-hour workweek would be approximately $2.2 million, however the court system is requesting approximately $1.2 million. The court system intends to provide the increased customer service hours and address case processing backlogs with minimized expenditures by not returning all court staff to 37.5 hours, and only those who do increase their hours will receive the corresponding salary increase. Instead, the court system intends to use flexible staffing schedules and modified workload distribution systems for many types of case processing tasks throughout the court system. The increase is being requested in the following allocations and amounts: Appellate Courts: $60.0 Trial Courts: $914.3 Administration and Support: $191.5 Therapeutic Courts: $29.3

2022 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language

Agency: Legislature

Allocation	[1] 22 CC	[2] 22 Auth	[3] 22MgtPln	[4] Adj Base	[5] 23Gov	[5] - [3] 22MgtPln to 23Gov		[5] - [4] Adj Base to 23Gov	
Budget and Audit Committee									
Legislative Audit	6,601.8	6,601.8	6,601.8	6,601.8	7,537.0	935.2	14.2 %	935.2	14.2 %
Legislative Finance	7,648.0	7,648.0	7,648.0	7,648.0	7,648.0	0.0		0.0	
Committee Expenses	1,934.1	1,934.1	1,934.1	1,934.1	1,934.1	0.0		0.0	
Appropriation Total	**16,183.9**	**16,183.9**	**16,183.9**	**16,183.9**	**17,119.1**	**935.2**	**5.8 %**	**935.2**	**5.8 %**
Legislative Council									
Administrative Services	13,197.9	13,197.9	13,197.9	13,197.9	13,197.9	0.0		0.0	
Council and Subcommittees	695.3	3,810.4	3,810.4	695.3	695.3	-3,115.1	-81.8 %	0.0	
Legal and Research Services	4,792.0	4,792.0	4,792.0	4,792.0	4,792.0	0.0		0.0	
Select Committee on Ethics	264.4	264.4	264.4	264.4	264.4	0.0		0.0	
Office of Victims Rights	1,053.9	1,053.9	1,053.9	1,053.9	1,053.9	0.0		0.0	
Ombudsman	1,384.6	1,384.6	1,384.6	1,384.6	1,384.6	0.0		0.0	
LEG State Facilities Rent	1,539.7	1,539.7	1,539.7	1,539.7	1,539.7	0.0		0.0	
Appropriation Total	**22,927.8**	**26,042.9**	**26,042.9**	**22,927.8**	**22,927.8**	**-3,115.1**	**-12.0 %**	**0.0**	
Legislative Operating Budget									
Leg Salaries and Allowances	8,680.1	6,685.1	6,685.1	6,685.1	8,680.1	1,995.0	29.8 %	1,995.0	29.8 %
Legislative Operating Budget	11,602.3	11,602.3	11,602.3	11,602.3	11,602.3	0.0		0.0	
Session Expenses	10,106.8	10,106.8	10,106.8	10,106.8	10,106.8	0.0		0.0	
Appropriation Total	**30,389.2**	**28,394.2**	**28,394.2**	**28,394.2**	**30,389.2**	**1,995.0**	**7.0 %**	**1,995.0**	**7.0 %**
Legislature Unallocated									
Unallocated Rates Adjustment	0.0	0.0	0.0	1.0	72.8	72.8	>999 %	71.8	>999 %
Appropriation Total	**0.0**	**0.0**	**0.0**	**1.0**	**72.8**	**72.8**	**>999 %**	**71.8**	**>999 %**
Agency Total	**69,500.9**	**70,621.0**	**70,621.0**	**67,506.9**	**70,508.9**	**-112.1**	**-0.2 %**	**3,002.0**	**4.4 %**
Funding Summary									
Unrestricted General (UGF)	68,697.0	69,817.1	69,817.1	66,703.0	69,769.2	-47.9	-0.1 %	3,066.2	4.6 %
Designated General (DGF)	341.5	341.5	341.5	341.5	344.9	3.4	1.0 %	3.4	1.0 %
Other State Funds (Other)	462.4	462.4	462.4	462.4	394.8	-67.6	-14.6 %	-67.6	-14.6 %

Legislature

FY23 - Summary of Significant Budget Issues
($ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Budget and Audit Committee / Legislative Audit	Performance Reviews Required by Statute	$935.2 Gen Fund (UGF) **3 PFT Positions**	AS 44.66.020 tasks the Division of Legislative Audit (DLA) with performance reviews of specific programs and agencies. After the initial performance reviews for the Departments of Corrections, Health and Social Services, and Education and Early Development, the legislature removed funding in FY17 for all remaining departments scheduled for review. As it is still a requirement in statute, DLA has requested the funding each year since it was eliminated and the legislature has denied the request each time. However, the statute will sunset after FY23 so this will be the final year this request is made, absent any further legislation.
2	Legislative Operating Budget / Legislators' Salaries and Allowances	Legislator Per Diem	$1,995.0 Gen Fund (UGF)	The Governor vetoed $1,995.0 UGF for legislator per diem in the FY22 budget, roughly equivalent to the amount paid for per diem over the course of a 121-day session. The Governor's budget restores this veto for FY22 in his proposed fast-track supplemental bill, and in FY23 as an ongoing increment.

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