



ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Finance

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MEMORANDUM

DATE: January 29, 2020

TO: Senator Bert Stedman, Senate Finance Co-Chair
Senator Natasha von Imhof, Senate Finance Co-Chair
Representative Neal Foster, House Finance Co-Chair
Representative Jennifer Johnston, House Finance Co-Chair
Representative Chris Tuck, Legislative Budget & Audit Chair

FROM: Pat Pitney
Director of Legislative Finance Division

A handwritten signature in black ink, appearing to read "Pat Pitney", written over the printed name and title.

SUBJECT: Agency responses to FY20 Legislative Intent Language

This memorandum restates FY20 legislative intent (*italics*) for each agency and provides agency responses (indented) to our request for status reports. Responses indicating non-compliance or partial compliance have been identified using bold font and yellow highlighting.

DEPARTMENT OF ADMINISTRATION

1. Department of Administration

Operating Budget (CCS SSHB 39)

It is the intent of the legislature that the Department of Administration prepare a report outlining a multi-year plan that includes past and future savings resulting from consolidation of shared services and information services. This report should be sent to the Finance co-chairs by January 15, 2020.

The Department of Administration will provide the requested report by January 15, 2020.

<p>Legislative Fiscal Analyst Comment: The department submitted two reports on January 15, 2020. One outlined savings from the Office of Information Technology and the other outlined savings from shared services.</p>

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

2. Community and Regional Affairs

Operating Budget (CCS SSHB 39)

It is the intent of the legislature that the Department of Commerce, Community, and Economic Development submit a written report to the co-chairs of the Finance Committees and the Legislative Finance Division by October 1, 2019, that indicates

(1) the amount each community in the state that participates in the National Flood Insurance Program has paid into the program since 1980, the amount that has been paid out of the program for claims, and the average premium for a home in a special flood hazard area;

(2) for the top five states that have received more in funds paid out than premiums paid into the National Flood Insurance Program since 1980, the amount paid into the program, the amount of claims paid out of the program, and the average premium for a home in a special flood hazard area; and

(3) the number of properties in each community in the state that has been added to a special flood hazard area through mapping efforts by the Federal Emergency Management Agency since 2010.

The Department of Commerce, Community, and Economic Development (DCCED) worked with the Federal Emergency Management Agency (FEMA) to gather the information requested by the Legislature. FEMA was unable to provide responsive data to DCCED in time for the October 1, 2019 deadline to be met, however, the report was provided on October 28, 2019.

3. Statewide Addiction Treatment Facilities Capital Matching Grants

Capital Budget (CSSB 2002(FIN))

It is the intent of the legislature that the Department of Community and Economic Development administer capital matching grants to Alaska organizations committed to building new addiction treatment facilities throughout the state. These grants will match local and private contributions to the maximum extent possible while increasing the number of available addiction treatment slots in the nine regions identified by the DHSS 1115 waiver application.

The Statewide Addiction Treatment Facilities Capital Matching Grants appropriation was vetoed by the Governor. With no funds available, DCCED was unable to administer the program in accordance with the Legislature's intent.

DEPARTMENT OF CORRECTIONS

4. Department of Corrections

Operating Budget (CCS SSHB 39)

PARTIAL COMPLIANCE

It is the intent of the legislature that the department transition 100 inmates into Community Residential Centers, and 100 eligible inmates onto Electronic Monitoring by June 30, 2020. It is also the intent of the legislature that the department strive to use funds in their respective allocations for these purposes. The department should provide a progress report to the legislature on January 15, 2020.

The Department of Corrections (DOC) is taking all steps available to comply with this intent while still protecting public safety. In response to inquiries along this line during the legislative session, DOC scoured the inmate population for additional potential candidates for these placements without finding many. Given the statutory, regulatory, and policy limitations on releasing some inmates into Community Residential Centers and onto electronic monitoring, it is challenging to increase these numbers as the Legislature would like. However, with the anticipated increase in inmates as a result of HB 49, in time, DOC may have a larger pool of sentenced inmates to select from. DOC will report progress in January as requested.

Legislative Fiscal Analyst Comment: The Department submitted its progress report to the Legislature on January 15, 2019 and reported ongoing efforts to evaluate internal policies, processes, and regulation requirements in an effort to meet intent. In the 2019 calendar year, the number of inmates on Electronic Monitoring has seen a significant decline from the reported monthly average of **195** in January to a December monthly average of **136**. The number of inmates in Community Residential Centers has increased from the January monthly average of **221** to an average occupancy of **250** individuals in December.

5. Department of Corrections

Operating Budget (CCS SSHB 39)

It is the intent of the legislature that the Department of Corrections notify the Finance Committee co-chairs at least 60 days before closing a facility, including providing a detailed analysis of the impact of closing the facility and a plan for the facility's closure.

In the event DOC were to close a facility, it would make every effort to comply with this request.

Legislative Fiscal Analyst Comment: To the best of our knowledge, the Department has not formed or initiated any plans to close a facility as of this point in time, and therefore we assume they will not be closing any facilities within the next 60 days, and are therefore compliant with the intent language.

6. Sec. 14. DEPARTMENT OF CORRECTIONS.

Capital Budget (HCS CSSSSB 19(FIN) am H(brf sup maj fld H))

(c) It is the intent of the legislature that the Department of Corrections submit the following reports to the senate secretary and chief clerk of the house of representatives on or before the first day of the Second Regular Session of the Thirty-First Alaska State Legislature and notify the legislature that the reports are available:

- (1) an offender profile report as of June 30, 2018, that is prepared in the historical manner;*
- (2) an offender profile report as of June 30, 2019, that is prepared in the historical manner;*
- (3) a detailed report of the increase in the prisoner population between June 30, 2019, and December 31, 2019, categorized by offense classification, for prisoners*
 - (A) confined in state correctional facilities;*
 - (B) housed in community residential centers;*
 - (C) on pretrial electronic monitoring; and*
 - (D) on post-trial electronic monitoring;*
- (4) a detailed report of the specific actions and efforts taken by the Department of Corrections to ensure that prisoners who are eligible to be housed in community residential centers or placed on electronic monitoring have been considered for such placement and, if denied, the rationale for denying the placement; and*
- (5) a report of the number of persons under pretrial supervision who are committed to the custody of the commissioner of corrections as of December 31, 2019, categorized by offense classification.*

<p>Legislative Fiscal Analyst Comment: The Department submitted the requested report to the Senate Secretary and the Chief Clerk by the specified date. This report is available from those offices upon request.</p>
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DEPARTMENT OF EDUCATION & EARLY DEVELOPMENT

7. Education Support and Administrative Services/ Early Learning Coordination

Operating Budget (CCS SSHB 39)

It is the intent of the legislature that the Department of Education and Early Development shall work with Head Start providers to create an equitable and geographically weighted formula for disbursement of state funded grants to allow for the most students served with a comprehensive early childhood education by January 21, 2020. The Department will keep the Legislature informed of allocation decisions and funding formula results.

Due to the timing of the final budget, the Department of Education and Early Development (DEED) expedited the distribution of FY 2020 awards by using the same funding levels as FY 2019 for Head Start providers serving children ages 3-5. At the time of distribution, DEED shared initial steps to collaborate with grantees on determining an equitable and geographically weighted formula by January 21, 2020, per legislative intent. DEED is working through the fall with Head Start partners to create a formula that provides equity and further clarity.

In October, DEED was notified of a manifest error in HB 39 that resulted in the inadvertent omission of “Early Head Start” providers from the above referenced intent language. In light of this, DEED also reached out to Early Head Start providers for their input on a proposed formula for distribution of funds going forward.

On October 16th, DEED met with 16 Head Start Directors and staff to gather input for an equitable funding formula. After collecting input thru structured processing activities and open conversation, three themes surfaced: Geographic consideration, funding of Early Head Start and Head Start, and distribution should be equitable by using percent of fund and/or base funding.

On December 19, twenty Early Head Start and Head Start directors and staff met with DEED staff, at which point DEED offered two possible options for equitable funding and invited the directors to offer input or propose an entirely different option. After much conversation and exploring the possible options, the group agreed that either option presented by DEED would be an equitable distribution of Head Start funding. DEED has chosen to move forward with a percentage distribution based on a centers federal funding application. The federal funding application process takes into consideration geographic location and types of program the agency runs as well as many other factors as identified the centers application.

8. Sec. 7. LEGISLATIVE INTENT.

Operating Budget (CCS SSHB 39)

(c) It is the intent of the legislature that the Department of Education and Early Development immediately distribute the full amount of the appropriation made in sec. 21(c), ch. 19, SLA 2018, to school districts as appropriated by the legislature.

Payment of the \$20 million in grants to school districts appropriated by sec. 21(c), ch. 19, SLA 2018 was initiated on June 10, 2019, which is the date that this intent was passed by the Legislature.

9. SB10 EXTEND SUICIDE PREVENTION COUNCIL

Department of Education and Early Development

Capital Budget (HCS CSSSSB 19(FIN) am H(brf sup maj fld H))

It is the intent of the legislature that grant funding be divided 50% to rural school districts and 50% to urban school districts. Further, it is the intent of the legislature that the Suicide Prevention Council and the Department of Education and Early Development work together to develop a long-term sustainability plan for suicide prevention training. The plan should include implementation of a "Train the Trainer" model so districts can provide ongoing training. The plan should be submitted to the Presiding Officers of the legislature and the Legislative Finance Division by December 1, 2019.

See Department of Health and Social Services response on page 15 to this intent language.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

10. Environmental Health/ Environmental Health

Operating Budget (CCS SSHB 39)

NON-COMPLIANT

It is the intent of the legislature that the Alaska Department of Environmental Conservation continue to inspect and test Alaska dairies as well as implement a fee schedule to help pay for these functions.

The Department of Environmental Conservation (DEC) continues to inspect and test Alaska dairies in accordance with AS 17.20.005(4). Additionally, DEC has initiated a review of potential fee schedules for dairy farms, dairy processing plants, and dairy container manufacturers in accordance with the requirements of AS 44.46.025(a)(1). When the review is finished, DEC intends to initiate rulemaking to put the new fees into regulation. It is expected that this process will be completed by the end of FY 2020.

Legislative Fiscal Analyst Comment: After providing an initial response in November indicating that they were in the process of initiating a review, the program and its associated budget authority was absent from the Governor's proposed FY21 budget submission. The department stopped the review process after determining that the state's single dairy could not provide adequate funding in the form of fees that could cover even a small portion of the program's costs.

11. Statewide Per- and Polyfluoroalkyl Substances (PFAS) Response (HD 1-40)

Capital Budget (HCS CSSSSB 19(FIN) am H(brf sup maj fld H))

It is the intent of the legislature that the Department of Environmental Conservation collect data on as many per- and polyfluoroalkyl substances (PFAS) as possible, even if that data is not being presently analyzed, to build a baseline of data that will be necessary for understanding the amount of PFAS contamination in soil and water across the state, to estimate the cost of clean up, and to develop a long-term plan of action. The substances for which data should be collected include perfluorooctanesulfonic acid (PFOS), perfluorooctanoic acid (PFOA), perfluoroheptanoic acid (PFHpA), perfluorohexane sulfonic acid (PFHxS), perfluorononanoic acid (PFNA), perfluorobutane sulfonate (PFBS), and the 12 other compounds listed in the Environmental Protection Agency (EPA) method 537.1 testing panel, revised November 2018. It is the intent of the legislature that the commissioner of environmental conservation notify the legislature if the department has identified substances other than those listed above that will be tested, and, if not, the reasons why the department has chosen to limit the data collected, including cost, scientific understanding, or lack of evidence that those chemicals are found in the soil and water in the state.

PFAS are a large and diverse group of man-made chemicals that have been used for decades. They are used in food packaging, carpeting, water-resistant fabrics, non-stick cookware, personal care products, and firefighting foams.

DEC has been working on the PFAS issue for years. On September 3, 2019, the State began requiring reporting for all PFAS compounds analyzed by the appropriate EPA method (https://www.epa.gov/sites/production/files/2019-02/documents/pfas_methods_tech_brief_28feb19_update.pdf). This will keep the State aligned with EPA actions on PFAS.

On October 2, 2019, DEC updated the technical memorandum, “Action Levels for PFAS in Water and Guidance on Sampling Groundwater and Drinking Water” to reflect this change. The memo can be found online at <http://dec.alaska.gov/spar/csp/pfas/>. Results from testing conducted to date have been posted and DEC intends to continue to share results as more testing is completed. DEC’s action level for PFAS remains the same, per the EPA lifetime health advisory of 70 ppt for the sum of PFOS and PFOA.

DEC is working closely with the Department of Transportation and Public Facilities to identify contaminated sites, with an emphasis on communities in close proximity to airports with potential PFAS-related impacts to drinking water. The State is also closely tracking EPA’s PFAS Action Plan (<https://www.epa.gov/pfas/epas-pfas-action-plan>) and, following results from this process, will develop a long term plan of action that will include cleanup cost estimates. Concurrently, DEC has issued air permits to study the impact of PFAS incineration on air quality as an alternative to shipping contaminated soils out of state. As part of this effort, DEC is working with the EPA Office of Research and Development to further understand the efficacy of this process and the potential environmental impacts of treating PFAS contaminated soils.

DEPARTMENT OF FISH AND GAME

12. Wildlife Management, Research and Hunting Access (HD 1-40)

Capital Budget (HCS CSSSSB 19(FIN) am H(brf sup maj fld H))

PARTIAL COMPLIANCE

It is the intent of the legislature that the Department of Fish and Game allocate up to \$2,000,000 of Pittman-Robertson federal funds for agreements with nonstate entities, the Alaska Mental Health Trust Authority, and local governments that provide the required federal match for eligible Pittman-Robertson projects. The Department of Fish and Game shall advertise and communicate an opportunity for these entities to submit proposals for a period of at least 120 days that will close by August 1 to allow for federal agency approval by the end of the federal fiscal year on September 30. The Department of Fish and Game shall maintain the list of projects, award grants to eligible applicants before reverting or returning any Pittman-Robertson funds, and submit a report to the Legislative Finance Division by December 15 of each year.

Currently, the Department of Fish and Game (DFG) has been working to construct hunter access projects, partnering with state agencies, nonstate entities, and local governments that provide the required federal match for eligible Pittman-Robertson projects. The availability of large amounts of Pittman-Robertson funds is expected to continue. DFG will continue to work with partners to identify qualifying projects to maximize the use of these funds to ensure that none are returned to the Federal government.

DFG has a robust process to identify and select suitable access projects, viewable online at www.hunteraccess.adfg.alaska.gov. This site includes grant program overview, project identification, funding restrictions, grant program application, completed and in progress hunter access projects, contact, and additional resources.

The grant program application outlines the application schedule and resources that include program criteria and qualification of funding. The program schedule begins with applications online, is open for submission starting January 2, and ends with applications being due and closed to further submissions on April 20. Applicants are then notified by November of that year with award and grant agreements being finalized, signed, and implemented by March of the following year.

By December 15 of the implemented year, DFG will provide a list of implemented Pittman-Robertson funded projects.

Legislative Fiscal Analyst Comment: The Department maintains a website under the Hunter Access Program page at: <https://www.adfg.alaska.gov/index.cfm?adfg=hunteraccess.main> advertising the availability of federal Pittman-Robertson funds for eligible projects. The site includes contact information for non-state entities to apply to receive grant funding by demonstrating the existence of an eligible project and the appropriate amount of non-state match money.

Intent language stipulates that the Department should advertise and communicate the opportunity for entities to submit proposals for a period of at least 120 days that will close by August 1. The Department's website currently states that the 2020 application period will be open from December 23, 2019 through April 20, 2020 which provides a 120 day application period and meets the legislative intent.

The Legislative Finance Division anticipated the report by December 15, 2019, but the Department of Fish and Game interpreted the intent differently, and plans to submit its first report on December 15, 2020. For this reason, the Department is partially-compliant.

OFFICE OF THE GOVERNOR

13. Office of the Governor/ Office of Management and Budget

Operating Budget (CCS SSHB 39)

It is the intent of the legislature that the Office of Management and Budget submit the FY21 Budget with decrements that reflect cost-savings and efficiencies related to the work and operations of all Administrative Operations Managers and Division Operations Managers throughout all State Departments/Agencies; up to the elimination of all positions identified.

The Office of Management and Budget, in collaboration with all state agencies, will submit an FY 2021 budget that reflects the Governor's priorities of public safety, jobs, economic development, resource development and spending reform to ensure a long-term sustainable, predictable, and affordable fiscal plan.

14. Statewide Deferred Maintenance, Renovation, and Repair (HD 1-40)

Capital Budget (HCS CSSSSB 19(FIN) am H(brf sup maj fld H)) and (CSSB 2002(FIN))

It is the intent of the legislature that the Office of Management and Budget submit a prioritized list of deferred maintenance projects across all executive branch agencies to the finance committees and the Legislative Finance Division no later than December 31, 2019.

The Office of Management and Budget will work with all executive branch agencies, the Division of Facilities Services within the Department of Transportation and Public Facilities, and the State Facilities Council on a prioritized list of deferred maintenance projects for submission by December 31, 2019.

Legislative Fiscal Analyst Comment: The Office of Management and Budget submitted a prioritized list of deferred maintenance projects on January 7, 2020.
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DEPARTMENT OF HEALTH AND SOCIAL SERVICES

15. Department of Health and Social Services

Operating Budget (CCS SSHB 39)

It is the intent of the legislature that the Department of Health and Social Services submit a report of transfers between appropriations that occurred during the fiscal year ending June 30, 2020, to the Legislative Finance Division by September 30, 2020.

The Department of Health and Social Services (DHSS) will provide the requested report by the prescribed date.

Legislative Fiscal Analyst Comment: Compliance can be determined on September 30, 2020 when the report of FY20 transfers is due.

16. Senior Benefits Payment Program

Operating Budget (CCS SSHB 39)

It is the intent of the legislature that this appropriation be used for Senior Benefit payments suspended at the end of FY19 due to insufficient funding. It is further the intent of the legislature that funding in this appropriation may not be used for any purpose other than payment of benefits for the Senior Benefit Payment Program.

DHSS is utilizing the appropriation as intended.

17. Medicaid Services

Operating Budget (CCS SSHB 39) and Mental Health (CCS SSHB 40)

PARTIAL-COMPLIANCE

It is the intent of the legislature that long-term care facilities be exempt from Medicaid provider rate reductions.

DHSS did not apply the five percent cost containment rate reduction to long-term care facilities. However, a three percent rate reduction was applied to long-term care facilities to keep these facilities under the required federal Upper Payment Limit (UPL) for reimbursement of Medicaid providers.

Legislative Fiscal Analyst Comment: Long-term care facilities are experiencing a 3% reduction to their rates. According to the department, it was required to cut rates by 3% for long term care facilities to be compliant with federal Upper Payment Limit (UPL) rules.

18. Medicaid Services

Operating Budget (CCS SSHB 39)

NON-COMPLIANCE

It is the intent of the legislature that Critical Access Hospitals and hospitals with the dual federal designation of Sole Community Hospital and Rural Referral Center be exempt from the five percent Medicaid rate reduction proposed by the Department of Health and Social Services.

DHSS did not apply the five percent cost containment rate reduction to Critical Access Hospitals and primary care providers. However, due to the current financial situation of the State, DHSS did apply the five percent cost containment rate reduction to hospitals with the dual federal designation of sole community hospital and rural referral center.

19. Medicaid Services/ Medicaid Services

Operating Budget (CCS SSHB 39) and Mental Health (CCS SSHB 40)

PARTIAL-COMPLIANCE

It is the intent of the legislature that the department work with the statewide professional hospital association to develop strategies and methodologies for implementation of hospital diagnosis related groups, acuity-based skilled nursing facility rates, rate reductions, and timely filing provisions to mitigate unintended consequences.

DHSS continues to communicate and meet with Alaska State Hospital and Nursing Home Association (ASHNHA) leadership, as well as leadership at individual ASHNHA member hospitals. There will be a contract awarded for technical assistance to help with implementation options for diagnosis related groups. That contractor will be required to meet with hospital stakeholders. Additionally, DHSS intends to use the Medical Care Advisory committee to engage with their associations for involvement and input on various Medicaid initiatives.

Legislative Fiscal Analyst Comment: Some progress has been made, however, there is concern that meaningful engagement has not occurred between ASHNA and DHSS on most of the issues.

20. Medicaid Services/ Medicaid Services

Operating Budget (CCS SSHB 39) and Mental Health (CCS SSHB 40)

The department shall submit quarterly progress reports on cost containment efforts to the co-chairs of the House and Senate Finance Committees and the Legislative Finance Division.

DHSS submitted the second quarter report on January 15, 2020 and will provide remaining quarterly reports as requested.

21. Medicaid Services/ Adult Preventative Dental Medicaid Services

Operating Budget (CCS SSHB 39)

NON-COMPLIANCE

It is the intent of the legislature that the Department of Health and Social Services continue to provide Adult Preventative Dental Medicaid Services.

DHSS is working with Federal partners to determine the most efficient manner to cover any federally required dental services.

<p>Legislative Fiscal Analyst Comment: Adult Preventative Dental Services are an optional service which is not federally required. Legislative intent would be unnecessary if the program were federally mandated.</p>

22. SB 10 EXTEND SUICIDE PREVENTION COUNCIL

Department of Health and Social Services

Behavioral Health/ Suicide Prevention Council

Capital Budget (HCS CSSSSB 19(FIN) am H(brf sup maj fld H))

It is the intent of the legislature that grant funding be divided 50% to rural school districts and 50% to urban school districts. Further, it is the intent of the legislature that the Suicide Prevention Council and the Department of Education and Early Development work together to develop a long-term sustainability plan for suicide prevention training. The plan should include implementation of a "Train the Trainer" model so districts can provide ongoing training. The plan should be submitted to the Presiding Officers of the legislature and the Legislative Finance Division by December 1, 2019.

The Suicide Awareness, Prevention and Postvention (SAPP) grants for FY 2020 were allocated 50% to rural school districts (Bering Strait School District, Petersburg School District, Kenai Peninsula School District and the North Slope Borough School District) and 50% to urban school districts (Anchorage School District, Juneau School District, Fairbanks North Star School District and the Mat-Su School District).

The Statewide Suicide Prevention Council and the Department of Education and Early Development are working together on a report to present recommendations on a long-term sustainability plan for statewide suicide prevention trainings for school district staff. The draft report will be completed in November 2019 for review by DHSS staff prior to submission.

DEPARTMENT OF LAW

23. Department of Law

Operating Budget (CCS SSHB 39) and Mental Health (CCS SSHB 40)

It is the intent of the legislature that the Department of Law minimize the use of outside counsel.

Overall, the Department of Law has substantially reduced the use of outside counsel and continues to exercise restraint in this area.

Legislative Fiscal Analyst Comment: Compliance for this item cannot be determined at this point in the fiscal year, as the Department cannot foresee all potential legal challenges that may arise which could necessitate expert or outside counsel.

The Department reports a recent downward trend in the use of outside counsel, but much of this is attributable to the closure of major litigation in the past five years, including cases related to Pt. Thompson, FERC on TAPS tariffs, and TAPS property tax matters. In FY19 the Civil Division's budget was reduced by another \$2,500,000 due to the conclusion of oil and gas tax credit litigation.

In FY20, the Department does not report taking additional measures to reduce reliance on outside counsel, though the Department is striving to address a high level of turnover. These efforts could in turn reduce the Department's need to seek outside counsel in some instances.

24. Criminal Division

Operating Budget (CCS SSHB 39)

It is the intent of the legislature that the Department of Law, Criminal Division, report to the legislature on January 31, 2020 on the status of a recruitment and retention plan to reverse the trend of high turnover of prosecutors and support staff.

The Department of Law recognizes that there have been significant difficulties in the recruitment and retention of qualified staff in the Criminal and Civil divisions over the last several years. This trend appears to be caused by a variety of factors, and the Department continues to work diligently to identify and address these contributing factors in order to reverse the trend.

Additionally, the Department of Administration, Division of Personnel and Labor Relations, recently made changes to the State's primary recruitment website, Workplace Alaska. These changes provide potential applicants with additional information about the different regions of Alaska, including information relevant to specific duty stations around the state. The Department of Law is working to apply this same method of advertising the many work-life balance advantages that employment with the State of Alaska has to offer to other avenues used for attorney recruitments. The Department is also working with the administration to

explore other avenues that support professional development and certification in order to attract and keep talented employees.

Further information will be provided through the Finance subcommittee process as needed.

Legislative Fiscal Analyst Comment: Compliance can be determined on January 31, 2020 when the Department reports to the Legislature on the status of a recruitment and retention plan.

DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS

25. Military and Veterans' Affairs/ Veterans' Services

Operating Budget (CCS SSHB 39)

It is the intent of this legislature that the Department of Military and Veteran's Affairs analyze all Veteran Service Officer (VSO) positions and their effectiveness. By January 15, 2020 the department shall provide to the legislature a review of VSO's with information that breaks down VSO positions by region, identified impacts, identification of problem areas, ideas for improvement and the amount of funding they bring to the state of Alaska. It is the expectation of the legislature that by June 30, 2020 the department will present a new system of metrics for measuring the effectiveness and impact of VSO's.

The following report, per CC SSHB 39 covers a period July 1, 2019 to December 31, 2019 and contains the following areas as required:

1. VSO IMPACT BY REGION:

- a) **There are 17 Veteran Service Officers (VSO) distributed in:** Anchorage Borough, Fairbanks (North Star Borough), Juneau, Kenai Peninsula Borough, Kodiak Island Borough, Palmer, and Wasilla (Matanuska-Susitna Borough).
- b) **Outreach to the following locations:** Anchor Point, Chugiak, Clear, Craig, Delta Junction, Fairbanks, Fort Greely, Glennallen, Homer, Juneau, Kenai, Kenny Lake, Ketchikan, Klawock, Kodiak, Kotzebue, Nikiski, Ninilchik, Palmer, Seward, Sitka, Soldotna, Talkeetna, Valdez.

2. VSO IDENTIFIABLE PROBLEM AREAS:

- a) **Training:** Issues in the area of training occur due to a lack of standardization amongst the organizations. Our solution is to ensure all VSOs are trained to the same level by inviting the National Association of County Veterans Service Officers (NACVSO) to train, educate and provide accreditation for our VSOs. They are not represented in Alaska at this time and we are currently working on a training schedule.
- b) **Outreach:**
 - i. Based on the above outreach locations (1b), travel to Alaska's major hubs are reasonably priced, however travel to the smaller villages requires travel via the marine highway, a single engine, or twin-engine transport, and these methods can be very expensive. Many of our trips are canceled due to inclement weather and aircraft/ship maintenance delays.
 - ii. VSOs are required to announce all outreach locations to ensure veterans are afforded the opportunity to receive assistance attaining VA benefits. The further the village is from the hub city the more challenging it is to obtain lodging and a meeting area. Tribal Veteran Representatives are a conduit between the visiting VSO and the village and many times this works well for our VSOs.

3. HIGH VSO TURNOVER/VACANCIES:

- a) **Stagnation of funding:** The last increase to the VSO Joint Venture Agreement was in 2013, at \$62,250 per VSO. That amount covers salary, travel, insurance, supplies, and sundries. There are no retirement, Healthcare, or Dental benefits which makes it difficult to retain VSOs. It takes six months to train and accredit a VSO.
- b) **Turnover:** VSOs turnover every 3-5 years. VSOs have a high burn out rate and this is directly related to the nature of the work. It is not easy and not for everyone. We do have a few VSOs that work as if the position is a calling. This VSO lasts longer than the normal length of time and are few amongst our VSOs.

4. VSO IDENTIFIED IMPACTS:

- a) **Outreach:**
 - i. VSOs announce travel to locations with the assistance of the Office of Veterans Affairs Veteran Information System (VIS). The VIS program identifies veterans in the Alaska PFD, Alaska DMV, and the DOD Discharge Information System. The VIS can reach out to veterans in specific locations and announce events or programs in their area. VSOs using the VIS program observed a larger local veteran impact versus utilizing the standard visit announcement via radio and printed media.
 - ii. VSOs have a great relationship with the state Job Centers and these centers are where most of the outreach events are held. For the smaller villages, Native Corporations, Churches and medical clinics have been very accommodating for VSO events. Most allow the VSO to access Wi-Fi to assist with claims and allows for a virtual private network (VPN) connection to the Alaskan VA benefits office.
 - iii. State OVA and federal VA coordinate outreach efforts across Alaska to assure higher ensuring key players serve veterans where they live.
 - iv. 8,460 Veterans served by our granted VSOs during the performance period set under CC SSHB 39.

5. AMOUNT OF FUNDING VSOS BRING TO THE STATE:

- a) One-time payments received by veterans, family members, and survivors for the first half of FY20 is **\$28,624,742.00**.

By June 30, 2020, the metrics currently used to measure the success of the VSO's will be adjusted to reflect new requirements.

<p>Legislative Fiscal Analyst Comment: Full compliance can be determined by June 30, 2020 when the report on updated metrics is due. The department has indicated that ideas for improvement will be presented with those metrics.</p>

DEPARTMENT OF PUBLIC SAFETY

26. Department of Public Safety

Operating Budget (CCS SSHB 39) and Mental Health (CCS SSHB 40)

It is the intent of the legislature that the Department of Public Safety increase its efforts to combat internet child pornography in the state. Emphasis should be made to fill any vacant positions which will enhance the detection and arrest of those trafficking in child pornography. A report should be sent to the legislature by January 15, 2021 detailing the progress made in protecting Alaska from purveyors of child pornography.

The Department of Public Safety (DPS) currently has a Sergeant, four State Trooper investigator positions, and two civilian technical staff dedicated to combating the sexual exploitation of children. These positions are located within the Alaska State Troopers (AST), Alaska Bureau of Investigation (ABI), Technical Crimes Unit.

These staff participate with federal and local partners on the Alaska Internet Crimes Against Children (ICAC) Task Force led by the Anchorage Police Department (APD). The ICAC Program is a national network of 61 coordinated task forces representing over 3,000 federal, state, and local law enforcement and prosecutorial agencies that are engaged in proactive investigations, forensic investigations, and criminal prosecutions.

The Alaska ICAC Task Force helps federal, state and local law enforcement agencies enhance their investigative responses to offenders who use the internet, online communication systems, or computer technology to sexually exploit children. APD receives a grant through the United States Department of Justice, Office of Juvenile Justice and Delinquency Prevention to support the Alaska ICAC Task Force.

Legislative Fiscal Analyst Comment: Compliance can be determined on January 15, 2021 when the Legislature receives a report detailing the progress made in protecting Alaska from purveyors of child pornography.

Intent language asks the department to increase its efforts to combat internet child pornography but the Department's current response describes the status quo. The response does not specifically address any efforts to fill vacant positions that could be used to enhance the detection and arrest of those trafficking in child pornography. A final compliance determination can be made upon receipt of the 2021 report.

27. Alaska State Troopers

Operating Budget (CCS SSHB 39)

NON-COMPLIANT

It is the intent of the legislature that the Department of Public Safety work to address the high rate of sex crimes in rural Alaska by making it a priority to hire sex crimes investigators stationed in rural Alaska along with any requisite support staff using existing Department resources.

As the primary law enforcement agency in most rural areas of the state, DPS Alaska State Troopers (AST) are uniquely aware of Alaska's extremely high rates of sexual assault, sexual abuse of minors, and other sex crimes. All AST respond to and investigate these crimes.

Filling all AST vacancies is a Department priority, with emphasis placed on filling vacancies in rural Alaska.

Legislative Fiscal Analyst Comment: The Department uses State Trooper PCNs for investigator positions, which are typically hired in at a more advanced step to reflect the experience and specialized service associated with an investigator. The intent language response does not state that any investigators were hired specifically to address sex crimes in rural Alaska, so the response is not compliant with intent.

28. Village Public Safety Officer Program

Operating Budget (CCS SSHB 39)

It is the intent of the legislature that the Department disburse funding meant for the VPSO Program to VPSO grant recipients. VPSO grantees are encouraged to use the funding for recruitment and retention of VPSOs, to include consideration of increases to the VPSO salary schedule. However, they may also use the funds for other purposes within their mission, such as operational costs to better utilize filled positions or housing multiple VPSOs in a single community, if judged to be more beneficial to public safety. It is also the intent of the legislature that the Department support VPSO contractors' efforts to provide public safety services to the maximum geographic area surrounding their duty station.

It is the intent of the legislature that the Department of Public Safety collaborate with the Village Public Safety Officer (VPSO) grantees to develop a recruitment and retention plan to reverse the trend of high turnover and recruitment challenges; and report to the Finance Committee Co-Chairs on January 31, 2020 as to the status of the development of this plan and any steps taken to address this issue.

All funding allocated to the grants line in the FY 2020 Village Public Safety Officer (VPSO) Program appropriation has been awarded to the VPSO grant recipients. Three significant changes in the program for FY 2020 have removed barriers for the hiring and retention of VPSOs.

First, in the hiring of VPSO positions, DPS now only conducts a fingerprint-based background check on the prospective applicant and submits results back to the grantees for

review and consideration. Each VPSO grant recipient is responsible for conducting their own internal background check and selecting appropriate applicants for the VPSO positions within the terms of the grants. This new process removes significant barriers and delays to the hiring of VPSOs and removes DPS from making final determinations of which applicants are removed from the hiring process.

Second, is the return to an 8-week VPSO certification training program. This has significantly streamlined the hiring process and reduced the amount of paperwork for the prospective applicant. It has also removed the mandatory physical fitness requirement for the VPSOs to attend the training academy. VPSO grant recipients now can decide if and/or what physical fitness standard they would like their VPSOs to adhere to.

Third, is the addition of a four-week field training for VPSOs. This training is conducted by Alaska State Troopers and offers on-the-job training activities designed to better prepare the VPSO to serve their communities. VPSOs receive training from their Oversight Trooper in their community in addition to spending time patrolling with a Trooper.

The VPSO grant recipients developed a strategic plan that they began working on during FY 2019. Part of this strategic plan was the development of a marketing plan to specifically address the recruitment of VPSOs. The VPSO grant recipients reset their strategic priorities during the October 1-4, 2019 VPSO Coordinator meeting and established a marketing message. They will continue to work on the marketing plan at the next VPSO Coordinator meeting to be held January 13-17, 2020.

Finally, in FY 2019 the salary schedule was reviewed in consultation with the grantees to address recruitment and retention related issues. As a result, appropriate increases were built into the salary schedule for FY 2020.

Legislative Fiscal Analyst Comment: Compliance can be determined on January 31, 2021 when the Legislature receives a report describing the status of a collaborative plan developed by the Department and the VPSO grantees to address recruitment and retention issues.

29. Statewide Support/ Alaska Wing Civil Air Patrol

Operating Budget (CCS SSHB 39)

NON-COMPLIANT

It is the intent of the legislature that the Department of Public Safety, in accordance with AS 18.60.146, strengthen the liaison between the state and the Civil Air Patrol's capabilities in partnership with the Department's mission.

DPS continues to maintain liaison with the Alaska Wing Civil Air Patrol (CAP) as it relates to the joint mission of search and rescue operations within Alaska. Meetings between DPS and CAP staff have occurred as recently as October 11, 2019, in an effort to strengthen the liaison.

DPS is authorized to conduct search and rescue operations under AS 44.41.020 and AS 18.60.120 and to organize, direct, and guide search and rescue parties to assist in the rescue or recovery of lost or injured persons. DPS must contact the United States Air Force Alaska Rescue Coordination Center (AKRCC) to request activation of the Alaska Wing CAP when

their assistance is desired. The Alaska Wing CAP conducts missions only as directed by the AKRCC.

The Alaska Wing CAP is the civilian arm of the United States Air Force – the US Air Force Auxiliary – and has three primary missions: emergency services (i.e., search and rescue), cadet programs, and aerospace education.

Legislative Fiscal Analyst Comment: The Department reports maintaining liaison with the Civil Air Patrol, and mentions one meeting that has occurred in FY20, but does not report any steps taken to strengthen this relationship, as requested in the intent language.

The Legislature provided \$250.0 UGF to the Civil Air Patrol in the FY20 budget, but this funding was vetoed by the Governor, eliminating all State funds provided to the agency.

DEPARTMENT OF REVENUE

30. Alaska Permanent Fund Corporation/ APFC Investment Management Fees Operating Budget (CCS SSHB 39)

It is the intent of the legislature that all fees associated with the income-producing investments of the Fund be incorporated in the APFC Annual Report: fees funded by investments, fees funded by appropriation, and corporate expenses.

The Alaska Permanent Fund Corporation (APFC) 2019 Annual Report is published and posted online at: <https://apfc.org/report-archive/#12-annual-reports>. Page 25 of the report includes information about management and performance fees associated with the investment of the Fund, and provides a breakdown of fees funded by investments, fees funded by appropriation, and corporate expenses for FY 2019 as requested in this legislative intent. Additionally, quarterly management fee reports are posted on APFC's website (apfc.org) in the Report Archive under the Resources menu.

DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

31. Highways, Aviation and Facilities

Operating Budget (CCS SSHB 39)

It is the intent of the legislature that the Department of Transportation and Public Facilities develop criteria for placement of airport snowblowers at rural airports to ensure airport safety.

The Department of Transportation and Public Facilities (DOTPF) recognizes that snow blowers can be a useful tool at airports with high volumes of snow. While leaving specific equipment allocation decisions to the respective regional maintenance and operations staff, general considerations/criteria include:

- Annual snowfall amount and type (dry/wet)
- Equipment storage facility capacity (are there sufficient bays to comply with Federal Aviation Administration equipment storage requirements)
- Predominant wind conditions (snow blowers are not generally recommended/effective in areas with high winds)
- Equipment reliability and proximity to, and availability of, equipment maintenance resources (snow blowers are very high maintenance pieces of equipment)
- Most efficient/effective utilization of very limited resources; availability of lower cost and/or more effective equipment (small dozers often have greater overall utility while achieving nearly the same desired effect)

32. Highways, Aviation and Facilities/ Central Region Highways and Aviation

Operating Budget (CCS SSHB 39)

NON-COMPLIANT

It is the intent of the legislature that the Department of Transportation and Public Facilities designates a proportional amount of the CMAQ funds based on traffic volume for the section of the Glenn Highway in the Eagle River area where commuter traffic congestion recurs daily, northbound and southbound, in alignment with the recommendations related to the traffic control plans in the Glenn Highway Integrated Corridor Management (ICM) study.

Federal funding requirements prohibit the use of Congestion Mitigation and Air Quality (CMAQ) funding in the manner described in this legislative intent. Per federal guidance on CMAQ eligible activities:

Funds may be used for a transportation project or program that is likely to contribute to the attainment or maintenance of a national ambient air quality standard, with a high level of effectiveness in reducing air pollution, and that is included in the metropolitan planning organization's (MPO's) current transportation plan and transportation improvement program (TIP) or the current state transportation improvement program (STIP) in areas without an MPO.

Eagle River is an air quality non-attainment maintenance area for particulate matter commonly known as PM10. The primary source for this pollutant is dust. It is highly unlikely a congestion relief project on the Glenn Highway within the Eagle River PM10 maintenance area will show any traceable reduction of PM10.

33. Highways, Aviation and Facilities/ Central Region Highways and Aviation

Operating Budget (CCS SSHB 39)

It is the intent of the legislature that the Department of Transportation and Public Facilities develop a plan for projects identified in the Glenn Highway Integrated Corridor Management study, including a timeline and priority list to address recurring and non-recurring traffic congestion from mile 0 in Airport Heights to mile 29.1 at the border of the Municipality of Anchorage and the Matanuska Susitna Borough. It is the expectation that the Department of Transportation and Public Facilities will report the plan to the legislature by January 31, 2020.

Attached is a spreadsheet that contains projects identified in the Glenn Highway Integrated Corridor Management study. This document serves to prioritize projects from the study that address recurring and non-recurring traffic congestion and provides a framework for scheduling the projects for completion. The implementation of the projects is contingent on funding. Currently, none of these projects have funding programmed in the Statewide Transportation Improvement Program.

<p>Legislative Fiscal Analyst Comment: The spreadsheet titled “Projects Identified in the Glenn Highway Integrated Corridor Management Study” is available upon request from the Legislative Finance Division.</p>

34. Marine Highway System

Operating Budget (CCS SSHB 39)

It is the intent of the legislature that the Department of Transportation and Public Facilities examine the costs and benefits and report to the legislature about the option of adding a third weekly ferry service from the Port of Bellingham during peak season.

The DOTPF Alaska Marine Highway System (AMHS) has examined the costs and benefits of adding a third weekly ferry run to the Port of Bellingham during peak season. Based on this information, DOTPF has determined that the most efficient model is to increase service to Bellingham from six port calls per month to eight port calls per month, which is a 33% increase in service to Bellingham. These additional calls would result in an increase of operational costs for AMHS. The AMHS reshaping study is currently being reviewed and considered by the Administration and recommendations to the Legislature will be forthcoming.

35. State Equipment Fleet Replacement (HD 1-40)

Capital Budget (HCS CSSSSB 19(FIN) am H(brf sup maj fld H))

It is the intent of the Legislature that the Department of Transportation and Public Facilities coordinate with the Finance Committee Co-Chairs or their designee(s) to develop improved standard operating procedures guiding the replacement of equipment managed by the state equipment fleet in order to ensure the state's maximum return on investment.

The DOTPF State Equipment Fleet (SEF) has criteria and procedures for vehicle and equipment replacement that include time in service, usage limits, and excessive maintenance costs. SEF has taken preliminary steps to secure a consultant for a thorough review of fleet policies and operation, with a focus on the equipment replacement process and is committed to working with the Finance Committee Co-Chairs or their designee(s) on the review.

36. Airport Improvement Program

Capital Budget (HCS CSSSSB 19(FIN) am H(brf sup maj fld H))

It is the intent of the legislature that the Department of Transportation and Public Facilities submit a quarterly report of Federal Aviation Administration grant awards that were accepted by the Department during FY2020 to the House and Senate Finance Committees no later than 30 days after the end of each quarter. The legislature will consider the value and effectiveness of the reporting in regard to the potential of a single appropriation without allocations for future Airport Improvement Programs.

DOTPF will submit, to the Legislature, quarterly reports of federal funds committed to highway improvement projects and Federal Aviation Administration grant awards accepted for rural airport improvement projects no later than 30 days after the end of each quarter.

37. Surface Transportation Program

Capital Budget (HCS CSSSSB 19(FIN) am H(brf sup maj fld H))

It is the intent of the legislature that the Department of Transportation and Public Facilities submit a quarterly report of Federal Highway Administration funding obligations that occur during FY2020 to the House and Senate Finance Committees no later than 30 days after the end of each quarter. The legislature will consider the value and effectiveness of the reporting in regard to the potential of a single appropriation without allocations for future Surface Transportation Programs.

DOTPF will submit, to the Legislature, quarterly reports of federal funds committed to highway improvement projects and Federal Aviation Administration grant awards accepted for rural airport improvement projects no later than 30 days after the end of the quarter.

38. Language Section 8

Capital Budget (HCS CSSSSB 19(FIN) am H(brf sup maj fld H))

PARTIAL COMPLIANCE

It is the intent of the legislature that the Department of Transportation and Public Facilities begin work on the Juneau Access Improvements Project as soon as possible.

The original 1992 Juneau Access project to be funded from a combination of Federal Highway Administration (FHWA) and State funds has officially ended. On December 15, 2016, the Walker-Mallott Administration selected Alternative 1, No-Action as the State's recommended preferred alternative. June 18, 2018, the Final Supplemental Environmental Impact Statement (SEIS) and Record of Decision (ROD) was signed by FHWA and made available to the public on July 19, 2018. The main basis for selecting the “No Action” alternative was because of current revenue and budget deficits affecting the State’s ability to advance a build alternative in Lynn Canal.

With the selection of the “No Action” alternative, it allows for the State to restart the project in the future and utilize the information gathered under the EIS process. Since the selection of the “No Action” alternative was based on State funding availability, it will more than likely be at least two years before the Juneau Access project could restart. Also, because of the time involved, the restart would require a supplemental document. This would probably take several years to complete, which would include a draft document, public comment period, and final document.

UNIVERSITY OF ALASKA

39. University of Alaska

Operating Budget (CCS SSHB 39)

It is the intent of the legislature that the Board of Regents consider a plan to transition the University of Alaska from three separately accredited academic institutions into a single accredited institution with multiple community campuses, and that the Board of Regents provide a update to the legislature on the development of such a plan by December 1, 2019.

In response to this legislative intent, and during a very challenging time resulting from the threat of severe budget cuts, the Board of Regents (BOR) took a number of substantial steps as it considered a plan for transitioning the University of Alaska (UA) from three separately accredited institutions into a single accredited institution. These steps include the following:

- Appointed a special taskforce of distinguished Alaska leaders to consider options for the university's organizational structure. The taskforce met and issued a subsequent report to the BOR. <https://alaska.edu/bor/taskforce/>
- Directed UA President Johnsen to prepare a plan for the Board's consideration to transition to a single institutional accreditation. This process included weekly meetings with staff of the Northwest Commission on Colleges and Universities (NWCCU) to examine standards, processes, timelines, and potential risks of transition.
- Formed an ad hoc BOR subcommittee on restructuring. The subcommittee met in the fall to hear a progress report on administrative consolidation, academic program reduction, and planning for a single accreditation.
- Held workshops across the system that convened more than 200 administrators and faculty to explore options and barriers to improving university effectiveness.
- More than 3,900 faculty, staff, students, alumni, and community stakeholders responded on an online survey expressing their issues and concerns. The survey found high unanimity on the importance of the university and its fiscal sustainability and a high degree of disagreement between those who favored increased "uniqueness" and those who favored increased "integration." Survey presentation link: Stakeholder Survey Presentation (BOR)
- Established a systemwide working group to continue engagement with the NWCCU and the U.S. Department of Education to discuss accreditation including issues and timelines associated with merging or integrating our separate universities.
- Created numerous other opportunities for public input from faculty, staff, students and the public stakeholders on UA structure.

On October 7, 2019, after considering a single accreditation through the steps described above, and in light of concerns raised by our institutional accreditor, NWCCU (see 9-26-19 Letter), the BOR decided to cease consideration of a single accreditation until such time as the University of Alaska Fairbanks (UAF) secures its NWCCU accreditation renewal in 2021.

However, the Board is still aggressively pursuing other means to reduce costs and increase efficiency, including consolidation of administrative functions across the system, clarification of roles and responsibilities between the BOR and the universities, and expedited academic program reviews at each of our universities in preparation for BOR decisions regarding program reduction, consolidation, and elimination. These program reviews are expected to be completed in time for Board consideration and action this spring. If the BOR chooses to actively consider single accreditation in the future, it will direct the president by formal action to do so and will include in that direction the requirement of an independent cost benefit analysis.

In addition to cost effectiveness, the university is focusing on diversifying and increasing revenue through a variety of initiatives including growing enrollment, remedying our land grant deficit, investing in competitive research, monetizing physical assets, and increasing outreach to our alumni and other philanthropic supporters. The legislature's continued support is critical to making these efforts a success.

STATEWIDE

40. Sec. 7. LEGISLATIVE INTENT.

Operating Budget (CCS SSHB 39)

(a) It is the intent of the legislature that the amounts appropriated by secs. 1 - 3 and 16 - 38 of this Act are the full amounts that will be appropriated for those purposes for the fiscal year ending June 30, 2020.

Departments are informed of this legislative intent and will comply wherever possible.

41. Sec. 8. LEGISLATIVE INTENT.

Mental Health (CCS SSHB 40)

It is the intent of the legislature that, within 120 days after enactment of this Act, the Alaska Mental Health Trust Authority be in full compliance with the Weiss settlement and the Alaska Statutes with respect to investment in commercial real estate properties as described in the Schedule of Findings and Questioned Costs, Year Ended June 30, 2018, by the legislative auditor. It is the intent of the legislature that, not later than November 15, 2019, the Alaska Mental Health Trust Authority submit a written report of compliance to the legislative auditor, the chair of the Legislative Budget and Audit Committee, and the co-chairs of the finance committees of the legislature.

The Alaska Mental Health Trust Authority will provide the requested report to the Legislative Auditor by November 15, 2019.

<p>Legislative Fiscal Analyst Comment: The Alaska Mental Health Trust Authority provided a response on November 13, 2019.</p>
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42. Sec. 8. ALASKA PERMANENT FUND.

Operating Budget (SCS CSHB 2001(FIN) am S)

(h) After the appropriations made in (a), (c), and (e) of this section, the remaining balance of the earnings reserve account (AS 37.13.145), not to exceed \$5,400,000,000, is appropriated from the earnings reserve account (AS 37.13.145) to the principal of the Alaska permanent fund. It is the intent of the legislature that the amount appropriated in this subsection

(1) not include associated unrealized gains; and

(2) be used to satisfy the inflation proofing requirement under AS 37.13.145(c) for the next eight fiscal years.

The Governor vetoed this section of House Bill 2001; therefore, this transfer will not occur.

At the close of FY 2020, the remaining balance of the earnings reserve account, not to exceed \$4 billion, will be transferred to the principal of the Alaska permanent fund in accordance with intent language included CCS SSHB 39, Page 64, lines 11-16:

(j) After the appropriations made in (a) - (i) of this section, the remaining balance of the earnings reserve account (AS 37.13.145), not to exceed \$4,000,000,000, is appropriated from the earnings reserve account (AS 37.13.145) to the principal of the Alaska permanent fund. It is the intent of the legislature that the amount appropriated in this subsection

(1) not include associated unrealized gains; and

(2) be used to satisfy the inflation proofing requirement under AS 37.13.145(c) for the next eight fiscal years.

Legislative Fiscal Analyst Comment: The Governor's FY21 budget did not include an inflation proofing transfer, which conforms to legislative intent.