


ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE Division of Legislative Finance



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MEMORANDUM

DATE: June 26, 2023
TO: Legislative Budget and Audit Committee
FROM: Alexei Painter, Director 
SUBJECT: Preparation for the June 28, 2023 LB&A Meeting

OMB submitted the following FY24 RPL for consideration at the June 28, 2023 Legislative Budget and Audit Committee meeting. This RPL, along with Legislative Finance comments, is posted on our website at <http://www.legfin.akleg.gov>.

RPL#	Agency	Allocation/Program	Amount	Fund Source
16-2024-0130	DOH	Alaska Opioid Addiction Treatment	\$460,000	Statutory Designated Program Receipts (1108) Operating

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

**Department of Health
Public Health
Chronic Disease Prevention & Health Promotion**

Subject of RPL: Alaska Opioid Addiction Treatment	ADN/RPL #: 16-2024-0130
Amount requested: \$460,000	Appropriation Authority: Sec1 Ch1 FSSLA 2023 Pg 20 Ln 28
Funding source: Statutorily Designated Program Receipts (1108) Operating	Statutory Authority: AS 47.05

PURPOSE

In 2021, Alaska experienced the largest percent increase in overdose deaths of any state in the United States, losing at least 253 people to overdose, with 196 deaths attributed to opioids. Seventy-six percent (76%) of the deaths involved synthetic narcotics, a category that includes fentanyl. Of the 778 total overdose deaths that occurred between 2017–2021 in Alaska, fifty-eight percent (58%) involved drugs from more than one narcotic, sedative, or psychotropic category.

In February 2022, a \$26 billion settlement was finalized between most states and local governments and the manufacturer Janssen/Johnson & Johnson (J&J), and three major pharmaceutical distributors: Amerisource Bergen, Cardinal Health, and McKesson. Through the state and local government agreements, Alaska will receive approximately \$58.5 million over the next eighteen years.

Administrative Order No. 324 ([AO324](#)), established the Governor’s Advisory Council on Opioid Remediation (GACOR) with the intent to provide an efficient and transparent way to engage Alaskans statewide regarding the management and allocation of opioid abatement funds.

Remediating the impacts of the opioid epidemic in Alaska requires a comprehensive and community-based approach. The most impact will be made by local and state governments and public and private organizations working together to address the conditions that lead to substance misuse and addiction.

The Office of Substance Misuse and Addiction Prevention (OSMAP) will allocate funds in a population/public health approach which will focus on upstream/primary prevention, harm reduction, treatment and recovery services as outlined in Administrative Order No. 324.

PREVIOUS LEGISLATIVE CONSIDERATION

Legislation submitted in the 33rd Legislative session, [SB133](#) would require establishing an Alaska Opioid Settlement Investment Fund (OSIF) that would invest the payments and allocate funds annually to the Department of Health through the Opioid Addiction Treatment Fund (OATF) to protect the fund. The 33rd Legislative session ended with SB 133 sitting in Senate Finance. Due to the timing of the bill, intent of the settlement agreement and the immediate need to address the opioid pandemic in Alaska, funds are needed to begin this work in FY2024.

Agency Contact: Josie Stern, DOH Assistant Commissioner, 907-465-1630

LFD Contact: Valerie Rose, Fiscal Analyst, 907-465-5411

TIMING ISSUES

Although \$9.2 million in settlement funds have been received, SB133 is still being heard by legislators to determine how best to ensure the settlement fund is protected. As legislation continues to move through the process, DOH is requesting \$460,000 of the fund be appropriated to Public Health's Office of Substance Misuse and Addiction Prevention (OSMAP) for FY2024 to meet the intended use of the funds and engage with communities to implement prevention, harm reduction, treatment and recovery strategies that decrease deaths attributed to opioid overdose. If this appropriation is not approved, the Department of Health will not be able to meet GACOR recommendations as outlined in AO324. If approved for FY2024, funds will be used to implement the GACOR recommendations and add to existing federal funding to develop a comprehensive response to opioid addiction.

BUDGETARY ISSUES

The Department is requesting \$460,000 of the principal fund be appropriated as the first distribution July 1, 2023, to distribute to communities. There are currently no general funds allocated for this effort, nor anticipated in the future.

This appropriation will be in the section of Chronic Disease Prevention and Health Promotion, Office of Substance Misuse and Addiction Prevention Unit. The allocation is anticipated to be part of an ongoing allocation from the Alaska Opioid Settlement Investment Fund (OSIF) to support the long-range goals addressing opioid remediation to decrease opioid overdose in Alaska as long as the Opioid Settlement Investment Fund (OSIF) exists.

Legislative Finance Analyst Comment: There is existing SDPR authority in the Division of Public Health in the Department of Health (DOH), and Public Health already performs similar work addressing the opioid epidemic. Therefore, the RPL does not have any technical or fiscal issues. Informal conversations with Legislative Legal indicate that there are likely no legal concerns with this RPL. This RPL does pose some policy questions, however.

This RPL is directly linked to pending legislation, with associated fiscal notes, currently before the Alaska Legislature. On April 21, 2023, the Governor submitted legislation (SB 133 and HB 171) based on recommendations made by the Governor's Advisory Council on Opioid Remediation (GACOR). The legislation was not heard in either body during the 2023 session.

The Governor's legislation would establish the Opioid Settlement Investment Fund (OSIF) as a special fund of the State. The fund would be established as an investment fund capitalized by the annual settlement funds received by the state (\$58.5 million over 18 years, with \$9.2 million already received) and the bill creates a percent of market value (POMV) draw of five percent annually. The bill then directs the legislature to appropriate the five percent draw into the Opioid Remediation Fund (ORF; also referred

to as the Opioid Addiction Treatment Fund) for use by DOH. The legislation would allow DOH to expend funds on purposes meant to satisfy various aspects of the settlement terms without further appropriation by the legislature. The fund capitalization fiscal note for SB 133 included a supplemental request for FY23 in the amount of \$460.0 in State Designated Program Receipts (SDPR) as the first POMV draw. This RPL matches that amount, although it shifts the first draw to FY24.

There are multiple policy questions surrounding this RPL which the committee may wish to consider. As noted, the Governor submitted this item during session through a fiscal note accompanying the legislation and the legislature chose not to include the fiscal note nor consider the legislation. The RPL could be portrayed as circumventing the will of the full legislature to not move forward on this item. On the other hand, the lack of movement of the legislation may be more indicative of a lack of time in session rather than a lack of support. Further, the legislation also sets up a fund and a draw mechanism, which this RPL does not address. Spending from the settlement is not contingent on the bill's passage.

While the use of these funds is restricted by the terms of the settlement, states have some flexibility in how they will use these funds. The plan for these funds that serves as the backdrop for this RPL was developed by GACOR and is one of many possible plans for these funds. The legislature may support this plan, or it may prefer a different use, or a different allocation mechanism of the funds, or it may want to spend more or less of the funds in FY24 than the amount proposed by the Governor. This RPL may represent a policy choice of greater significance that should be a decision of the full legislature. On the other hand, in previous years the legislature inserted budgetary language restricting the Governor's ability to allocate flexible funds through the RPL process but did not include similar language for these settlement funds.