

The Fiscal Year 2026 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;
- (8) not later than the first legislative day of each first regular session of each legislature,
 - (A) conduct a review in accordance with AS 24.20.235 of the report provided to the division under AS 43.05.095; and
 - (B) "conduct a review of inactive state accounts and funds and make recommendations if any should be repealed...."

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UGF Short Fiscal Summary - FY25/FY26 Budget

(\$ Millions) (Unrestricted General Funds)		FY25 Budget	FY26 Governor	Change, FY25 to FY26
1	Revenue	6,261.0	6,198.8	(62.2) -1.0%
2	UGF Revenue (DOR Fall 2024 Forecast)	2,571.3	2,399.9	(171.4) -6.7%
3	POMV Draw	3,657.3	3,798.9	141.6 3.9%
4	Misc/Adjust	32.4	-	(32.4)

5	Appropriations	6,413.2	7,719.4	1,306.3 20.4%
6	Operating Budget	5,168.2	4,932.6	(235.6) -4.6%
7	Agency Operations	4,693.1	4,518.0	(175.1) -3.7%
8	Statewide Items	400.1	414.5	14.5 3.6%
9	Supplemental Appropriations	75.0	-	(75.0)
10	Capital Budget	330.7	282.4	(48.3) -14.6%
11	Current Year Appropriations	330.7	282.4	(48.3) -14.6%
12	Supplemental Appropriations	-	-	-
13	Permanent Fund	914.3	2,504.4	1,590.1 173.9%
14	Permanent Fund Dividends	914.3	2,504.4	1,590.1 173.9%

Reserve Balances (EOY)		FY25	FY26
SBR		-	-
CBR		2,981.4	1,591.8
ERA		7,559.0	7,078.1

15	Pre-Transfer Surplus/(Deficit)	(152.2)	(1,520.6)	
16	Fund Transfers	4.3	6.6	
17	Supplemental Fund Transfers	-	-	
18	Post-Transfer Surplus/(Deficit)	(156.5)	(1,527.2)	

State of Alaska Detailed Fiscal Summary - FY25 and FY26 (Part 1)

	FY25 Management Plan plus Governor's Supplementals						FY26 Governor						Change in UGF			
	Unrestricted General Funds		Designated General Funds		Other State Funds		Unrestricted General Funds		Designated General Funds		Other State Funds		Federal Receipts		All Funds	
															\$	%
REVENUE	6,261.0	1,178.5	949.8	7,098.6	15,487.9	6,198.8	1,078.9	1,046.8	6,076.6	14,401.2	(62.2)	-1.0%				
1 Unrestricted General Fund Revenue (Fall 2024 Forecast) (1)	2,571.3	-	-	-	2,571.3	2,399.9	-	-	-	2,399.9	(171.4)	-6.7%				
2 POMV Payout from ERA	3,657.3	55.9	33.7	265.9	3,879.9	3,798.9	-	-	-	3,798.9	141.6	3.9%				
3 Adjustments, Carryforward, Repeats, and Reappropriations (2)	32.4	1,122.6	916.1	6,832.7	8,871.4	-	-	-	-	-	(32.4)	-100.0%				
4 Restricted Revenue (3)	-	-	-	-	-	-	-	-	-	-	-	-	-			
5																
APPROPRIATIONS																
TOTAL OPERATING APPROPRIATIONS	5,168.2	988.2	859.5	4,163.5	11,179.3	4,932.6	915.8	911.9	3,827.0	10,587.2	(235.6)	-4.6%				
6																
7 Agency Operations	4,753.1	839.9	786.8	3,939.7	10,319.5	4,518.0	821.2	834.3	3,741.9	9,915.5	(235.1)	-4.9%				
8 Current Fiscal Year Appropriations	4,693.1	839.9	786.8	3,939.7	10,259.5	4,518.0	821.2	834.3	3,741.9	9,915.5	(175.1)	-3.7%				
9 Agency Operations (Non-Formula)	2,388.1	771.0	736.0	1,477.0	5,372.1	2,431.0	752.4	783.3	1,277.6	5,244.4	43.0	1.8%				
10 K-12 Foundation and Pupil Transportation (Formula)	1,363.4	0.4	35.4	20.8	1,419.6	1,149.9	0.4	35.5	20.8	1,206.3	(213.5)	-15.7%				
11 Medicaid Services (Formula)	727.3	0.4	15.5	2,302.4	3,045.6	727.1	0.4	15.5	2,303.1	3,076.1	(0.2)	0.0%				
12 Other Formula Programs	214.3	68.4	920.0	139.5	422.2	210.0	68.4	1,039.6	110.4	388.8	(4.3)	-2.0%				
13 Duplicated Authorization (non-additive) (4)																
14 Supplemental Appropriations (Agency Operations)	60.0				60.0											
15 Supplemental Appropriations	60.0	-	-	-	60.0	-	-	-	-	-	-	-	-			
16 Statewide Items	415.1	148.3	72.7	223.8	859.9	414.5	94.6	77.5	85.1	671.7	(0.5)	-0.1%				
17 Current Fiscal Year Appropriations	400.1	148.3	72.7	223.8	844.9	414.5	94.6	77.5	85.1	671.7	14.5	3.6%				
18 Debt Service	138.1	13.1	37.6	4.9	193.7	123.5	12.3	38.0	2.7	176.5	(14.5)	-10.5%				
19 Fund Capitalizations	78.1	55.2	1.8	99.7	234.8	71.0	53.1	3.4	82.4	210.0	(7.1)	-9.1%				
20 Community Assistance	10.0	30.0	-	-	40.0	2.0	28.0	-	-	30.0	(8.0)	-15.2%				
21 REAA School Fund	27.0	-	-	-	27.0	22.9	-	-	-	22.9	(4.1)	-15.2%				
22 Disaster Relief Fund	13.0	-	9.0	9.0	22.0	13.0	-	9.0	9.0	22.0	-	-				
23 Fire Suppression Fund	34.3	-	1.5	20.5	56.3	25.8	-	3.0	20.5	49.3	13.6	218.9%				
24 Other Fund Capitalization	(6.2)	25.2	0.3	70.2	89.5	7.4	25.1	0.4	52.9	85.9	36.1	19.6%				
25 State Payments to Retirement Systems	183.8	-	-	-	183.8	220.0	-	-	-	220.0	-	-				
26 Energy Relief Payment (5)	-	-	-	-	-	-	-	-	-	-	-	-				
27 Shared Taxes	-	26.6	33.2	-	59.8	-	29.1	36.1	-	65.2	-	-				
28 Alaska Comprehensive Insurance Program	-	53.5	119.2	-	172.7	-	-	-	-	-	-	-				
29 Duplicated Authorization (non-additive) (4)	-	-	10.2	-	10.2	-	-	5.1	-	5.1	-	-				
30 Supplemental Appropriations (Statewide Items)	15.0	-	-	-	15.0	-	-	-	-	-	-	-				
31 Supplemental Appropriations	15.0	-	-	-	15.0	-	-	-	-	-	-	-				
32 TOTAL CAPITAL APPROPRIATIONS	330.7	63.2	90.1	2,935.1	3,419.1	282.4	55.9	134.7	2,249.6	2,722.6	(48.3)	-14.6%				
33 Current Fiscal Year Appropriations	330.7	63.2	90.1	2,935.1	3,419.1	282.4	55.9	134.7	2,249.6	2,722.6	(48.3)	-14.6%				
34 Project Appropriations	330.7	63.2	90.1	2,935.1	3,419.1	282.4	55.9	134.7	2,249.6	2,722.6	(48.3)	-14.6%				
35 Duplicated Authorization (non-additive) (4)	-	-	117.2	-	117.2	-	-	81.1	-	81.1	-	-				
36 Supplemental Appropriations (Capital)																
37 Duplicated Authorization (non-additive) (4)	-	-	4.7	-	4.7	-	-	-	-	-	-	-				
38 Money on the Street (includes all fund sources) (6)	330.7	63.2	211.9	2,935.1	3,541.0	282.4	55.9	215.9	2,249.6	2,803.7	-	-				
39 Pre-Permanent Fund Authorization (unduplicated)	5,498.8	1,051.4	949.6	7,098.6	14,598.5	5,215.0	971.6	1,046.6	6,076.6	13,309.8	(283.9)	-5.2%				
40 Revenue less operating and capital appropriations	762.2	-	-	-	762.2	983.8	-	-	-	983.8	-	-				
41 Permanent Fund Appropriations	914.3	82.0	-	-	996.3	2,504.4	79.5	-	-	2,583.9	1,590.1	174%				
42 Permanent Fund Dividends (5)	914.3	-	-	-	914.3	2,504.4	79.5	-	-	2,504.4	1,590.1	173.9%				
43 Non-Mandatory Royalty Deposit to Principal	-	82.0	-	-	82.0	-	-	-	-	79.5	(1,000.0)	-100.0%				
44 Transfer to Principal from Earnings Reserve Account	1,000.0	-	-	-	1,000.0	-	-	-	-	-	1,000.0	-100.0%				
45 Transfer from Earnings Reserve Account to Principal	(1,000.0)	-	-	-	(1,000.0)	-	-	-	-	-	1,000.0	-100.0%				
46 Pre-Transfers Authorization (unduplicated)	6,413.2	1,133.4	949.6	7,098.6	15,594.8	7,719.4	1,051.1	1,046.6	6,076.6	15,893.8	1,306.3	20.4%				
47 Pre-Transfer Surplus/(Deficit) (7)	(152.2)	-	-	-	(152.2)	(1,520.6)	Revenue =	80.3%	of Appropriations	Revenue =	80.3%	of Appropriations				

State of Alaska Detailed Fiscal Summary - FY25 and FY26 (Part 1)

(\$ millions)

	FY25 Management Plan plus Governor's Supplementals				FY26 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	\$	%
Fund Transfers (8)	4.3	45.0	0.2	-	49.6	6.6	27.8	0.2	-	34.7	2.3	54.3%
Current Fiscal Year Transfers												
Renewable Energy Fund	4.3	29.4	0.2	-	33.9	6.6	27.8	0.2	-	34.7	2.3	54.3%
Alaska Capital Income Fund (non-additive)	4.0	28.2	-	-	4.0	6.3	26.5	-	-	6.3	2.3	54.3%
Other Fund Transfers	0.3	1.2	0.2	-	1.7	0.3	1.3	0.2	-	1.8	0.0	-
Statutory Budget Reserve Fund	-	-	-	-	-	-	-	-	-	-	-	-
Supplemental Appropriations (Fund Transfers)												
Oil & Hazardous Substance Fund	-	15.6	-	-	15.6	-	-	-	-	-	-	-
Post-Transfers Authorization (unduplicated)	6,417.5	1,178.5	949.8	7,098.6	15,644.3	7,726.0	1,078.9	1,046.8	6,076.6	15,928.4	1,308.6	20.4%
<i>Post-Transfer Surplus/(Deficit) (9)</i>	<i>(156.5)</i>	<i>Revenue =</i>	<i>97.6%</i>	<i>of Appropriations</i>		<i>(1,527.2)</i>	<i>Revenue =</i>	<i>80.2%</i>	<i>of Appropriations</i>			
FISCAL YEAR SUMMARY	6,417.5	1,178.5	949.8	7,098.6	15,644.3	7,726.0	1,078.9	1,046.8	6,076.6	15,928.4	1,308.6	20.4%
Agency Operations	4,753.1	839.9	786.8	3,939.7	10,319.5	4,518.0	821.2	834.3	3,741.9	9,915.5	(235.1)	-4.9%
Statewide Items	415.1	148.3	72.7	223.8	859.9	414.5	94.6	77.5	85.1	671.7	(0.5)	-0.1%
Permanent Fund Appropriations	914.3	82.0	-	-	996.3	2,504.4	79.5	-	-	2,583.9	1,590.1	173.9%
Total Operating	6,082.5	1,070.2	859.5	4,163.5	12,175.7	7,437.0	995.3	911.9	3,827.0	13,171.1	1,354.5	22.3%
Capital	330.7	63.2	90.1	2,935.1	3,419.1	282.4	55.9	134.7	2,249.6	2,722.6	(48.3)	-14.6%
Transfers	4.3	45.0	0.2	-	49.6	6.6	27.8	0.2	-	34.7	2.3	54.3%

January 10, 2025

Notes:

- The Department of Revenue's (DOR) Fall 2024 Revenue Sources Book (RSB) forecasts 476,500 barrels per day total Alaska production at \$70 per barrel in FY26.
- 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. Reappropriations to operating budget funds are counted as UGF revenue.
- Restricted revenue equals spending for each category. Designated general funds include 1) program receipts that are restricted to the program 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.
- 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.
- The FY25 Enacted budget includes a provision that if revenues exceed DOR's Spring Revenue Forecast by over \$135 million, excess revenues will be split in half between the Statutory Budget Reserve and a deposit into the dividend fund. DOR's Fall 2024 RSB revenue forecast for FY25 is \$220 million below the Spring Revenue Forecast, so the estimated amount is zero. The dividend fund appropriation would occur at the end of FY25 and would be distributed as an energy relief payment in FY26 in addition to the FY26 PFJ. The entire appropriation is capped at \$645 million (of excess revenue), and any further revenues would entirely flow into the CBR.
- 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.
- 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."
- "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.
- No appropriation from the CBR to cover a general fund deficit was enacted for FY25. The Governor's budget request includes language appropriating from the CBR to fill deficits in FY25 and FY26. The FY25 language caps the appropriation at \$200 million, but the FY26 language is not capped.

	Projected Fund Balances - FY25 and FY26 (Part 2)							
	FY25			FY26				
	BoY Balance	In	Out/ (Deposit)	EoY Balance	BoY Balance	In	Out/ (Deposit)	EoY Balance
Total Budget Reserves and Designated Funds	4,409.1	334.8	320.8	4,423.1	4,423.1	297.5	1,683.5	3,037.0
Undesignated Reserves	2,971.5	167.7	156.5	2,982.7	2,982.7	137.6	1,527.2	1,593.1
Constitutional Budget Reserve Fund	2,970.2	167.7	156.5	2,981.4	2,981.4	137.6	1,527.2	1,591.8
Statutory Budget Reserve Fund	-	-	-	-	-	-	-	-
Alaska Housing Capital Corporation Fund	1.3	-	-	1.3	1.3	-	-	1.3
Select Designated Funds	1,437.6	167.1	164.3	1,440.4	1,440.4	159.9	156.3	1,444.0
Alaska Capital Income Fund	(5.7)	24.0	24.0	(5.7)	(5.7)	26.5	26.5	(5.7)
Alaska Higher Education Investment Fund	412.0	36.7	39.9	408.9	408.9	27.5	27.3	409.1
Community Assistance Fund	60.0	30.0	20.0	70.0	70.0	30.0	23.3	76.7
Power Cost Equalization Endowment	971.3	76.4	80.4	967.2	967.2	75.9	79.2	963.9
Unrestricted General Fund Appropriations				7,719.4				15,893.8
Reserves Ratio (Undesignated Reserves / Pre-Transfer Budget)				39%				10%
Pre-Transfer Deficit				(152.2)				(1,520.6)
Years of Deficit Coverage (Undesignated Reserves / Pre-Transfer Deficit)				19.60				1.05
Permanent Fund *								
Permanent Fund Principal - Realized (no appropriations allowed)	58,365.8	1,409.0	0.0	59,774.8	59,774.8	1,905.0	0.0	61,679.8
Permanent Fund Earnings Reserve Account - Realized	8,022.7	4,217.5	4,681.2	7,559.0	7,559.0	4,848.9	5,329.8	7,078.1
Permanent Fund -- Unrealized Gain (Loss)	14,074.0	1,773.9	0.0	15,847.9	15,847.9	1,140.8	0.0	16,988.7
TOTAL PERMANENT FUND	80,462.5	7,400.4	4,681.2	83,181.7	83,181.7	7,894.7	5,329.8	85,746.6

*Alaska Permanent Fund Corporation (APFC) unaudited history and projections as of November 30, 2024. Includes LFD adjustments.

January 10, 2025

Executive Summary

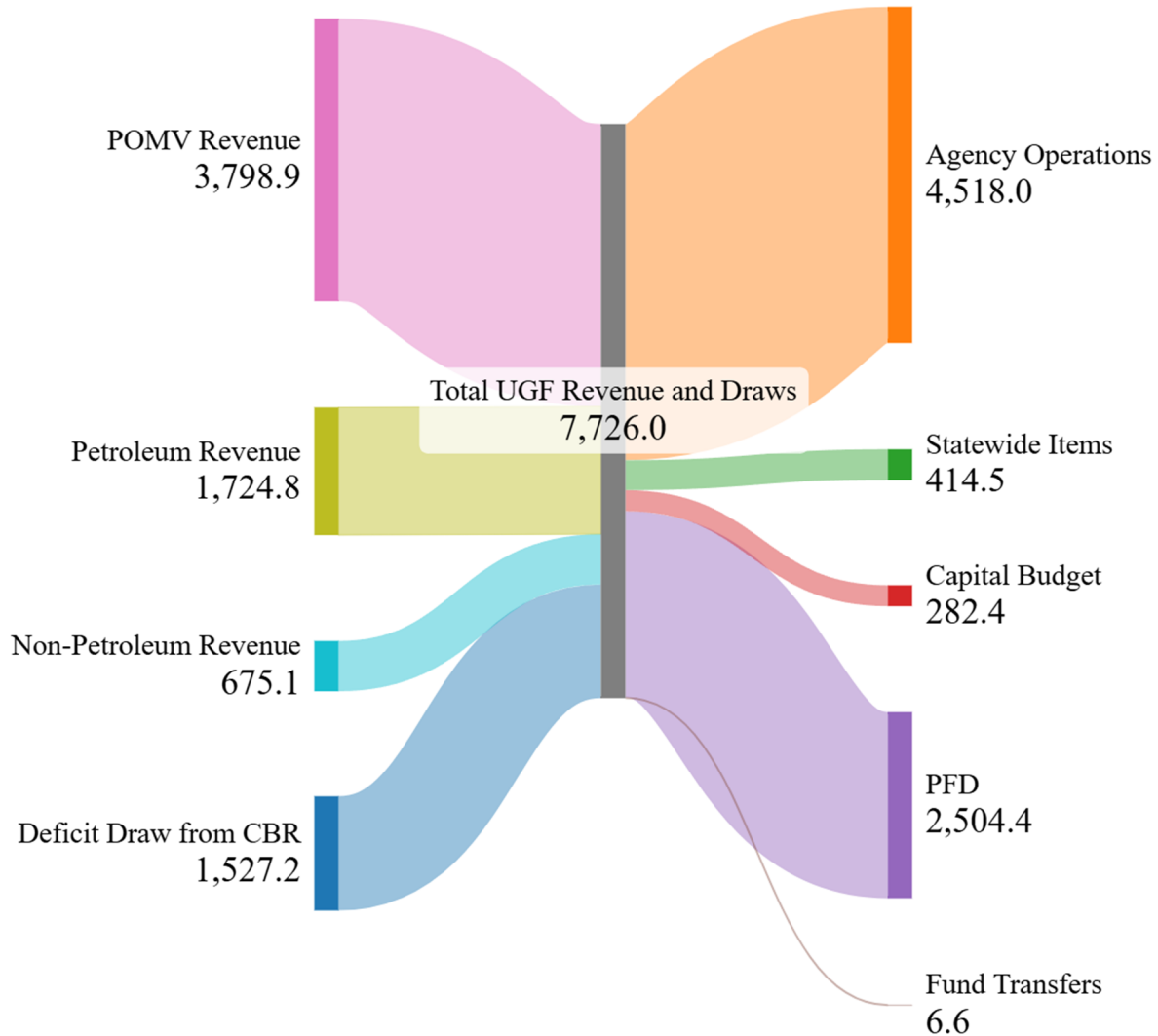
As required by law, the Governor released his FY26 budget proposal to the public and the legislature on December 12, 2024. The Legislative Finance Division prepared this Overview of the Governor's Budget and "Subcommittee Books" for each agency in accordance with AS 24.20.211-.231.

The Overview provides a starting point for legislative consideration of the Governor's proposed budget and revenue plan. It does not necessarily discuss the merits of budget plans, but focuses on outlining the fiscal situation and presenting the budget in a way that provides objective information to the legislature.

The first chapters in this publication primarily refer to Unrestricted General Funds (UGF). These are the state revenues with no constitutional or statutory restrictions on their use. The statewide fiscal surplus or deficit is calculated using this fund source group. Later in the publication, individual agency narratives account for significant changes in all fund sources. The first chapters also primarily use figures in the millions of dollars, with the decimal indicating hundreds of thousands, while agency narratives generally use figures in the thousands of dollars, with the decimal indicating hundreds.

When the legislature passed the FY25 budget in May of 2024 and the Governor signed it that June, the year had a projected budget surplus, but a reduced revenue forecast turned that into a projected deficit. For FY26, the Governor's proposed budget includes a projected \$1.5 billion deficit, which may grow as additional items are added in subsequent amendments.

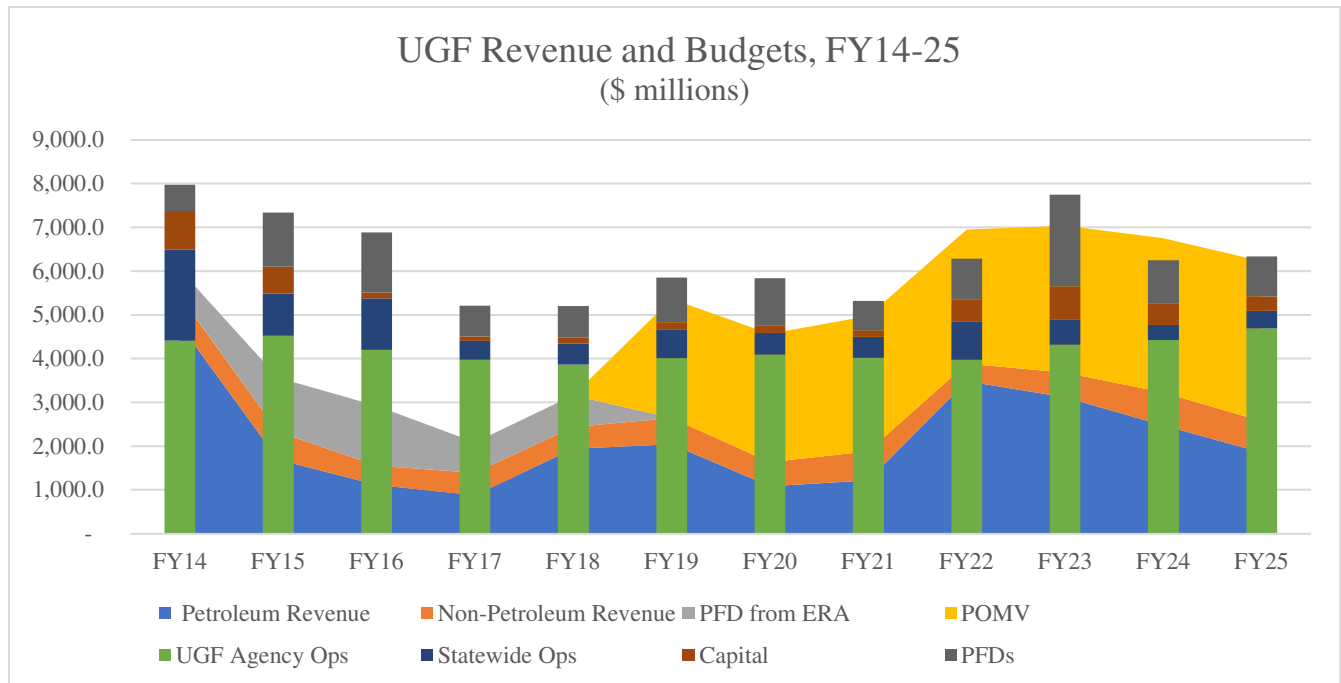
UGF Revenue and Budget: FY26 Governor's Request (\$ millions)



Alaska's Overall Fiscal Situation

For the sixth straight year, the Governor's budget submission includes a fiscal budget deficit (not counting use of savings). In his FY26 submission, that deficit is projected to be around \$1.5 billion, or about 25% of Alaska's UGF revenue.

After oil prices declined sharply in 2014, the State ran multi-billion-dollar budget deficits until adopting a statutory Percent of Market Value (POMV) draw from the Permanent Fund in FY19. From FY14 through FY18, the State ran pre-transfer deficits of nearly \$3 billion per year, but from FY19 through FY24 pre-transfer deficits only averaged about \$250 million per year. Some of those deficits were filled with temporary federal funds allocated to Alaska during the COVID-19 pandemic, while other deficits have required savings draws. Still, the value of the Constitutional Budget Reserve has actually increased over this period from about \$2.1 billion to \$3.0 billion because deficit draws have been more than offset by investment revenue and deposits.



From FY22 through FY25, the budget process has followed a similar script each year: the Governor proposes a budget with a substantial deficit, then the legislature has reduced the Permanent Fund Dividend (PFD) amount proposed by the Governor, increased the budget for other items, and passed a budget that does not rely on drawing from the Constitutional Budget Reserve (although some have relied on other funds such as utilization of federal COVID relief funding for revenue replacement or drawing from the Statutory Budget Reserve). In some years, revenue projections decreased after the legislature passed their budgets, leaving a deficit that the legislature must address in the supplemental budget (such as in FY23 and in FY25). The result is that the PFD appropriation and the capital budget have fluctuated along with oil prices, acting as a shock absorber outside of the operating budget rather than reflecting a structured long-term plan.

Once again in FY26 the Governor’s budget submission includes a statutory PFD, an incomplete budget for State operations, and a sizeable budget deficit. This illustrates that Alaska still has a structural budget deficit: if our spending statutes are followed, revenue is insufficient to pay for expenditures. The legislature could choose to take the same approach as it has for the past several years and muddle through without a long-term plan, or it could choose to address the structural issue through revenue measures or changes to spending statutes.

The Governor’s December budget would balance with a PFD calculation matching FY25 (25% of the POMV draw, often called “75/25” after the split between government services and the PFD), but this budget is still incomplete. The most notable item that is not yet accounted for is additional K-12 funding beyond the current statutory formula to match FY25 levels of service. The FY25 Enacted budget included \$182.0 million above the foundation and pupil transportation formulas. In his press conference for his budget submission, the Governor indicated that he planned to introduce legislation that would increase education spending by about \$200.0 million. In addition, the Governor’s budget does not include an increase for Medicaid, but a December 15 projection by the Department of Health indicated that an additional \$19.6 million UGF would be needed. Finally, there are ten collective bargaining units negotiating new contracts at the time of publication, and the potential UGF cost is estimated to be roughly \$29.4 million.¹

75/25 PFD Alone Won't Balance the Budget	
(\$ millions)	
FY26 Revenue	6,198.8
FY26 Governor's Budget	7,719.4
Surplus/Deficit	(1,520.6)
Reduce PFD to 75/25	(1,554.7)
Revised Surplus/Deficit	34.1
Add K-12 Funding to Match FY25	182.0
Add Projected Medicaid Need	19.6
Add Placeholder for Contractual Increases	29.4
Revised Surplus/Deficit	(196.9)

Adding those items, which represent costs necessary to maintain State services at the same level as FY25, would result in a substantial deficit in FY26 even with a 75/25 PFD appropriation. To balance the budget, the legislature would need to reduce spending, pass legislation to increase revenue, further reduce the PFD, or draw from savings.

¹ The \$29.4 million placeholder is based on the estimated cost of a 3% salary increase for executive branch unions (matching the FY26 increase for supervisory and exempt employees) and a 2.75% increase for University unions (based on the University’s last offer). The actual cost may vary from this estimate based on the actual negotiated salary increase, costs other than salary increases, and unrealizable non-UGF fund sources.

Building the FY26 Budget

FY26 Adjusted Base

The Governor's FY26 budget represents a set of changes from the Adjusted Base, which the Legislative Finance Division establishes using the FY25 Enacted budget less one-time appropriations, plus current statewide policy decisions (such as salary adjustments and formula adjustments) needed to maintain services at a status quo level.

The FY25 budget included \$227.8 million UGF of one-time items that were backed out in the FY26 Adjusted Base. The largest of these was a one-time additional appropriation to schools for \$174.7 million, to be distributed according to the K-12 formula; all other one-time items total \$53.2 million.

Salary adjustments in the FY26 Adjusted Base include PERS rate adjustments and health insurance adjustments for most State employees and Cost of Living Adjustments (COLAs) for members of four bargaining units. The COLAs are not automatic and must be approved by the legislature through the budget to take effect, but are in the Adjusted Base because they do not represent a service level change and cannot be taken individually.

The FY26 Adjusted Base includes \$100.1 million in total salary adjustments, of which \$61.9 million is UGF. There are nine bargaining units currently negotiating for FY26 that may be included in future Governor's amendments, including the largest executive branch and University of Alaska unions.

Additionally, changes to formula programs are also addressed in the Adjusted Base so that policy changes are more clearly distinguished from formula-driven changes in the Governor's Budget. For the

Item	Amount
K-12 Outside Formula	(174,663.5)
AMHS Backstop	(10,000.0)
Child Care Grant Program	(7,500.0)
K-12 Addit'l Pupil Trans.	(7,305.9)
Tourism Marketing	(5,000.0)
Rate Smoothing	(5,000.0)
Anchorage E 56th Shelter	(4,000.0)
SB 67 (PFAS) Fiscal Note	(2,500.0)
AGDC Operations	(2,487.5)
Other Items	(9,388.7)
Total	(227,845.6)

Salary Adjustments Summary (in Thousands)		
Item	UGF	All Funds
PERS/JRS Rate	11,505.9	23,314.8
Health Insurance	5,938.0	9,487.5
SU 3% COLA (non-Law Enforcement)	4,152.3	10,972.8
SU 5.5% COLA (Law Enforcement)	982.7	1,101.9
Exempt 3% COLA	9,023.5	14,417.2
LTC 1.25% COLA	774.6	2,134.9
PSEA 10% COLA	9,362.8	11,177.9
University of Alaska Salary & Benefits	5,875.2	9,682.8
University of Alaska Health	14,245.9	17,800.0
Total Salary Adjustments	61,860.9	100,089.8

Formula	UGF	All Funds
K-12 Foundation	(28,724.2)	(28,583.6)
K-12 Pupil Transportation	(2,782.2)	(2,782.2)
School Debt Reimbursement	(10,208.2)	(11,008.2)
Other Debt Service	(4,339.2)	(8,615.8)
State Contributions to Retirement	36,117.6	36,117.6
REAA Fund Capitalization	(4,093.6)	(4,093.6)
Total Adjusted Base Formula Adjustments	(14,029.8)	(18,965.8)

K-12 Formula, changes including a projected 3,777 (3.6%) decrease in brick-and-mortar students (only partially offset by a 978-student increase in correspondence students) leads to a projected reduction of UGF State funding of \$28.7 million. Retirement contributions are up due primarily to higher PERS and TRS past service costs based on June 30, 2023, valuations. School debt reimbursement continues to decline due to the decade-long moratorium on new debt, which is scheduled to end on July 1, 2025.

Governor's FY26 Budget Proposal

The Governor's December budget proposal is the starting point, but as always it is incomplete. From FY21-25, the Governor's amended budget was on average \$104.8 million higher than the December submission. The Enacted budget over the same period has averaged \$243.2 million higher than the Governor's amended budget, although that falls to \$85.1 million if FY23 is excluded (when oil prices spiked during the legislative session, note that this excludes the PFD).

Some likely areas for growth include:

1. K-12 formula spending: the FY25 budget included \$174.7 million of funding outside the K-12 Foundation formula and \$7.3 million outside the Pupil Transportation formula, and the Governor indicated an intention to submit a bill that would increase education spending by around \$200.0 million in FY26. The December budget release, however, only funds the current statutory formula.
2. Medicaid: the Governor's December budget release did not include any change to Medicaid funding, but according to the Department of Health's December 15 projection, an additional \$19.6 million will be requested in the FY26 Governor's Amended budget. This figure may change based on trends in Medicaid spending between that projection and the February update.
3. Contractual increases for bargaining units under negotiation: eight of the twelve executive branch unions (including the largest bargaining unit, the General Government Unit) have agreements that will expire at the end of FY25 or have already expired. In addition, the University of Alaska is currently negotiating with its largest union.

Agency Operations

The Governor's FY26 budget for agency operations is \$175.1 million (3.7%) below the FY25 Management Plan, but \$57.0 million (1.3%) above the FY26 Adjusted Base.

Governor's FY26 Operating Budget Compared to Adjusted Base				
(\$ millions, UGF only)				
	Adjusted Base	Governor	Comparison	
Agency Operations	4,461.1	4,518.0	57.0	1.3%
Statewide Items	423.1	414.5	(8.6)	(2.0)%
Permanent Fund Dividend	949.7	2,504.4	1,554.7	163.7%
Total Operating Budget	5,833.9	7,437.0	1,603.1	27.5%

The Agency Narratives section of this publication includes details on the Governor's proposed changes to agency budgets. Overall, the Governor's budget proposes relatively few major changes to agency operations. Every agency's budget is above the FY26 Adjusted Base, with no agencies seeing net reductions. The Governor did issue a press release stating that his amended budget would modify the Division of Agriculture to become a separate Department, which will require added funding for administrative costs.

Operations and Maintenance Structure Changes

In FY25, the legislature added intent language in the Governor's Office that read: "It is the intent of the legislature that the budget prepared under AS 37.07.020 for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities."

AS 37.07.020(e), established by a bill passed by the legislature in 1998, requires the Governor to submit a budget that separates facility costs from other operating costs. Over the years since then, these costs have become intermingled. The intent of the statute is to ensure that programmatic changes and inflation do not eat into the funds appropriated for maintenance of facilities, because underbudgeting for these items leads to deterioration of State assets and a backlog of deferred maintenance (see the Capital Budget Overview in this publication for more information about deferred maintenance).

In his FY26 budget, the Governor realigns agency operations in most Executive Branch agencies to comport with this statute. Throughout the agency narratives in this publication there are explanations of how this affects each agency. There is not consistency across agencies in how this is structured. Some separate out State-owned facilities from non-State-owned facilities, others do not. Some separate out rent (paid to another State agency) from expenses incurred by the agency itself, others do not. Finally, some agencies transfer direct actual funding to these new allocations, while others use Interagency Receipt authority, which may or may not be fulfilled or accurately reflected in reporting of budgetary actuals.

This inconsistent approach suggests the need for continued collaboration between the executive and legislative branches to establish standardized practices for facility cost tracking. Full implementation may extend beyond the FY26 budget cycle.

The Governor's budget also includes language allowing the Office of Management and Budget to transfer up to \$5.0 million in and out of these maintenance and operations allocations. The legislature should evaluate this language carefully, as it allows substantial flexibility for OMB to transfer money across appropriation lines.

Statewide Items

The Governor funds statewide items to their statutory levels, including the PFD, which is estimated to be \$2.5 billion, paying about \$3,900 per recipient. That also includes State Assistance to Retirement, Debt Service, and fund capitalizations for which a clear spending rule exists.

One item of note is the Community Assistance program. The Governor vetoed a \$30.0 million UGF deposit into the fund in

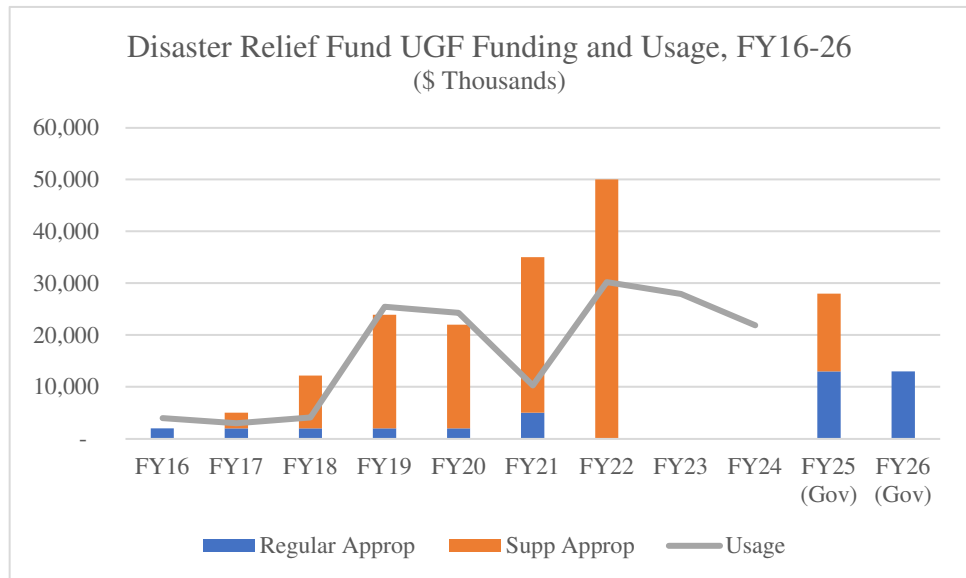
Community Assistance Fund Deposits and Distribution				
(\$ millions)				
	FY24	FY25	FY26	FY27
Starting Balance	\$90.0	\$60.0	\$70.0	\$76.7
<i>Distribution (1/3 of prior yr. balance)</i>	\$30.0	\$20.0	\$23.3	\$25.6
<i>Additional distribution</i>	\$ -	\$10.0	\$ -	\$ -
Total Distribution	\$30.0	\$30.0	\$23.3	\$25.6
Deposit to Fund	\$ -	\$30.0	\$30.0	N/A
Ending Balance	\$60.0	\$70.0	\$76.7	N/A

FY24 and a \$20.0 million deposit in FY25, so the fund's balance is below the \$90.0 million needed for the maximum \$30.0 million distribution. The FY25 budget included a \$30.0 million deposit into the fund and a \$10.0 million additional distribution to bring the total distribution to \$30.0 million. In FY26, the Governor proposes a \$30.0 million deposit in FY26 (of which \$28.0 million is from the PCE Fund and \$2.0 million is UGF). Without a supplemental appropriation, the FY26 payments to local governments would be \$23.3 million (one-third of the balance at the end of FY25).

Two statewide items without a clear spending rule are the fund capitalizations for the Fire Suppression Fund (FSF) and the Disaster Relief Fund. In FY25, the legislature appropriated Fire Suppression Activity funds to the FSF rather than to the Department of Natural Resources as it had in recent years. The FSF is not subject to further appropriation and does not lapse. The intention is to build an ongoing balance in the FSF, reducing the need for large supplemental appropriations during years with severe wildfires. The legislature appropriated a total of \$49.3 million UGF to the FSF in FY25, but the Governor vetoed the final amount to \$34.3 million. In FY26, the Governor's budget includes \$25.8 million for the FSF – 75% of the enacted appropriation in FY25. The agency states that the intent is to capitalize the fund with 25% of the calendar year's funding in the fiscal year that makes up the first half of the calendar year and the remaining 75% in the second fiscal year.

This approach, however, defeats the purpose of using the FSF to smooth appropriations from year to year. The enacted amount is already far short of the average UGF cost of Fire Suppression Activity, which was \$53.5 million from FY15-24. If there is extra funding remaining after a low fire year (like the first half of FY25), that can be used to offset the need for supplemental appropriations in high years. If instead extra funding is taken to reduce the capitalization of the fund the next year, the appropriations will remain volatile. If the legislature wishes to avoid supplementals and introduce stability to the budget for fire suppression, it should increase the capitalization to at least \$53.5 million. In fact, the amount should likely be higher, since costs have increased over time (the trend from FY15-24 is an average increase of \$4.8 million per year).

Funding for the Disaster Relief Fund (DRF) has likewise been inconsistent from year to year, resulting in many supplemental appropriations. In FY25, the legislature appropriated \$20.5 million UGF to the DRF, enough to cover anticipated needs based on average usage and leave a projected balance of \$5.0 million in the fund as a safety margin. The Governor vetoed \$7.5



million of this appropriation, leaving a total appropriation of \$13.0 million UGF. In his December

budget release, the Governor is asking for a fast-track supplemental appropriation of \$15.0 million for the DRF because the fund balance has already fallen below zero, requiring the Department of Military and Veterans' Affairs to borrow from statewide deferred maintenance funding to pay disaster costs. In FY26, the Governor is proposing a \$13.0 million UGF capitalization once again. However, average usage of the Fund from FY16-24 was \$16.8 million, so this funding level could again result in the need for a supplemental appropriation.

More discussion of statewide items can be found in the Operating Language section of this publication.

Capital Budget

The Governor's FY26 capital budget request totals \$282.4 million of UGF, down from \$330.7 million in the FY25 budget. In the 2024 legislation session, a surplus in the previous fiscal year (FY24) allowed for additional supplemental capital spending; ultimately \$126.6 million of supplemental capital items were enacted. In the 2025 legislative session, there is a deficit in the previous fiscal year (FY25) so significant supplemental capital spending is less likely. Comparing session-to-session, the Governor's \$282.4 million proposal is \$174.9 million (38.2%) lower than the capital appropriations approved in the 2024 session.

About 55% of the UGF in the Governor's FY26 capital budget is used to match federal funds. For more details on the capital budget, see the Capital Budget Overview section of this publication and the capital budget section of agency narratives.

Long-Term Fiscal Outlook

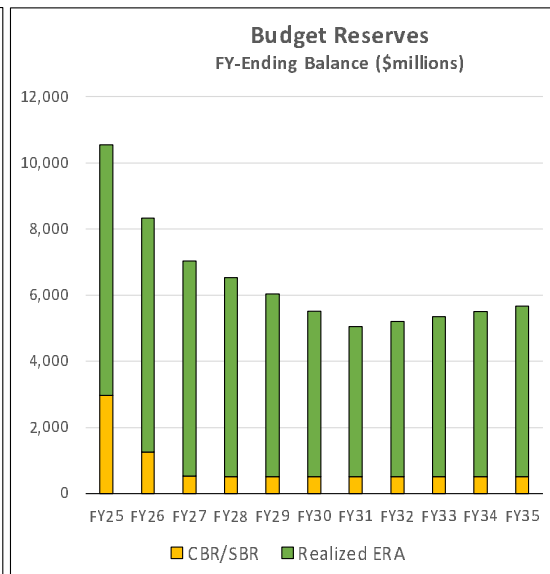
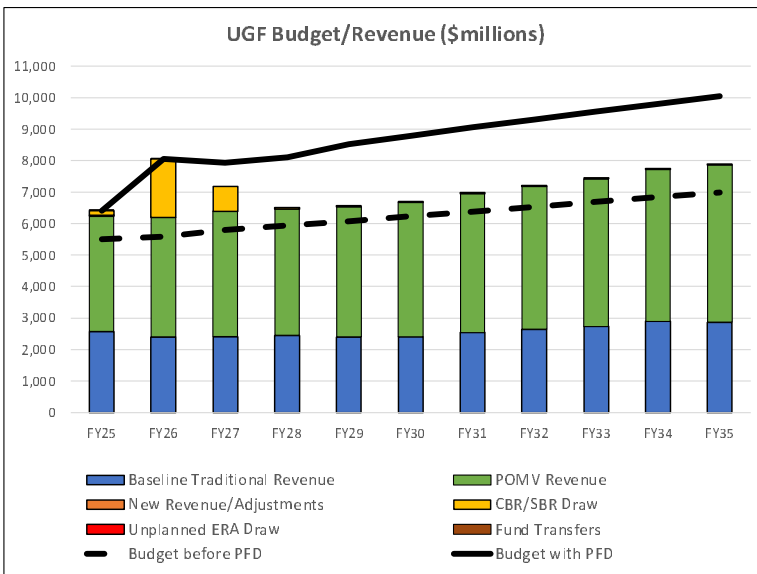
LFD Baseline Fiscal Projections

For the long-term baseline scenario, the Legislative Finance Division's fiscal model reflects current statutes and expenditures growing with inflation. It uses the FY25 Management Plan (less carryforward from prior years), growing with inflation of 2.5 percent per year, with all statewide items (including the Permanent Fund Dividend) funded at their statutory level (or matching FY25 if there is no established formula). Any policy or statutory changes can therefore be compared to this neutral baseline to see their effect on the fiscal situation.

In prior years, our modeling baseline was based on the Adjusted Base, but recent outside-the-formula K-12 appropriations are large enough that this is not necessarily an accurate starting point.

LFD Baseline	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Agency Operations	4,777.2	4,896.7	5,019.1	5,144.6	5,273.2	5,405.0	5,540.1	5,678.6	5,820.6	5,966.1
Statewide Items	423.3	501.2	508.3	516.2	528.1	531.1	540.1	559.5	557.8	541.5
Capital Budget	339.0	347.4	356.1	365.0	374.2	383.5	393.1	402.9	413.0	423.3
Supps	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0	50.0
PFDs	2,455.5	2,125.8	2,170.7	2,442.5	2,541.7	2,644.7	2,684.4	2,711.7	2,738.6	2,770.7
Total	8,044.7	7,921.6	8,104.7	8,518.9	8,767.7	9,015.0	9,208.4	9,403.5	9,580.8	9,752.5

Surplus/(Deficit) (\$millions) **FY25** **FY26** **FY27** **FY28** **FY29** **FY30** **FY31** **FY32** **FY33** **FY34** **FY35**
 (152) (1,846) (1,523) (1,637) (1,991) (2,116) (2,112) (2,122) (2,140) (2,077) (2,180)

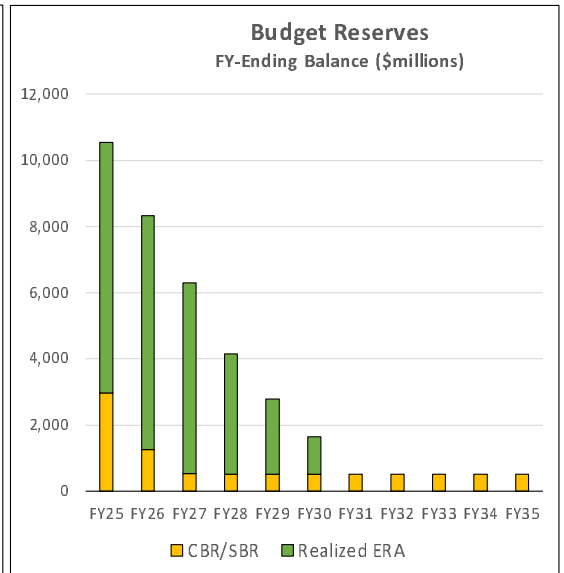
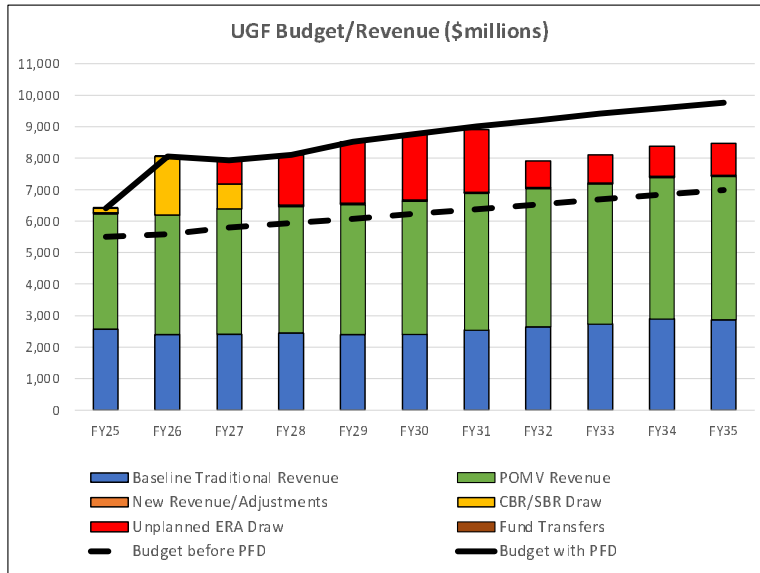


Effective POMV Draw Rate	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
PFD/Person	\$1,702	\$3,777	\$3,231	\$3,303	\$3,729	\$3,899	\$4,100	\$4,228	\$4,363	\$4,504	\$4,652

LFD’s baseline projection shows a deficit of \$1.8 billion in FY26, increasing to over \$2.0 billion from FY30 and beyond. This baseline does not include any deficit-filling draws from the ERA and leaves a \$500.0 million balance in the CBR for cashflow; the gap between the revenue bars on the graph on the left and the budget line represents an unfilled deficit.

If deficits are filled from the ERA, deficits would increase from the baseline scenario due to compounding effects, and by FY31, there would not be sufficient funds in the ERA to fill the entire deficit.

Surplus/(Deficit) (\$millions)	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
	(152)	(1,846)	(1,523)	(1,637)	(1,993)	(2,126)	(2,138)	(2,172)	(2,223)	(2,195)	(2,334)



Effective POMV Draw Rate	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
	5.00%	5.00%	5.93%	6.98%	7.37%	7.47%	7.31%	5.95%	6.00%	6.06%	6.11%
PFD/Person	\$1,702	\$3,777	\$3,231	\$3,303	\$3,721	\$3,867	\$4,023	\$4,081	\$4,121	\$4,163	\$4,213

These models demonstrate that there is a continued structural budget deficit. The legislature could choose to fill this deficit from any combination of spending reductions (including Permanent Fund Dividends, as it has done in recent years) and new revenue.

Comparison of Governor’s 10-Year Plan to LFD Baseline

The Governor is required by AS 37.07.020(b) to “submit a fiscal plan with estimates of significant sources and uses of funds for the succeeding 10 fiscal years.” The plan “must balance sources and uses of funds held while providing for essential state services and protecting the economic stability of the state,” among other requirements.

The 10-Year Plan submitted by the Governor on December 12, 2024, does not comply with this statutory requirement: the CBR is drawn below zero in FY28 and down to *negative* \$12.0 billion at the end of the 10-year window in FY35.

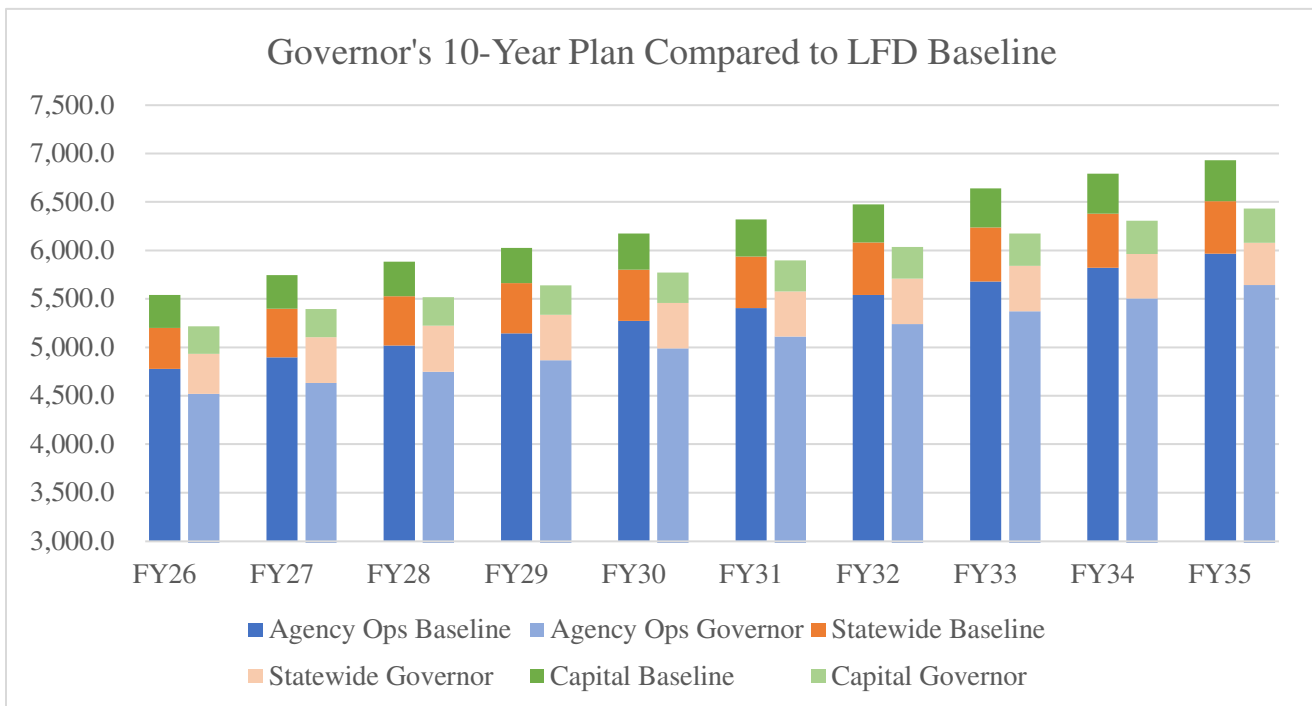
In past years, the Governor’s 10-year plan assumed growth of agency operations and the capital budget of 1.5% per year, but this year’s 10-year plan assumes growth of 2.5%, matching inflation. It also

assumes that statewide items either follow established schedules or, if there is no established schedule, match the FY25 funding level and grow with inflation in subsequent years.

The primary difference between the Governor's 10-year plan and LFD's baseline model is therefore the choice of baseline. Since the Governor's December budget release is incomplete (as the Governor explained in his press conference announcing the budget when he announced plans to introduce a \$200 million education funding bill), it is not an ideal baseline for long-term planning. Therefore, using the FY25 budget, with its inclusion of significant one-time K-12 spending, will likely prove to be more accurate.

The Governor's 10-Year Plan has two other non-policy choice assumption differences from LFD's modeling. The Governor assumes zero supplemental appropriations (net of any lapsing appropriations), while LFD assumes \$50 million per year based on historical averages (although increases to the Fire Suppression Fund and Disaster Relief Fund capitalizations may reduce this need in the future). The Governor also assumes that no new school debt will be authorized even after the program resumes later this year, while LFD assumes that \$7.8 million per year of new debt will be added annually based on historical averages. This assumption also influences the REAA Fund deposit, which changes proportionally to school debt payments. Finally, LFD's modeling uses updated projections of Permanent Fund earnings that correct a calculation error included in DOR's forecast (which is not included in the table below).

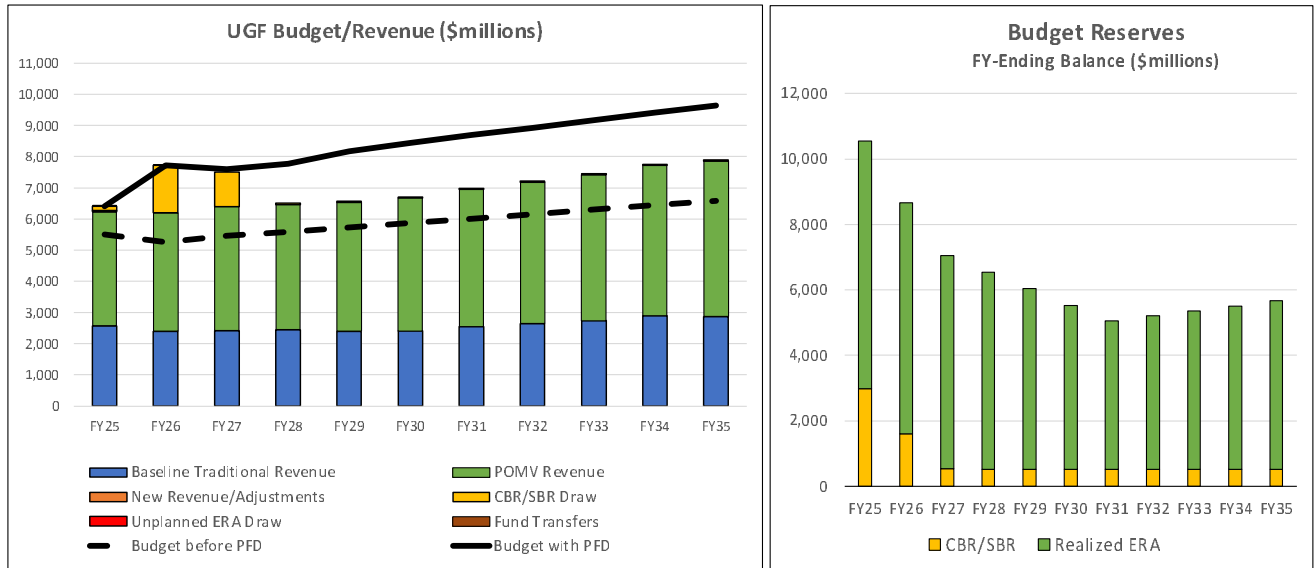
Comparison of Governor's 10-Year Plan Budget Figures to LFD Baseline										
	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Baseline	5,589.2	5,795.8	5,934.0	6,076.3	6,226.0	6,370.2	6,524.0	6,691.8	6,842.1	6,981.8
Governor	5,214.9	5,393.1	5,518.5	5,639.9	5,770.5	5,895.7	6,035.6	6,175.5	6,307.2	6,432.5
Difference	(374.3)	(402.7)	(415.5)	(436.4)	(455.5)	(474.5)	(488.4)	(516.3)	(534.9)	(549.3)



Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

This model shows the policy proposals in the Governor’s 10-Year Plan (the lower growth rates and partial funding of Community Assistance) in LFD’s model, without any deficit-filling draws that would draw the CBR below zero. Despite the assumption differences, the policy choices in the Governor’s 10-Year Plan result in a similar outcome in LFD’s model as in the plan itself: persistent deficits and a depleted CBR in FY27. This model shows unfilled deficits of \$1.5 billion in FY26 increasing to over \$1.7 billion in FY30 and beyond.

Surplus/(Deficit) (\$millions)	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
	(152)	(1,522)	(1,190)	(1,297)	(1,641)	(1,758)	(1,745)	(1,746)	(1,754)	(1,682)	(1,775)

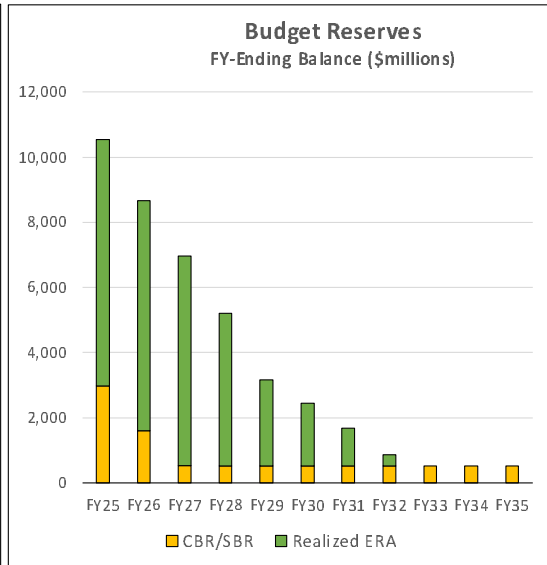
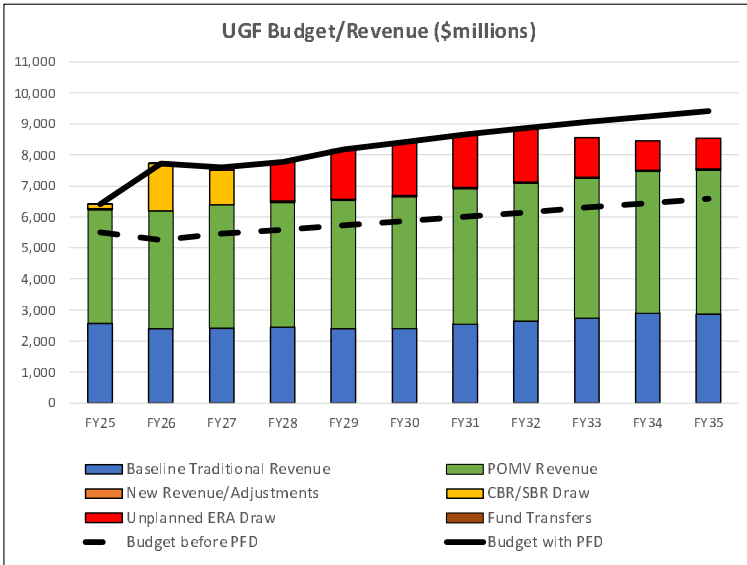


	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
Effective POMV Draw Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%
PFD/Person	\$1,702	\$3,777	\$3,231	\$3,303	\$3,729	\$3,899	\$4,100	\$4,228	\$4,363	\$4,504	\$4,652

The Governor’s 10-Year Plan shows continued draws on the CBR even after the balance goes negative. If the deficits are made up from the ERA instead, the compounding effect of those overdraws would result in larger deficits.

Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

Surplus/(Deficit) (\$millions)	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
	(152)	(1,522)	(1,190)	(1,297)	(1,642)	(1,762)	(1,760)	(1,778)	(1,811)	(1,771)	(1,899)



Effective POMV Draw Rate	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34	FY35
	5.00%	5.00%	5.10%	6.55%	6.94%	7.03%	6.98%	6.96%	6.40%	6.03%	6.07%
PFD/Person	\$1,702	\$3,777	\$3,231	\$3,303	\$3,728	\$3,884	\$4,055	\$4,133	\$4,197	\$4,246	\$4,297

Constitutional and Statutory Appropriation Limits

Alaska has two appropriation limits: a limit in Article IX, Section 16 of the Alaska Constitution, and another in AS 37.05.540(b). Both limits factor in changes in inflation and population that can only be estimated ahead of time, so these figures may change when actual inflation and population changes are known.

The constitutional limit is binding, but the statutory limit can be (and has been) exceeded through the appropriations process.

Expenditures Subject to the Limits

Article IX, Section 16 and AS 37.05.540(b) both set out exclusions from the limit that are both *sources of money* and *uses of money*. Excluded sources are:

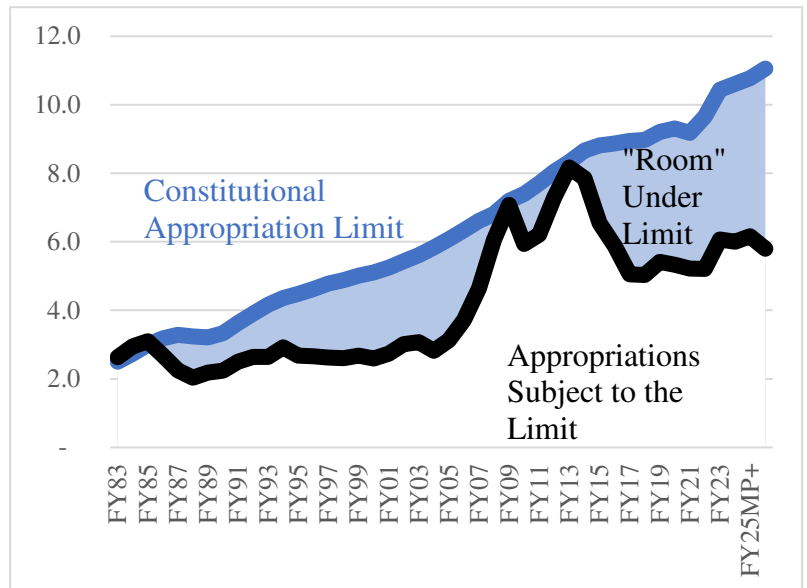
- Proceeds of revenue bonds
- Money held in trust for a specific purpose (this includes all federal funding and most “Other” funds)
- Corporate revenues

Excluded purposes are:

- Permanent Fund Dividends
- Debt service on General Obligation Bonds
- Appropriations transferring money between State funds
- Appropriations to meet a declared state of disaster

Calculating the Constitutional Limit

The constitutional appropriation limit is equal to \$2.5 billion times the cumulative change in population and inflation since July 1, 1981. Based on the way the limit has been calculated by the executive branch in the Annual Comprehensive Financial Report (ACFR), we estimate that in FY25 the limit will be \$10.8 billion and in FY26 the limit will be \$11.1 billion.² This is based on actual changes in inflation and



² This ACFR calculates the adjustment for inflation and population by multiplying the two factors together; an alternative approach would be to add the changes together (the Anchorage tax cap is worded identically to the State limit but is calculated in this way, for example). Under this alternative calculation, the limit would be \$8.3 billion in FY25 and \$8.4 billion in FY26.

population through FY24, a 2.5% inflation assumption, and the Department of Labor's population growth assumption.

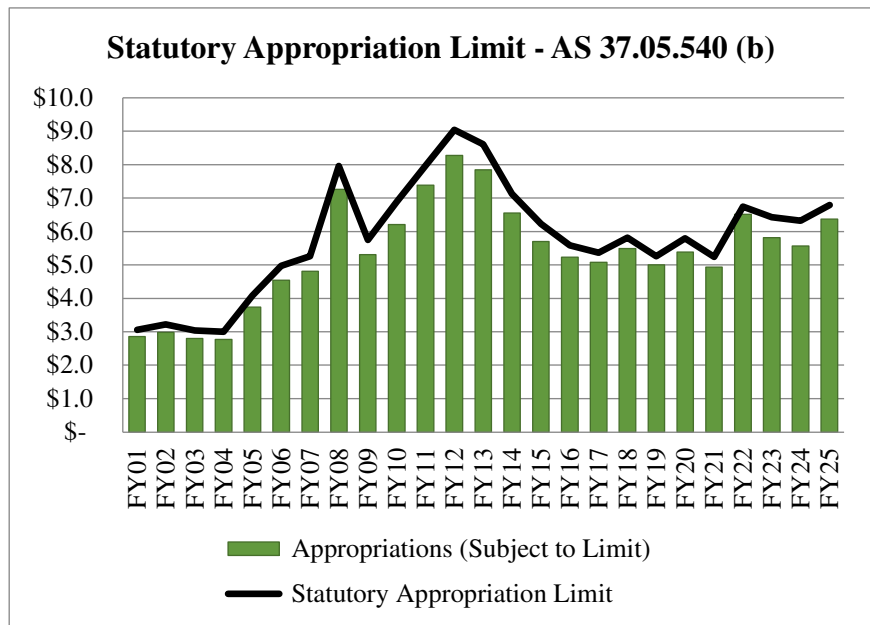
The enacted FY25 budget subject to the limit was \$6.2 billion, \$4.6 billion below the estimated appropriation limit. The Governor's proposed FY26 budget subject to the limit is \$5.8 billion, \$5.2 billion below the estimated appropriation limit.

Calculating the Statutory Limit

While the constitutional limit applies to expenditures *for* a fiscal year, the statutory limit applies to appropriations *made in* a fiscal year, regardless of what year they were effective (essentially, it compares appropriations from one session to the next). Appropriations in a fiscal year may not exceed the appropriations made in a previous fiscal year by more than 5% plus the change in inflation and population.

Appropriations made in FY24 subject to the limit were \$6.3 billion. Based on the same inflation and population assumptions used for the constitutional limit, that would allow for appropriations of \$6.8 billion in FY25.

The Governor's proposed appropriations subject to the limit (as of the December 15th budget release) total approximately \$6 billion. This means that the currently proposed appropriations remain under the statutory appropriation limit by approximately \$800 million.



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 \$441.1 million in FY26. 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, as of April 2022, 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 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 \$480.0 million in FY26. 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). As of February 2024, DOR estimates that taxing all oil and gas companies at the same rates as C-Corporations would raise \$143 million in FY26. 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 \$25.9 million in FY26. The Fisheries Business and Fishery Resource Landing taxes are estimated to bring in \$20.2 million in UGF revenue and an additional \$23.9 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 FY26 revenue is \$41.0 million, of which \$28.4 million is UGF and \$12.6 million is DGF. Alaska's cigarette tax of \$2 per pack ranks 19th nationwide. The tax on other tobacco products is 75% of the wholesale price, which ranks 8th nationwide. Alaska does not currently tax electronic smoking products.
- Alcoholic beverage tax: \$40.2 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 9th 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: \$34.3 million, all DGF. Alaska's \$0.08 per gallon tax on highway fuel ranks 50th nationwide. Increasing Alaska's tax to the national median of \$0.30 would bring in an additional \$94 million.
- Marijuana taxes: \$26.3 million, of which \$6.9 million is UGF and \$19.5 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. Twenty-four 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 or Washington, which only tax income from specific sources). Of these, 30 have progressive income taxes, and the remaining 11 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 \$780 million in 2023.

As of May 2020, 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 Adjusted Gross Income (AGI). LFD estimates an individual income tax based on 3% of AGI, with no exemptions or deductions, would generate roughly \$1 billion 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 2022, 107 of Alaska's 129 taxing municipalities imposed sales taxes, at rates ranging from 1% to 7%.

As of March 2023, DOR estimates that a 4% sales tax styled on Wyoming's sales and use tax would generate \$619 million in the first full year administered. This tax would exempt groceries, prescription medicine, medical equipment, and some business-to-business sales and services. DOR estimates a 4% sales tax based on South Dakota's sales and use tax would generate \$1.8 billion in the first full year administered. This tax is very broad with minimal exemptions and extends to business inputs.

Property Tax

All 50 states have property taxes that are applied by either state or local 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.

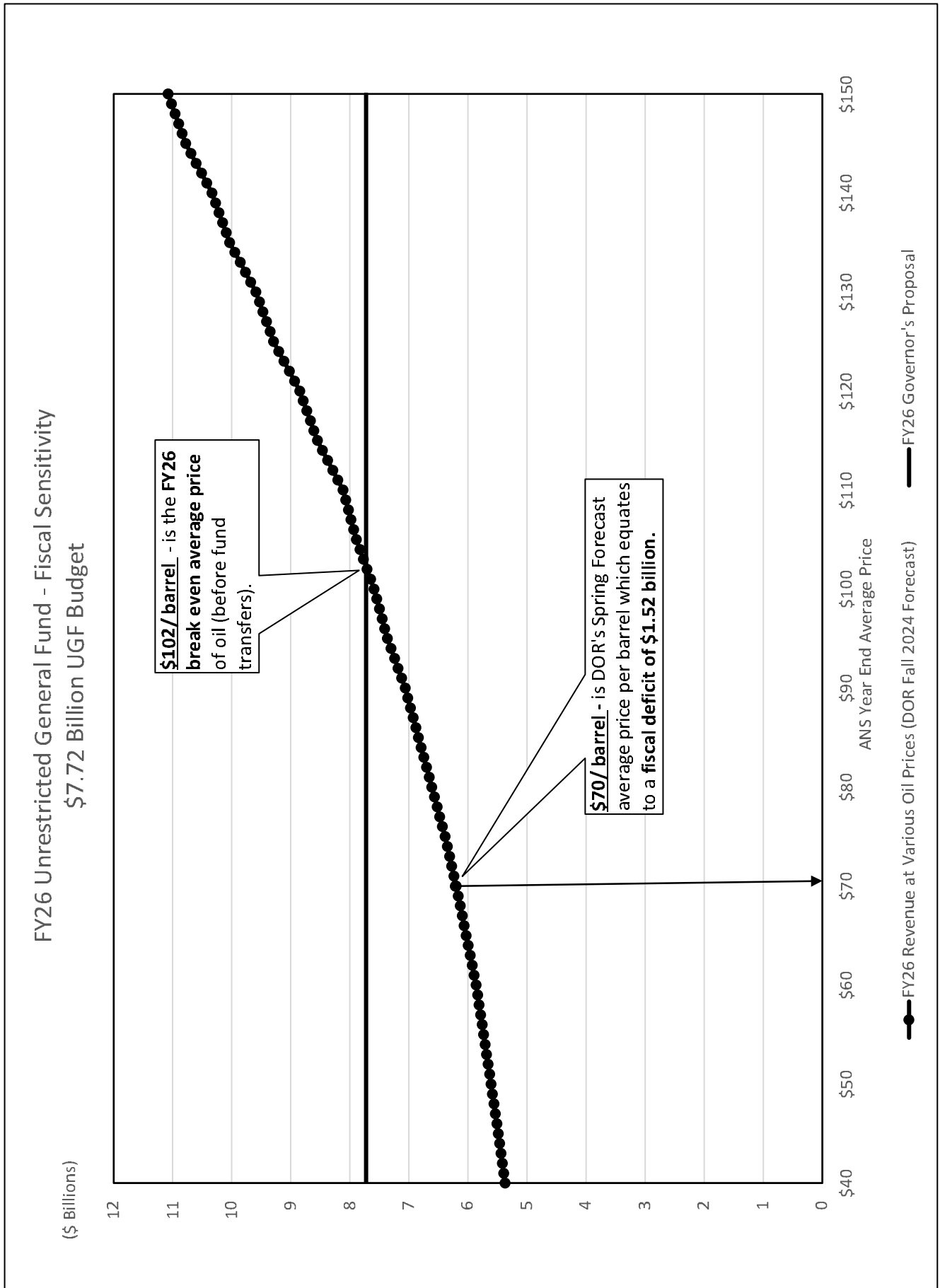
As of May 2020, DOR estimates that a tax on all in-state property of 0.1% (10 mills) of assessed value would generate \$117.5 million in the first full year administered.

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 workers' 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.

As of May 2020, 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 Language

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Language Sections of the Governor's FY26 Operating Budget

Deleted Sections: FY24 Supplemental Appropriations (HB 268 Sections 11-27)

Legislative Fiscal Analyst Comment: The Governor typically submits separate bills requesting supplemental and capital appropriations. During the 2024 legislative session, all operating budget supplemental appropriations were rolled into the operating bill.

The Governor's operating bill includes some FY25 supplemental requests (**Sections 12(i) and (j), and 24(d) and (e)** below). 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. 4. 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, 2026.

Legislative Fiscal Analyst Comment: This section was added by the legislature many 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.

The legislature removed this language in the FY25 budget. In the 2023 and 2024 sessions, the Governor requested supplemental appropriations for several job reclassifications due to class studies, indicating that the language was no longer having its desired effect. The Governor's FY26 budget restores this language.

Sec. 5. ALASKA AEROSPACE CORPORATION. Federal receipts and other corporate receipts of the Alaska Aerospace Corporation received during the fiscal year ending June 30, 2026, that exceed 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, 2026.

Section 5 is intended to maximize the Alaska Aerospace Corporation's (AAC) ability to attract launch activity by eliminating all questions regarding their ability to accept and spend receipts in a timely manner.

Funding: In FY26, the estimated impact of this section is zero. This language was used to add \$3.5 million of federal authority in FY24.

Sec. 6. ALASKA COURT SYSTEM. The amount necessary, estimated to be \$0, not to exceed \$75,000, is appropriated from the general fund to the Judiciary, Commission on Judicial Conduct, for special counsel costs for the fiscal year ending June 30, 2026.

Section 6 appropriates up to \$75,000 to the Commission on Judicial Conduct for special counsel costs. This language was first added by the legislature in the FY24 budget, replacing a numbers section appropriation of \$27,000, and is retained in the Governor's FY26 request.

Funding: The estimated impact of this section is zero because special counsel costs are seldom incurred.

Legislative Fiscal Analyst Comment: This language was utilized in FY24. If its usage becomes routine, an estimate should be added for transparency.

Sec. 7. ALASKA HOUSING FINANCE CORPORATION. (a) **The board of directors of the Alaska Housing Finance Corporation anticipates that \$37,785,000 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, 2026.**

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 FY23, FY24, and FY25 were \$26.6 million, \$23.4 million, and \$47.9 million, respectively.

Legislative Fiscal Analyst Comment: The statutory dividend is the lesser of \$103.0 million or 75% of the Alaska Housing Finance Corporation's (AHFC's) change in net assets in the most recently completed fiscal year [AS 18.56.089(c)]. The FY26 dividend is based on FY24 performance.

(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, 2026, in the estimated amount of \$3,185,000 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 \$3.2 million of the FY26 dividend in order to pay debt service on two capital projects for which AHFC issued debt on behalf of the State, as authorized by past legislatures, leaving \$34.6 million.

Legislative Fiscal Analyst Comment: Until this budget year, this item was not counted in Legislative Finance Reports, but the full dividend (without this deduction) has been counted as UGF revenue in the Revenue Sources Book. This means that this deduction should have a fiscal impact and therefore should be counted. The effect of this language has been incorporated into budget reports for the 2025 session, including reports on the FY25 budget.

(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, 2026, 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 \$34.6 million. The Governor's request appropriates the full amount to the capital budget.

Legislative Fiscal Analyst Comment: The entire dividend 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, 2026, 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 FY26 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: This item is included in Legislative Finance Division reports without assigning a value to the transfer, as the amount is unknown.

(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, 2026, 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, 2026, for housing loan programs and projects subsidized by the corporation.

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

Funding: While these appropriations have assigned dollar amounts, they are counted as zero value transactions in Legislative Finance Division reports since they represent internal corporate transfers.

Legislative Fiscal Analyst Comment: While AHFC has statutory authority to issue bonds and transfer arbitrage earnings to its loan programs, it also has the authority to transfer funds to these revolving funds beyond what is appropriated in **subsection (d)**, so this appropriation is

required to ensure that no funds are spent without an appropriation. Expanding the language in **subsection (d)** to include all potential sources of money could eliminate the need for **subsections (e) and (f)**.

New Subsection

(g) The sum of \$20,000,000 in federal receipts is appropriated to the Alaska Housing Finance Corporation, Alaska Sustainable Energy Corporation to support green bank for the fiscal years ending June 30, 2026, June 30, 2027, and June, 30, 2028.

Subsection (g) provides FY26-FY28 Multiyear Federal Receipt authority to allow AHFC to apply for federal grants authorized under the 2022 Inflation Reduction Act for energy-efficiency upgrades and other projects aimed at reducing greenhouse gases.

Legislative Fiscal Analyst Comment: Ch. 24, SLA 2024 authorized creation of the Alaska Sustainable Energy Corporation. The bill's AHFC Operations Fiscal Note provided \$20,000.0 Federal Receipts for FY25 only. The FY26 proposed budget creates a new Alaska Sustainable Energy Corporation allocation.

The Federal authority will allow AHFC to apply for federal grants authorized under the 2022 Inflation Reduction Act for energy-efficiency upgrades and other projects aimed at reducing greenhouse gases.

Sec. 8. ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY. The sum of \$20,000,000 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, 2026. After deductions for appropriations for capital purposes are made, any remaining balance of the amount set out in this section 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 8 informs the legislature that the anticipated annual Alaska Industrial Development and Export Authority (AIDEA) corporate dividend to the State will be \$20.0 million and appropriates it to the general fund. By statute (AS 44.88.088), the dividend made available should not be less than 25% and not more than 50% of the base year statutory net income.

The dividend was based on statutory net income from the Revolving Fund. The Sustainable Energy Transmission and Supply (SETS) Fund and the Arctic Infrastructure Development Fund were not included in the dividend calculation. The dividend was calculated as 30% of net income (\$66 million).

Sec. 9. ALASKA PERMANENT FUND. (a) The amount required to be deposited under art. IX, sec. 15, Constitution of the State of Alaska, estimated to be \$368,200,000 during the fiscal year ending June 30, 2026, is appropriated to the principal of the Alaska permanent fund in satisfaction of that requirement.

Subsection (a) identifies an amount of oil revenue that goes into the Permanent Fund. Because the constitution mandates that at least 25% 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.

(b) The amount necessary, when added to the appropriation made in (a) of this section, to satisfy the deposit described under AS 37.13.010(a)(2), estimated to be \$79,500,000, during the fiscal year ending June 30, 2026, is appropriated from the general fund to the principal of the Alaska permanent fund.

Subsection (b) identifies an amount of oil revenue that goes into the Permanent Fund. This subsection reflects the additional 25% 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 a Designated General Fund revenue. Both revenue and expenditures are included in reports prepared by the 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.

(c) The sum of \$3,798,888,398, as calculated under AS 37.13.140(b), is appropriated from the earnings reserve account (AS 37.13.145) as follows:

(1) the amount authorized under AS 37.13.145(b) for transfer by the Alaska Permanent Fund Corporation on June 30, 2025, estimated to be \$2,504,449,070, 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, 2026;

(2) the remaining balance, estimated to be \$1,294,439,328 to the general fund for the fiscal year ending June 30, 2026.

Subsection (c) appropriates funds from the Earnings Reserve Account (ERA) to the Dividend Fund and general fund. The statutory 5% of market value (POMV) payout is \$3.8 billion in FY26. The Governor splits the draw, with the statutory amount going to the Dividend Fund in **Subsection (1)**, as calculated on the last day of FY25 to pay dividends in October of FY26. The remainder of the POMV draw is appropriated to the general fund in **Subsection (2)**.

Funding: The projected \$2.5 billion dividend transfer includes funding for administrative and associated costs. Administrative and associated costs for FY26 are reflected in **Section 1** of the budget.

The amount in the Governor's budget contains a calculation error; the correct statutory PFD appropriation should be \$2,455.5 million.

Legislative Fiscal Analyst Comment: The fiscal summary shows this transfer from the ERA as Unrestricted General Fund revenue. In some years, the entire POMV draw has been deposited into 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.

(d) The income earned during the fiscal year ending June 30, 2026, on revenue from the sources set out in AS 37.13.145(d), estimated to be \$26,525,000, is appropriated to the Alaska capital income fund (AS 37.05.565).

Subsection (d) appropriates FY26 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 \$914,315,845 is appropriated from the general fund 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, 2025.

The amount calculated under AS 37.13.145(c), after the appropriation made in (c) of this section, not to exceed \$1,000,000,000, 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.

The deleted subsection provided for inflation proofing from the ERA to the principal of the Permanent Fund, capped at \$1 billion. The Governor's FY26 proposed budget does not include inflation proofing for the Permanent Fund.

Legislative Fiscal Analyst Comment: FY26 statutory inflation proofing is estimated to be \$1.5 billion, based on the Permanent Fund's long-term inflation assumption of 2.5%. The statutory calculation in AS 37.13.145(c) is based on inflation in calendar year 2025.

In the FY25 budget, the legislature capped the inflation proofing transfer at \$1 billion, which is projected to be less than the statutory calculation.

Deleted Section

BONUSES FOR CERTAIN EMPLOYEES OF THE EXECUTIVE BRANCH. (a) *The money appropriated in this Act includes amounts to implement the payment of bonuses and other monetary terms of letters of agreement entered into between the state and collective bargaining units under AS 23.40.070 - 23.40.260 for the fiscal year ending June 30, 2025.*

(b) The Office of the Governor, office of management and budget, shall

(1) not later than 30 days after the Department of Administration enters into a letter of agreement described in (a) of this section, provide to the legislative finance division in electronic form

(A) a copy of the letter of agreement; and

(B) a copy of the cost estimate prepared for the letter of agreement; and

(2) submit a report to the co-chairs of the finance committee of each house of the legislature and the legislative finance division not later than

(A) February 1, 2025, that summarizes all payments made under the letters of agreement described in (a) of this section during the first half of the fiscal year ending June 30, 2025; and

(B) September 30, 2025, that summarizes all payments made under the letters of agreement described in (a) of this section during the second half of the fiscal year ending June 30, 2025.

The **deleted section** authorized the payment of bonuses to unionized employees that are not part of a collective bargaining agreement but were authorized by Letters of Agreement (LOAs) between the executive branch and the unions. It also required the Office of Management and Budget to send copies of the agreements to the Legislative Finance Division and submit two annual reports summarizing payments for LOAs to the co-chairs of the finance committees.

Legislative Fiscal Analyst Comment: The Office of Management and Budget has provided LFD with copies of LOAs issued so far in FY25 as they are signed.

New Section

Sec. 10. ALASKA TECHNICAL AND VOCATIONAL EDUCATION PROGRAM ACCOUNT.

(a) Four percent of the revenue deposited into the Alaska technical and vocational education program account (AS 23.15.830) in the fiscal year ending June 30, 2026, estimated to be \$884,600, is appropriated from the Alaska technical and vocational education program account (AS 23.15.830) to the Department of Education and Early Development for operating expenses of the Galena Interior Learning Academy, for the fiscal year ending June 30, 2026.

(b) Sixty-six percent of the revenue deposited into the Alaska technical and vocational education program account (AS 23.15.830) in the fiscal year ending June 30, 2026, estimated to be \$14,596,200, is appropriated from the Alaska technical and vocational education program account (AS 23.15.830) to the Department of Labor and Workforce Development for operating expenses of the following institutions, in the following percentages, for the fiscal year ending June 30, 2026:

INSTITUTION	PERCENTAGE	ESTIMATED AMOUNT
Alaska Technical Center	9 percent	\$1,990,400
Alaska Vocational Technical Center	17 percent	3,759,600

Northwestern Alaska Career and Technical Center	4 percent	884,600
Southwest Alaska Vocational and Education Center	4 percent	884,600
Yuut Elitnaurviat - People's Learning Center Inc.	9 percent	1,990,400
Partners for Progress in Delta, Inc.	3 percent	663,500
Iisagvik College	6 percent	1,326,900
Prince of Wales Community Learning Center	5 percent	1,105,800
Sealaska Heritage Institute, Inc.	2 percent	442,300
Fairbanks Pipeline Training Center	7 percent	1,548,100

(c) Thirty percent of the revenue deposited into the Alaska technical and vocational education program account (AS 23.15.830) in the fiscal year ending June 30, 2026, estimated to be \$6,634,600, is appropriated from the Alaska technical and vocational education program account (AS 23.15.830) to the University of Alaska for operating expenses of the following institutions, in the following percentages, for the fiscal year ending June 30, 2026:

INSTITUTION	PERCENTAGE	ESTIMATED AMOUNT
University of Alaska System	25 percent	5,528,800
University of Alaska Southeast	5 percent	1,105,800

Subsections (b) and (c) appropriate estimated amounts from the Alaska Technical and Vocational Education Program Account to institutions based on statutory distribution percentages.

Funding: The actual distribution amounts will depend on revenue received in the year.

Legislative Fiscal Analyst Comment: The distribution for the Alaska Technical and Vocational Education Program (known as TVEP) was made through similar language in FY24, but when the program was reauthorized under HB 148 (Ch. 4, SLA 2024) at the end of the 2025 session, it was moved to the numbers section in order to accommodate a change to the percent of employee wages diverted to the program (from .16% to .25%). The Governor's FY26 budget returns the distribution of funding to the language section, which simplifies the process of updating transactions to reflect adjustments to the distribution amounts based on the most current revenue projections available.

Sec. 11. 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, 2026.

Subsection (a) 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 budgetary 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 Catastrophe Reserve Account sweeps lapsing general fund appropriations annually to maintain a balance not to exceed \$50 million per AS 37.05.289(b). 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, 2026.

Subsection (b) re-emphasizes the Department of Administration's (DOA's) ability to spend from the Working Reserve Account to pay leave cash-in, terminal leave, unemployment insurance contributions, workers compensation, and general liability claims.

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

Legislative Fiscal Analyst Comment: 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.

Information on usage of this account in FY24 was not received in time for inclusion in this publication.

(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 unexpended and unobligated 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, 2026, 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.

(d) The amount necessary to maintain, after the appropriation made in (c) of this section, a minimum target claim reserve balance of one and one-half times the amount of outstanding claims in the group health and life benefits fund (AS 39.30.095), estimated to be \$10,000,000, is appropriated from the unexpended and unobligated balance of any appropriation that is determined to be available for lapse at the end of the fiscal year ending June 30, 2026, to the group health and life benefits fund (AS 39.30.095).

Funding: This provision has no budgetary 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: 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 outstanding claims liability to absorb claims volatility and provide stability in premiums.

Usage of this appropriation was \$9,480.0 in FY22, \$1,547.0 in FY23, and \$19,979.0 in FY24. This usage was driven by higher-than-expected costs. In FY24, a few high-cost claimants drove the bulk of the need, as well as the impact of GLP-1 drugs.

Going forward, Segal indicated that \$7,468.0 is likely needed in FY25 and \$8,085.0 in FY26, assuming State contributions to health care costs increase by 6.4% annually. Without relying on these lapsing funds, premiums would need to increase by 10.2% annually.

While using this lapsing appropriation for unexpected costs helps manage volatility, relying on this appropriation rather than increasing premiums is inefficient because premiums are paid by a variety of fund sources and these lapsing funds would otherwise all go to the Constitutional Budget Reserve. It also reduces the apparent cost of State government by using this appropriation instead of increasing AlaskaCare rates, which show up as a cost in FY26.

Legislative Fiscal Analyst Recommendation: Health insurance rates should be increased by 10.2% per year rather than 6.4% and this appropriation's usage should be limited to unexpected needs.

(e) The amount necessary to have an unobligated balance of \$50,000,000 in the state insurance catastrophe reserve account (AS 37.05.289(a)), after the appropriations made in (c) and (d) of this section, is appropriated from the unexpended and unobligated balance of any appropriation that is determined to be available for lapse at the end of the fiscal year ending June 30, 2026, to the state insurance catastrophe reserve account (AS 37.05.289(a)).

Funding: This provision has no budget impact; it allows money appropriated elsewhere to be transferred to the Catastrophe Reserve Account, but it does not increase total appropriations.

Legislative Fiscal Analyst Comment: This section appropriates lapsing general fund balances to the Catastrophe Reserve Account described in AS 37.05.289.

This appropriation would authorize the transfer of up to \$50.0 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 \$5.0 million), the Group Health Life Account (estimated to be \$10.0 million), and before a transfer to the Office of Management and Budget for central services cost allocation rate shortfalls (up to \$5.0 million).

In FY24, \$5.7 million was used from this waterfall appropriation to maintain the target \$50.0 million balance.

(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, 2026.

Subsection (f) appropriates general funds to pay for costs of retirement system benefit calculations that exceed the amount 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, 2026.

Subsection (g) appropriates general funds in FY26 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.

Legislative Fiscal Analyst Comment: In FY24 and FY25, the legislature limited this appropriation to bills in the finance committees, aligning the appropriation language with the Department of Administration's existing practice. The Governor reverts to the previous version.

Deleted Subsection

The unexpended and unobligated balance of the abandoned motor vehicle fund (AS 28.11.110) on June 30, 2025, estimated to be \$110,000, is appropriated to the Department of Administration, division of motor vehicles, for the purpose of reimbursing municipalities for the costs of removing abandoned vehicles from highways, vehicular ways or areas, and public property for the fiscal years ending June 30, 2025, and June 30, 2026.

This **deleted section** was removed by the Governor. See also **Section 18(d)** for a related appropriation in the FY26 Governor's bill.

Sec. 12. 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, 2026, 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, 2026, 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, 2026.**

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% of the income is allocated to public schools and 25% 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.

The precise impact of this section is unknown because the federal Secure Rural Schools Act has not yet been reauthorized as of this publication. If it is reauthorized, the impact of this appropriation was estimated to be \$800.0 in 2015; DCCED has not supplied a more recent estimate.

(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, 2026.

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 agency estimates the actual funding amount will be between \$8.0 and \$10.0 million. **Section 1** appropriates \$9.2 million for this program.

Legislative Fiscal Analyst Comment: The Secure Rural Schools program needs to be reauthorized by Congress frequently; if it is not extended, payments revert to a formula that pays about \$600,000 per year. The program will need to be reauthorized again for FY26, which has not yet occurred as of the time of publication.

In FY24, the legislature increased the authorization in the numbers section to \$9.2 million to match projected awards. While the program needs to be reauthorized for FY26, retaining this section does no harm.

(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, 2026.

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 to make the required payments.

Legislative Fiscal Analyst Comment: The PILT program is subject to federal appropriation and reauthorization for FY26.

(d) The amount necessary for the purposes specified in AS 42.45.085(a), estimated to be \$48,049,800, 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, 2026.

Subsection (d) appropriates money from the Power Cost Equalization Endowment Fund to the Alaska Energy Authority (AEA) for the Power Cost Equalization (PCE) program.

Funding: Total PCE program cost is projected to be \$48.0 million in FY26. This incorporates the impact of Ch. 39, SLA2022 (SB 243), which expanded the program by an estimated \$15.7 million per year starting in FY23. In FY24, actual usage was \$45.8 million.

(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, 2026.

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 17(c) applies to the Department of Natural Resources.

(f) The sum of \$1,000,000 is appropriated from program receipts received by the Department of Commerce, Community, and Economic Development, division of insurance, under AS 21 to the Department of Commerce, Community, and Economic Development, division of insurance, for actuarial support for the fiscal years ending June 30, 2026, and June 30, 2027.

Subsection (f) provides program receipt authority for DCCED to contract out actuarial services that have been difficult to fill due to private sector competition. The Department had two Actuary positions, one for life and health (vacant since FY20) and another for property and casualty (vacant since FY22). One was deleted in the FY25 budget because of the recruiting difficulties but the Department continues to try to fill the other position. Sufficient revenue exists to cover this request.

Legislative Fiscal Analyst Comment: For the last several years the Division has had staggered Multiyear appropriations for actuarial support. In SLA 2024, \$1.0 million was appropriated effective for both FY25 and FY26. Likewise, in the FY26 proposal, \$1.0 million is included for both FY26 and FY27. The Department estimates that the annual need will be between \$500.0 and \$1.0 million, so the overlap provides coverage up to the maximum in both fiscal years and allows for the securing of contractors for two-year periods.

(g) A sum, estimated to be \$180,060 and not to exceed \$198,000, is appropriated from the boat receipts collected under AS 05.25.096 in the fiscal year ending June 30, 2025, to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Alaska Marine Safety Education Association for marine safety education for the fiscal year ending June 30, 2026.

See **Subsection 17(d)** for more information on this and a related item.

(h) The amount of federal receipts received for the reinsurance program under AS 21.55 during the fiscal year ending June 30, 2026, 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 years ending June 30, 2026, and June 30, 2027.

Subsection (h) is an open-ended appropriation that allows FY26 Federal receipts to be expended at any time through FY27 on the Alaska Comprehensive Insurance Program.

New Subsections

(i) The unexpended and unobligated balance, estimated to be \$225,000, of the appropriation made in sec. 21(b), ch. 16, SLA 2013 (Department of Commerce, Community, and Economic Development, Alaska Energy Authority, emerging energy technology fund - \$2,000,000), is reappropriated to the Department of Commerce, Community, and Economic Development, Alaska Energy Authority, for data library administration, hosting, expansion, and digitization.

Subsection (i) reappropriates the balance of a past capital appropriation to the Alaska Energy Authority for its ongoing data library project. This project also received a one-time appropriation of \$200,000 of AEA Receipts in FY25.

Legislative Fiscal Analyst Recommendation: The appropriation as written is valid only for a single day (June 30, 2025). It should be modified to enable AEA to spend the funds across FY25 and FY26.

(j) The sum of \$10,000,000 is appropriated from the general fund to the Department of Commerce, Community, and Economic Development, Alaska seafood marketing institute, for a comprehensive marketing plan for the fiscal years ending June 30, 2025, June 30, 2026, and June 30, 2027.

In the FY24 budget, ASMI received a one-time \$5 million UGF appropriation. They had not received State funding since FY18 and had been relying on the Alaska Seafood Marketing Assessment (AS 16.51.120) and competitive federal grant funding.

For FY25, the legislature added a \$10 million UGF Increment intended to match the FY23 revenue collected from the Seafood Marketing Assessment (the actual known revenue from the most recently closed fiscal year). This Increment was to specifically target seafood marketing domestically, but it was vetoed by the Governor.

This \$10 million UGF Supplemental Multiyear appropriation (FY25-27) is for the agency to implement a comprehensive marketing plan in the domestic market with the following goals identified:

1. Capitalize on the Russian import ban;
2. Increase Alaska seafood brand recognition; and
3. Differentiate the Alaska Responsible Fisheries Management (RFM) in the U.S. as the preferred certification program.

The funding is provided as a Multiyear to allow ASMI sufficient time to plan and implement a methodical approach to marketing Alaska seafood.

Deleted Subsections

The sum of \$340,000 is appropriated from statutory designated program receipts received by the Department of Commerce, Community, and Economic Development to the Department of Commerce, Community, and Economic Development, community and regional affairs, for natural hazard planning assistance for the fiscal years ending June 30, 2025, June 30, 2026, and June 30, 2027.

This **deleted section** provided FY25-27 Statutory Designated Program Receipt authority for a grant received by the Department of Commerce, Community and Economic Development. This is not a recurring item.

The sum of \$10,000,000 is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for community assistance payments to eligible recipients under the community assistance program for the fiscal year ending June 30, 2025.

See analysis under **Section 23(t)**.

The sum of \$16,773 is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to the Alaska SCTP, nonprofit corporation, for maintenance of scholastic clay target programs and other youth shooting programs, including travel budgets to compete in national collegiate competitions, for the fiscal years ending June 30, 2025, and June 30, 2026.

This **deleted section** appropriated general funds equal to the estimated proceeds of the NRA license plate to the Alaska SCTP nonprofit for youth shooting programs, which is the statutorily designated purpose for that fund source. The Governor's budget does not appropriate the NRA license plate proceeds to any other purpose, allowing them to lapse to the general fund.

The sum of \$150,000 is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.316 to Arctic Winter Games Team Alaska for Arctic Winter Games events for the fiscal year ending June 30, 2025.

This **deleted section** provided a grant to Team Alaska for the Arctic Winter Games, which were held in the Mat-Su Valley in March 2024 (during FY24, not FY25 when the grant is effective). The next games are scheduled for March 2026 (during FY26).

The sum of \$4,000,000 is appropriated from the general fund to the Department of Commerce, Community, and Economic Development for payment as a grant under AS 37.05.315 to the Municipality of Anchorage for the costs of operating a low-barrier shelter on East 56th Avenue in Anchorage for the fiscal year ending June 30, 2025. It is the intent of the legislature that the Municipality of Anchorage declare the area within a 200-yard radius of the shelter to be a drug-free zone.

This **deleted section** provided a one-time \$4.0 million grant to the Municipality of Anchorage to operate a low-barrier shelter for unhoused individuals and families. The Department of Commerce, Community and Economic Development reported that the legislative intent in the last sentence was included in the grant agreement.

Sec. 13. DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT. (a) Fifty percent of the donations received under AS 43.23.230(b) for the fiscal year ending June 30, 2026, estimated to be \$461,000, 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, 2026.

Subsection (a) appropriates half of all donations made to the dividend raffle during FY26 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) Federal funds received by the Department of Education and Early Development, education support and administrative services, that exceed the amount appropriated to the Department of Education and Early Development, education support and administrative services, in sec. 1 of this Act are appropriated to the Department of Education and Early Development, education support and administrative services, for that purpose for the fiscal year ending June 30, 2026.

Subsection (b) provides open-ended Federal receipt authority for the Department of Education's Education Support and Administrative Services appropriation.

Legislative Fiscal Analyst Comment: Many federal education grants operate on overlapping 27-month grant cycles. Sub-grantees can expend grant awards across multiple state fiscal years. To accommodate the ability of grantees to expend from multiple concurrent grants, the Department requires authority to collect and expend Federal revenue awarded in prior years.

Previous versions of this language (most recently in the FY23 budget) limited this additional receipt authority to the Student and School Achievement allocation (rather than the entire appropriation), and to grant funds only. Beginning with the FY23 supplemental budget, this was expanded to the entire appropriation on all lines. The broader language reflected additional receipts in the Child Nutrition Program as well as Student and School Achievement, and Federal revenue available to carry forward on other line items. DEED maintains that the broader language is still needed for administrative efficiency, particularly for the Child Nutrition, Student and School Achievement, Career and Technical Education, and Early Learning Coordination allocations.

(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 High School, for maintenance and operations for the fiscal year ending June 30, 2026.

Subsection (c) appropriates proceeds from the sale of land owned by the Department of Education and Early Development (DEED) to Mt. Edgecumbe boarding school for maintenance and operations. This language section was added in FY21 and has remained in the budget annually since then.

Legislative Fiscal Analyst Comment: As of January 2025, DEED has a pending sale of 0.435 acres on Japonski Island to the U.S. Coast Guard (USCG). The USCG offered \$870,000 as the purchase price and DEED counter offered \$950,000. A small remnant lot (9,018 square feet) from a prior sale of land to the City and Borough of Sitka that is obligated to the USCG will be added to this sale process. The value has not been determined but is expected to be approximately \$40,000. DEED anticipates that the sale will be finalized in spring 2025. There are no other pending or completed sales.

(d) The amount of the fees collected under AS 28.10.421(a)(3) during the fiscal year ending June 30, 2025, for the issuance of celebrating the arts license plates, less the cost of issuing the license plates, estimated to be \$40,000, is appropriated from the general fund to the Department of Education and Early Development, Alaska State Council on the Arts, for administration of the celebrating the arts license plate program for the fiscal year ending June 30, 2026.

Ch. 18, SLA 2022 (SB 71) authorized the Alaska State Council on the Arts to determine a fee of up to \$50 for a special vehicle registration plate celebrating the arts. **Section (e)** appropriates an amount equal to fees collected in FY25 from the general fund to the Arts Council to pay for the artist's design fee, preparation for production, and educational materials about the program.

Funding: In prior years, similar sections were counted as UGF, but the Governor is now counting this using the License Plate Receipt fund code.

Legislative Fiscal Analyst Comment: The estimated amount was \$5,000 in the FY25 budget. The FY26 Governor's proposal raises the estimate to \$40,000 to reflect higher projected fee collections. The FY25 language stated funds may be used "...for administration of the celebrating the arts license plate **contest**..." FY26 states funds may be used "for administration of the celebrating the arts license plate **program**". The modified language does not change the purpose of the subsection, which remains in accordance with Ch. 18, SLA 2022.

New Subsection

(e) The sum of \$120,000 is appropriated from the general fund to the Department of Education and Early Development for the purpose of providing grant funding for the Child and Adult Care Food Program for the fiscal years ending June 30, 2026, June 30, 2027, and June 30, 2028.

The federal Child and Adult Care Food Program (CACFP) reimburses childcare centers for healthy meals and snacks provided to children. This grant funding is for sponsoring organizations to travel to remote and rural childcare centers to provide oversight required for CACFP reimbursement.

Deleted Subsection

The proceeds from the sale of the Stratton building 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, Alaska state libraries, archives and museums, for maintenance and operations for the fiscal years ending June 30, 2025, and June 30, 2026.

The Department is planning to sell the Stratton Building, located on the former Sheldon Jackson College campus in Sitka. The Department is soliciting bids for purchase of the building through January 10, 2025. **Subsection (d)** appropriates proceeds from the sale to the Libraries, Archives and Museums appropriation for maintenance and operations.

The sum of \$11,893,486 is appropriated from the general fund to the following school districts in the following amounts for the fiscal year ending June 30, 2025, to comply with the maintenance of equity requirement in sec. 2004(b), P.L. 117-2 (Subtitle A - Education Matters, Part 1 - Maintenance of effort and maintenance of equity, American Rescue Plan Act of 2021) applicable to the fiscal year ending June 30, 2022:

<i>SCHOOL DISTRICT</i>	<i>APPROPRIATION AMOUNT</i>
<i>(1) Anchorage School District</i>	<i>\$6,407,820</i>
<i>(2) Kenai Peninsula Borough School District</i>	<i>5,485,666</i>

The **deleted section** was vetoed by the Governor in FY25. It appropriated the amount necessary to resolve a Maintenance of Equity requirement that accompanied COVID relief funding for schools for FY22.

Legislative Fiscal Analyst Comment: The federal Department of Education found that the State had reduced funding for certain districts between FY21 and FY22, in violation of this requirement. While the Base Student Allocation was level from year to year, the districts in question triggered hold harmless provisions for the brick-and-mortar student count in FY21 and many of the students moved to district-run correspondence programs during the COVID pandemic. This caused a spike in total funding in FY21 that was not repeated in FY22, a reduction that was not allowed by rules attached to some Federal COVID relief funding. In FY25, the legislature appropriated the amount that the federal government required the State to pay to districts to resolve the maintenance of equity violation, but the Governor vetoed it.

In December 2024, the federal government chose to reverse course and count the outside the formula funding appropriated in the **deleted section below** as satisfying this requirement. This contradicts guidance given to the legislature during the 2024 legislative session.

The amount necessary, after the appropriation made in sec. 49(h) of this Act, to fund the total amount for the fiscal year ending June 30, 2025, of state aid calculated under the public school funding formula under AS 14.17.410(b) using a base student allocation (AS 14.17.470) amount of \$6,640 is appropriated from the general fund to the Department of Education and Early Development to be distributed as grants to school districts according to the average daily membership for each district adjusted under AS 14.17.410(b)(1)(A) - (D) for the fiscal year ending June 30, 2025.

This **deleted section** provided additional funding outside the K-12 formula to pay out a total Base Student Allocation of \$6,640, compared to the statutory \$5,960, an increase of \$680. The amount was estimated to be \$174,663.5.

The amount necessary to provide to each school district \$180 for each student in grades kindergarten through three in the school district and an additional \$100 for each student in grades kindergarten through three at each school in the school district that receives funds under 20 U.S.C. 6311 - 6339, not to exceed \$5,200,000, is appropriated from the general fund to the Department of Education and

Early Development for payment as a grant to each school district to provide the support, intervention, and services the student needs to reach reading proficiency by the end of grade three for the fiscal year ending June 30, 2025. If the amount appropriated under this subsection is insufficient to fully fund the amount necessary to provide to each school district \$180 for each student in grades kindergarten through three in the school district and an additional \$100 for each student in grades kindergarten through three at each school in the school district that receives funds under 20 U.S.C. 6311 - 6339, the Department of Education and Early Development shall reduce each grant in proportion to the amount of the shortfall.

This **deleted section** was vetoed by the Governor in FY25. It would have provided up to \$5.2 million to be distributed to school districts for students in grades K-3 for the purpose of providing additional reading support.

The sum of \$7,305,894 is appropriated from the general fund to the Department of Education and Early Development for the fiscal year ending June 30, 2025, to be distributed as grants to school districts that are proportional to the amount each school district receives from the state to operate the student transportation system under AS 14.09.010.

This **deleted section** provided \$7.3 million to be distributed to school districts according to the Pupil Transportation Formula, in addition to the amount already provided by that formula.

The sum of \$500,000 is appropriated from the general fund to the Department of Education and Early Development for payment as a grant to Alaska Resource Education for expanding statewide workforce development initiatives for the fiscal years ending June 30, 2025, and June 30, 2026.

This **deleted section** provided \$500.0 UGF as a grant to Alaska Resource Education for FY25-26.

Deleted Section

DEPARTMENT OF ENVIRONMENTAL CONSERVATION. The sum of \$2,500,000 is appropriated from the general fund to the Department of Environmental Conservation, division of spill prevention and response, for the purpose of reimbursing municipalities for costs related to disposal of perfluoroalkyl substances and polyfluoroalkyl substances, including related equipment replacement, for the fiscal years ending June 30, 2025, June 30, 2026, and June 30, 2027.

This **deleted section** was contingent on SB 67 (Ch. 14, SLA 2024), providing funds to reimburse municipalities for disposal of PFAS.

Deleted Section

DEPARTMENT OF FISH AND GAME. (a) The sum of \$450,000 is appropriated from commercial fisheries entry commission receipts to the Alaska Commercial Fisheries Entry Commission for the purpose of information technology upgrade projects for the fiscal years ending June 30, 2025, June 30, 2026, and June 30, 2027.

In FY24, the legislature approved a \$150.0 Temporary Increment (FY24 - FY27) of CFEC funds to support a technology upgrade project. The FY25 budget replaced that with this **deleted**

section, which is a Multiyear appropriation of \$450.0 to be expended between FY25 and FY27 (retaining the same total but giving the agency more flexibility in year-to-year spending).

(b) Statutory designated program receipts received for fisheries disasters during the fiscal year ending June 30, 2025, estimated to be \$0, are appropriated to the Department of Fish and Game for fisheries disaster relief for the fiscal years ending June 30, 2025, and June 30, 2026.

The legislature added a Multiyear appropriation of Statutory Designated Program Receipt authority (the estimated amount is zero, or unknown at this time) to allow the agency greater flexibility for accepting anticipated federal fisheries disaster relief. The agency does not distribute the funds but establishes contracts to pass the funds through to an external entity approved by the federal government to make distribution plans and determinations.

Legislative Fiscal Analyst Recommendation: This appropriation is valid through FY26 for receipts received in FY25. Since revenue is expected to be received in FY26, a new appropriation will need to be added for the agency to manage disaster relief funds from multiple anticipated federal fisheries disaster determinations.

Sec. 14. DEPARTMENT OF HEALTH. Federal receipts received during the fiscal year ending June 30, 2026, for Medicaid services are appropriated to the Department of Health, Medicaid services, for Medicaid services for the fiscal year ending June 30, 2026.

Section 14 provides open-ended Federal Receipt authority for the Medicaid program.

Funding: The Department of Health's FY26 Medicaid Services Projection Model estimates that the impact of this section is \$247,399.7 as of December 15, 2024. This estimate will be updated when the Governor's amended budget is released in February 2025.

Legislative Fiscal Analyst Comment: Similar language has been included each year since FY21, originally due to the COVID-19 pandemic. The language was maintained after the pandemic due to an enhanced Federal Medical Assistance Percentage (FMAP) rate and associated restrictions on removing individuals from the Medicaid program.

In FY25, the Governor's amended budget increased Federal authority by \$293.7 million in the numbers section to match the December 2023 projection. The December 2024 projection assumes an additional \$214.4 million in Federal receipts in FY25.

Legislative Fiscal Analyst Recommendation: The legislature should increase the appropriation of Federal Receipt authority in **Section 1** to the amount anticipated for FY26. Legislative Finance assigned the value of \$247.4 million to this language estimate, but it would be more transparent to reflect the authority in **Section 1**.

Sec. 15. 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, 2026.

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 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, 2026.

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 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, 2026.

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 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, 2026, 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, 2026.

Subsection (d) provides open-ended authority to spend proceeds of the Education Tax Credit, thereby eliminating all questions regarding Alaska Vocational Technical Center's (AVTEC) ability to accept and spend those funds.

Funding: The estimated impact of this section is zero; the appropriation of Statutory Designated Program Receipts is more than sufficient for expected revenue.

Deleted Subsection

The unexpended and unobligated balance of the assistive technology loan guarantee fund (AS 23.15.125) on June 30, 2024, estimated to be \$446,802, is appropriated to the Department of Labor and Workforce Development, vocational rehabilitation, special projects allocation, for improving access to assistive technology for the fiscal year ending June 30, 2025.

This **deleted section** was a Fiscal Note for HB 219 (Ch. 52, SLA 2024), reappropriating the balance of the fund to its intended purpose. The bill was signed into law, so this provision took effect in FY25.

Sec. 16. 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, 2023, June 30, 2024, and June 30, 2025, estimated to be \$8,859, 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, 2026.

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, 2026, for the issuance of special request license plates commemorating Alaska veterans, less the cost of issuing the license plates, estimated to be \$6,700, is appropriated from the general fund to the Department of Military and Veterans' Affairs for the maintenance, repair, replacement, enhancement, development, and construction of veterans' memorials for the fiscal year ending June 30, 2026.

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.

Sec. 17. DEPARTMENT OF NATURAL RESOURCES. (a) The interest earned during the fiscal year ending June 30, 2026, 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, 2026.

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 DNR for reclamation of the site. Cook Inlet Energy 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, 2026, 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, 2026.

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 Mining, Land & Water 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 24(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, 2026.

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 12(e)** applies to the Alaska Oil and Gas Conservation Commission in the Department of Commerce, Community, and Economic Development.

(d) A sum, estimated to be \$274,638 and not to exceed \$302,000, is appropriated from the boat receipts collected under AS 05.25.096 in the fiscal year ending June 30, 2025, to the Department of Natural Resources, division of parks and outdoor recreation, for the boating safety program for the fiscal year ending June 30, 2026.

Subsection (d) appropriates up to \$302,000 to DNR for the Boating Safety Program.

Legislative Fiscal Analyst Comment: This section and **Section 12(g)** are both related to appropriations of Boat Receipts that were previously in the numbers section. In FY24, Boat Receipts, fund code 1216, were split in the numbers section: \$306.3 was appropriated to DNR's Parks Division for boating safety and \$197.0 was appropriated to the Department of Commerce as a grant to the Alaska Marine Safety Education Association (AMSEA). In FY25, the Governor removed this funding from the numbers section and replaced it with UGF language appropriations which equate to the actual Boat Receipts collected in FY23, split in proportion with the FY23 appropriations for those purposes.

In FY26, the Governor is proposing to switch to an estimated amount based on actual FY25 collections (which will not be known until partway through FY26), again preserving the FY23 split between purposes. The fund source is changed to Boat Receipts; this fund is subject to the sweep to the Constitutional Budget Reserve at the end of FY25, but this appropriation should constitute a valid encumbrance that would prevent FY25 revenue from being swept.

The FY23 split between the two purposes was arbitrary; the same level of funding has been provided to AMSEA since FY13 and DNR since FY15, but the split is not based on a statute and was instead a product of separate increments over time. The grant to AMSEA is not a statutorily designated use of the funds; AS 05.25.096 designates only that they be used by DNR to administer the program, and by DOA for the cost of administering the fees.

Legislative Fiscal Analyst Recommendation: The language as written does not specify how the amount of the appropriation is to be determined; it needs a calculation for the language to work. The estimates are based on a split of 60.4% of the revenue to DNR and 39.6% of the revenue to DCCED for the grant. If the intent is to retain this split, the language could be rewritten to split the revenue proportionally, with the estimates and maximum amounts as proposed by the Governor (or rounded to 60/40 for simplicity).

Sec. 18. 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, 2026, are appropriated to the Alaska marine highway system vessel replacement fund (AS 37.05.550).

Section 18 appropriates proceeds of any sale of Alaska Marine Highway System (AMHS) assets to the AMHS Vessel Replacement Fund (VRF) which is a savings account to be used for AMHS vessel upgrades and replacement.

Legislative Fiscal Analyst Comment: Money in the VRF cannot be spent without further appropriation. After the passage of HB 322 in SLA 2022 the VRF is now a separate account outside of the general fund and is no longer subject to Article IX Section 17(d) of the Alaska Constitution, the CBR sweep.

In March 2021, the State sold the M/V Fairweather and M/V 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. In June 2022, AMHS sold the M/V Malaspina and deposited the \$128.0 proceeds into the VRF. No further vessel sales are anticipated at this time.

New Subsections

(b) The sum of \$159,418,400 is appropriated to the Department of Transportation and Public Facilities, Alaska marine highway system, for costs associated with operating the marine highway system for the fiscal years ending June 30, 2026, and June 30, 2027, from the following sources:

- (1) \$76,242,100 from federal receipts;**
- (2) \$61,440,900 from unrestricted general funds;**
- (3) \$981,100 from capital improvement project receipts;**
- (4) \$20,754,300 from the Alaska marine highway system fund (AS 19.65.060(a)).**

(c) Section 5, ch. 7, SLA 2024, page 77, lines 1 - 4, is amended to read:

Sec. 1. The following appropriation items are for operating expenditures from the general fund or other funds as set out in the fiscal year 2025 budget summary for the operating budget by funding source to the agencies named for the purposes expressed [FOR THE CALENDAR YEAR] beginning January 1, 2025 and ending June 30, 2026 [DECEMBER 31, 2025], unless otherwise indicated.

Subsection (b) moves Alaska Marine Highway System (AMHS) to the language section and changes it from a calendar year appropriation to a Multiyear appropriation to span two fiscal years.

Subsection (c) changes the existing calendar year 2025 appropriation into a Multiyear appropriation to span two fiscal years.

Legislative Fiscal Analyst Comment: The shift to Multiyear appropriation structure allows the Department to move any surplus in the current year forward to help support the system in the following year. It also eliminates the additional accounting burden of having to do fiscal year and calendar year closeouts. It also allows the Department to use future year funding to fill budget holes in the current year. This may lead to unanticipated supplementals and reduces the legislature's oversight of the system's annual budget. Additional reporting and projections could

provide more budget transparency and keep the legislature better informed of operational cost trends.

(d) The sum of \$100,000 is appropriated from the abandoned motor vehicle fund (AS 28.11.110) to the Department of Transportation and Public Facilities, highways, aviation, and facilities, for the removal of abandoned vehicles from highways, vehicular ways or areas, and public property for the fiscal year ending June 30, 2026.

Subsection (d) appropriates \$100.0 from the Abandoned Motor Vehicle Fund to the Department of Transportation and Public Facilities to remove abandoned motor vehicles.

Legislative Fiscal Analyst Comment: The Governor's budget request does not transfer any funds into the Abandoned Motor Vehicle Fund; the Governor had previously vetoed the legislature's appropriation into the Fund in FY25, so there is no balance in this fund and this appropriation is hollow.

AS 28.11.110 specifies that the Department of Administration may spend from the Abandoned Motor Vehicle Fund, including reimbursing other State agencies. It would fit the statute better to appropriate these funds to DOA.

Legislative Fiscal Analyst Recommendation: Either an appropriation of the same amount should be added as a fund transfer into the Abandoned Motor Vehicle Fund, or this section should be deleted. Even if that fund transfer is added, it would be simpler to make this appropriation in **Section 1** of the bill, as there is already an allocation for this purpose with \$100.0 of UGF.

Deleted Subsection

If the amount of federal receipts that are received by the Department of Transportation and Public Facilities for the calendar year beginning January 1, 2024, and ending December 31, 2024, fall short of the amount appropriated in sec. 5 of this Act, the amount of the shortfall, not to exceed \$20,000,000, is appropriated from the general fund to the Department of Transportation and Public Facilities, Alaska marine highway system, for operation of marine highway vessels for the calendar year beginning January 1, 2024, and ending December 31, 2024.

The **deleted section** provided "backstop" language to replace uncollected Federal Receipt authority with general funds. The legislature approved a cap of \$20 million, but the Governor vetoed the cap down to \$10 million. For more information about the impact of deleting this section, see the Department of Transportation and Public Facilities narrative later in this publication.

Sec. 19. OFFICE OF THE GOVERNOR. (a) The sum of \$2,870,300 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, 2026, and June 30, 2027.

Legislative Fiscal Analyst Comment: Beginning in FY17, the cost of holding elections every two years was spread across two fiscal years using Multiyear appropriations to reduce volatility in the final authorized budget of the Office of the Governor while still providing sufficient funding to conduct elections. Note that **Section 19** appropriates money for a two-year period, so money that is not spent in FY26 will be available in FY27.

(b) After the appropriations made in secs. 11(c) - (e) of this Act, the unexpended and unobligated balance of any appropriation that is determined to be available for lapse at the end of the fiscal year ending June 30, 2026, not to exceed \$3,500,000, is appropriated to the Office of the Governor, office of management and budget, to support the cost of central services agencies that provide services under AS 37.07.080(e)(2) for the fiscal years ending June 30, 2026, and June 30, 2027, if receipts from approved central services cost allocation methods under AS 37.07.080(e)(2)(B) fall short of the amounts appropriated in this Act.

Subsection (b) appropriates up to \$3.5 million of lapsing FY26 appropriations to be available in FY27 for the purpose of providing funds to central service agencies if their rates yield insufficient revenue.

Legislative Fiscal Analyst Comment: \$3,969.2 was used from this appropriation in FY24. The reduced amount reflects an expectation that rates will stabilize going forward and this appropriation can be phased out.

Deleted Section

UNIVERSITY OF ALASKA. The sum of \$20,000,000 is appropriated to the University of Alaska Fairbanks to assist the University of Alaska Fairbanks in achieving R1 research status, as defined by the Carnegie Classification of Institutions of Higher Education, for the fiscal years ending June 30, 2025, June 30, 2026, and June 30, 2027, from the following sources:

- (1) *\$12,500,000 from the Alaska higher education investment fund (AS 37.14.750);*
- (2) *\$2,100,000 from university receipts;*
- (3) *\$5,400,000 from the general fund.*

The deleted section provided operating funding to the University to enroll more students in graduate programs in an effort to qualify for R1 research status. The Governor vetoed the general fund appropriation in subsection (3). The Governor had initially proposed this as a capital appropriation in FY25 and the legislature instead provided it as an operating budget appropriation. The Governor has again proposed to fund this as a \$5 million capital appropriation in FY26.

Sec. 20. 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, 2026, is appropriated for that purpose for the fiscal year ending June 30, 2026, 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, 2026, is appropriated for that purpose for the fiscal year ending June 30, 2026, 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.

Sec. 21. 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, 2026.

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, 2026, estimated to be \$1,080,000, 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, 2026, estimated to be \$1,030,500, 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 as 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 revenue bond anticipation notes (secured by the pledge of assets of the Clean Water and Drinking Water loan funds) and uses the proceeds to meet federal matching requirements. The bonds are then paid off with "restricted" investment earnings. Effectively, earnings are used to match federal receipts.

(d) The sum of 2,792,217 is appropriated from the general fund to the following agencies for the fiscal year ending June 30, 2026, for payment of debt service on outstanding debt authorized by AS 14.40.257, AS 29.60.700, and AS 42.45.065, respectively, for the following projects:

AGENCY AND PROJECT	APPROPRIATION AMOUNT
(1) University of Alaska	\$1,218,193
Anchorage Community and Technical College Center	
Juneau Readiness Center/UAS Joint Facility	
(2) Department of Transportation and Public Facilities	
(A) Aleutians East Borough/False Pass small boat harbor	214,855
(B) City of Valdez harbor renovations	189,625
(C) Aleutians East Borough/Akutan small boat harbor	108,178
(D) Fairbanks North Star Borough Eielson AFB Schools, major maintenance and upgrades	341,500
(E) City of Unalaska Little South America (LSA) Harbor	368,686

(3) Alaska Energy Authority

351,180

**Copper Valley Electric Association
cogeneration projects**

Subsection (d) appropriates \$2.8 million to the University, the Department of Transportation, and the Alaska Energy Authority for reimbursement of debt service on projects authorized in Ch. 115, SLA 2002 (HB 528).

Legislative Fiscal Analyst Comment: One of the projects previously funded by this section, the Mat-Su Deep Water Port and Road Upgrade, was paid off in FY25 and has been removed from this section. That amount was \$708.8 in FY25.

(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, 2026, estimated to be \$2,893,500, is appropriated from the general fund to the state bond committee for that purpose for the fiscal year ending June 30, 2026.

Subsection (e) appropriates an estimated \$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, and it is expected to be fully paid off in FY29.

(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 Linné Pacillo Parking Garage in Anchorage to the Alaska Housing Finance Corporation for the fiscal year ending June 30, 2026.

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, which is expected to occur in FY28.

(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, 2026:

\$68.2 million in State funds (UGF and Other) and \$2.7 million of Federal Receipt authority is appropriated for debt service on general obligation bonds. For FY25, \$67.7 million of State funding and \$4.9 million of Federal Receipt authority was budgeted.

(1) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2010B, estimated to be \$2,259,773, 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;

(2) 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 (1) of this subsection, estimated to be \$2,403,900, from the general fund for that purpose;

The 2010 general election authorized issuance of \$397 million in General Obligation (GO) bonds to finance educational facilities. The Department of Revenue issued \$200 million of bonds in three series in 2010, and two series in 2013, taking advantage of federal stimulus programs. The 2010 Series A were issued using Build America Bonds (receiving an original 35% federal subsidy on interest expense); 2010 Series B were issued as Qualified School Construction Bonds (QSCBs) (receiving a federal subsidy on interest expense of nearly 100%); the 2010 Series C were issued as standard tax exempt bonds (paid off in fiscal year 2013); the 2013 Series A were issued using QSCBs (receiving a federal subsidy on interest expense of nearly 100%); and the 2013 Series B were issued as standard tax exempt bonds.

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. There is risk in the timing of issuance of authorized bonds as over-issuing bonds to generate proceeds that don't match project expenditures could earn rates that are lower than the interest rate on the bonds themselves. Alternatively, if your reinvestment of bond proceeds exceeds the arbitrage yield on the bonds, you would have to remit the difference above the arbitrage yield to the IRS / US Treasury. 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, currently estimated at a 5.7% rate reduction in federal fiscal years 2021-2030, and is subject to further federal review and sequestration implementation. These amounts have been reduced to approximately 33.0% and 94.3%, respectively.

(3) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2013A, estimated to be \$434,570, 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;

(4) 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 (3) of this subsection, estimated to be \$460,839, from the general fund for that purpose;

(5) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2015B, estimated to be \$9,793,875, from the general fund for that purpose;

(6) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2016A, estimated to be \$6,247,375, from the general fund for that purpose;

(7) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2016B, estimated to be \$6,226,875, from the general fund for that purpose;

The 2012 general election authorized the issuance of \$453.5 million in GO bonds to finance transportation projects. **Subsections 3 through 7** appropriate an estimated \$22.7 million from the general fund for the payment of debt service on 2013A, 2015B, 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.

(8) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2020A, estimated to be \$6,971,625, 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 2020A bond issuance.

(9) the amount necessary for the purpose of authorizing payment for arbitrage rebate on State of Alaska general obligation bonds, series 2020A, estimated to be \$4,025,000, from investment earnings on the bond proceeds deposited in the capital project funds for the series 2020A general obligation bonds for that purpose;

(10) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2023A, estimated to be \$18,398,750, from the general fund for that purpose;

New Subsection

(11) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2024A, estimated to be \$5,504,000, from the general fund for that purpose;

Subsection 11 appropriates an estimated \$5.5 million for Series 2024A bonds that were issued on June 4, 2024, to refund the outstanding Series 2010A bonds (Taxable Build America Bonds). The State issued \$110.08 million of General Obligation Refunding Bonds (at a True Interest Cost (TIC) of 3.03%) to refund \$119.57 million of outstanding General Obligation Bonds. The issuance of the refunding bonds achieved total debt service savings of approximately \$4.5 million and a net present value savings of approximately \$4.0 million.

New Subsections

(12) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2024B, estimated to be \$4,147,000, from the general fund for that purpose;

(13) the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2025A, estimated to be \$3,956,229, from the general fund for that purpose;

Subsections 12 and 13 Series 2024B and 2025A bonds were issued (at 2.8% and 3.2% respectively) to refund \$203.9 million in outstanding Series 2015B, 2016A, and 2016B general obligation bonds. The overall transaction reduces total debt service payments over the next 12 fiscal years by approximately \$19.5 million. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of approximately \$16.5 million.

(14) the amount necessary for payment of trustee fees on outstanding State of Alaska general obligation bonds, series 2010B, 2013A, 2015B, 2016A, 2016B, 2020A, 2023A, 2024A, 2024B, and 2025A, estimated to be \$7,500, from the general fund for that purpose;

Subsection 14 appropriates general funds to pay trustee fees on all outstanding GO bonds. This section has been amended from last year to include the new issuances of 2024A, 2024B and 2025A.

(15) the amount necessary for the purpose of authorizing payment to the United States Treasury for arbitrage rebate and payment of tax penalties 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 of the outstanding 2020A bonds, or any other project funds funded with bond proceeds that remain outstanding. The payment of these funds is offset by prior year investment earnings. This provision also applies to any tax penalties that may be assessed on all issued State of Alaska GO bonds.

(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.

Deleted Subsection

the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2010A, estimated to be \$2,229,468, 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;

the amount necessary for payment of debt service and accrued interest on outstanding State of Alaska general obligation bonds, series 2010A, after the payment made in (1) of this subsection, estimated to be \$6,754,939, from the general fund for that purpose;

These **deleted sections** are no longer necessary due to the refinancing discussed in sections (g) 11-13.

(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, 2026:

(1) the amount necessary for debt service on outstanding international airports revenue bonds, estimated to be \$1,000,000, 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 \$22,935,675, 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. **Subsection 3** allows for early redemption of bonds if deemed financially beneficial.

Legislative Fiscal Analyst Comment: The Alaska International Airport System (AIAS) and the State Bond Committee restructured AIAS revenue bond debt to lower debt service from approximately \$49.5 million to approximately \$21.3 million in FY24. Phase one of the restructuring began in 2016 with the implementation of refinancing savings and the extension of amortization to better match the assets' useful life. Additional savings were achieved in a 2021 refinancing, and as annual debt service requirements have decreased each year.

(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, 2026, contingent on repayment to the general fund, 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, 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 \$16,170,163, is appropriated from the general fund to the Department of Administration for that purpose for the fiscal year ending June 30, 2026.

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, which is expected to be in FY33.

Legislative Fiscal Analyst Comment: In common language, the contract with the Mat-Su Borough is a lease, but the 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 amount necessary, estimated to be \$46,509,533, is appropriated to the Department of Education and Early Development for state aid for costs of school construction under AS 14.11.100 for the fiscal year ending June 30, 2026, from the following sources:

(1) \$12,300,000 from the School Fund (AS 43.50.140);

(2) the amount necessary, after the appropriation made in (1) of this subsection, estimated to be \$34,209,533 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 (between 60% and 90% of principal and interest depending on the statutory authorization).

Funding: Per the DOR Fall 2024 Revenue Sources Book, FY26 cigarette tax collections (School Fund) are projected to be \$11.0 million, down from \$11.7 million (projected) in FY25. As cigarette tax revenues decrease, the general fund portion of school debt reimbursement increases.

Legislative Fiscal Analyst Comment: The Governor has proposed to fully fund the program, but the fund sources do not align to revenue collections. Reimbursement amounts under this section continue to fall due to the moratorium on new debt, which has been in place since 2015 and is scheduled to sunset on July 1, 2025 (the start of FY26).

Legislative Fiscal Analyst Recommendation: Adjust the UGF/School Fund split to match the Fall Revenue Sources Book (reducing the School Fund amount by \$1.3 million and increasing the UGF estimate by the same amount.

Sec. 22. 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, 2026, 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, 2026, do not include the balance of a state fund on June 30, 2025.**

Section 22 (a) provides appropriation of any of the listed receipts that are collected in FY26 beyond the amounts appropriated in the act. Although the appropriations are conditioned on review by the Legislative Budget and Audit (LB&A) Committee, the Governor can increase authorization for listed fund sources without the approval of LB&A, 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, 2026, 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, 2026, 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 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, 2025, 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 FY25 to be carried forward into FY26.

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 Subsection

Notwithstanding (a) of this section, an appropriation item for the fiscal year ending June 30, 2025, may not be increased under AS 37.07.080(h) based on the Alaska Gasline Development Corporation's receipt of additional

(1) federal receipts; or

(2) statutory designated program receipts.

The **deleted section** restricted use of the Revised Program: Legislative (RPL) process in FY25 so that the Alaska Gasline Development Corporation's budget could not be increased through this process. The Governor did not retain this restriction in his FY26 budget request.

Sec. 23. FUND CAPITALIZATION. (a) The portions of the fees listed in this subsection that are collected during the fiscal year ending June 30, 2026, estimated to be \$16,000, 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 FY26 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 Ch. 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. In FY11 and FY12, the principal of the endowment was granted to the nonprofit 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, 2026, less the amount of those program receipts appropriated to the Department of Administration, division of motor vehicles, for the fiscal year ending June 30, 2026, estimated to be \$44,500, 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.

The fund balance was boosted by \$1.4 million from the settlement of a court case, and stands at nearly \$1.7 million as of December 2024. DNR has planned expenditures for FY25 totaling \$113.0, primarily to reimburse the State and municipalities for removing and disposing of abandoned and derelict vessels.

(c) The amount of federal receipts received for disaster relief during the fiscal year ending June 30, 2026, 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 DRF; money can be spent upon declaration of a disaster.

(d) The sum of \$13,000,000 is appropriated from the general fund to the disaster relief fund (AS 26.23.300(a)).

Subsection (d) appropriates general funds to the DRF. The Governor needs no specific appropriations to spend money deposited in the DRF; money can be spent upon the Governor's declaration of a disaster.

Legislative Fiscal Analyst Comment: From FY16-24, the UGF spending from the DRF has averaged \$16.8 million per year. In FY25, the legislature appropriated \$20.5 million UGF, which

would cover the average cost and leave a projected \$5.0 million buffer. The Governor vetoed that appropriation down by \$7.5 million. However, as of December 2024, the balance of the DRF is below zero, which has required borrowing \$1 million from deferred maintenance funds to continue disaster payments. As a result, the Governor's December budget release includes a \$15.0 million fast-track supplemental deposit to the fund, in addition to this FY26 appropriation.

Since the \$13.0 million request is still less than the average cost of disasters, there is a strong likelihood that additional funds will be needed in the future. In the past, the DRF has often been funded through supplemental appropriations, but this practice hides the true cost of government services.

(e) Twenty-five percent of the donations received under AS 43.23.230(b), estimated to be \$230,500, is appropriated to the dividend raffle fund (AS 43.23.230(a)).

Subsection (e) 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% of the Dividend Raffle Fund balance will be paid out to four prize recipients and the remaining balance will roll into the next year.

(f) 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, 2025, estimated to be \$0, is appropriated to the Alaska municipal bond bank authority reserve fund (AS 44.85.270(a)).

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

(g) 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 (g) 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.

(h) The amount necessary, estimated to be \$1,117,206,608, when added to the balance of the public education fund (AS 14.17.300) on June 30, 2025, to fund the total amount for the fiscal year ending June 30, 2026, of state aid calculated under the public school funding formula under AS 14.17.410(b) is appropriated to the public education fund (AS 14.17.300) from the following sources:

(1) \$35,070,007 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 \$1,082,136,601, 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, 2026, estimated to be \$67,812,273, 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 formulas in FY26.

Legislative Fiscal Analyst Comment: The FY26 amounts in the Governor's budget are based on draft student counts and are estimates that will change when the student counts are finalized. The public school funding program is fully funded in FY26.

(j) The sum of \$22,884,400 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 \$22.9 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 REAA 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 calculation in AS 14.11.025 links the amount for REAA fund capitalization to the school bond debt reimbursement amount from two years prior. As the amount of school bond debt reimbursement has declined, this fund capitalization has gone down as well. The moratorium on new school bond debt is scheduled to lift on July 1, 2025 (the start of FY26), so the REAA fund calculation may begin to increase again two years later.

(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, 2026, estimated to be \$50,000, 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 FY26.

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, 2026, less the amount expended for administering the loan fund and other eligible activities, estimated to be \$20,258,600, 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, 2026, estimated

to be \$3,797,200, is appropriated to the Alaska clean water fund (AS 46.03.032(a)) from the following sources:

(1) the amount available for appropriation from Alaska clean water fund revenue bond receipts, estimated to be \$1,075,000;

(2) the amount necessary, after the appropriation made in (1) of this subsection, not to exceed \$2,722,200, from the general fund.

(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, 2026, less the amount expended for administering the loan fund and other eligible activities, estimated to be \$32,666,100, 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, 2026, estimated to be \$5,622,500, is appropriated to the Alaska drinking water fund (AS 46.03.036(a)) from the following sources:

(1) the amount available for appropriation from Alaska drinking water fund revenue bond receipts, estimated to be \$1,025,500;

(2) the amount necessary, after the appropriation made in (1) of this subsection, not to exceed \$4,597,000, from the general fund.

Subsections (l) through (o) provide funds 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. In FY26, the Governor is also requesting \$2.7 million of general funds for the clean water program and \$3.6 million of general funds for the drinking water program.

Legislative Fiscal Analyst Comment: The additional General Fund Match funding is necessary due to the increase in federal funding that came from an expansion of the program in the federal infrastructure bill. This additional match was requested in FY23 and appropriated in that year's budget, but the Department did not end up using it because work had not yet begun. The UGF funding was not requested in FY24 because the Department was still in the planning stages. The match requirement for the IJA General Supplemental Grant increased from 10% in the first two years of the grant to 20% for the remainder of the IJA appropriation, resulting in an increased request for General Fund Match in FY26.

(p) The amount received under AS 18.67.162 as program receipts, estimated to be \$85,000, 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, 2026, 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 \$841,500 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 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: The amount of Restorative Justice Account funding (AS 43.23.048) available for appropriation each year is calculated to represent the sum of Permanent Fund Dividends forfeited by Alaskans sentenced or incarcerated for felonies and certain misdemeanors in the qualifying calendar year. The distribution reduces the amount of the Permanent Fund Dividend distribution to eligible Alaskans.

In FY25, the amount was based on 7,556 ineligible Alaskans and a \$1,312 dividend for the qualifying 2022 calendar year, and in FY26 the amount in the Governor’s budget is based on 4,120 ineligible Alaskans and a \$1,702 dividend for the qualifying 2023 calendar year. The Governor’s FY26 amount is 53% lower than FY25 because the number of incarcerated felons and misdemeanants reported by DOC represents only the ineligible Alaskans who *did* apply, rather than the *total* number of individuals who are ineligible under these statutes. This may be corrected in the Governor's budget amendments.

AS 43.23.048(b) outlines the following purposes and percentages of the Governor’s proposed FY26 distribution, with the statutory ranges referenced in parentheses:

12% - Crime Victims Compensation Fund (10-13%)

3% - Legislature - Office of Victims' Rights (2-6%)

3% - Public Safety - Nonprofit Services for Crime Victims (1-3%)

3% - Health - Nonprofit Mental Health and Substance Abuse Treatment for Offenders (1-3%)

79% - Corrections - Costs Related to Incarceration or Probation (79-88%)

(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 \$200,000, 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).

(s) The vaccine assessment program receipts collected under AS 18.09.220 during the fiscal year ending June 30, 2026, estimated to be \$25,000,000, are appropriated to the vaccine assessment fund (AS 18.09.230).

Subsection (s) appropriates Vaccine Assessment Program Receipts, estimated to be \$25.0 million, to the Vaccine Assessment Account.

Legislative Fiscal Analyst Comment: The Governor's FY25 language increased the estimate from \$15.0 million to \$25.0 million. This is a result of an increased assessment that was approved for 2024 (rates increased from \$9.85 to \$14.89 for the pediatric population and from \$1.51 to \$3.71 for adults) due to the commercialization of the COVID-19 vaccine and the inclusion of the RSV immunization. The FY26 Governor's request retains the higher estimate.

(t) The sum of \$30,000,000 is appropriated to the community assistance fund (AS 29.60.850) from the following sources:

(1) \$2,018,083 from the general fund; and

(2) \$27,981,917 from the power cost equalization endowment fund (AS 42.45.070).

Subsection (t) capitalizes the Community Assistance Fund with \$28.0 million of Power Cost Equalization Endowment (PCE) funds and \$2.0 million UGF in FY26, allowing for an FY26 payout of \$22.9 million.

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% 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.

FY23 earnings were \$88.4 million. In 2023, SB 98 transferred the PCE Fund's management to the Alaska Permanent Fund Corporation. The legislation changed the timing of the determination of the "recently closed fiscal year" from July 1 to June 30. This effectively pushes back the year to be considered for this calculation: the July 1, 2023 calculation and new June 30, 2024 calculation both refer to FY23 earnings. Therefore, both the FY25 and FY26 calculations are to be performed based on FY23 earnings, but the FY26 calculation subtracts FY25 costs from those earnings. FY25 costs are an estimate at this point.

The Governor's budget includes a minor calculation error; the correct PCE amount should be \$27,818,187, making the UGF amount \$2,181,813. The Governor is expected to correct this in his amended budget.

Legislative Fiscal Analyst Recommendation: Adjust the UGF/PCE Fund split in this section to match the statutory calculation, per the anticipated Governor's amendment.

Adjust the calculation under AS 42.45.085 to use the most recent closed fiscal year from when the budget is prepared (so FY26 is based on FY24 earnings) and deducts actual program expenditures from the same year to determine what earnings are available for appropriation. This ensures that all figures are based on actuals rather than estimates without introducing an unnecessary additional lag year.

(u) Federal receipts received for fire suppression during the fiscal year ending June 30, 2026, estimated to be \$20,500,000, are appropriated to the fire suppression fund (AS 41.15.210) for fire suppression activities.

(v) The sum of \$28,755,750 is appropriated to the fire suppression fund (AS 41.15.210) for fire suppression activities from the following sources:

(1) \$3,000,000 from statutory designated program receipts; and

(2) \$25,755,750 from the general fund.

Subsection (u) appropriates the estimated Federal Receipts for fire suppression to the Fire Suppression Fund. **Subsection (v)** appropriates fixed amounts of Statutory Designated Program Receipts and general funds.

Legislative Fiscal Analyst Comment: The Fire Suppression Fund (FSF) was established in statute in 1978 but had not been used for many years; in recent years, fire suppression activity costs were appropriated directly to the Department of Natural Resources. In FY25, the legislature resumed using the Fund for fire suppression activity, appropriating \$49.3 million UGF (the approximate ten-year average fire suppression activity cost) to the FSF. By utilizing a non-lapsing fund and appropriating an amount equal to average spending, the volatility in the fire suppression budget could be reduced (by utilizing the balance of the Fund from low years to reduce the need for supplementals in high years). The Governor vetoed the legislature's UGF capitalization of the Fund to \$35.1 million in FY25.

In FY26, the Governor's budget proposes a UGF capitalization equal to 75% of the enacted FY25 amount. The agency states that the intent is to capitalize the Fund with 25% of the calendar year's funding in the fiscal year that makes up the first half of the calendar year, and the remaining 75% in the second fiscal year.

Sec. 24. FUND TRANSFERS. (a) The federal funds received by the state under 42 U.S.C. 6506a(I) 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, 2026, 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% and set by the Alaska Student Loan Corporation (ASLC). ASLC set the origination fee at 0% for FY25 and has no plans to introduce a fee in FY26. 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, 2024, estimated to be \$312,600, is appropriated from the general fund to the Alaska I 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% of individuals' punitive damage awards received during the previous closed fiscal year be deposited into the general fund. **Subsection (c)** appropriates 10% of the filing fees received by the Alaska Court System in FY24 into the Civil Legal Services Fund. **Section 1** appropriates this 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 June 30, 2025, estimated to be \$1,047,100, not otherwise appropriated by this Act;

(2) the amount collected for the fiscal year ending June 30, 2025, estimated to be \$6,000,000, 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 FY25 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, 2025, estimated to be \$6,400,000, 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 June 30, 2025, estimated to be \$700,000, not otherwise appropriated by this Act; and

(2) the amount collected for the fiscal year ending June 30, 2025, estimated to be \$1,500,000, from the surcharge levied under AS 43.55.201.

Subsection (e) appropriates (to the Oil and Hazardous Substance Release Response Account) the balance of the Release Response Mitigation Account and the FY25 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 \$50.0 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 account balance is not expected to exceed \$50 million in FY26.

Subsections (d) and (e) are effective June 30, 2025 (a supplemental effective date). Prior to the SLA 2022 budget, these appropriations had been given a current-year effective date. However, the CBR sweep caused a portion of this revenue to be swept on June 30, before the effective date of this appropriation. By changing the effective date, the funds are moved to a non-sweepable account before the sweep takes effect.

(f) The unexpended and unobligated balance on June 30, 2025, estimated to be \$2,000,000, 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, 2025, estimated to be \$1,000,000, 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% 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 \$1,050,100 of Clean Water funds and \$1,043,800 of Drinking Water funds in FY26. At the end of FY24, the balance of the Clean Water Administrative Fee Account is expected to be \$5.7 million, and the balance of the Drinking Water Administrative Fee Account is anticipated to be \$7.1 million.

(h) An amount equal to the interest earned on amounts in the special aviation fuel tax account (AS 43.40.010(e)) during the fiscal year ending June 30, 2026, is appropriated to the special aviation fuel tax account (AS 43.40.010(e)).

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, 2026, estimated to be \$1,273,000, 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 \$480,000;

(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 \$100,000; 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 \$690,000.

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

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

(j) The amount necessary for the purposes specified in AS 37.14.820 for the fiscal year ending June 30, 2026, 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 17(b)**).

(k) Twenty-five percent of the donations received under AS 43.23.230(b), estimated to be \$230,500, 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 unexpended and unobligated balance of the large passenger vessel gaming and gambling tax account (AS 43.35.220) on June 30, 2026, estimated to be \$27,934,000, is appropriated to the general fund.

Legislative Fiscal Analyst Comment: The Fall 2024 Revenue Sources Book projects \$27.9 million from this revenue source in FY26. The Governor's budget does not utilize this fund source, so the entire balance is available for appropriation.

(m) The sum of \$6,315,507 is appropriated from the general fund to the renewable energy grant fund (AS 42.45.045).

Subsection (m) appropriates \$6.3 million from the general fund to the Renewable Energy Grant Fund. The Governor's capital budget includes an appropriation of the same amount out of the Fund.

Legislative Fiscal Analyst Comment: The FY25 budget funded the top five projects from the priority list from the 2023 Round 16 funding solicitation. The Governor's FY26 proposal would fund the next six projects on the list. Funding the entire list would require an additional \$15.2 million beyond what the Governor proposed.

Deleted Subsections

An amount equal to 15 percent of the filing fees received by the Alaska Court System during the fiscal year ending June 30, 2023, estimated to be \$444,800, is appropriated from the general fund to the civil legal services fund (AS 37.05.590) for the purpose of making appropriations from the civil legal services fund to organizations that provide civil legal services to low-income individuals.

This **deleted section** was a fiscal note to legislation that did not pass in the 2024 session.

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.

This **deleted section**, which was vetoed by the Governor, appropriated \$100.0 of DMV receipts to the Abandoned Motor Vehicle Fund. The Governor's FY26 budget request appropriates \$100.0 out of the Fund in **Section 18(d)** but does not include an appropriation into the Fund.

The amount received by the Alaska Commission on Postsecondary Education as repayment for WWAMI medical education program loans, estimated to be \$575,000, is appropriated to the Alaska higher education investment fund (AS 37.14.750).

This **deleted section** was vetoed by the Governor. It would have appropriated proceeds of WWAMI medical loan repayments to the Higher Education Investment Fund, which is the source of funding for the WWAMI program.

Sec. 25. RETIREMENT SYSTEM FUNDING. (a) **The sum of \$79,807,000 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, 2026.**

Subsection (a) provides \$79.8 million as an additional State contribution to the Public Employees' Retirement System (PERS).

(b) **The sum of \$138,982,000 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, 2026.**

Subsection (b) provides \$139.0 million 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% (AS 39.35.255(a)) and 12.56 percent (AS 14.25.070(a)) respectively. This means that non-State PERS employers contribute up to 22% of payroll costs toward employee retirement plan liability, and likewise TRS employers contribute up to 12.56% of payroll costs. These caps are in place regardless of the systems' actuarially determined rates which reflect the total annual

contribution required to fund the pension and postretirement healthcare trusts. Any projected actuarial costs for non-State employers exceeding the capped rates are paid by the State (per AS 39.35.280 for PERS and AS 14.25.085 for TRS) in a separate appropriation for additional State contributions to retirement. The State as an employer pays the full rate as part of the cost of employees.

For FY26, the Alaska Retirement Management (ARM) Board set the PERS and TRS actuarial rates at 28.33% and 31.33% respectively. In effect, the difference between the actuarial rate and the statutory cap for non-State employers is 6.33% for PERS and 18.77% for TRS. The additional State cost incurred by paying the amount over the capped rate is \$79.8 million for PERS and \$139.0 million for TRS.

Both adopted rates include contributions only to the pension funds in PERS and TRS, not the healthcare funds. The healthcare funds are again projected to have well over 100% of the funding necessary to pay out their future obligations, so the ARM Board did not direct additional funding to them in the past three fiscal years and again for FY26. In FY26 the PERS healthcare trust is funded at 143%, and TRS is at 150%; an increase over FY23. The unfunded liability of the PERS and TRS pension funds is 68.0% and 77.9% respectively; a 1% increase over FY23. FY24 asset returns for both pension and healthcare funds were 9%, which exceeded the 7.25% expectation, but pension liabilities increased due to larger-than-expected salary increases.

(c) The sum of \$1,175,573 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, 2026.

Subsection (c) provides \$1.2 million 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.

Sec. 26. 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, 2026, of the following ongoing collective bargaining agreements:

- (1) Public Safety Employees Association, representing the regularly commissioned public safety officers unit of members within the Department of Transportation and Public Facilities;**
- (2) Public Safety Employees Association, representing the regularly commissioned public safety officers unit of members within the Department of Public Safety;**

(3) Public Employees Local 71, for the labor, trades, and crafts unit;

(4) Alaska Public Employees Association, for the supervisory 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, 2026, 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, 2026, of the following collective bargaining agreements:

(1) Fairbanks Firefighters Union, IAFF Local 1324;

(2) Alaska Higher Education Crafts and Trades Employees, Local 6070;

(3) Alaska Graduate Workers Association/UAW. (4) Alaska Higher Education Crafts and Trades Employees, Local 6070.

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.

Sec. 27. 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 2024, estimated to be \$4,500,000, 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, 2026, to qualified regional associations operating within a region designated under AS 16.10.375.

Funding: These “pass-through” amounts, estimated to be \$4.5 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 2024, estimated to be \$2,300,000, 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, 2026, 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 \$2.3 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, 2025, estimated to be \$455,000 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, 2026, to the qualified regional dive fishery development association in the administrative area where the assessment was collected.

Funding: This “pass-through” amount, estimated to be \$455,000, was 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, 2026:

REVENUE SOURCE	FISCAL YEAR COLLECTED	ESTIMATED AMOUNT
Fisheries business tax (AS 43.75)	2025	\$16,350,000
Fishery resource landing tax (AS 43.77)	2025	5,994,000
Electric and telephone cooperative tax (AS 10.25.570)	2026	4,436,000
Liquor license fee (AS 04.11)	2026	790,000
Cost recovery fisheries (AS 16.10.455)	2026	0

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 \$27.6 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, 2026, estimated to be \$150,000, 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 \$150,000, 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% 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 2025 according to AS 43.52.230(b), estimated to be \$28,710,000, 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, 2026.

Subsection (f) appropriates \$28.7 million of Commercial Vessel Passenger “Head” Tax receipts to the first seven ports of call.

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.

(g) If the amount in the commercial vessel passenger tax account (AS 43.52.230(a)) that is derived from the tax collected under AS 43.52.220 in calendar year 2025 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 2025 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: Beginning in the FY23 budget, this prorating language was modified to apply to a shortfall of pass-through amounts compared to total revenue. The prior language referred to the fund balance, which created a timing issue between when the fund balance is calculated and when the amounts were shared.

Sec. 28. RATIFICATION OF SMALL AMOUNTS IN STATE ACCOUNTING SYSTEM. The appropriation to each department under this Act for the fiscal year ending June 30, 2026, 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 28 allows departments to use money appropriated for FY26 to clean up small negative account balances (or ratifications) from prior fiscal years. This section removes the need for minuscule ratifications.

Sec. 29. SUPPLEMENTAL CONSTITUTIONAL BUDGET RESERVE FUND. (a) If the unrestricted state revenue available for appropriation in the fiscal year ending June 30, 2025, is insufficient to cover the general fund appropriations made for the fiscal year ending June 30, 2025, the amount necessary to balance revenue and general fund appropriations or to prevent a cash deficiency in the general fund, not exceed \$200,000,000, is appropriated to the general fund from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska).

Section 29 provides deficit-filling language from the Constitutional Budget Reserve (CBR) Fund for FY25, up to a draw of \$200.0 million.

Legislative Fiscal Analyst Comment: The FY25 Enacted budget had a projected surplus based on the Department of Revenue’s Spring 2024 forecast, but a projected deficit under the Fall 2024 forecast. Based on the Fall forecast, there is a deficit of about \$81.5 million. In addition,

supplemental appropriations would result in a larger deficit. The Governor proposes to fill this deficit with a draw from the Constitutional Budget Reserve, which has about \$3.0 billion as of the beginning of FY25.

Legislative Fiscal Analyst Recommendation: The Governor's proposed language as written fills a deficit of up to \$200.0 million, but if revenue drops further, that amount will be insufficient. If the language is to be limited, it should be by the amount of additional supplemental appropriations (often called "headroom") rather than by the size of the deficit.

(b) The appropriation made in (a) of this section is made under art. IX, sec. 17(c), Constitution of the State of Alaska.

New Section

Sec. 30. CONSTITUTIONAL BUDGET RESERVE FUND. (a) Deposits in the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska) for fiscal year 2025 that are made from subfunds and accounts of the operating general fund by operation of art. IX, sec. 17(d), Constitution of the State of Alaska, to repay appropriations from the budget reserve fund are appropriated from the budget reserve fund to the subfunds and accounts from which those funds were transferred.

Subsection (a) is "sweep reversal language" that restores money from funds and accounts that are swept into the Constitutional Budget Reserve (CBR) Fund at year-end. The Constitution requires that several year-end general fund and subaccount balances be used to repay withdrawals from the CBR.

Legislative Fiscal Analyst Comment: The FY21 and FY22 CBR sweeps were not reversed due to the failure of the required supermajority votes. The FY23 through FY25 budgets did not reverse the sweep.

(b) If the unrestricted state revenue available for appropriation in the fiscal year ending June 30, 2026, is insufficient to cover the general fund appropriations made for the fiscal year ending June 30, 2026, the amount necessary to balance revenue and general fund appropriations or to prevent a cash deficiency in the general fund is appropriated to the general fund from the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska).

Subsection (b) fills any budget deficit with a transfer from the CBR to the general fund.

Funding: The estimated value of this appropriation is about \$1.5 billion based on the Governor's FY26 proposed budget. At the beginning of FY25, there is an estimated \$3.0 billion balance in the CBR.

(c) The appropriations made in (a) and (b) of this section are made under art. IX, sec. 17(c), Constitution of the State of Alaska.

Subsection (c) stipulates that appropriations made from the CBR must be approved by at least three-quarters of the members of each house of the legislature.

Deleted Section

SPECIAL APPROPRIATIONS. (a) *If the unrestricted general fund revenue, including the appropriation made in sec. 32(c) of this Act, collected in the fiscal year ending June 30, 2025, exceeds \$6,583,500,000, the amount remaining, after all appropriations have been made that take effect in the fiscal year ending June 30, 2025, of the difference between \$6,583,500,000 and the actual unrestricted general fund revenue collected in the fiscal year ending June 30, 2025, not to exceed \$645,000,000, is appropriated as follows:*

(1) *50 percent from the general fund to the dividend fund (AS 43.23.045(a)) to pay a one-time energy relief payment as part of the permanent fund dividend and for administrative and associated costs for the fiscal year ending June 30, 2026; and*

(2) *50 percent from the general fund to the budget reserve fund (AS 37.05.540(a)).*

(b) *After the appropriations made in (a) of this section, the amount remaining, after all appropriations have been made that take effect in the fiscal year ending June 30, 2025, of the difference between \$7,228,500,000 and the actual unrestricted general fund revenue collected in the fiscal year ending June 30, 2025, is appropriated from the general fund to the budget reserve fund (art. IX, sec. 17, Constitution of the State of Alaska).*

The **deleted section (a)** appropriated Unrestricted General Fund revenue received in FY25 above \$6.58 billion, up to \$645.0 million, to be split with 50% appropriated to the Constitutional Budget Reserve and 50% to the Dividend Fund for an FY26 energy relief payment. The **deleted section (b)** appropriated any revenue beyond that amount to the Constitutional Budget Reserve.

Funding: Based on the Fall 2024 Revenue Forecast, the estimated amount of funding appropriated under this section is zero.

Sec. 31. LAPSE OF APPROPRIATIONS. The appropriations made in secs. 9(a), (b), (c)(1), and (d), 11(c) - (e), 18(a), 21(b), (c), and (i), 23, and 24(a) - (k) and (m) of this Act are for the capitalization of funds and do not lapse.

Section 31 ensures that money deposited into various funds will not lapse at the end of FY26.

Sec. 32. RETROACTIVITY. The appropriations made in sec. 1 of this Act that appropriate either the unexpended and unobligated balance of specific fiscal year 2025 program receipts or the unexpended and unobligated balance on June 30, 2025, of a specified account are retroactive to June 30, 2025, solely for the purpose of carrying forward a prior fiscal year balance.

Section 32 is standard language to ensure that revenue attached to appropriations or allocations with carryforward language does not lapse at the end of FY25.

Deleted Subsections

Sections 8 - 10, 14(b), 16, 17(a), 18, 19, 21(a), and 23 of this Act are retroactive to May 15, 2024.

(c) Sections 11 - 13, 14(a), 15, 17(b) - (r), 20, 21(b), 22, 24 - 27, 48(d), 50(e) and (f), and 57 of this Act are retroactive to June 30, 2024.

(d) Sections 1 - 4, 28 - 42, 43(a), 44 - 47, 48(a) - (c) and (e), 49, 50(a) - (d) and (g) - (p), 51 - 56, 58, and 60 of this Act are retroactive to July 1, 2024.

The **deleted sections** were retroactivity language in case the effective date vote failed.

Deleted Section

CONTINGENCIES. *The appropriations made in sec. 1 of this Act for the payment of a bonus to an employee in the executive branch of the state government who is a member of a collective bargaining unit established under the authority of AS 23.40.070 - 23.40.260 (Public Employment Relations Act) but for which the state and applicable bargaining unit of the employee have not yet entered into a letter of agreement under AS 23.40.070 - 23.40.260 are contingent on the following:*

(1) the state and the applicable bargaining unit of the employee entering into a letter of agreement under AS 23.40.070 - 23.40.260 for the bonus; and

(2) the Office of the Governor, office of management and budget, satisfying the requirements of sec. 33(b)(1) of this Act.

This deleted section authorized the payment of bonuses to unionized employees that are not part of a collective bargaining agreement but were authorized by letters of agreement between the executive branch and the union. Authorization was contingent on the executive branch providing copies of the letters of agreement to the Legislative Finance Division.

Legislative Fiscal Analyst Comment: The Office of Management and Budget has provided LFD with copies of LOAs issued so far in FY25 as they are signed.

(b) The appropriation made in sec. 34(i) of this Act is contingent on passage by the Thirty-Third Alaska State Legislature and enactment into law of a version of Senate Bill 208 or a similar bill.

(c) The appropriation made in sec. 37 of this Act is contingent on passage by the Thirty-Third Alaska State Legislature and enactment into law of a version of Senate Bill 67 or a similar bill.

(d) The appropriation made in sec. 40(e) of this Act is contingent on passage by the Thirty-Third Alaska State Legislature and enactment into law of a version of House Bill 219 or a similar bill that repeals the assistive technology loan guarantee fund (AS 23.15.125).

(e) The appropriation made in sec. 50(d) of this Act is contingent on passage by the Thirty-Third Alaska State Legislature and enactment into law of a version of Senate Bill 104 or a similar bill.

The **deleted sections** were contingencies related to Fiscal Note appropriations in HB 268.

Sec. 33. Section 32 of this Act takes effect immediately under AS 01.10.070(c).

Sec. 34. Sections 12(i) and (j), 24(d) and (e), and 29 of this Act take effect June 30, 2025.

Sec. 35. Except as provided in secs. 33 and 34 of this Act, this Act takes effect July 1, 2025.

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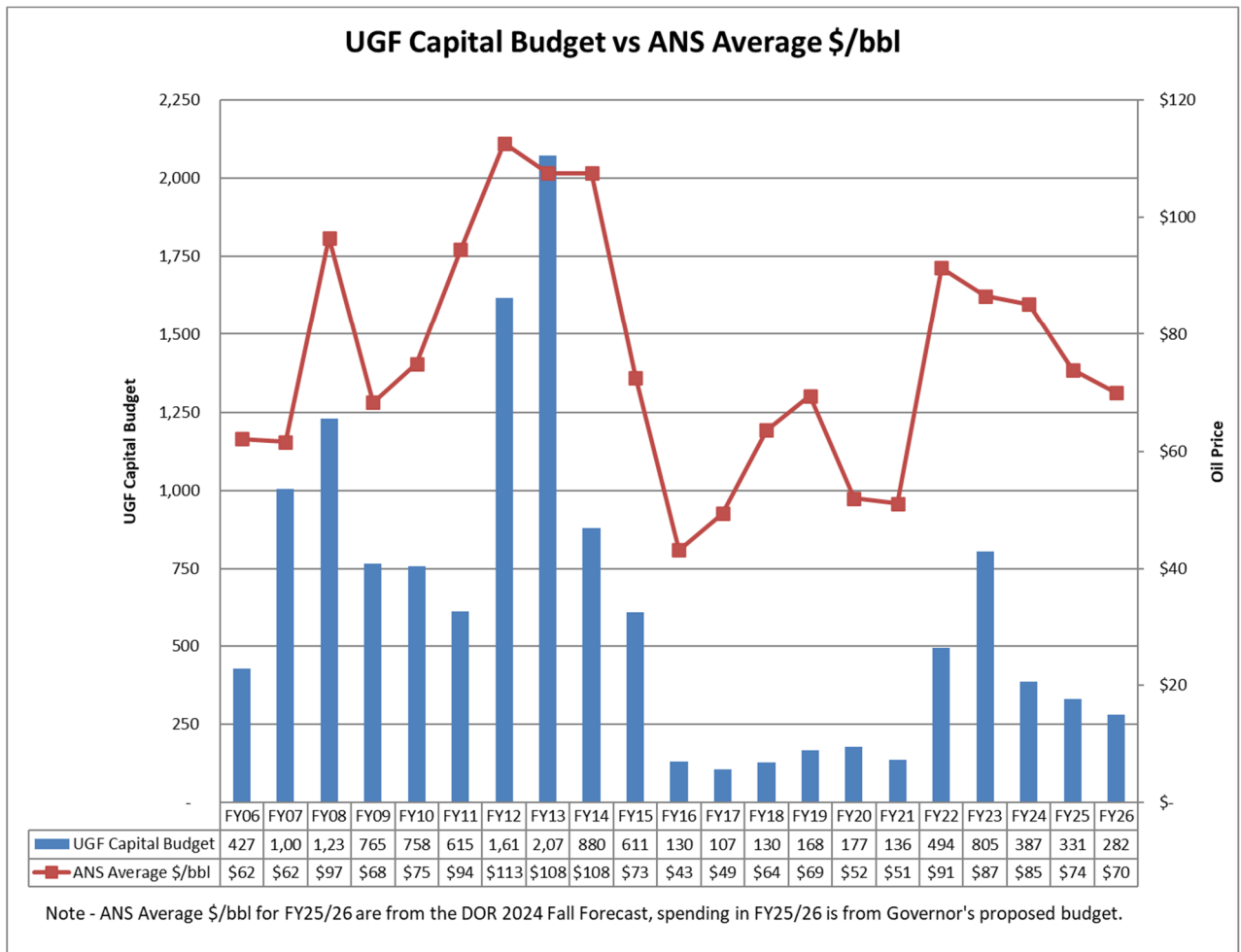
Capital Budget

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Capital Budget Overview

The Governor’s FY26 capital budget submission (including mental health capital items) totals \$2.8 billion, with \$2.2 billion in federal funding, and \$282.4 million of Unrestricted General Funds (UGF), of which \$154.6 is used for federal match. This is a \$48.3 million (14.6%) decrease in UGF spending from FY25 authorized levels. The submission also includes three FY25 supplemental appropriations totaling \$4.7 million in reappropriations. In the 2024 legislative session, a surplus in the previous fiscal year (FY24) allowed \$126.6 million of supplemental capital items to make it to the enacted budget. In the 2025 legislative session, there is a deficit in the previous fiscal year (FY25) so significant supplemental capital spending is less likely.

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



As illustrated in the graph, the years FY06 - FY15 saw unprecedented capital investment. During that ten-year span, over \$25.0 billion of state and federal funding was appropriated for capital projects. This includes nearly \$10 billion of UGF.

The FY17 - FY21 capital budgets primarily included projects that utilized non-UGF fund sources. However, the 2022 legislative session included almost a billion dollars in UGF capital spending spread across FY22 supplementals and FY23. FY24 through FY26 capital budgets (including the Governor's FY26 submission) have been somewhere between the extremes.

The Governor's FY26 Capital Budget

The Governor's FY26 capital budget again focuses on leveraging federal transportation and Village Safe Water funding but includes some UGF-funded items deemed important by the Governor. The following table summarizes the Governor's budget by agency in thousands of dollars.

Department	UGF	DGF	Other	Federal	Total
Administration	\$7,000.0	\$0.0	\$0.0	\$0.0	\$7,000.0
Commerce	\$22,581.6	\$6,315.5	\$4,400.0	\$94,810.5	\$128,107.6
Corrections	\$7,080.0	\$0.0	\$0.0	\$0.0	\$7,080.0
Environmental Conservation	\$22,424.0	\$450.0	\$32,007.3	\$456,973.0	\$511,854.3
Fish and Game	\$6,425.0	\$0.0	\$1,450.0	\$10,300.0	\$18,175.0
Governor	\$0.0	\$20,000.0	\$0.0	\$0.0	\$20,000.0
Health	\$2,732.0	\$0.0	\$500.0	\$12,662.8	\$15,894.8
Labor	\$85.0	\$0.0	\$0.0	\$0.0	\$85.0
Law	\$8,000.0	\$0.0	\$0.0	\$0.0	\$8,000.0
Military and Veterans Affairs	\$3,272.5	\$0.0	\$0.0	\$18,839.5	\$22,112.0
Natural Resources	\$2,750.0	\$1,300.0	\$500.0	\$21,730.0	\$26,280.0
Public Safety	\$11,425.0	\$0.0	\$0.0	\$0.0	\$11,425.0
Revenue	\$39,075.0	\$0.0	\$1,785.0	\$29,250.0	\$70,110.0
Transportation	\$131,298.7	\$27,829.9	\$147,011.0	\$1,513,413.2	\$1,819,552.8
University of Alaska	\$17,250.0		\$28,200.0	\$91,600.0	\$137,050.0
Judiciary	\$1,000.0	\$0.0	\$0.0	\$0.0	\$1,000.0
Total	\$282,398.7	\$55,895.4	\$215,853.3	\$2,249,579.0	\$2,803,726.4

Items of note in the Governor's capital budget include:

- 1. Federal Program Match**
- 2. Federal Infrastructure Bill (IIJA)**
- 3. Alaska Marine Highway**
- 4. Deferred Maintenance**
- 5. Other Significant Capital Items**

1. Federal Program Match

\$154.6 (55%) of the UGF in the Governor's capital budget is used to match federal funding totaling around \$2.2 billion.¹

The major federal match appropriations are:

- **Federal-Aid Highway Match** (Department of Transportation and Public Facilities) – \$89.1 million UGF to match \$850.8 million for the Surface Transportation Program (STP);
- **Federal-Aid Aviation State Match** (Department of Transportation and Public Facilities) – \$23.8 million UGF, and \$21.6 million in International Airport Receipts to match \$457.7 million for the Aviation Improvement Program; and
- **Village Safe Water and Wastewater Infrastructure Projects** (Department of Environmental Conservation) – \$21.8 million in UGF, and \$0.5 million in Statutory Designated Program Receipts to match \$415.5 million of federal funds.

For the last few years, the Governor's December 15th budget release has included single appropriations, without individual project allocations for both the Surface Transportation Program (STP) and Airport Improvement (AIP) programs. This has primarily been due to the timing and programming of the required federal planning documents – essentially allowing for as much time as possible before final decisions are made. Those individual project allocations have then been included with the Governor's amended budget on the 30th day of session. This year the Governor included allocations for the AIP but not the STP. For a project to be eligible to receive funding in either the STP or AIP programs, it must appear in a federally approved capital improvement plan. For highways, this means the Statewide Transportation Improvement Plan (STIP), and for rural airports, it means the Airport Improvement Plan (AIP). These plans follow federal requirements for project planning that include public involvement.

In FY22, the State spent around \$97 million on federal match prior to supplementals.² With the increases brought about with IJA (see Item 2) that number rose to \$152.2 million in FY23, and up to a high of \$171.3 million in FY24. That total has dropped back down to \$154.6 million in FY26.

2. Federal Infrastructure Bill

In November of 2021, Congress passed the Infrastructure Investment and Jobs Act (IIJA). The bill provides funding to the State over a five-year period from federal fiscal year (FFY) 22 through FFY26. Funding has come in three forms: formula grants through existing programs, new formula grants to the State, and competitive grant funding from federal agencies. The

¹ The total required UGF match for federal funding is reduced due to the use of \$26.6 million in federal toll credits in Alaska Marine Highway. This program allows the State to use Federal Highway funds to meet Federal Transportation Administration grant match. See section 3 for more detail.

² After the addition of supplementals the FY22 match number increased by \$19.8 million, primarily driven by IJA increases.

majority of IJA funding will come in the large federal programs that are in the State's budget annually (detailed in the table below).

All three of these programs expanded substantially starting in the FY22 supplemental budget due to increased funding through IJA (see the table at right). At the same time however, project costs have also increased significantly over this period. In effect the added funding may not result in additional projects compared to FY21, at least for transportation.

Major Federal Infrastructure Programs, FY21 - FY26 (Millions of dollars)			
Fiscal Year	Federal-Aid Highway	Airport Improvement Program	Village Safe Water and Wastewater Infrastructure
FY21	\$650.0	\$214.4	\$68.5
FY22	\$863.0	\$475.2	\$70.8
FY23	\$868.5	\$447.2	\$159.8
FY24	\$777.0	\$386.4	\$247.7
FY25	\$895.6	\$436.0	\$242.3
FY26	\$850.7	\$457.7	\$415.5

3. Alaska Marine Highway

IJA also included provisions for a Ferry Service for Rural Communities Program (FFSRC) which provides competitive funding to states to ensure basic essential ferry service is provided to rural areas. Eligible activities include capital, planning, and operating assistance for a ferry service that operated a regular schedule at any time during the five-year period ending March 1, 2020, and served not less than two rural areas located more than 50 sailing miles apart.

The bill provides up to \$196.0 million per year that the State may be eligible for. While no other state fits the criteria of the grant, the federal Secretary of Transportation has the flexibility to award funds to other states and territories that operate similar systems. For example, the program awarded \$21.3 million to American Samoa in 2023 that otherwise would have been available for Alaska.

The maximum federal share for capital and planning projects selected under FFSRC is 80% of the net project cost. The maximum federal share for operating projects selected under the FFSRC Program is 80% of net operating expenses. DOT&PF received \$38.1 million in grants for eligible operating expenses in FY24 which was well below the \$66.0 million that Alaska was eligible for. However, Alaska did receive the full eligible amount of \$66.1 million in FY25.

The Governor's FY26 budget includes \$106.4 million in federal authority for the Tustemena Replacement Vessel (TRV). This funding is from the FFSRC grant approved by the Federal Transit Authority (FTA) at the end of 2024. This requires \$26.6 million in state matching funds. The Governor proposes the use of Federal Highway Administration (FHWA) funds under the

“toll credit” program⁴ to cover this required match. The toll credit program allows the State to build credits when it spends AMHS revenue towards maintenance of the system. It can then use those credits to take existing FHWA grant funding for the AMHS and count it towards the match requirement for FTA’s program. The Department has the agreement of both federal agencies for this use of funds for this purpose. The Department submitted an initial TRV proposal based on a total project cost of \$328.9 million. With the Governor’s FY26 budget submission, combining the FFSRC grants, FHWA funds and the original Vessel Replacement Fund appropriation, the total identified funding for the TRV project reaches \$339.5 million, which meets the current cost estimate.

	FY18	FY24	FY25	FY26	Total
Hollow Federal Authority*	\$200,000.0	-	-		n/a
Vessel Replacement Fund Match*	\$22,000.0	-	-		\$22,000.0
FTA Grants	-	\$68,488.3	\$92,800.0	\$106,418.1	\$161,288.3
FTA Grant Match	-	-	\$23,196.0	\$26,604.5	\$23,196.0
Total Programmed	\$22,000.0	\$68,488.3	\$115,996.0	\$133,022.6	\$339,506.9
TRV Estimated Cost					\$(328,900.0)
				Difference	\$10,606.9

*\$200 million of federal authority and \$22 million of match was appropriated in FY18. Federal revenue has not been programmed to the \$200 million making it currently hollow authorization. A portion of the \$22 million match is being used to match the FY24 FTA Grant.

Legislative Fiscal Analyst Comment: The legislature appropriated \$200.0 million Federal budget authority to the Tustemena Vessel Replacement (TRV) project in FY18. The Department could access federal revenues using that \$200m without further appropriation. However, the Governor has chosen to put forward new requests for federal funding as new grants have been received.

4. Deferred Maintenance

Deferred maintenance (DM) is maintenance that has been deferred to another time, usually because of insufficient funding. The most recent estimates by the Office of Management and Budget provide a deferred maintenance backlog totaling just under \$2.2 billion for FY23 (see the table below), which is a decrease of 2% from the FY22 estimate.

Overall, except for the University, which comparatively has more analysis and documentation of its DM and replacement needs, the State DM estimates greatly underestimate the pending cost to the State. Many of the State’s buildings were constructed during the boom years in the 1980s and are reaching the end of their useful lifespan. The cost of maintaining and repairing these

⁴ A state may apply toll credits towards the non-Federal share requirement for programs authorized under title 23, U.S.C., or chapter 53 of title 49, U.S.C., except for the Emergency Relief program authorized by 23 U.S.C. 125.

Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

buildings will continue to rise and, in some cases, they simply will not be able to operate without being fully replaced.

Deferred maintenance represents a serious financial liability, and the longer it goes unaddressed in a systematic and deliberate manner the larger the eventual cost will be to the State in financial cost and ability to provide critical services to the most vulnerable Alaskans.

A prime example of this is the Fairbanks Pioneer home that is nearing complete building failure. The State could face legal and financial liability without a plan to house residents while the facility is either replaced or completely remodeled. Waiting until the building is shut down for safety reasons is the most expensive and disruptive course of action. The Department estimates that the cost of replacement is \$127.7 million, but the deferred maintenance list for this facility totals just \$7.5 million. Alternatively, they estimate that renovation of the existing building, with residents in place, would be \$151.5 million and take 10 years to complete. Replacement of the facility while the current building is inhabitable is the most cost effective and least operationally disruptive option available to the State.

Agency	FY23 Total DM Backlog	% of total DM Backlog	% of total DM Excl. University	% change from FY22 DM Backlog
Transportation & Public Facilities	\$333,988.5	15%	45%	16%
Natural Resources	\$94,845.0	4%	13%	0%
Corrections	\$88,587.6	4%	12%	-1%
DOT&PF Public Building Fund (FY2023)	\$79,796.9	4%	11%	0%
Family & Community Services	\$50,001.0	2%	7%	9%
Education & Early Development	\$21,636.0	1%	3%	-32%
Fish & Game	\$20,530.0	1%	3%	-3%
Alaska Court System	\$14,370.7	1%	2%	-25%
Public Safety	\$12,940.0	1%	2%	-20%
Labor & Workforce Development	\$12,500.0	1%	2%	79%
Health	\$6,295.9	0%	1%	30%
Environmental Conservation	\$2,056.0	0%	0%	-28%
Military & Veterans Affairs	\$1,813.8	0%	0%	-5%
Total without the University	\$739,361.5	34%	100%	5%
University	\$1,443,130.3	66%	N/A	-5%
Total	\$2,182,491.77	0%	N/A	-2%

The Governor's FY26 capital budget spends an estimated \$20.0 million from the Alaska Capital Income Fund (ACIF) on deferred maintenance managed through the Governor's office.

The ACIF is projected to earn \$27 million in FY26 (according to the Department of Revenue (DOR) in 2024 Fall Revenue Source Book. however, the projected revenue for FY25 has decreased by \$4.2 million, creating a gap between the \$28.2 million appropriated in FY25 and what will be available to spend on DM. In response to this difference the Governor's budget under-appropriates from the ACIF to avoid over-programming the fund source. This is accomplished by using a lower "estimated to be" amount in the language section of the bill - which does not match the DOR fall forecast.

Legislative Fiscal Analyst Recommendation: Using estimated to be amounts in the language section that do not match DOR projections is not a transparent budget practice.

The legislature should move the appropriation back to the numbers section with the suggested Governor's amount of \$20 million and a supplemental appropriation for the remaining amount at the end of the fiscal year should be added to appropriate any amount above that.

The Governor's FY26 capital budget does not include specific funding for the University of Alaska's DM backlog, which makes up 66% of the State's total. The University used to devote a significant amount of operating funds to deferred maintenance, but that has decreased since UGF operating support declined starting in the FY16 budget. In the 2021 through 2024 sessions, the Governor vetoed all or a portion of the capital budget appropriations the legislature has made for this purpose.

The projected DM backlog had previously grown from \$1.8 billion in FY22 to \$2.2 billion in FY23, based on inflationary pressures. There is no definitive rule on the level of preventative maintenance necessary to avoid deferred maintenance, but a 2012 National Research Council publication references a range between 2 to 4% of asset replacement value.

Legislative Fiscal Analyst Comment: The \$20 million appropriated in FY26 is well below the "2% rule:" general best practice maintenance should cost at least two% of the property value per year. The State has over 2,400 facilities with a total value of around \$9.7 billion. Following the "2% rule," basic maintenance on those buildings would be around \$194 million a year just to avoid a growing deferred maintenance backlog. The administration has pointed to an estimated \$76 million in operating budget spending for basic maintenance as a sign that the State is not neglecting its maintenance needs, but even adding that amount falls well short of the 2% target.

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 last year of data available), the total funding needed for necessary upgrades to existing sanitation was about \$580 million. There was also an estimated \$1.2 billion in need for first time service in rural Alaska. That cost is likely to have grown substantially with increased construction costs.

School district deferred maintenance is funded through the Major Maintenance Grant Fund. The FY26 list includes \$261.5 million of requested State funding for projects submitted by the districts. The \$261.5 million figure only accounts for those projects submitted by districts for the program and does not represent the total need of schools in the state. The FY24 amount was \$217.9 million, and the FY25 amount was \$249.1 million. The FY25 budget directed \$26.6 million to the fund. Subsequently the list grew when districts recognized the possibility of grant funding after several years without funding. The Governor's FY26 budget does not appropriate any funding to School Major Maintenance or School Construction Grant fund.

5. Other Significant Capital Items

For additional information on specific projects please look in the **FY2026 - Summary of Significant Capital Budget Issues** section for each department section of this overview.

Language Sections of the Governor's FY26 Capital Budget

New Section

Sec. 4. SUPPLEMENTAL DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT. The unexpended and unobligated balance, estimated to be \$234,500, of the appropriation made in sec. 1, ch. 16, SLA 2013, page 4, lines 11 - 13 (Department of Commerce, Community, and Economic Development Alaska Energy Authority - Energy Programs, alternative energy and energy efficiency programs - \$2,000,000), is reappropriated to the Department of Commerce, Community, and Economic Development for the Alaska Energy Authority's electrical emergencies program.

Section 4 reappropriates an estimated \$234,500 to Department of Commerce, Community, and Economic Development for Development for the Alaska Energy Authority's electrical emergencies program.

New Section

Sec. 5. SUPPLEMENTAL DEPARTMENT OF FAMILY AND COMMUNITY SERVICES. The unexpended and unobligated balance, estimated to be \$4,000,000, of the appropriation made in sec. 8, ch. 1, SSSLA 2021, page 73, line 14, as amended by sec. 39(a)(46), ch. 11, SLA 2022, as amended by sec. 37(c), ch. 1, FSSLA 2023 (Department of Health and Social Services, Fairbanks Youth Facility), is reappropriated to the Department of Family and Community Services for the facility remodel of the McLaughlin Youth Center in Anchorage.

Section 5 reappropriates an estimated \$4 million to Department of Family and Community Services for the facility remodel of the McLaughlin Youth Center in Anchorage.

Funding: The funding source used in the original appropriation was the Tobacco Settlement Revenue Bond Sale. This fund source can only be used for bondholder-approved capital projects since it is from a bond issued by the Northern Tobacco Securitization Corporation. The administration confirms that this specific reappropriation is an eligible use.

New Section

Sec. 6. SUPPLEMENTAL DEPARTMENT OF PUBLIC SAFETY. The unexpended and unobligated balance, not to exceed \$450,000, of the appropriation made in sec. 1, ch. 19, SLA 2018, page 8, line 29 (Department of Public Safety, Enhanced "9-1-1" - \$3,535,000), is reappropriated to the Department of Public Safety for communication equipment and enhancements for the Rabinowitz Courthouse in Fairbanks.

Section 6 reappropriates up to \$450,000 to the Department of Public Safety for communication equipment and enhancements for the Rabinowitz Courthouse in Fairbanks.

Sec. 7. 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, 2026, 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 7 provides appropriation of any of the listed receipts that are collected in FY26 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 Recommendation: The legislature included additional language in this section in FY25 that was carried forward in the corresponding Governor’s proposed operating budget in FY26, but not in this capital 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, 2026, do not include the balance of a state fund on June 30, 2025.”

Sec. 8. 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 8 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. 9. 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, 2025, estimated to be \$29,500,000, 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 9 appropriates the entire amount received (estimated to be \$29.5 million for FY25) 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 estimated revenue figure does not match the estimate made by the Department of Revenue in the Fall 2024 Revenue Sources Book, which is \$30.8 million. The \$29.5 million estimate matches the Spring 2024 Revenue Sources Book.

Legislative Fiscal Analyst Recommendation: Modify the estimate to match the Fall Revenue Forecast.

New Section

Sec. 10. DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT. Tax credits available from the federal government for certain renewable energy projects funded by the Alaska Energy Authority, estimated to be \$0, are appropriated to the Alaska Energy Authority for continued funding of renewable energy projects or matching funds for federal grants.

Section 10 appropriates all available federal tax credits (estimated to be zero) for renewable energy projects by Alaska Energy Authority for continued funding of renewable energy projects or matching funds for federal grants.

Sec. 11. DEPARTMENT OF FISH AND GAME. The proceeds from the sale of state-owned vessels and aircraft received by the Department of Fish and Game during the fiscal year ending June 30, 2026, estimated to be \$200,000, are appropriated to the Department of Fish and Game for renewal, replacement, and maintenance of vessels and aircraft.

Section 11 appropriates an estimated \$200,000 in proceeds from the sale of State-owned vessels and aircraft belonging to Department of Fish and Game in FY25 back to the Department of Fish and Game for renewal, replacement, and maintenance of vessels and aircraft.

New Section

Sec. 12. OFFICE OF THE GOVERNOR. The amount appropriated to the Alaska capital income fund (AS 37.05.565) for the fiscal year ending June 30, 2026, estimated to be

\$20,000,000, is appropriated from the Alaska capital income fund to the Office of the Governor for statewide critical deferred maintenance, renovation, and repair.

Section 12 appropriates the amount of revenue deposited into the Capital Income Fund (ACIF) in FY26 to the Governor's office for statewide critical deferred maintenance, renovation, and repair.

Legislative Fiscal Analyst Comment: This regular appropriation was moved to the language section by the legislature in FY25, to allow for an estimated to be amount rather than a set number. The legislature also included additional language in that section that appropriated the unobligated prior year balance to the Governor's Office for the same purpose, to make sure that the balance of the ACIF did not sweep into the CBR.

The Governor is proposing using an estimate of \$20 million despite the Department of Revenue's (DOR) ACIF earnings projection of \$27 million in FY26. The Governor's budget intentionally understates the estimate because DOR's previous projections have been higher than actual earnings the last few years.

Legislative Fiscal Analyst Recommendation: Using estimated to be amounts in the language section that do not match DOR projections is not a transparent budget practice.

To accomplish the same goal without this tactic, the legislature should move the appropriation back to the numbers section with the suggested Governor's amount of \$20 million, then in the 2026 session add a supplemental appropriation for the remaining amount at the end of the fiscal year.

Sec. 13. LAPSE (a) The appropriations made in secs. 1, 4 - 6, 8(2), and 9 - 12 of this Act are for capital projects and lapse under AS 37.25.020.

(b) The appropriation made in sec. 8(1) of this Act is for the capitalization of a fund and does not lapse.

Sec. 14. Sections 4 - 6 of this Act take effect June 30, 2025.

This identifies that **Section 4 through 6** take effect in FY25 as supplemental appropriations.

Sec. 15. Except as provided in sec. 14 of this Act, this Act takes effect July 1, 2025.

Agency Narratives and Funding Summaries

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Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

**2025 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

**Numbers and Language
Agencies: Admin**

Appropriation	[1] 25Enroll	[2] 25Auth	[3] 25MgtPln	[4] AdjBase	[5] Gov	[5] - [3] 25MgtPln to Gov	[5] - [4] AdjBase to Gov
Administration							
Centralized Admin. Services	106,217.9	106,588.1	106,588.1	107,420.2	106,534.0	-54.1 -0.1 %	-886.2 -0.8 %
Shared Services of Alaska	16,988.9	17,029.5	17,029.5	17,295.9	17,295.9	266.4 1.6 %	0.0
State Facilities M&O	506.2	506.2	506.2	506.2	506.2	0.0	0.0
Public Communications Services	2,079.5	879.5	879.5	879.5	879.5	0.0	0.0
Office of Information Tech	63,251.7	63,388.9	63,388.9	64,073.8	64,602.8	1,213.9 1.9 %	529.0 0.8 %
Risk Management	36,086.7	36,101.4	36,101.4	35,157.7	35,157.7	-943.7 -2.6 %	0.0
Legal & Advocacy Services	79,858.7	85,516.3	85,516.3	86,259.6	87,420.7	1,904.4 2.2 %	1,161.1 1.3 %
Alaska Public Offices Comm	1,149.9	1,220.7	1,220.7	1,272.5	1,272.5	51.8 4.2 %	0.0
Motor Vehicles	20,328.7	20,511.4	20,511.4	20,750.7	20,903.2	391.8 1.9 %	152.5 0.7 %
Agency Unallocated	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agency Total	326,468.2	331,742.0	331,742.0	333,616.1	334,572.5	2,830.5 0.9 %	956.4 0.3 %
Statewide Total	326,468.2	331,742.0	331,742.0	333,616.1	334,572.5	2,830.5 0.9 %	956.4 0.3 %
Funding Summary							
Unrestricted General (UGF)	90,358.3	94,806.0	94,806.0	95,519.6	95,562.8	756.8 0.8 %	43.2
Designated General (DGF)	33,513.4	33,764.1	33,764.1	34,215.3	34,367.8	603.7 1.8 %	152.5 0.4 %
Other State Funds (Other)	201,322.3	201,897.7	201,897.7	202,594.1	203,354.8	1,457.1 0.7 %	760.7 0.4 %
Federal Receipts (Fed)	1,274.2	1,274.2	1,274.2	1,287.1	1,287.1	12.9 1.0 %	0.0

Department of Administration
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Centralized Administrative Services / Labor Relations	Transfer Funding for Labor Relations to the Department of Law/ Office of the Governor to Conform with AO 356	(\$981.4) Gen Fund (UGF) A TrOut	<p>Per Article III, Section 23 of the Alaska Constitution, the Governor may make changes in the assignment of functions in the Executive Branch which are considered necessary for efficient administration. In September 2024, the Governor issued Administrative Order 356 transferring the labor relations function in the Department of Administration (DOA) to the Department of Law (DOL) and the Governor's Office with the intended purpose of tying the agency directly responsible for drafting, interpreting, and negotiating legal instruments on behalf of the State (LAW) directly to the State's labor relations work.</p> <p>Four Labor Relations Analyst positions were transferred from DOA to DOL in the FY25 Management Plan and a Reimbursable Services Agreement (RSA) was established to pay for the function using the DOA Labor Relations budget. Likewise, the Labor Relations Manager position was transferred to the Governor's Office to provide a direct executive connection and oversight function within the Governor's Office.</p> <p>For the Governor's FY26 budget proposal, the funding for the five positions is being transferred as follows:</p> <ul style="list-style-type: none"> - from DOA Labor Relations to DOL Labor, Business & Corporations - \$805.6 UGF; and - from DOA Labor Relations to the Governor's Executive Office - \$175.8 UGF. <p>Fiscal Analyst Comment: In addition to the transfers to DOL and the Governor's Office, two positions and \$536.2 of UGF were transferred in the FY25 Management Plan from Labor Relations to the Division of Personnel (DOP) to complete realignment of all the funding and positions related to AO 356. This transfer moved two HR Consultants and their funding, along with split funding for three other positions already existing in DOP.</p>
2	Office of Information Technology / Licensing, Infrastructure & Servers	Rising Software and Contract Costs from Increased Usage and Inflation	\$529.0 Info Svc (Other) Inc	<p>This Increment would provide funding to address rising annual IT costs related to the growing number of software licenses being used by the State along with the inflationary costs per license.</p> <p>Fiscal Analyst Comment: Increasing licensing,</p>

Department of Administration
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	Office of Information Technology / Licensing, Infrastructure & Servers	Rising Software and Contract Costs from Increased Usage and Inflation	\$529.0 Info Svc (Other) Inc	(continued) bandwidth, security and cloud hosting services costs are nothing new for the State, but should be of concern given their ever increasing magnitude. The FY25 DOA budget included multiple Increments totaling over \$3 million for these costs, which are passed along to agencies via increased IT rates. Typically, however, those increased costs (via increased IT rate billing) are not included in agency budgets commensurately. In addition, individual agencies are wrestling with these rising costs on their own proprietary IT systems for both ongoing and new buildouts and upgrades.
3	Legal and Advocacy Services / Office of Public Advocacy	Office Space Lease Increase due to Building Upgrades and Improvements	\$106.0 Gen Fund (UGF) Inc	This Increment would pay for increased lease costs from the non-State lessor due to building upgrades and renovations. The primary office space for the Office of Public Advocacy (OPA) has been renovated to modernize internet capabilities and to buildout the space to handle additional positions added to OPA.
4	Legal and Advocacy Services / Office of Public Advocacy	Fund Overtime Eligibility for Guardian ad Litem and Public Guardian Positions working on Child in Need of Aid Casework	\$450.0 Gen Fund (UGF) Inc	A Guardian ad Litem (GAL) class study was recently completed and put into effect in December 2024 that authorized over-time eligibility (hours worked over 37.5 per week are compensated at time and one half). The class study determined that the work performed by GALs mirrored that of attorneys and required similar hours including evenings and weekends for investigations and child visits. GALs involved in Child in Need of Aid (CINA) cases invariably incur overtime and there is a potential for sanctions from an Alaska Court if GAL duties are performed incorrectly. This Increment is estimated to reflect the over-time work level of OPA attorneys. GALs have not previously tracked overtime hours as they were ineligible for overtime pay. This Increment would affect 21 GAL's for an average potential increase of approximately \$21.0 each.
5	Legal and Advocacy Services / Office of Public Advocacy	Add Attorney 5, Paralegal and Administrative Support Positions	\$513.6 Gen Fund (UGF) 3 PFT Positions Inc	Three Increments are proposed to increase administrative and legal support within OPA as follows: 1) \$143.3 UGF - New PFT Administrative Officer position: would provide additional administrative support over multiple sections within the agency. Tasks include creating and transferring positions,

Department of Administration
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(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Legal and Advocacy Services / Office of Public Advocacy	Add Attorney 5, Paralegal and Administrative Support Positions	\$513.6 Gen Fund (UGF) 3 PFT Positions Inc	<p>(continued) hiring, promotions, IT issues, placing civil and criminal cases, billing, auditing, managing public guardian client funds, etc.</p> <p>2) \$128.0 UGF - New PFT Paralegal position: OPA currently has three paralegals tasked with assigning cases statewide, with two additional paralegals who handle case assignments for their individual small regional offices. In one month, the three statewide paralegals assigned 570 cases, which works out to about nine cases for each paralegal per day. Each assignment takes considerable work. This additional position would support the statewide case assignments team to prevent congestion.</p> <p>3) \$242.3 UGF - New PFT Attorney 5 position: Currently, the Public Guardian section is the only section in OPA without an Attorney 5 supervisor. This position has been identified as a key component needed to further stabilize the Public Guardian section. The Attorney is intended to provide support by pushing back against improper appointments, developing favorable caselaw, and protecting the agency from liability by working directly with the Public Guardian 4 supervisor on policies and procedures.</p> <p>Fiscal Analyst Comment: Several Public Guardian positions have been added the last couple years in order to stabilize a significant backlog of cases within the Public Guardian section. A positive development from last year at this time is that OPA has increased their certified Public Guardians from 17 to 21 with six additional Public Guardians expected to be certified in the next few months.</p>
6	Motor Vehicles / Motor Vehicles	Expand Division of Motor Vehicle Programming and IT Capabilities	\$152.5 GF/Prgm (DGF) 1 PFT Position IncOTI	<p>This Increment would fund a new Analyst/ Programmer position to join a team of four existing programming staff. With ever-increasing digital automation the workload has grown beyond the capacity of the current staff and allows for addressing only the highest priority projects.</p> <p>Outsourcing programming tasks has shown to be cost prohibitive due to the unique programming requirements of the Alaska License and Vehicle</p>

Department of Administration
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 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Motor Vehicles / Motor Vehicles	Expand Division of Motor Vehicle Programming and IT Capabilities	\$152.5 GF/Prgm (DGF) 1 PFT Position IncOTI	(continued) Information System (ALVIN). Responsibilities of the programmers include software monitoring, DMV-specific bug fixes, data query support, software updates, coordination for software integration, requirements definition for large-scale contracts, and security planning for DMV software. Fiscal Analyst Comment: This Increment is for a Permanent Full-Time Programmer for what appears to be an ongoing need, yet the transaction type is an IncOTI. This will need to be clarified.

Department of Administration
FY2026 - Summary of Significant Capital Budget Issues
 (\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
1	Statewide Time and Attendance Management System	\$7,000.0 Gen fund (UGF)	<p>This project would replace use of the Integrated Resource Information System's (IRIS) Human Resource Module (HRM) for time and attendance management. The HRM of IRIS is purportedly inefficient with regard to the various bargaining units and causes the need for significant manual input.</p> <p>Cost estimates are based on a June 2024 Request for Information (RFI) and includes an estimated four years for operational expenses - \$2.5 million for year one implementation and operations, followed by four years of operational expenses estimated at \$1 million per year. The additional \$500.0 would fund three Business Analyst short term non-permanent positions for system implementation.</p> <p>The Department has indicated that once implementation is complete, they intend to evaluate possible chargeback billings to agencies for ongoing operational and maintenance costs.</p> <p>Fiscal Analyst Comment: The four years of operating costs built into the appropriation may be better addressed in the DOA operating budget. Those costs were not identified in the project backup which should be amended to better reflect the true present and future fiscal impact to the state.</p>

Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

2025 Legislature - Operating Budget
 Appropriation Summary - Governor Structure

Numbers and Language
 Agencies: DCCED

Appropriation	[1] 25Enroll	[2] 25Auth	[3] 25MgtPln	[4] AdjBase	[5] Gov	[5] - [3] 25MgtPln to Gov	[5] - [4] AdjBase to Gov
Commerce, Community & Econ Dev							
Executive Administration	10,609.0	10,793.8	10,793.8	9,891.0	11,255.5	461.7 4.3 %	1,364.5 13.8 %
Banking and Securities	5,146.6	5,163.0	5,163.0	5,239.9	5,239.9	76.9 1.5 %	0.0
Community and Regional Affairs	23,660.5	24,835.6	24,835.6	18,804.3	19,058.4	-5,777.2 -23.3 %	254.1 1.4 %
Revenue Sharing	22,728.2	22,728.2	22,728.2	22,728.2	22,728.2	0.0	0.0
Corp, Bus & Prof Licensing	20,538.5	20,940.7	20,940.7	21,203.4	21,394.5	453.8 2.2 %	191.1 0.9 %
Economic Development	0.0	396.4	396.4	0.0	0.0	-396.4 -100.0 %	0.0
Investments	5,890.9	5,907.5	5,907.5	6,007.6	6,007.6	100.1 1.7 %	0.0
Tourism Marketing	5,000.0	5,000.0	5,000.0	0.0	0.0	-5,000.0 -100.0 %	0.0
Insurance Operations	9,687.7	10,428.2	10,428.2	8,780.1	9,958.0	-470.2 -4.5 %	1,177.9 13.4 %
AK Oil & Gas Conservation Comm	9,722.0	10,185.3	10,185.3	9,468.9	10,236.9	51.6 0.5 %	768.0 8.1 %
Alcohol and Marijuana Control	4,605.9	4,622.8	4,622.8	4,582.0	4,768.5	145.7 3.2 %	186.5 4.1 %
AK Gasline Development Corp	5,573.6	5,698.7	5,698.7	3,211.2	5,730.7	32.0 0.6 %	2,519.5 78.5 %
Alaska Energy Authority	63,474.2	65,285.1	65,285.1	67,156.1	70,360.1	5,075.0 7.8 %	3,204.0 4.8 %
AIDEA	22,573.8	24,269.4	24,269.4	23,012.4	12,723.6	-11,545.8 -47.6 %	-10,288.8 -44.7 %
Alaska Seafood Marketing Inst	39,155.1	29,422.5	29,422.5	29,556.5	26,556.5	-2,866.0 -9.7 %	-3,000.0 -10.2 %
Regulatory Commission of AK	10,586.1	10,886.9	10,886.9	11,125.8	11,175.8	288.9 2.7 %	50.0 0.4 %
Facility M&O	1,359.4	1,359.4	1,359.4	1,359.4	3,121.3	1,761.9 129.6 %	1,761.9 129.6 %
Agency Unallocated	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agency Total	260,311.5	257,923.5	257,923.5	242,126.8	240,315.5	-17,608.0 -6.8 %	-1,811.3 -0.7 %
Statewide Total	260,311.5	257,923.5	257,923.5	242,126.8	240,315.5	-17,608.0 -6.8 %	-1,811.3 -0.7 %
Funding Summary							
Unrestricted General (UGF)	34,283.1	27,146.9	27,146.9	13,145.3	16,764.8	-10,382.1 -38.2 %	3,619.5 27.5 %
Designated General (DGF)	114,240.0	116,168.5	116,168.5	115,425.1	117,954.7	1,786.2 1.5 %	2,529.6 2.2 %
Other State Funds (Other)	68,772.5	71,151.7	71,151.7	70,438.4	63,158.0	-7,993.7 -11.2 %	-7,280.4 -10.3 %
Federal Receipts (Fed)	43,015.9	43,456.4	43,456.4	43,118.0	42,438.0	-1,018.4 -2.3 %	-680.0 -1.6 %

Department of Commerce, Community and Economic Development
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Executive Administration / Alaska Broadband Office	Maintain Level Funding for Alaska Broadband Office (FY26-27)	\$1,164.5 CIP Repts (Other) IncT	<p>The Alaska Broadband Office (ABO) was established as a result of Alaska receiving over \$1 billion from the federal Broadband Equity Access and Deployment Program. The ABO's operations are funded from those Federal Receipts via appropriations in the capital budget and appear in the operating budget as CIP Receipts.</p> <p>From inception, the ABO has received Temporary Increments (IncTs) for its operations. Those IncTs have totaled \$1,164.5 all of which lapse in FY25 and are removed from the budget in the FY26 Adjusted Base.</p> <p>A new IncT (FY26-27) of \$1,164.5 is proposed for FY26 to replace the lapsing funding which would provide for a flat level of funding for the ABO over the next two years.</p> <p>Fiscal Analyst Comment: In the FY25 budget, the ABO received four permanent Increments totaling \$1,406.0 for a Project Coordinator, mapping support, streamlined permitting positions, and Right-of Way coordinators. Those coupled with the new IncT of \$1,164.5, salary adjustments (\$46.6), and the core services charges IncT (\$50.0- See Item 2), makes the FY26 budget request total \$3,146.3.</p> <p>Items 1 and 2 are related.</p>
2	Executive Administration / Alaska Broadband Office	Funding to Bridge Indirect Rate for Core Services Charges (FY26-27)	\$50.0 Gen Fund (UGF) IncT	<p>As mentioned in Item 1, the ABO has been entirely funded from Federal Receipts via the capital budget. The ABO charges all direct expenses for operations to the capital project appropriation. Indirect costs, such as core services charges, can be paid as part of an Indirect Cost Allocation Plan (ICAP). Without a federally negotiated ICAP rate, the de minimus federal rate has been capped at 10%, which hasn't provided sufficient funding to totally pay all core services charges. In the FY23-24 budgets, general funds were transferred from the Administrative Services allocation to pay the difference.</p> <p>This Increment would fund the shortfall between the ICAP revenue and the total core services charges.</p> <p>Items 1 and 2 are related.</p>

Department of Commerce, Community and Economic Development
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Community and Regional Affairs / Community and Regional Affairs	Adjust Grant to Alaska Legal Services Corporation from the Civil Legal Services Fund (10% of Court Filing Fees)	\$16.1 Legal Serv (DGF) Inc	In the 2024 session, the legislature moved the ongoing grant to Alaska Legal Services from the language section of the bill to the numbers section of the bill. This grant is statutorily funded from 10% of the previous fiscal year's court filing fees and this Increment adjusts the amount for FY26 to the level of revenues received. Fiscal Analyst Comment: This increase of \$16.1 brings the total FY26 grant amount to \$312.6.
4	Community and Regional Affairs / Community and Regional Affairs	Role of State Goods in Supply Chains Critical to Global Energy Transition (Ch 45, SLA 24 (SB 118))	\$40.0 Gen Fund (UGF) Inc	Senate Bill 118 passed in 2024 which requires the Department to provide an annual report to the legislature identifying the State's role in innovation, manufacturing, and transportation to support the global energy transition. The report is to analyze the potential role of State goods in energy transition including electric batteries, solar panels, wind turbines, and connected consumer devices. The Fiscal Note for this legislation was not included in the Fiscal Note section of the FY25 operating budget. This Increment would provide continued funding to prepare the required report to the legislature.
5	Various	Regulation Review Rate Adjustment for Department of Law Rates	Total: \$146.0 \$36.5 GF/Prgm (DGF) \$109.5 Rcpt Svcs (DGF) Inc	Last session, the Department of Law (DOL) requested \$448.0 UGF to replace their billing rate methodology to agencies for final regulation review. They had stated their methodology was not always an accurate representation of the time and cost necessary for the reviews. The fund source change to UGF was denied by the legislature with an understanding that DOL should revise their billing methodology to cover their costs. For the FY26 budget, three divisions in the Department have Increments for regulations review from increased DOL rates totaling \$146.0 as follows: - Corporations, Business & Professional Licensing - \$73.0 Receipt Supported Services; - Insurance Operations - \$36.5 Receipt Support Services; and - Alcohol and Marijuana Control Office - \$36.5 GF/Prgm Receipts.

Department of Commerce, Community and Economic Development
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 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Corporations, Business and Professional Licensing / Corporations, Business and Professional Licensing	Authority for Licensing Examiner 2 Per Licensure of Associate Counselors (Ch44, SLA2024 (HB126))	\$118.1 Rept Svcs (DGF) Inc	House Bill 126 passed last session, but an appropriation for the Fiscal Note was not included in the operating budget. The bill established licensure for associate counselors under the Alaska Board of Professional Counselors. The Fiscal Note identified a need for one full-time Occupational Licensing Examiner to review and process applications. This Increment of \$118.1 Receipts Supported Services would fund the position for FY26.
7	Tourism Marketing / Tourism Marketing	Reverse Increment of Tourism Marketing Grant to the Alaska Travel Industry Association (ATIA)	(\$5,000.0) Gen Fund (UGF) OTI	Tourism marketing has received funding in both the operating and capital budgets over the years. The Alaska Travel Industry Association (ATIA) is the usual recipient of the funding and uses it in creating and distributing the Alaska Vacation Planner, managing the TravelAlaska website, and collecting and analyzing visitor statistics. Prior to FY17, funding was appropriated each year in the operating budget. In FY18, it was moved to the capital budget as a grant to ATIA where it has appeared intermittently since. The FY25 budget included an IncOTI of \$5,000.0 UGF which has been removed in the FY26 Adjusted Base. This OTI is highlighted here to reflect that the Governor did not include funding for tourism marketing in his FY26 budget.
8	Insurance Operations / Insurance Operations	Consumer Service Specialist to Address Increased Volume of Filings	\$141.4 Rept Svcs (DGF) 1 PFT Position Inc	The Division of Insurance (DOI) has seen an increase in demand for compliance oversight services. In FY24, 308 complaint cases were opened with more than 1,200 consumer inquiries, which was an increase of 25 percent over FY23. The section also oversees the External Healthcare Appeals program which facilitates all final level appeal decisions for all fully funded insurance program participants in Alaska and includes consumers waiting for time-sensitive care. In FY24 the section reviewed 68 External Healthcare Reviews/Appeals. This was an increase of 31 percent over FY23. This Increment would fund an additional Consumer

Department of Commerce, Community and Economic Development
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
8	Insurance Operations / Insurance Operations	Consumer Service Specialist to Address Increased Volume of Filings	\$141.4 Rept Svcs (DGF) 1 PFT Position Inc	(continued) Service Specialist position in Anchorage to increase capacity for timely reviews and responses to complaints on insurance coverage decisions. The Division collects sufficient revenue to support this Increment without a change to fees.
9	Alaska Oil and Gas Conservation Commission / Alaska Oil and Gas Conservation Commission	Continue UGF Support for Staff Until Revenues are Realized- Carbon Storage, Cook Inlet Oil/ Gas (Ch23 SLA2024 (HB050))	\$738.0 Gen Fund (UGF) 2 PFT Positions IncOTI	With the passage of Senate Bill 48 (Ch. 2, SLA 2023), the Alaska Oil and Gas Conservation Commission (AOGCC) received \$388.0 UGF for a Senior Carbon/Petroleum Engineer and a Carbon Engineering Assistant along with \$500.0 for contractual support. That funding was authorized through the FY25 budget and removed in the FY26 Adjusted Base. With the passage of House Bill 50 (Ch. 23, SLA 2024), the Fiscal Note identified a continuation of the funding for the positions with a reduction of \$150.0 to contractual services (a total of \$738.0). Per the Fiscal Note analysis, by the FY26 budget, carbon storage revenues were expected to be sufficient to offset the initial UGF provided. Those revenues have not materialized to date, however, and an IncOTI of \$738.0 UGF is included to continue payment of the FY26 costs.
10	Alcohol and Marijuana Control Office / Alcohol and Marijuana Control Office	Legal Costs from the Department of Law and Office of Administrative Hearings	\$150.0 GF/Prgm (DGF) Inc	The Alcoholic Beverage Control Board and the Marijuana Control Board have directed the Alcohol and Marijuana Control Office (AMCO) to pursue additional licensing action that has resulted in more licensing appeals. AMCO has also been sued in State court for alleged constitutional violations related to the alcoholic beverage laws (Title 4) revisions which were enacted through Senate Bill 9 (Ch. 8, SLA 2022). As a result, legal costs for AMCO have risen dramatically in recent years, from \$45.0 in FY22 to \$180.0 in FY24.
11	Alaska Gasline Development Corporation / Alaska Gasline Development Corporation	Restore Alaska Gasline Development Corporation Annual Operating Costs	\$2,487.5 Gen Fund (UGF) IncOTI	AGDC operations have historically been funded from the balance of the AK-LNG Fund which has been capitalized with UGF multiple times over the years. The fund balance was projected to go negative in FY24 without an infusion of capital. Instead of capitalizing the fund further, IncOTI's were provided for both the FY24 and FY25 operating budgets in the amounts of \$3.1 million and \$2,487.5 respectively.

Department of Commerce, Community and Economic Development
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 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
11	Alaska Gasline Development Corporation / Alaska Gasline Development Corporation	Restore Alaska Gasline Development Corporation Annual Operating Costs	\$2,487.5 Gen Fund (UGF) IncOTI	<p>(continued)</p> <p>For FY26, a continuation flat budget is proposed via another IncOTI in the amount of \$2,487.5 UGF.</p> <p>Fiscal Analyst Comment: The legislature also included fairly specific intent language for AGDC which instructed AGDC to present a 3rd party review of a project proposal to the legislature by December of 2024, and if economically positive, work toward Front End Engineering and Design (FEED) for Phase 1 of a pipeline project.</p> <p>Wood Mackenzie presented their preliminary information at the AGDC September 2024 Board Meeting. In addition, on November 12, 2024, the Office of the Governor provided a memorandum and report to the legislature in response to this intent language.</p> <p>As a result, the Governor has proposed a \$50 million UGF Supplemental Multiyear appropriation (FY25-27) to the Alaska Industrial Development and Export Authority (AIDEA) to backstop FEED work toward a Final Investment Decision (FID).</p> <p>Items 11 and 15 are related.</p>
12	Alaska Energy Authority / Alaska Energy Authority Rural Energy Assistance	Facilities Rent and Maintenance Costs for AEA Office Space in AIDEA Owned Facility (Costs Shared 50/50)	\$304.0 Gen Fund (UGF) Inc	<p>The Alaska Energy Authority (AEA) is currently housed in the office space owned by the Alaska Industrial Development and Export Authority (AIDEA). Historically, AIDEA has paid the annual facility operations and maintenance costs entirely, which are projected at \$608.0 for FY25.</p> <p>Beginning in FY26, AEA has agreed to contribute half of the cost (\$304.0) with the intent that both agencies analyze the allocation of shared space and costs to determine appropriate allocations or alternative space options.</p> <p>Fiscal Analyst Comment: This Increment would provide funding for an expense previously not incurred by AEA. Prior to HB 307 (Ch. 24, SLA 2024), AEA and AIDEA had a shared board with a shared fiduciary responsibility to both agencies. Now with independent boards and responsibilities, it has</p>

Department of Commerce, Community and Economic Development
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 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
12	Alaska Energy Authority / Alaska Energy Authority Rural Energy Assistance	Facilities Rent and Maintenance Costs for AEA Office Space in AIDEA Owned Facility (Costs Shared 50/50)	\$304.0 Gen Fund (UGF) Inc	(continued) been decided by the boards that AEA share in the cost of office space. The agency states that they do not have another funding source that could be used to support this cost. AEA does have an Indirect Cost Allocation Plan (ICAP), however, facility charges are currently excluded from the FY26 ICAP rate. A revision to the ICAP should be discussed as an alternative to UGF. Items 12, 16 and 18 are related.
13	Alaska Energy Authority / Alaska Energy Authority Rural Energy Assistance	Replace Funding for Three Positions to Meet Circuit Rider Program Requirements	Net Zero (\$710.0) Fed Rcpts (Fed) \$710.0 PCE Endow (DGF) FndChg	AEA is responsible for training and providing technical assistance to over 100 rural utilities. Currently, AEA has three Circuit Rider positions responsible for these activities as part of the Circuit Rider Program (AS 42.45.900). Historically these positions have been funded from Federal Receipts via the Denali Commission and utilizing funding in the Rural Power Systems Upgrade (RPSU), and Bulk Fuel Upgrades (BFU) capital projects. With declining Federal funding from both the Denali Commission and the RPSU and BFU programs, Power Cost Equalization Endowment funding is proposed for FY26.
14	Alaska Energy Authority / Alaska Energy Authority Rural Energy Assistance	Data Library Administration, Hosting, Expansion, and Digitization Supplemental	\$225.0 Reapprops (Other) ReAprop	This funding would provide for continued digitization of AEA records to be added to the online repository. Last session, AEA received an IncOTI for this data project using AEA Receipts funding. Prior work on the project was funded by Federal Receipts. This Reappropriation would continue the project using UGF previously appropriated to the Emerging Energy Technology Fund in 2013 that AEA has identified as available. Fiscal Analyst Comment: Including this Reappropriation, over \$400.0 will have been applied toward support of the library. Ongoing administration, hosting and maintenance costs will likely need to be factored into the budget at some point.

Department of Commerce, Community and Economic Development
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(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
15	Alaska Industrial Development and Export Authority / Alaska Industrial Development and Export Authority	Alaska Liquefied Natural Gas Project Phase 1 Contingency Backstop (FY2025 - FY2027) Supplemental	\$50,000.0 Gen Fund (UGF) MultiYr	As mentioned in Item 11, the Governor has proposed a \$50 million UGF Supplemental Multiyear appropriation (FY25-27) to AIDEA to backstop FEED work performed by a project pipeline company toward a Final Investment Decision (FID). The backstop language would reimburse a pipeline company for FEED work if the FID does not come back positive. Items 11 and 15 are related.
16	Alaska Industrial Development and Export Authority / Alaska Industrial Development Corporation Facilities Maintenance	Facilities Rent and Maintenance Costs for AIDEA Owned Facility	Total: \$414.0 \$304.0 I/A Rcpts (Other) \$110.0 AIDEA Rcpt (Other) Inc	As discussed in Item 18, the legislature made efforts in the FY25 budget to consolidate facility maintenance and operations costs for each agency following AS 37.07.020(e). AIDEA has maintained a separate allocation for their facility costs in the budget and for FY26 are proposing Increments to further comply with the statute. \$304.0 Interagency Receipts are added to represent the shared costs for office space between AEA and AIDEA. In addition, \$110.0 of AIDEA Receipts are proposed to combat the inflationary pressures of building maintenance costs that have accrued. Items 12, 16 and 18 are related.
17	Alaska Seafood Marketing Institute / Alaska Seafood Marketing Institute	Comprehensive Marketing Plan (FY2025-FY2027) Supplemental	\$10,000.0 Gen Fund (UGF) MultiYr	For FY24, the Governor put forth an IncOTI of \$5 million UGF for the Alaska Seafood Marketing Institute (ASMI), which was approved by the legislature . ASMI had not received UGF since FY18 and had primarily relied on the Alaska Seafood Marketing Assessment (AS 16.51.120) and competitive federal grant funding. For FY25, the Governor removed the IncOTI and did not propose any new UGF. The legislature , however, added a \$10 million UGF Increment intended to match the FY23 revenue collected from the Seafood Marketing Assessment (the actual known revenue from the most recently closed fiscal year). This Increment was intended to target the domestic market, but was vetoed by the Governor . In addition to the State funding added for domestic marketing, additional Federal Receipt authority was included for anticipated international marketing grants. This authority was enacted into law by the Governor.

Department of Commerce, Community and Economic Development
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 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
17	Alaska Seafood Marketing Institute / Alaska Seafood Marketing Institute	Comprehensive Marketing Plan (FY2025-FY2027) Supplemental	\$10,000.0 Gen Fund (UGF) MultiYr	(continued) For FY26, the Governor has proposed a \$10 million UGF Supplemental Multiyear (FY25-27) appropriation to complete a comprehensive marketing plan. The multiyear approach is intended to allow ASMI to properly plan and implement a methodical approach to marketing Alaska seafood.
18	Facility Maintenance and Operations / Various	Establish New Allocations for State Facilities Maintenance and Operations	Struct	Last session the legislature made an attempt to consolidate facility maintenance and operations costs for each agency following AS 37.07.020(e). The FY25 budget for DCCED renamed the State Facilities Rent appropriation and allocations to State Facilities Maintenance and Operations . In addition, the legislature added intent language in the Governor's Office that read: "It is the intent of the legislature that the budget prepared under AS 37.07.020 for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities." For FY26, the Department added two new allocations in the Facilities Maintenance and Operations appropriation to account for facilities rent in both State owned and non-State owned facilities. All the funding (\$1,359.4) would be transferred from the State Facilities Maintenance and Operations allocation into the new Facilities Rent State Owned allocation. Interagency Receipts (I/A Receipts) authority would also be added (\$255.1) to fine tune the costs paid within the agency for State owned facilities. Likewise, an Increment of \$1,506.8 I/A Receipts is added to the new Facilities Rent Non-State Owned to represent those costs paid for within the agency. Items 12, 16 and 18 are related.

Department of Commerce, Community and Economic Development
FY2026 - Summary of Significant Capital Budget Issues
(\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
1	<p><u>DCCED Ongoing Capital Programs:</u></p> <p>NPR-A Impact Grants</p> <p>Community Block Grants</p>	<p>\$29,500.0 NPR Fund (Fed)</p> <p>Total: \$6,315.0</p> <p>\$6,250.0 Fed Rcpts (Fed)</p> <p>\$65.0 GF/Match (UGF)</p>	<p>See Capital Language Section analysis regarding this program.</p> <p>This capital appropriation is the combination of two programs – RurAL CAP Grants and the Community Development Block Grants programs as follows:</p> <p>\$ 3,000.0 Fed Rcpts - RurAL CAP or the Rural Alaska Community Action Program funding is 100% federal and passed through from the federal Department of Health and Human Services. The funding is granted out to low-income rural communities for education, affordable housing and other efforts to protect the heritage yet improve the quality of life of the grantees.</p> <p>\$3,250.0 Fed Rcpts/ \$65.0 GF/Match - The Community Development Block Grants program funding is from the federal Department of Housing and Urban Development and dispersed via grants, not to exceed \$850.0, to municipalities for planning, infrastructure and economic development that benefit low-income individuals.</p>
2	<p><u>AEA Ongoing Capital Programs:</u></p> <p>Bulk Fuel Upgrades (BFU)</p> <p>Rural Power System Upgrades (RPSU)</p>	<p>Total: \$4,000.0</p> <p>\$2,000.0 Fed Rcpts (Fed)</p> <p>\$2,000.0 GF/Match (UGF)</p> <p>Total: \$5,000.0</p> <p>\$2,500.0 Fed Rcpts (Fed)</p> <p>\$2,500.0 GF/Match (UGF)</p>	<p>The BFU program invests in non-compliant bulk fuel tank farms in Rural Communities. The deferred maintenance need is estimated by AEA at approximately \$1 billion.</p> <p>The RPSU program invests in rural community power system projects that decrease energy costs in rural Alaska. The deferred maintenance need is estimated by AEA at approximately \$300 million.</p> <p>Both programs have seen a significant reduction in available federal funding. It's unclear at the time of this publication what has caused this reduction.</p>

Department of Commerce, Community and Economic Development
FY2026 - Summary of Significant Capital Budget Issues
 (\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
2	Round 17 Renewable Energy Project Grants	\$6,315.5 Ren Energy (Other)	(Continued) The Renewable Energy Grant Fund is typically capitalized in the operating budget with UGF. The FY25 budget funded the top five projects from the priority list from the 2023 Round 16 funding solicitation. The Governor's FY26 proposal would fund the next six projects on the list. Funding the entire list would require an additional \$15.2 million beyond what the Governor proposed.
3	AEA- Statewide Grid Resilience and Reliability - IIJA Formula	Total: \$13,927.1 \$12,110.5 Fed Rcpts (Fed) \$1,816.6 GF/Match (UGF)	AEA received an Infrastructure Investment and Jobs Act grant of approximately \$12 million per year for five years (totaling over \$60 million). The match requirement has been \$1.8 million per year. The funding is for subgrants to improve the resiliency of the electrical grid against disruptive events.
4	AEA - Grid Resilience and Innovation Partnership Grant Match	\$1,500.0 GF/Match (UGF)	In FY24, AEA was selected to receive a \$206.5 million grant from the federal Department of Energy. The grant has a 100% match requirement over the eight-year term of the grant. AEA and the five Railbelt utilities that make up the Railbelt electric grid are partners in this project. The \$413 million (\$206.5m grant + 100% match) is intended for installation of a High Voltage Direct Current submersible cable connecting the Kenai Peninsula to the Central Region (Anchorage/ Mat-Su) and new Battery Energy Storage Systems. Fiscal Analyst Comment: To date, \$12.7 million of match has been appropriated. The project backup states that AEA will use existing bond authority for necessary match in FY26 which conflicts with this proposal of \$1.5 million UGF.
5	AEA - Whittier Cruise Ship Terminal Port Electrification	\$4,400.0 Ocn Ranger (Other)	This project would complete the electrification of the cruise ship dock in Whittier to allow cruise ships to shut down their engines while docked. \$5 million of Commercial Passenger Vessel Environmental Compliance Fund (CPVEC) receipts was appropriated in FY24 to begin the project. Fiscal Analyst Comment: The proposed funding source is from the receipts collected from the Ocean Ranger Program, which is a sub fund of the CPVEC. Both CPVEC and Ocean Ranger receipts are collected as berth

Department of Commerce, Community and Economic Development
FY2026 - Summary of Significant Capital Budget Issues
 (\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
5			(Continued) fees on cruise ship passengers, and under federal law, can only be spent on activities directly benefiting the vessel. While federally legal, this use of Ocean Ranger receipts would be a use outside of the statutorily intended purpose for the operation of the Ocean Ranger Program monitoring cruise ship emissions. The project backup incorrectly identifies the previous appropriation as Commercial Passenger Vessel Fund (1206), which is often referred to as the "Head Tax."
6	AEA - Dixon Diversion - Bradley Lake Hydro Power	\$6,500.0 Gen Fund (UGF)	When constructed this project is intended to increase the energy available from Bradley Lake Hydro by 50%. Total construction costs are estimated at \$342 million to be paid with revenue bonds from the Railbelt utilities. This funding will be used to continue the completion of the engineering, design and permitting to obtain the required Federal Energy Regulatory Commission license. Fiscal Analyst Comment: \$6.4 million of State funds have previously been appropriated for this effort in FY24-25. It's not clear why this is a State responsibility, or why this cannot be reimbursed through collection of revenues in the same manner as the proposed revenue bonds for construction of the project.
7	AEA - Green House Gas Reduction Fund - Solar for All Competition	\$42,450.0 Fed Rcpts (Fed)	In April 2024, AEA received a federal Environmental Protection Agency grant totaling \$62,450.0 to develop programs with Alaska Housing Finance Corporation to deploy solar panels and arrays to benefit low-income households and disadvantaged communities. This grant is 100% federal and requires zero state match. \$20 million of the grant was appropriated last year and this will complete the necessary authorization to receive the grant.
8	AIDEA - West Susitna Road Access	\$2,500.0 Gen Fund (UGF)	This \$2.5 million is intended to provide the necessary funding to complete fieldwork for submitting an application to the U.S. Army Corp of Engineers for permitting. The legislature previously appropriated \$8.5 million UGF in FY22.
9	AGDC - Phase 1 Gasline Project Development	\$4,200.0 Gen Fund (UGF)	This funding would provide Alaska Gasline Development Corporation with resources to contract for technical and regulatory expertise as the project continues toward Front-end Engineering and Design and a Final Investment Decision.

Department of Commerce, Community and Economic Development
FY2026 - Summary of Significant Capital Budget Issues
 (\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
10	Grants to Municipalities	\$1,500.0 Gen Fund (UGF)	<p>Two grants are proposed by the Governor - \$1.0 million to Anchorage for purchase of the Eagle River Cemetery, and \$500.0 to the Kenai Peninsula Borough for Seward and Sterling Highway communication upgrades which will include construction of tower and telecommunication infrastructure at multiple locations throughout the borough.</p> <p>Fiscal Analyst Comment: The Governor vetoed the legislature's \$1.0 million appropriation for the Eagle River Cemetery in FY25.</p>

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Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

**2025 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

**Numbers and Language
Agencies: Corr**

Appropriation	[1] 25Enroll	[2] 25Auth	[3] 25MgtPln	[4] AdjBase	[5] Gov	[5] - [3] 25MgtPln to Gov	[5] - [4] AdjBase to Gov
Corrections							
Facility Ops and Maintenance	13,598.8	13,598.8	13,598.8	13,612.8	28,506.9	14,908.1 109.6 %	14,894.1 109.4 %
Administration and Support	12,147.4	12,777.0	12,777.0	13,001.4	13,087.5	310.5 2.4 %	86.1 0.7 %
Population Management	307,096.5	307,523.4	307,523.4	311,856.0	316,306.1	8,782.7 2.9 %	4,450.1 1.4 %
Community Residential Centers	23,287.4	23,287.4	23,287.4	23,287.4	21,621.8	-1,665.6 -7.2 %	-1,665.6 -7.2 %
Electronic Monitoring	2,791.4	2,791.4	2,791.4	2,826.2	2,960.4	169.0 6.1 %	134.2 4.7 %
Health and Rehab Services	92,896.4	93,107.2	93,107.2	93,245.8	94,404.1	1,296.9 1.4 %	1,158.3 1.2 %
Offender Habilitation	2,336.4	1,616.4	1,616.4	1,619.7	2,469.7	853.3 52.8 %	850.0 52.5 %
Recidivism Reduction Grants	1,757.8	1,763.1	1,763.1	1,766.7	1,766.7	3.6 0.2 %	0.0
Agency Unallocated	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agency Total	455,912.1	456,464.7	456,464.7	461,216.0	481,123.2	24,658.5 5.4 %	19,907.2 4.3 %
Statewide Total	455,912.1	456,464.7	456,464.7	461,216.0	481,123.2	24,658.5 5.4 %	19,907.2 4.3 %
Funding Summary							
Unrestricted General (UGF)	414,457.6	414,980.4	414,980.4	419,851.3	435,632.9	20,652.5 5.0 %	15,781.6 3.8 %
Designated General (DGF)	14,846.1	14,851.4	14,851.4	14,896.2	13,230.6	-1,620.8 -10.9 %	-1,665.6 -11.2 %
Other State Funds (Other)	10,358.7	10,383.2	10,383.2	9,897.0	23,188.2	12,805.0 123.3 %	13,291.2 134.3 %
Federal Receipts (Fed)	16,249.7	16,249.7	16,249.7	16,571.5	9,071.5	-7,178.2 -44.2 %	-7,500.0 -45.3 %

Department of Corrections
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Facility Operations and Maintenance / Various	Structure Changes to Adhere to AS 37.078.020(e)	Struct	<p>In FY25, the legislature added intent language in the Governor's Office that read: "It is the intent of the legislature that the budget prepared under AS 37.07.020 for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities."</p> <p>The Governor's FY26 budget establishes a new "Facility Operations and Maintenance" appropriation with the following allocations: 1) "24 Hour Institutional Utilities", transferred from its own separate appropriation. 2) "Non-Institutional Utilities", new allocation. 3) "24 Hour Institutional Maintenance", new allocation. 4) "Non-Institutional Maintenance & Operations", new allocation. 5) "Non-State Owned Leases", new allocation. 6) "Facility-Capital Improvement Unit", transferred from its own separate appropriation. 7) "DOC State Facilities Rent", transferred from "Administration and Support" appropriation.</p>
2	Various	Add Funding for Supervisory Standby Pay for Supervisors Department-wide	\$3,904.7 Gen Fund (UGF) Inc	<p>The Alaska Public Employees Association Supervisory Union's collective bargaining agreement (CBA) (Article 25.5 B) grants supervisory employees standby pay. Employees will be provided two hours at their regular hourly rate for each standby period up to 24 hours. The rate increases to three hours pay on an employee's regular day off (RDO), and to four hours on a non-floating holiday.</p> <p>This CBA provision became effective July 1, 2024, but funding was not included in the FY25 budget. These Increments add standby pay funding to the base budget.</p> <p>Fiscal Analyst Comment: Rejecting these Increments may constitute denial of the monetary terms of a CBA, which would void the standby pay provision in the CBA.</p> <p>An FY25 Supplemental request for this purpose is likely.</p>

Department of Corrections
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Population Management / Peer Support and Wellness Program	Establish Peer Support and Wellness Program	\$500.0 Gen Fund (UGF) Inc	<p>The FY26 proposed budget establishes the Peer Support and Wellness Program (PSWP) allocation. In FY26 Adjusted Base, three positions are transferred from the Commissioner's Office: a Criminal Justice Planner, a Program Coordinator 1, and a Criminal Justice Technician 2. The FY26 proposed budget includes a \$500.0 Increment to establish the new allocation, \$395.0 of which is to fund the transferred positions.</p> <p>Ch. 54, SLA 2024 granted law enforcement agencies the authority to provide confidential peer support counseling to peace officers and emergency services personnel. The Department submitted a zero Fiscal Note, as the bill only grants authority to establish a program and does not direct the Department to do so.</p> <p>In line with authority granted in Ch. 54, SLA 2024, the allocation will provide staff with peer support counseling and Critical Incident Stress Management, a protocol for dealing with the aftermath of a traumatic event.</p> <p>Fiscal Analyst Comment: In FY25 Management Plan, the Department transferred three positions to the Commissioner's Office to begin work on the PSWP. The positions were transferred from Pre-Trial Services, Anchorage Correctional Complex (ACC), and Lemon Creek Correctional Center (LCCC). These positions were funded in the Commissioner's Office in FY25 through an unbudgeted Reimbursable Service Agreement with other divisions.</p> <p>The FY26 proposed budget transfers these three positions from the Commissioner's Office to the PSWP allocation, funding them with an Increment. The FY26 proposed budget does not include corresponding Decrements in Pre-Trial Services, LCCC, or the Commissioner's Office.</p>
4	Population Management / Overtime and Incentive Costs	Eliminate Overtime and Incentive Costs Allocation after Funding Moved to the 13 Operating Facilities in Management Plan	Struct	<p>The FY24 Enacted Budget established the Overtime and Incentive Costs allocation to allow for comprehensive tracking of related expenses and provided a \$7,500.0 base Increment. In FY25 Management Plan, the Department transferred all funding out of the allocation and into the thirteen operating facilities' allocations. The Governor's FY26</p>

Department of Corrections
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Population Management / Overtime and Incentive Costs	Eliminate Overtime and Incentive Costs Allocation after Funding Moved to the 13 Operating Facilities in Management Plan	Struct	(continued) proposed budget continues to provide the funding in each facility's allocation. As a result, the Overtime and Incentives Costs allocation is eliminated.
5	Population Management / Anchorage Correctional Complex	Replace Federal Receipt Authority with General Funds Due to Declining Federal Manday Revenue	Net Zero (\$7,500.0) Fed Rcpts (Fed) \$7,500.0 Gen Fund (UGF) FndChg	<p>The Department of Corrections (DOC) and the U.S. Marshals Service have an agreement that provides that the federal government would pay a daily rate for prisoners in DOC facilities that have federal charges, which is called manday billing. In FY24, the US Marshals changed their reimbursement practice for inmates who have both State and federal charges and now only pay for inmates with only federal charges.</p> <p>In the FY24 supplemental budget, \$7,960.0 of Federal receipt authority was replaced with general funds. In the FY25 budget, the legislature replaced \$2,000.0 (25%) of the total impact and included intent language directing the Department to enter into a new agreement that results in the State paying no more than half the cost for these inmates. The FY26 proposed budget replaces an additional \$7,500.0 of Federal receipt authority with general funds.</p> <p>DOC is engaged in ongoing negotiations with the U.S. Marshals Service over reimbursement practices.</p> <p>Fiscal Analyst Comment: The Federal funds are all reflected in the Anchorage Correctional Complex for budgeting purposes, but the inmates may be in any facility.</p> <p>An FY25 Supplemental request for this purpose is likely.</p>
6	Population Management / Combined Hiland Mountain Correctional Center	Add Funding to Support Deployment of Inmate Tablets	\$249.0 Gen Fund (UGF) IncOTI	<p>In FY24, the Department piloted the use of inmate tablets for the digital law library, attorney visitation, court hearings, and the inmate handbook. This FY24 pilot program was conducted without legislative appropriation for the specific purpose, using \$394.5 of existing funds in the Offender Habilitation appropriation. In the first half of FY25, DOC spent an average of \$18.1 per month in the Combined Hiland Mountain Correctional Center allocation to continue the program.</p> <p>The FY26 One-Time Increment will provide ongoing</p>

Department of Corrections
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Population Management / Combined Hiland Mountain Correctional Center	Add Funding to Support Deployment of Inmate Tablets	\$249.0 Gen Fund (UGF) IncOTI	(continued) maintenance for 400 tablets. The one-time funding is to allow for re-evaluation in FY27. If successful, the Department intends to expand this program to other institutions.
7	Population Management / Probation and Parole Director's Office	Add Funding for Increased Costs and Lease Agreements	\$154.0 Gen Fund (UGF) Inc	\$90.3 of the Increment funds a new lease space at the Palmer Valley Fair Mall, which DOC began leasing in FY25. The remaining \$63.7 will fund unspecified lease cost increases at other locations.
8	Population Management / Regional and Community Jails	Fully Fund Dillingham Jail Operations	\$195.0 Gen Fund (UGF) Inc	The FY25 Senate budget included a \$1,287.5 Decrement to remove all funding for Seward and Dillingham jails. In Conference Committee \$526.9 was added back to replace funding for the Dillingham jail only. This process inadvertently underfunded the Dillingham jail, and the FY26 proposed budget includes a \$195.0 Increment to restore full funding.
9	Community Residential Centers / Community Residential Centers	Consolidate all Recidivism Reduction Funds into CRC Allocation and Funds to Match Revenue Projections	(\$1,665.6) RedvsmFund (DGF) Dec	The FY26 proposed budget replaces all Recidivism Reduction funds with general funds in six separate allocations, totaling \$7,636.1. The Community Residential Centers (CRC) allocation replaces \$7,636.1 of general funds with Recidivism Reduction funds. This consolidates all the Department's Recidivism Reduction funds in the CRC allocation. The CRC allocation also reduces Recidivism Reduction funds by \$1,665.6 to align with forecasted FY26 marijuana tax revenues. Fiscal Analyst Comment: DOC is renegotiating multiple CRC contracts to implement a consistent pricing structure. DOC expects that all contract negotiations will be completed by February 1, 2025. Depending on the resulting contracts, the CRC allocation may require additional FY26 funding.
10	Health and Rehabilitation Services / Physical Health Care	Replace Funding Source to Align with Statutory Distribution of Restorative Justice Account Funds	Net Zero \$2,428.9 Gen Fund (UGF) (\$2,428.9) Rest Just (Other) FndChg	The amount of Restorative Justice Account funding (AS 43.23.048) available for appropriation each year is calculated to represent the sum of Permanent Fund Dividends forfeited by Alaskans sentenced or incarcerated for felonies and certain misdemeanors in the qualifying calendar year. The distribution reduces the amount of the Permanent Fund Dividend distribution to eligible Alaskans. In FY25, the amount was based on 7,556 ineligible Alaskans and a \$1,312 dividend for the qualifying

Department of Corrections
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Health and Rehabilitation Services / Physical Health Care	Replace Funding Source to Align with Statutory Distribution of Restorative Justice Account Funds	Net Zero \$2,428.9 Gen Fund (UGF) (\$2,428.9) Rest Just (Other) FndChg	(continued) 2022 calendar year, and in FY26 the amount in the Governor's budget is based on 4,120 ineligible Alaskans and a \$1,702 dividend for the qualifying 2023 calendar year. AS 43.23.048(b) outlines the following purposes and percentages of the Governor's proposed FY26 distribution, with the statutory ranges referenced in parentheses: 12% - Fund Cap - Crime Victims Compensation Fund (10-13%) 3% - Legislature - Office of Victims' Rights (2-6%) 3% - Public Safety - Nonprofit Services for Crime Victims (1-3%) 3% - Health - Nonprofit Mental Health and Substance Abuse Treatment for Offenders (1-3%) 79% - Corrections - Costs Related to Incarceration or Probation (79-88%) Fiscal Analyst Comment: The Governor's FY26 amount is 53% lower than FY25 because the number of incarcerated felons and misdemeanants reported by DOC represents only the ineligible Alaskans who did apply, rather than the total number of individuals who are ineligible under these statutes. This may be corrected in the Governor's budget amendments.
11	Health and Rehabilitation Services / Behavioral Health Care	Extend MH Trust Temporary Increments through FY2027	\$641.7 MHTAAR (Other) IncT	Behavioral Health Care's FY26 proposed budget extends four Mental Health Trust (MHT) Temporary Increments beyond their initial expiration dates to FY27, as requested by the MHT Board of Trustees: 1) \$150.0 Trauma Treatment for Incarcerated Women (FY24-FY25) 2) \$50.0 Training for Department of Corrections Mental Health Staff (FY18-FY25) 3) \$290.0 Assess, Plan, Identify, and Coordinate Discharge Planning Model in DOC (FY14-FY25) 4) \$151.7 Addressing Comorbid Health and Addiction Issues Within Severe and Persistent Mentally Ill (FY24-FY25)
12	Health and Rehabilitation Services / Behavioral Health Care	MH Trust: Trust Beneficiaries in Alaska Dept of Corrections Study (FY26)	\$400.0 MHTAAR (Other) IncOTI	This One-Time Increment funds a report on MHT beneficiaries who are involved with the Department of Corrections. The most recent report was conducted in 2014 and focused specifically on recidivism of MHT beneficiaries. The new study expands the scope to study how MHT beneficiaries move through the

Department of Corrections
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
12	Health and Rehabilitation Services / Behavioral Health Care	MH Trust: Trust Beneficiaries in Alaska Dept of Corrections Study (FY26)	\$400.0 MHTAAR (Other) IncOTI	(continued) criminal justice system and provides recommendations tailored to different beneficiary populations.

Department of Corrections
FY2026 - Summary of Significant Capital Budget Issues
 (\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
1	Point Mackenzie Correctional Farm Produce Processing Plant	\$3,080.0 Gen Fund (UGF)	<p>The FY22 capital budget included \$1,500.0 to fully fund construction of a processing plant and large freezer units. Due to higher than anticipated costs, DOC is now using the FY22 appropriation to fund phase one of the project only, which will be completed by the end of CY24. This additional \$3,080.0 of funding would allow for completion of the project. DOC has attempted to identify partnerships or federal grants to assist in funding the project but has been unsuccessful.</p> <p>Fiscal Analyst Comment: The Governor previously requested \$3,080.0 of funding for this project in FY24, but it was not approved by the legislature.</p>
2	Hiland Mountain Booking and Intake Area	\$4,000.0 Gen Fund (UGF)	<p>The FY22 capital budget included \$3,200.0 to fully fund construction of a new Highland Mountain Correction Center booking area to transport inmates in and out. Due to higher than anticipated costs, DOC is requesting an additional \$4,000.0 for a total project amount of \$7,200.0. The Department is proposing that the project be fully funded and not phased as that would potentially increase total costs.</p>

Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

**2025 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

**Numbers and Language
Agencies: Educ**

Appropriation	[1] 25Enroll	[2] 25Auth	[3] 25MgtPln	[4] AdjBase	[5] Gov	[5] - [3] 25MgtPln to Gov	[5] - [4] AdjBase to Gov		
Education & Early Dev									
K-12 Aid to School Districts	1,436,675.6	1,419,582.1	1,419,582.1	1,206,270.9	1,206,270.9	-213,311.2	-15.0 %	0.0	
K-12 Support	13,754.6	15,254.6	15,254.6	13,754.6	13,754.6	-1,500.0	-9.8 %	0.0	
Education Support and Admin	306,564.6	343,991.3	343,991.3	317,268.1	320,579.0	-23,412.3	-6.8 %	3,310.9	1.0 %
AK State Council on the Arts	4,123.4	4,182.7	4,182.7	4,242.0	4,242.0	59.3	1.4 %	0.0	
Commissions and Boards	271.3	284.6	284.6	293.3	293.3	8.7	3.1 %	0.0	
Mt. Edgecumbe High School	16,269.4	15,979.2	15,979.2	15,917.5	15,917.5	-61.7	-0.4 %	0.0	
Facility Maintenance and Ops	718.2	718.2	718.2	718.2	718.2	0.0		0.0	
Libraries, Archives & Museums	11,993.4	12,110.6	12,110.6	12,167.4	12,242.4	131.8	1.1 %	75.0	0.6 %
Alaska Postsecondary Education	16,067.3	16,609.9	16,609.9	16,898.8	16,937.9	328.0	2.0 %	39.1	0.2 %
AK Student Loan Corporation	9,800.2	9,800.2	9,800.2	9,800.2	10,488.7	688.5	7.0 %	688.5	7.0 %
Student Financial Aid Programs	17,591.8	21,021.0	21,021.0	21,021.0	21,021.0	0.0		0.0	
Agencywide Unallocated	0.0	25.3	25.3	25.3	0.0	-25.3	-100.0 %	-25.3	-100.0 %
Agency Total	1,833,829.8	1,859,559.7	1,859,559.7	1,618,377.3	1,622,465.5	-237,094.2	-12.8 %	4,088.2	0.3 %
Statewide Total	1,833,829.8	1,859,559.7	1,859,559.7	1,618,377.3	1,622,465.5	-237,094.2	-12.8 %	4,088.2	0.3 %
Funding Summary									
Unrestricted General (UGF)	1,465,732.8	1,465,381.9	1,465,381.9	1,248,647.3	1,251,954.0	-213,427.9	-14.6 %	3,306.7	0.3 %
Designated General (DGF)	25,299.0	29,750.8	29,750.8	29,754.7	29,887.7	136.9	0.5 %	133.0	0.4 %
Other State Funds (Other)	72,246.7	72,786.4	72,786.4	73,270.1	73,918.6	1,132.2	1.6 %	648.5	0.9 %
Federal Receipts (Fed)	270,551.3	291,640.6	291,640.6	266,705.2	266,705.2	-24,935.4	-8.6 %	0.0	

Department of Education and Early Development
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	K-12 Aid to School Districts / Foundation Program	FY2026 Estimated Foundation Program Expenditures from Public Education Fund	Total: \$1,137,997.6 \$1,082,136.6 Gen Fund (UGF) \$20,791.0 Impact Aid (Fed) \$35,070.0 Pub School (Other) MisAdj	<p>AS 14.17.300(b) allows for funds to 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 FY26 Foundation Program estimate includes a Base Student Allocation (BSA) of \$5,960, unchanged from FY25.</p> <p>FY26 BSA state aid is projected to be \$28.6 million lower than FY25, due to the following factors: 1) Basic Need decreasing by \$21.5 million, primarily due to a lower projected non-correspondence student count. 2) Minimum required local effort increasing by \$14.0 million, which reduces the State's share of costs. 3) Deductible federal Impact Aid decreasing by \$8.3 million, which increases the State's share of costs. 4) Early education funding under Ch. 40, SLA 2022 decreasing by \$1.3 million.</p> <p>The FY26 estimates in the Governor's budget are based on draft counts and will change when the student counts are finalized. The student count period consists of the twenty school days ending the fourth Friday in October. The FY26 student counts are scheduled to be finalized by mid-January, 2026. 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.</p> <p>Fiscal Analyst Comment: The FY25 budget included one-time additional foundation funding equivalent to \$680 beyond the statutory BSA, estimated to be \$174,663.5. The Governor's FY26 proposal does not include any funding beyond the foundation formula.</p> <p>The Alaska Reads Act (Ch. 40, SLA 2022) allows approved early education programs to receive one-half of the Average Daily Membership (ADM) funding for enrolled students. The FY26 estimated appropriation includes \$7,693.6 UGF to fund this provision.</p>

Department of Education and Early Development
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	K-12 Aid to School Districts / Pupil Transportation	FY2026 Pupil Transportation Expenditures from Public Education Fund	\$67,812.3 Gen Fund (UGF) MisAdj	<p>AS 14.17.300(b) allows for funds to 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 ADM counts.</p> <p>Like the Foundation Program, expenditures will be based on the actual student count finalized in FY26. Correspondence students are not counted when calculating student numbers for Pupil Transportation grants.</p> <p>Fiscal Analyst Comment: The FY25 budget included \$7,305.9 of one-time additional pupil transportation funding. The Governor's FY26 proposal does not include any funding beyond the statutory formula, which was last adjusted in FY16.</p>
3	Education Support and Admin Services / Child Nutrition	Add Child and Adult Care Food Program On-Site Monitoring Grant (FY26-FY28)	\$120.0 Gen Fund (UGF) MultiYr	The federal Child and Adult Care Food Program (CACFP) reimburses child care centers for healthy meals and snacks provided to children. In order to be eligible for reimbursement, the child care center must work through a sponsoring organization. This item will provide grant funding to sponsoring organizations in order to travel to remote and rural child care centers. The intention is to enable sponsoring organizations to provide oversight to more child care centers, therefore making more child care centers eligible for CACFP reimbursement.
4	Education Support and Admin Services / Student and School Achievement	Move Technical and Vocational Education Program Appropriation to Language	\$884.6 VoTech Ed (DGF) Inc	<p>The Technical Vocational Education Program (TVPEP) was reauthorized under HB 148 (Ch. 4, SLA 24), and was moved to the numbers section in FY25 after having been part of the language section in FY24.</p> <p>The Governor's FY26 budget moves the TVPEP distribution of funding back to the language section, so there are corresponding Decrements removing the funding from the numbers section. Moving the TVPEP distribution to the language section allows for alignment with the best available revenue estimates and changes in the projections.</p> <p>The original distribution estimates were based on a projection from January 2024, while the \$884.6 amount for this item is based on actuarial analysis from July 2024. The FY26 Governor's Amended</p>

Department of Education and Early Development
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Education Support and Admin Services / Student and School Achievement	Move Technical and Vocational Education Program Appropriation to Language	\$884.6 VoTech Ed (DGF) Inc	(continued) budget will reflect any anticipated changes to the TVEP distribution amounts once projections are completed in January.
5	Education Support and Admin Services / Career and Technical Education	Add Funding for Career and Technical Education Initiatives	\$1,250.0 Gen Fund (UGF) Inc	In FY24, the legislature funded a \$1,500.0 One-Time Increment for Career and Technical Education (CTE) initiatives. The Governor's FY25 request included \$1,500.0 in base funding. The legislature approved partial base funding of \$750.0. The FY26 proposed \$1,250.0 base Increment provides for the following: 1. \$210.0 to provide \$35.0 in grant funding to six Career and Technical Student Organizations: Business Professionals of America, Educators Rising, Family Careers & Community Leaders of America, Future Farmers of America, Health Occupation Students of America, and Skills USA. 2. \$440.0 to continue funding for six existing career advisors housed in Department of Labor and Workforce Development Job Centers. 3. \$600.0 for the electrician and plumbing program. DEED will provide grants to school districts to support programs of study for electrical and plumbing, as well as other high demand or high wage careers. Priority will be given to districts partnering with industry, labor unions, and adult vocational education centers. The FY26 proposed budget also includes a separate \$300.0 One-Time Increment for initial costs to establish the plumbing program and expand the electrician program. The one-time costs include \$275.0 for developing curriculum and guidance for programs of study, and \$25.0 for an awareness campaign.
6	Education Support and Admin Services / Teacher Certification	Maintain Funding for Teacher Apprenticeship, Recruitment, and Retention	\$1,500.0 Gen Fund (UGF) IncM	The FY24 and FY25 budgets each included \$1,500.0 One-Time Increments for teacher apprenticeships, recruitment, and retention. The Governor's FY26 request restores this funding as a base Increment. This will continue to fund recommendations from the Alaska Teacher Retention and Recruitment Working Group's August 2023 Playbook. The Department of Education and Early Development

Department of Education and Early Development
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Education Support and Admin Services / Teacher Certification	Maintain Funding for Teacher Apprenticeship, Recruitment, and Retention	\$1,500.0 Gen Fund (UGF) IncM	(continued) (DEED) was approved by the US Department of Labor as a Teacher Registered Apprenticeship Sponsor. DEED is planning a pilot apprenticeship program to allow paraprofessionals to earn a teaching certificate. In FY25, DEED hired a PFT Program Coordinator 2 position to manage the apprenticeship program. Ongoing programs include a longitudinal exit and stay survey for teachers, and grant funding for the University of Alaska's Statewide Mentor Project.
7	Various	Structure Changes to Adhere to AS 37.078.020(e)	Struct	In FY25, the legislature added intent language in the Governor's Office that read: "It is the intent of the legislature that the budget prepared under AS 37.07.020 for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities." In DEED, the legislature renamed the "State Facilities Rent" appropriation and underlying allocation to "State Facilities Maintenance and Operations". The Governor's FY26 budget renames the appropriation to "Facility Maintenance and Operations" and the underlying allocation to "Facilities Rent State Owned". In the "Mt. Edgecumbe High School" appropriation, The Governor's FY26 budget renames the "Mt. Edgecumbe High School Facilities Maintenance" allocation to "Mt. Edgecumbe High School Facility Operations and Maintenance State Owned". In the "Alaska State Libraries, Archives and Museums" appropriation, The Governor's FY26 budget renames the "Andrew P. Kashevaroff Facilities Maintenance" allocation to "Andrew P. Kashevaroff Facility Operations and Maintenance State Owned".
8	Alaska Commission on Postsecondary Education / Program Administration & Operations	Shift Funding from ASLC I/A Rcpts to Higher Ed Investment Fund to Reflect True Costs of Administering Statutory Programs	Net Zero (\$170.0) I/A Rcpts (Other) \$170.0 High Ed (DGF) FndChg	The Alaska Commission on Postsecondary Education (ACPE) uses Interagency (I/A) receipt authority to bill the Alaska Student Loan Corporation (ASLC). ACPE uses the Higher Education Investment Fund (HEIF) for administrative costs for Alaska Performance Scholarship Awards, Alaska Education Grants, the WWAMI Medical Education program, and

Department of Education and Early Development
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
8	Alaska Commission on Postsecondary Education / Program Administration & Operations	Shift Funding from ASLC I/A Rcpts to Higher Ed Investment Fund to Reflect True Costs of Administering Statutory Programs	Net Zero (\$170.0) I/A Rcpts (Other) \$170.0 High Ed (DGF) FndChg	(continued) Institutional Authorization. ACPE tracks staff time administering each program, and this Fund Change trues up funding to reflect actual program administration costs.
9	Alaska Student Loan Corporation / Loan Servicing	Add Authority to Support Alaska Student Loan Corporation	\$688.5 ASLC Rcpts (Other) Inc	Salary Adjustments made to ACPE include I/A, allowing ACPE to bill ASLC for its portion of expenses. However, the Salary Adjustments did not provide ASLC with additional funding. The additional ASLC Receipts will fund I/A added in ACPE. This includes Fiscal Note funding for provisions in Ch. 5, SLA 2024, and salary, health insurance, and retirement adjustments in ACPE's FY26 Adjusted Base.

Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

2025 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language
Agencies: DEC

Allocation	[1] 25Enr011	[2] 25Auth	[3] 25MgtP1n	[4] AdjBase	[5] Gov	[5] - [3] 25MgtP1n to Gov	[5] - [4] AdjBase to Gov		
Environmental Conservation									
Administration									
Office of the Commissioner	1,322.8	1,372.5	1,315.1	1,359.4	1,359.4	44.3	3.4 %	0.0	
Administrative Services	7,034.0	7,049.5	7,106.9	7,258.9	7,258.9	152.0	2.1 %	0.0	
State Support Services	2,236.3	2,323.8	2,323.8	2,236.3	2,236.3	-87.5	-3.8 %	0.0	
Facilities Rent Non-State Owned	0.0	0.0	0.0	0.0	3,000.0	3,000.0	>999 %	3,000.0	>999 %
Appropriation Total	10,593.1	10,745.8	10,745.8	10,854.6	13,854.6	3,108.8	28.9 %	3,000.0	27.6 %
State Facilities M&O									
State Facilities O&M State Owned	833.2	833.2	833.2	838.8	883.8	50.6	6.1 %	45.0	5.4 %
Appropriation Total	833.2	833.2	833.2	838.8	883.8	50.6	6.1 %	45.0	5.4 %
Environmental Health									
Environmental Health	29,276.2	29,293.6	29,293.6	29,721.6	29,721.6	428.0	1.5 %	0.0	
Appropriation Total	29,276.2	29,293.6	29,293.6	29,721.6	29,721.6	428.0	1.5 %	0.0	
Air Quality									
Air Quality	14,939.9	14,955.0	14,955.0	15,191.0	15,191.0	236.0	1.6 %	0.0	
Appropriation Total	14,939.9	14,955.0	14,955.0	15,191.0	15,191.0	236.0	1.6 %	0.0	
Spill Prevention and Response									
Spill Prevention and Response	23,876.9	26,392.8	26,392.8	24,280.2	24,280.2	-2,112.6	-8.0 %	0.0	
SPAR Facilities Rent State Owned	0.0	0.0	0.0	30.0	30.0	30.0	>999 %	0.0	
Appropriation Total	23,876.9	26,392.8	26,392.8	24,310.2	24,310.2	-2,082.6	-7.9 %	0.0	
Water									
Water Quality Infrastructure	30,280.4	30,308.4	30,308.4	30,732.6	30,732.6	424.2	1.4 %	0.0	
Appropriation Total	30,280.4	30,308.4	30,308.4	30,732.6	30,732.6	424.2	1.4 %	0.0	
Agency Unallocated									
Agency Unallocated Approp	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
Appropriation Total	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
Agency Total	109,799.7	112,528.8	112,528.8	111,648.8	114,693.8	2,165.0	1.9 %	3,045.0	2.7 %
Statewide Total	109,799.7	112,528.8	112,528.8	111,648.8	114,693.8	2,165.0	1.9 %	3,045.0	2.7 %
Funding Summary									
Unrestricted General (UGF)	22,657.8	25,323.6	25,323.6	23,172.8	23,217.8	-2,105.8	-8.3 %	45.0	0.2 %
Designated General (DGF)	23,465.5	23,490.1	23,490.1	23,896.6	23,922.1	432.0	1.8 %	25.5	0.1 %
Other State Funds (Other)	21,304.0	21,311.9	21,311.9	21,666.4	24,640.9	3,329.0	15.6 %	2,974.5	13.7 %
Federal Receipts (Fed)	42,372.4	42,403.2	42,403.2	42,913.0	42,913.0	509.8	1.2 %	0.0	

Department of Environmental Conservation
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Administration / Various	Structure Changes to Adhere to AS 37.078.020(e)	Struct	<p>In FY25, the legislature added intent language in the Governor's Office that reads:</p> <p>"It is the intent of the legislature that the budget prepared under AS 37.07.020 for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities."</p> <p>In FY25, the legislature renamed the existing Department of Environmental Conservation Building Maintenance and Operations appropriation/allocation to "State Facilities Maintenance and Operations."</p> <p>In FY26, the Governor's budget proposes keeping the appropriation name and renaming the allocation to "Facilities Operations and Maintenance State Owned", and adding a \$45.0 UGF Increment to maintain the environmental health lab's current level of operations. Additionally, the Governor proposes creating a new allocation named "Facilities Rent Non-State Owned" within the Administration appropriation and adding \$3,000.0 in Interagency receipt authority.</p> <p>The Governor also proposes creating a new allocation in the Spill Prevention and Response appropriation titled "SPAR Facilities Rent State Owned" and transfers in \$30.0 UGF from the Spill Prevention and Response allocation.</p>

Department of Environmental Conservation
FY2026 - Summary of Significant Capital Budget Issues
(\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
1	Home Heating Oil Tank Oversight	\$450.0 Oil/Haz Fnd (Other)	<p>This appropriation would allow the Division of Spill Prevention and Response to conduct site characterization and cleanup of heating oil releases to protect human health and the environment when property owners are unable to comply with the applicable regulations.</p> <p>Fiscal Analyst Comment: Site survey and cleanup is a programmatic function and as such would be best categorized as an operating appropriation unless it is creating an actual capital asset for the state.</p>
2	Environmental Health Laboratory Equipment	\$585.0 Gen Fund (UGF)	<p>The Department of Environmental Conservation requests funds to replace scientific laboratory equipment procured in FY05 when the Environmental Health Laboratory was built. The Department states that most of the equipment had a useful life of ten years and is either obsolete or at high risk of failure.</p>
3	Drinking Water and Wastewater Programs	<p>Total: \$510,319.3</p> <p>\$456,973.0 Fed Rcpts (Fed) \$10,092.3 Cln Wtr Fd (Other) \$21,415.0 Drk Wtr Fd (Other) \$500.0 Stat Desig (Other) \$21,839.0 GF/Match (UGF)</p>	<p>For more information on these recurring federal programs please see the capital budget section of the Governor's Budget Overview.</p>

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Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

**2025 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

**Numbers and Language
Agencies: DFCS**

Appropriation	[1] 25Enroll	[2] 25Auth	[3] 25MgtPln	[4] AdjBase	[5] Gov	[5] - [3] 25MgtPln to Gov	[5] - [4] AdjBase to Gov
Family and Community Services							
Alaska Pioneer Homes	112,014.8	112,138.8	112,138.8	112,906.0	112,906.0	767.2 0.7 %	0.0
Alaska Psychiatric Institute	62,389.5	62,678.7	62,678.7	63,138.9	67,608.3	4,929.6 7.9 %	4,469.4 7.1 %
Children's Services	205,395.9	205,425.1	205,425.1	205,765.5	202,643.2	-2,781.9 -1.4 %	-3,122.3 -1.5 %
Juvenile Justice	66,974.1	66,990.3	66,990.3	67,926.6	67,951.9	961.6 1.4 %	25.3
Departmental Support Services	38,296.6	38,584.0	38,584.0	38,503.7	41,640.3	3,056.3 7.9 %	3,136.6 8.1 %
Agency Unallocated	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agency Total	485,070.9	485,816.9	485,816.9	488,240.7	492,749.7	6,932.8 1.4 %	4,509.0 0.9 %
Statewide Total	485,070.9	485,816.9	485,816.9	488,240.7	492,749.7	6,932.8 1.4 %	4,509.0 0.9 %
Funding Summary							
Unrestricted General (UGF)	262,451.9	262,851.0	262,851.0	263,609.4	268,053.4	5,202.4 2.0 %	4,444.0 1.7 %
Designated General (DGF)	30,316.3	30,371.1	30,371.1	30,743.6	30,743.6	372.5 1.2 %	0.0
Other State Funds (Other)	106,584.8	106,820.2	106,820.2	107,493.3	107,558.3	738.1 0.7 %	65.0 0.1 %
Federal Receipts (Fed)	85,717.9	85,774.6	85,774.6	86,394.4	86,394.4	619.8 0.7 %	0.0

Department of Family and Community Services
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Various	Establish A New "Facility ROM" Allocation for Each Appropriation Within the Department	Struct	<p>In FY25, the legislature added intent language in the Governor's Office that read: "It is the intent of the legislature that the budget prepared under AS 37.07.020 for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities." In FY25, the Department had two allocations for this purpose: State Facilities Maintenance and Operations, and Facilities Management, both located in the Departmental Support Services (DSS) appropriation.</p> <p>In FY26, the Governor's budget creates a new allocation named "Facility Rent, Operations, and Maintenance" (short name: "Facility ROM") in each of the existing appropriations within the Department. While each appropriation has a new allocation for this purpose, the name of the allocation remains consistent between appropriations. In DSS, the two prior allocations have been effectively eliminated by transferring all funding and authority into the new "Facility ROM" allocation in DSS.</p>
2	Alaska Psychiatric Institute / Alaska Psychiatric Institute	Add Funding to Replace Lost Revenue From Reduced Federal Allocations and Medicaid Redeterminations	\$4,368.7 Gen Fund (UGF) Inc	<p>The Centers for Medicare and Medicaid Services will reduce Disproportionate Share Hospital (DSH) allocations nationally beginning January 1, 2025. Furthermore, when the public health emergency declaration related to the COVID-19 pandemic expired, Medicaid redeterminations resulted in a decrease of Medicaid-eligible patients at Alaska Pyschiatric Institute (API). As a result of these changes, the Department is projecting a significant reduction of federal funding that supports API.</p> <p>The Department reports that they managed the emerging impacts of these changes in FY24 by utilizing cross-appropriation transfer authority of funds from other appropriations. However, the Department does not anticipate a sufficient balance of funds for transfer in FY26. Current projected shortfalls as a result of these changes are as follows:</p> <ul style="list-style-type: none"> - Reduction in Disproportionate Share Hospital Allocations (\$596.4) - Reduction in Medicaid claims (\$3,772.3) <p>The federal Medicaid statute requires states to make</p>

Department of Family and Community Services
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	Alaska Psychiatric Institute / Alaska Psychiatric Institute	Add Funding to Replace Lost Revenue From Reduced Federal Allocations and Medicaid Redeterminations	\$4,368.7 Gen Fund (UGF) Inc	(continued) DSH payments to hospitals that provide services to large numbers of low-income patients. The purpose of this provision is to recognize that there is a higher likelihood that the low-income patients are uninsured or are Medicaid enrollees, which can lead to financial instability for a hospital. Even if a patient has Medicaid, provider payment rates are generally lower than the rates paid by Medicare and private insurance. If a patient is uninsured, there is also a higher likelihood that the hospital will not receive full payment for services rendered. Fiscal Analyst Comment: Given that the Department was already experiencing a shortfall in FY24, before the reduction to DSH allocations went into effect midway through FY25, a Supplemental may be necessary to maintain current appropriated funding levels for API.
3	Alaska Psychiatric Institute / Alaska Psychiatric Institute	MH Trust: Extend Support for the Strengthening Healthcare Access Recruitment Program for One Year	\$200.0 GF/MH (UGF) IncOTI	This One-Time Increment extends one-time FY25 funding to the Strengthening Healthcare Access Recruitment Program (SHARP-3) student loan repayment contracts with healthcare practitioners who are employed at API. Trust funds will satisfy API's employer contribution requirement for SHARP-3 so that these repayment benefits can be offered to prospective licensed practitioners for the hospital.
4	Various	Realignment of Funding And Authority Within the Department to Support the Talent Acquisition Unit	Net Zero	In FY24, the Department established a Talent Acquisition Unit (TAU) within the Administrative Services allocation in the Departmental Support Services (DSS) appropriation. Over the course of FY24 and FY25, vacant positions from various appropriations have been transferred into DSS and reclassified to appropriately staff the TAU. The FY26 Governor's budget includes a set of Decrements and a corresponding set of Increments that more appropriately reflect the location of expenditure. Funding and authority added in DSS is offset with Decrements in the following appropriations and allocations: Alaska Psychiatric Institute (API), API: (\$99.3), UGF Children's Services, Children's Services Management: (\$17.7), Fed and (\$75.4), UGF

Department of Family and Community Services
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Various	Realignment of Funding And Authority Within the Department to Support the Talent Acquisition Unit	Net Zero	<p>(continued) Children's Services, Front Line Social Workers: (\$135.0), Fed and (\$286.6), UGF</p> <p>Human resource positions were mostly transferred out of individual departments to the Division of Personnel and Labor Relations (DOPLR) in the Department of Administration beginning in 2020, but not all human resource functions were transferred with those positions. Beginning in 2023, DOPLR began to return some of those positions and functions back to departments, primarily when it came to recruitment.</p> <p>The Department received two PCNs back from DOPLR, which they determined to be insufficient to address the recruitment needs of an agency with over 1,900 full-time, part-time, and non-permanent positions. In response, the Department began to assess how to build a team that would staff the envisioned TAU, and have repurposed vacant positions to that end. The intended purpose of the TAU is to expedite the recruitment process through centralized expertise and processing, reduce the burden on direct service supervisors, and to provide an enhanced candidate experience by interfacing with experienced recruitment staff.</p>
5	Various	Realignment of Interagency Receipt Authority Across the Department	Net Zero	<p>The Governor's FY26 budget includes a net-zero realignment of Interagency (I/A) receipt authority within the Department. This would be achieved through a reduction of \$2,122.6 in uncollectible I/A in the Children's Services appropriation, Foster Care Special Need allocation, due to a former reimbursable services agreement (RSA) for child care payments that are continuing, but directly from another department rather than through this allocation. This Decrement is then offset by four corresponding Increments for I/A totaling the same amount in multiple allocations within the Departmental Support Services (DSS) appropriation.</p> <p>The four allocations in DSS with proposed Increments of I/A are as follows: Information Technology Services: \$753.1 Public Affairs: \$322.5 Administrative Services: \$888.1 Facility ROM (in DSS): \$158.9</p>

Department of Family and Community Services
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Various	Realignment of Interagency Receipt Authority Across the Department	Net Zero	<p>(continued)</p> <p>Within the four DSS allocations, the new I/A will support positions that were transferred from various other appropriations during the course of FY24 and FY25 to support the strengthening of administrative functions within the Department. These positions had been transferred in without associated funding or authority, but the Department had the ability to support activity with off-budget I/A through RSAs while the functional restructuring and reclassification of positions took place.</p> <p>The funding sources that had previously been supporting the positions transferred to DSS remain within the original appropriations. That existing funding is still in place to support the increase of the Department's intra-agency chargebacks.</p>
6	Juvenile Justice / Youth Courts	Add Funding to Create a Youth Court in Fairbanks	\$25.3 Gen Fund (UGF) Inc	<p>The Governor is proposing the creation of a new Youth Court in Fairbanks. There are currently eight Youth Courts in operation across Alaska: Anchorage, Juneau, Kenai Peninsula, Ketchikan, Kodiak, Mat-Su, Nome, and Valdez. Funding will support Youth Court Director personnel costs, travel to annual Youth Court conferences, and other relevant services costs such as interpreters, memberships, and training. The Department confirms that while State funding for all Youth Courts is relatively limited, such as the Increment here, grantees may seek supplemental funding from other sources to fully support the activities of a local Youth Court.</p> <p>The Division, in cooperation with the Department of Public Safety, tracks youth offenders for four years after completion of services with the Division and Youth Courts. A recent benchmark of the program's success is that, of youth who participated in and successfully completed Youth Court in FY18, 82 percent did not re-offend; FY12-17 yielded similar recidivism rates.</p>
7	Juvenile Justice / Juvenile Justice Health Care	MH Trust: Occupational Therapist Services in DJJ Youth Facilities (FY26-FY27)	\$100.0 MHTAAR (Other) IncT	<p>The Mental Health Trust Authority's Board-approved FY26 budget includes Trust funding for contract Occupational Therapy (OT) services for individual youth in the Bethel and Fairbanks Youth Facilities' neurobehavioral treatment units. The Division will also utilize contract services to conduct OT</p>

Department of Family and Community Services
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Juvenile Justice / Juvenile Justice Health Care	MH Trust: Occupational Therapist Services in DJJ Youth Facilities (FY26-FY27)	\$100.0 MHTAAR (Other) IncT	<p>(continued)</p> <p>environmental assessments of the Fairbanks and Bethel facilities' detention units and implement recommendations to improve overall practices.</p> <p>Many of the youth receiving services through the Division are Mental Health Trust beneficiaries, and the Division reports an increase in the complexity of the needs of the youth they serve. As a result, two neurobehavioral treatment units have been created; Bethel's youth facility has 23 beds and Fairbanks has 28. Anticipated outcomes for youth participating in OT therapy and interventions include demonstrating improvement in specific functional skills identified in their occupational therapy evaluations that are a factor in guiding their treatment.</p>
8	Departmental Support Services / Coordinated Health and Complex Care	MH Trust: Complex Care Program (FY26-FY27)	\$400.0 MHTAAR (Other) IncT	<p>In FY24, the Department began to stand up a Complex Care unit in the Commissioner's Office allocation of the Departmental Support Services (DSS) appropriation. In FY25, structural reorganization related to these services culminated in the addition of the Coordinated Health and Complex Care (CH&CC) allocation in DSS and a \$750.0 UGF Increment to the base to begin expanding placement options for patients who are stabilized enough to leave API but still require complex care in a controlled setting.</p> <p>The Alaska Mental Health Trust's Board-approved FY26 budget includes a Temporary Increment (FY26-FY27) to provide Trust funds that will be used to support personnel costs for two full-time Complex Care Coordinators to be hired by the Department.</p> <p>One Coordinator will focus on the adult population and the other on youth. They will support Trust beneficiaries who have complex needs and are hard to place within the health care continuum. These Coordinator positions will facilitate provider agreements and placements for these individuals, particularly as the Department works to expand placement options through work in the CH&CC.</p>

Department of Family and Community Services
FY2026 – Summary of Significant Capital Issues
 (\$ Thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
1	Repeal/Reapprop – McLaughlin Youth Center	\$4,000.0 ReApprop (Other)	<p>The Department seeks to reappropriate funds, estimated to be \$4.0 million, from an existing capital project for renovation of the Fairbanks Youth Facility, to the McLaughlin Youth Center in Anchorage, also for renovations. The project will focus on a 31-bed space on the campus and prioritize replacement of major items such as the roof, heating and cooling systems, and the plumbing. Windows, lighting, flooring, and refurbishment of a library space for youth court proceedings will also be addressed.</p> <p>Fiscal Analyst Comment: The originating project was appropriated in FY22 with Tobacco Settlement Revenue Sale proceeds, which are not general funds. In SLA00, the Alaska Housing Finance Corporation was authorized to create a subsidiary corporation, the Northern Tobacco Securitization Corporation which would issue bonds secured with a portion (80 percent) of the State’s revenue payments from the multi-state Master Settlement Agreement with the four largest U.S. cigarette manufacturers. This funding may only be reappropriated for a qualifying project, such as this proposal.</p>

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Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

**2025 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

**Numbers and Language
Agencies: F&G**

Appropriation	[1] 25Enroll	[2] 25Auth	[3] 25MgtP1n	[4] AdjBase	[5] Gov	[5] - [3] 25MgtP1n to Gov	[5] - [4] AdjBase to Gov		
Fish and Game									
Commercial Fisheries	89,088.4	89,309.9	89,309.9	90,578.3	92,176.8	2,866.9	3.2 %	1,598.5	1.8 %
Sport Fisheries	45,791.1	45,806.1	45,806.1	46,549.4	46,549.4	743.3	1.6 %	0.0	
Anchorage/Fairbanks Hatcheries	7,238.5	7,238.5	7,238.5	7,327.1	7,527.1	288.6	4.0 %	200.0	2.7 %
Southeast Hatcheries	1,346.1	1,346.1	1,346.1	1,346.8	1,346.8	0.7	0.1 %	0.0	
Wildlife Conservation	70,276.6	70,292.5	70,292.5	71,143.6	71,472.9	1,180.4	1.7 %	329.3	0.5 %
Statewide Support Services	26,240.2	26,430.9	26,430.9	26,684.8	34,671.1	8,240.2	31.2 %	7,986.3	29.9 %
Habitat	6,150.1	6,164.6	6,164.6	6,271.1	6,271.1	106.5	1.7 %	0.0	
Subsistence Research/Monitoring	7,387.8	7,387.8	7,387.8	7,489.3	7,489.3	101.5	1.4 %	0.0	
Agency Unallocated	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
Agency Total	253,518.8	253,976.4	253,976.4	257,390.4	267,504.5	13,528.1	5.3 %	10,114.1	3.9 %
Statewide Total	253,518.8	253,976.4	253,976.4	257,390.4	267,504.5	13,528.1	5.3 %	10,114.1	3.9 %
Funding Summary									
Unrestricted General (UGF)	70,999.1	71,105.1	71,105.1	72,567.1	74,264.2	3,159.1	4.4 %	1,697.1	2.3 %
Designated General (DGF)	13,397.1	13,618.6	13,618.6	13,441.5	13,441.5	-177.1	-1.3 %	0.0	
Other State Funds (Other)	77,846.4	77,962.3	77,962.3	79,078.4	87,395.4	9,433.1	12.1 %	8,317.0	10.5 %
Federal Receipts (Fed)	91,276.2	91,290.4	91,290.4	92,303.4	92,403.4	1,113.0	1.2 %	100.0	0.1 %

Department of Fish and Game
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Commercial Fisheries / Southeast Region Fisheries Management	Maintain Groundfish Project for Assessments and Management Obligations in Southeast	Total: \$300.0 \$50.0 GF/Match (UGF) \$250.0 Gen Fund (UGF) IncOTI	<p>A one-time appropriation of general funds is requested to maintain the Groundfish Project in Southeast Alaska. This program actively manages directed fisheries for multiple species and gear types to meet State and federal regulations, building on research and assessments that have occurred for over 30 years. The program includes four permanent full-time staff that are located in Douglas (1), Ketchikan (1), and Sitka (2), with an additional four temporary (seasonal) positions that assist with annual survey and assessment work.</p> <p>The agency reports that the project is primarily funded by sablefish Test Fish revenue and three federal grants: National Oceanic and Atmospheric Administration (NOAA) Fisheries Management Plan Extended Jurisdiction (EJ), Alaska Fishery Information Network (AKFIN), and Southeast Alaska Interjurisdictional Fisheries (IJF) with non-federal match funding requirements. Federal grant funding has been flat and does not cover inflationary costs for supplies or staff salaries and benefits. Since 2013, UGF funding has been reduced from \$260,000 to \$10,000 creating reliance on Test Fish revenue.</p> <p>Test Fish revenue is in a steady decline due to poor sablefish prices and the prevalence of small fish. These factors have significantly reduced revenue collected. Funding shortfalls have been backfilled by Test Fish revenue carryforward and ongoing vacancies which is no longer sustainable due to the sharp decline in revenue. Without additional funding, the project will continue to reduce survey efforts, months for seasonal staff, or consider layoffs of permanent full-time positions. The agency reports that these reductions will result in failure to meet fishery management obligations at the State and federal levels; limited staff time to open and close commercial fisheries resulting in over-harvesting of allocations or loss of fishing opportunity; substantial delays in data entry of fish tickets, logbooks, and tag recoveries; reduced biological data collections that are integral for measuring stock health; and the inability to maintain groundfish research activities.</p> <p>Fiscal Analyst Comment: The Governor's request</p>

Department of Fish and Game
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Commercial Fisheries / Southeast Region Fisheries Management	Maintain Groundfish Project for Assessments and Management Obligations in Southeast	Total: \$300.0 \$50.0 GF/Match (UGF) \$250.0 Gen Fund (UGF) IncOTI	(continued) submitted this funding is a One-Time Increment (IncOTI) in the chance that Federal or Test Fish receipts rebound in subsequent years, but it is unlikely that Test Fish receipts will recover to supplant this funding in FY27 and any increase in federal funding would likely still have a match requirement. Ongoing activities and positions are typically funded in the base budget.
2	Commercial Fisheries / Central Region Fisheries Management	Add Full-time Boat Officer 3, Second in Command, for Research Vessel (R/V) Equinox	\$132.0 Gen Fund (UGF) 1 PFT Position Inc	The Department of Fish and Game received the Research Vessel (R/V) Equinox as a donation from the Trident Seafoods Corporation in 2024. The previous vessel to serve the Homer area was decommissioned in 2023 due to untimely deterioration. The R/V Equinox is larger than the prior vessel at 84.3 feet and multiple positions have been reclassified to operate the vessel. The cost of those reclassifications was approximately \$21.0 and the agency did not receive additional funding. Based on job class specifications, a new Boat Officer 3, range 17, is required as second in command for a vessel of 70 feet in overall length or larger. The Governor's budget does not include funding for one-time startup costs associated with the new position.
3	Various	Add Funding for State Vessel, Vehicle, and Aircraft Maintenance	Total: \$667.0 \$450.0 Gen Fund (UGF) \$217.0 Fish/Game (Other) Inc	The Commercial Fisheries Division and Wildlife Conservation Division both operate specialized vehicles that are not included in the State Equipment Fleet, so routine and periodic maintenance costs are borne by the agency. Multiple State agencies have reported high levels of inflation related to specialized equipment maintenance services in recent years, and it is unclear when funding was last added for this purpose in Fish and Game. The agency reports that funding would support increased shipyard costs, aircraft engine maintenance and rebuilds, and other necessary maintenance to ensure personal safety and extend the operational life of these State assets. Commercial Fisheries Division: \$450.0 UGF - six research vessels and five aircraft The R/V Kestrel is ported in Petersburg, the R/V Medeia is ported in Juneau, the R/V Solstice is ported in Cordova, the R/V Equinox will be ported in Homer once the refit work is completed, and the Resolution and K-HI-C are ported in Kodiak. All of the aircraft

Department of Fish and Game
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Various	Add Funding for State Vessel, Vehicle, and Aircraft Maintenance	Total: \$667.0 \$450.0 Gen Fund (UGF) \$217.0 Fish/Game (Other) Inc	<p>(continued) are located in Kodiak.</p> <p>The Southeast Region manages a three-year schedule for vessel maintenance. A regular maintenance schedule for the other regions is being developed but will also be on a three-year rotation. The Division must also incorporate capacity to address critical deferred maintenance that is not funded in the capital budget.</p> <p>The agency reports that the most pressing maintenance is a missed dry dock visit for the R/V Kestrel. The Division had struggled to identify approximately \$600.0 for the project, but the lowest competitive shipyard bid was over \$900.0. The agency also reports that critical maintenance is needed for the Kodiak aircraft which will need to take place in FY25, with limited options for funding.</p> <p>Wildlife Conservation Division: \$217.0 UGF - ten aircraft</p> <p>The Wildlife Division has two aircraft in Palmer, four in Fairbanks, and four in Kotzebue, and is in the process of developing a long-term maintenance schedule, as maintenance is currently subject to available funding.</p> <p>Four of the six planes need extensive work including new engines; one is inoperable at present. The total amount of work that needs to be completed in the next two to three years will cost approximately \$700.0, and the agency is hoping to use a mix of this UGF and some federal Pittman-Robertson (PR) funds to meet that need, though PR funds have seen a 30% decline in the past two years.</p>
4	Commercial Fisheries / Statewide Fisheries Management	Restore Funding for Surveys and Assessments	\$716.5 Gen Fund (UGF) Inc	In FY22, the legislature changed \$716.5 of over-appropriated Commercial Fisheries Entry Commission (CFEC) receipt authority to General Fund Program Receipt authority to spend down an accumulated balance of Commercial Crew License receipts. In FY25, the Governor proposed to revert that amount to CFEC receipt authority, but updated projections for the CFEC Fund deterred the legislature from accepting that increased use of the fund source, and it was not replaced in FY25. This FY26 Increment would restore

Department of Fish and Game
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Commercial Fisheries / Statewide Fisheries Management	Restore Funding for Surveys and Assessments	\$716.5 Gen Fund (UGF) Inc	<p>(continued) the funding with UGF.</p> <p>The agency reports the following reductions as the result of the FY25 Decrement:</p> <p>In the Central region, the Prince William Sound trawl survey for Tanner crab abundance will not occur in 2025; the Togiak Herring assessment will not be conducted in 2025 resulting in lower guideline harvest levels; and the Judd and Chelatna Lake weirs assessing Upper Cook Inlet/Susitna sockeye salmon stock status was not operated in 2024 and will not operate in 2025.</p> <p>In the AYK region, the Kotzebue Area Kobuk River Test Fishery program has been discontinued indefinitely starting in the 2024 season; the Yukon River Test Fishery program was significantly scaled back in the 2024 fall season and this will continue to be the case for summer and fall season test fishery operations starting in the 2025 season; and either the Bethel Test Fishery program or the Yukon Sonar extension program will be discontinued starting in the 2025 season.</p> <p>The Sandy River weir was slated to be cut but the weir had already been deployed and would have been difficult to demobilize. This weir is an important monitoring project but without funding for FY26, it will not operate. In addition, the Division will exit the Craig office.</p>
5	Anchorage and Fairbanks Hatcheries / Anchorage and Fairbanks Hatcheries	Add Enhancement Activities to Anchorage and Fairbanks Hatcheries	Total: \$200.0 \$100.0 Fed Rcpts (Fed) \$100.0 Fish/Game (Other) Inc	<p>This added funding will address increased costs needed to maintain the current level of enhancement activity at the Sport Fish hatcheries. Fish and Game funds can be leveraged as 1:3 match for federal Dingell-Johnson (DJ) receipts to support hatchery maintenance and operations. Additional Fish and Game funds are requested for costs that fall outside of the period of performance for the DJ grants, such as for late utility or Reimbursable Service Agreement (RSA) billings. At present, the Anchorage and Fairbanks Hatcheries are funded with \$5.5 million of UGF and \$1.7 million in Federal receipt authority.</p> <p>Fiscal Analyst Comment: When the State bonded for</p>

Department of Fish and Game
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Anchorage and Fairbanks Hatcheries / Anchorage and Fairbanks Hatcheries	Add Enhancement Activities to Anchorage and Fairbanks Hatcheries	Total: \$200.0 \$100.0 Fed Rcpts (Fed) \$100.0 Fish/Game (Other) Inc	<p>(continued)</p> <p>the construction of the two State-owned Sport Fish hatcheries in Anchorage and in Fairbanks, the US Fish and Wildlife Service determined that the State's in-kind contribution (expenditures) on the construction costs could be counted as match for future Federal receipts, including DJ awards. Construction costs were funded with a facilities surcharge on Sport Fish licenses which sunset when the construction bonds were paid off.</p> <p>The remaining value of the in-kind contribution is approximately \$58 million for the William Jack Hernandez Sport Fish Hatchery in Anchorage and \$24 million for the Ruth Burnett Sport Fish Hatchery in Fairbanks.</p> <p>The fund sources for the Sport Fish hatcheries could be shifted to increase the agency's ability to leverage the sunk cost of this in-kind contribution as match for Federal receipts. This could potentially result in a UGF savings, as long as federal DJ funds aren't over-appropriated for other purposes. The agency also notes a decline in the overall availability of DJ funds, though the State still receives the maximum state apportionment due to Alaska's significant land mass.</p>
6	Various	Add a Wildlife Biologist 3 and Funding for Board Support due to Guide Concession Permit Program, SB 189 (Ch. 15 SLA 24)	\$126.7 Gen Fund (UGF) 1 PFT Position Inc	<p>The Guide Concession Permit Program (HB 396) was rolled into SB 189 as one of the final actions of the 2024 legislative session. The operating budget did not include Fiscal Note funding for the legislation. Fiscal Notes for HB 396 were published for the Department of Natural Resources (DNR) to manage the program, and for the Department of Fish and Game to support DNR's management, as well as the Board of Game process in considering proposed guide concession areas.</p> <p>The Wildlife Conservation Division requests \$112.3 UGF for a permanent full-time Wildlife Biologist 3 in Anchorage to provide data to multiple entities for consideration and determination of guide concession areas, the number of permits, and the specific authorities of each permit. The Division's Fiscal Note for HB 396 describes additional duties and significant involvement with DNR's management of the program.</p>

Department of Fish and Game
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Various	Add a Wildlife Biologist 3 and Funding for Board Support due to Guide Concession Permit Program, SB 189 (Ch. 15 SLA 24)	\$126.7 Gen Fund (UGF) 1 PFT Position Inc	<p>(continued)</p> <p>The Boards Support Section also requests \$14.4 UGF associated with this new program. The Section's Fiscal Note for HB 396 originally projected that a one-time cost of \$3.2 would be absorbed by the agency in FY25, but delayed funding for the program has resulted in this cost being recalculated based on a different board meeting cycle in FY26. Additional funding may be requested in FY29, when the original Fiscal Note projects that new proposals for added guide concession areas might be introduced to the Board of Game, based on the Board's meeting cycle.</p> <p>Fiscal Analyst Comment: The Increment for the Boards Support Section is for one-time costs, and this \$14.4 amount may be revised to a One-Time Increment in the Governor's Amended budget.</p>
7	Various	Establish New Allocations for State Facilities Maintenance and Operations	Struct	<p>In FY25, the legislature added intent language in the Governor's Office that read:</p> <p>"It is the intent of the legislature that the budget prepared under AS 37.07.020 for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities."</p> <p>In Fish and Game, the legislature renamed the State Facilities Maintenance allocation under Statewide Support Services to "State Facilities M&O." The Governor's budget maintains this allocation and adds multiple new allocations in the Divisions as well as in the Statewide Support Service appropriation to account for maintenance and operations costs for both State owned and non-State owned facilities, as well as rent. Thirteen new allocations are added to existing appropriations as follows:</p> <p>Commercial Fisheries Comm Fish Facility Operations and Maintenance State Owned Comm Fish Facility Operations and Maintenance Non-State Owned</p> <p>Sport Fisheries Sport Fish Facility Operations and Maintenance State Owned</p>

Department of Fish and Game
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Various	Establish New Allocations for State Facilities Maintenance and Operations	Struct	(continued) Sport Fish Facility Operations and Maintenance Non-State Owned Anchorage/Fairbanks Hatcheries Hatcheries Facility Operations and Maintenance State Owned Wildlife Conservation Wildlife Cons. Facility Operations and Maintenance State Owned Wildlife Cons. Facility Operations and Maintenance Non-State Owned Statewide Support Services Statewide Support Services Facilities Rent State Owned Statewide Support Services Facilities Rent Non-State Owned Statewide Support Services Facilities O&M State Owned Statewide Support Services Facilities O&M Non-State Owned Habitat Habitat Facility Operations and Maintenance Non-State Owned Subsistence Research/Monitoring Subsistence Facility Operations and Maintenance Non-State Owned The Governor's budget includes the addition of I/A to establish Reimbursable Service Agreements (RSAs) to track the divisions' contributions in the correct allocation(s). The amounts were based on analysis of facilities rental estimates for FY26, and utilization would not be apparent until that fiscal year's actuals were reported by the Office of Management and Budget in preparation for the upcoming budget cycle.

Department of Fish and Game
FY 2026 - Summary of Significant Capital Budget Issues
 (\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
1	Alaska Marine Salmon Surveys and Assessments	\$6,425.0 Gen Fund (UGF)	<p>Funding is added for the Alaska Marine Salmon Program (\$800.0 UGF) and the Gulf of Alaska Chinook Salmon Program (\$5,625.0) in FY26. Both projects are designed to increase survey and assessment capacity to study the stock composition of Chinook and other salmon species throughout Alaska and will involve coordination between both the Division of Commercial Fisheries and the Sport Fisheries Division.</p> <p>Legislative Fiscal Analyst Comment: This funding does not meet the statutory definition of a capital project (AS 37.07.120(4)) as it does not create a capital asset and would be more appropriately reflected in the operating budget.</p> <p>A capital project is defined as funding for “an asset with an anticipated life exceeding one year and a cost exceeding \$25,000 and include land acquisition, construction, structural improvement, engineering and design for the project, and equipment and repair costs.”</p>
2	Mission Critical Equipment Replacement	<p>Total: \$1,000.0</p> <p>\$500.0 Fed Rcpts (Fed)</p> <p>\$500.0 Fish/Game Fund (Other)</p>	The Sport Fish Division determined that nearly 95% of outboards and skiffs had exceeded their useful life; many by a substantial margin. The agency is updating an equipment maintenance and replacement schedule.
3	Federal Receipt Authority for Pacific Coastal Salmon Recovery Fund and Pacific Salmon Treaty Funds for the Chinook Fishery Mitigation Program	\$7,550.0 Fed Rcpts (Fed)	<p>\$6,800.0 of Federal Receipt authority is tied to the Pacific Coastal Salmon Recovery Fund, which supports external grants for stock assessments, research, and management functions as well as work at the Alaska Department of Fish and Game. In FY25 the level of Federal authority was also \$6,800.0, and in FY24 it was \$6,400.0.</p> <p>The Alaska Sustainable Salmon Fund is used to provide grants and funding to State agencies and subrecipients for stock assessment, harvest monitoring and habitat conservation and restoration projects. The purpose is to promote sustainability</p>

Department of Fish and Game
FY 2026 - Summary of Significant Capital Budget Issues
 (\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
3			<p>(continued) and maintain populations that are used for subsistence harvest.</p> <p>\$750.0 of Federal Receipt authority is tied to the Pacific Salmon Treaty support of the Southeast Alaska Chinook Fishery Mitigation Program. The Department works with a panel of fishery stakeholders, hatchery operators, and local communities to distribute the funds that were negotiated as an offset to the State's reduced harvest of Chinook under the 2019 revision to the Pacific Salmon Treaty.</p> <p>Legislative Fiscal Analyst Comment: This funding does not meet the statutory definition (AS 37.07.120(4)) of a capital project as it does not create a capital asset and would be more appropriately reflected in the operating budget. The Pacific Coastal Salmon Recovery Fund receipts were in operating from their 2000 inception until 2019 when they were moved to the capital budget.</p>
4	Sport Fisheries and Wildlife Conservation Divisions Proceeds of Sale from Federal Purchases	\$200.0 Fish/Game Fund (Other)	The proceeds from the sale of State-owned equipment that was purchased using federal funds are appropriated to the Department of Fish and Game for renewal, replacement, and maintenance of equipment to facilitate the same federal projects. The Sport Fisheries Division and the Wildlife Conservation Division will each receive \$100.0 in Fish and Game Fund authority for this purpose.
5	Sport Fish Recreational Boating and Angler Access	<p>Total: \$3,000.0</p> <p>\$2,250.0 Fed Rcpts (Fed)</p> <p>\$750.0 Fish/Game Fund (Other)</p>	This annual request allows the agency to expend a portion of the State's federal Dingell-Johnson and Wallop-Breaux receipts on access projects identified by the agency. The Fish and Game Fund authority is used as a 1:3 match for Federal Receipts. In FY25 and FY23 the agency received the same level of authority and funding, but in FY24 there were no capital appropriations for boating and angler access projects and Dingell-Johnson receipts were instead appropriated for sport fish hatchery deferred maintenance projects.

Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

**2025 Legislature - Operating Budget
Allocation Summary - Governor Structure**

**Numbers and Language
Agencies: Gov**

Allocation	[1] 25Enr01	[2] 25Auth	[3] 25MgtP1n	[4] AdjBase	[5] Gov	[5] - [3] 25MgtP1n to Gov	[5] - [4] AdjBase to Gov		
Governor									
Federal Infrastructure Office									
Federal Infrastructure Office	1,012.7	1,064.2	1,064.2	1,081.3	1,081.3	17.1	1.6 %	0.0	
Appropriation Total	1,012.7	1,064.2	1,064.2	1,081.3	1,081.3	17.1	1.6 %	0.0	
Executive Operations									
Executive Office	12,643.1	13,418.2	13,418.2	13,908.7	14,084.5	666.3	5.0 %	175.8	1.3 %
Governor's House	785.9	818.7	818.7	804.8	804.8	-13.9	-1.7 %	0.0	
Contingency Fund	250.0	250.0	250.0	250.0	250.0	0.0		0.0	
Lieutenant Governor	1,308.5	1,455.0	1,455.0	1,496.8	1,496.8	41.8	2.9 %	0.0	
Facilities O&M State Owned	0.0	0.0	0.0	44.8	44.8	44.8	>999 %	0.0	
Appropriation Total	14,987.5	15,941.9	15,941.9	16,505.1	16,680.9	739.0	4.6 %	175.8	1.1 %
Facilities Rent									
Facilities Rent State Owned	946.2	946.2	946.2	946.2	946.2	0.0		0.0	
Facilities Rent Non-State Owned	490.6	490.6	490.6	490.6	490.6	0.0		0.0	
Appropriation Total	1,436.8	1,436.8	1,436.8	1,436.8	1,436.8	0.0		0.0	
Office of Management & Budget									
Office of Management & Budget	3,125.0	3,344.3	3,344.3	3,483.9	3,483.9	139.6	4.2 %	0.0	
Appropriation Total	3,125.0	3,344.3	3,344.3	3,483.9	3,483.9	139.6	4.2 %	0.0	
Elections									
Elections	8,650.3	10,710.7	10,710.7	9,189.3	9,189.3	-1,521.4	-14.2 %	0.0	
Appropriation Total	8,650.3	10,710.7	10,710.7	9,189.3	9,189.3	-1,521.4	-14.2 %	0.0	
Commissions/Special Offices									
Human Rights Commission	2,705.6	2,873.7	2,873.7	2,989.7	2,989.7	116.0	4.0 %	0.0	
Appropriation Total	2,705.6	2,873.7	2,873.7	2,989.7	2,989.7	116.0	4.0 %	0.0	
Agency Unallocated									
Agency Unallocated Approp	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
Appropriation Total	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
Ctrl Svcs Cost Allocation Rates									
Ctrl Svcs Cost Allocation Rates	0.0	5,000.0	5,000.0	0.0	0.0	-5,000.0	-100.0 %	0.0	
Appropriation Total	0.0	5,000.0	5,000.0	0.0	0.0	-5,000.0	-100.0 %	0.0	
Agency Total	31,917.9	40,371.6	40,371.6	34,686.1	34,861.9	-5,509.7	-13.6 %	175.8	0.5 %
Statewide Total	31,917.9	40,371.6	40,371.6	34,686.1	34,861.9	-5,509.7	-13.6 %	175.8	0.5 %

**2025 Legislature - Operating Budget
Allocation Summary - Governor Structure**

**Numbers and Language
Agencies: Gov**

<u>Allocation</u>	<u>[1] 25Enr01]</u>	<u>[2] 25Auth</u>	<u>[3] 25MgtP1n</u>	<u>[4] AdjBase</u>	<u>[5] Gov</u>	<u>[5] - [3] 25MgtP1n to Gov</u>	<u>[5] - [4] AdjBase to Gov</u>
Funding Summary							
Unrestricted General (UGF)	31,390.1	39,809.2	39,809.2	34,094.2	34,277.4	-5,531.8 -13.9 %	183.2 0.5 %
Other State Funds (Other)	390.6	416.6	416.6	440.0	432.6	16.0 3.8 %	-7.4 -1.7 %
Federal Receipts (Fed)	137.2	145.8	145.8	151.9	151.9	6.1 4.2 %	0.0

Office of the Governor
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Various	Structure Changes to Adhere to AS 37.078.020(e)	Struct	<p>In FY25, the legislature added intent language in the Governor's Office that read:</p> <p>"It is the intent of the legislature that the budget prepared under AS 37.07.020 for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities."</p> <p>In the Governor's Office, the legislature renamed the existing "Office of the Governor State Facilities Rent" appropriation to "State Facilities Maintenance and Operations."</p> <p>In FY26, the Governor's budget proposes renaming this appropriation again to "Facilities Rent," made up of allocations for State Owned and Non-State Owned facilities. This change does not affect funding levels for the existing allocations within that appropriation. In addition, the Governor proposes transferring \$44.8 from several allocations into a new allocation in the Executive Operations appropriation titled "Facilities Operations and Maintenance State Owned."</p>

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Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

**2025 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

**Numbers and Language
Agencies: DOH**

Appropriation	[1] 25Enroll	[2] 25Auth	[3] 25MgtPln	[4] AdjBase	[5] Gov	[5] - [3] 25MgtPln to Gov	[5] - [4] AdjBase to Gov		
Health									
Behavioral Health	93,739.7	97,017.5	97,017.5	91,835.3	94,241.3	-2,776.2	-2.9 %	2,406.0	2.6 %
Health Care Services	23,902.6	23,990.8	23,990.8	24,531.9	25,665.7	1,674.9	7.0 %	1,133.8	4.6 %
Public Assistance	283,770.1	331,525.8	331,525.8	276,539.5	282,631.7	-48,894.1	-14.7 %	6,092.2	2.2 %
Public Health	148,632.8	283,952.9	283,952.9	143,953.8	149,297.4	-134,655.5	-47.4 %	5,343.6	3.7 %
Senior and Disabilities Svcs	75,767.2	74,446.3	74,446.3	71,737.6	72,946.4	-1,499.9	-2.0 %	1,208.8	1.7 %
Senior Benefits Payment Program	0.0	23,542.3	23,542.3	23,542.3	24,013.1	470.8	2.0 %	470.8	2.0 %
Departmental Support Services	44,211.0	43,300.2	43,300.2	42,916.8	43,916.8	616.6	1.4 %	1,000.0	2.3 %
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	2,834,334.0	3,050,847.0	3,050,847.0	3,081,311.7	3,081,311.7	30,464.7	1.0 %	0.0	
Agency Unallocated	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
Agency Total	3,506,606.1	3,930,871.5	3,930,871.5	3,758,617.6	3,776,272.8	-154,598.7	-3.9 %	17,655.2	0.5 %
Statewide Total	3,506,606.1	3,930,871.5	3,930,871.5	3,758,617.6	3,776,272.8	-154,598.7	-3.9 %	17,655.2	0.5 %
Funding Summary									
Unrestricted General (UGF)	999,622.5	1,029,592.9	1,029,592.9	1,009,885.6	1,017,178.0	-12,414.9	-1.2 %	7,292.4	0.7 %
Designated General (DGF)	54,815.7	54,815.7	54,815.7	54,943.0	51,118.5	-3,697.2	-6.7 %	-3,824.5	-7.0 %
Other State Funds (Other)	104,083.7	104,609.8	104,609.8	97,979.3	106,475.2	1,865.4	1.8 %	8,495.9	8.7 %
Federal Receipts (Fed)	2,348,084.2	2,741,853.1	2,741,853.1	2,595,809.7	2,601,501.1	-140,352.0	-5.1 %	5,691.4	0.2 %

Department of Health
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Various	Reduce Uncollectible Designated General Fund Sources to Align with Anticipated Revenue	Total: (\$5,474.5) (\$1,253.9) Tob ED/CES (DGF) (\$800.0) A/D T&P Fd (DGF) (\$1,596.9) RcdvsmFund (DGF) (\$1,823.7) MET Fund (DGF) Dec	<p>The Governor's FY26 budget removes unavailable Marijuana Education and Treatment Funds (MET Funds), Recidivism Reduction Funds (RcdvsmFund), Alcohol and Drug Treatment and Prevention Funds (A/D T&P Fd), and Tobacco Use Education and Cessation Funds (Tob ED/CES) from multiple appropriations in the Department. The Department almost exclusively uses these fund sources to provide grants. Based on projections from the Department of Revenue, these fund sources will not generate revenue to support FY25 appropriation levels, and collections are not expected to increase in FY26.</p> <p>The following appropriations and allocations have Decrements: Behavioral Health, Behavioral Health Treatment and Recovery Grants: (\$3,270.8) [(\$634.9) of A/D T&P Fd, (\$1,530.4) of RcdvsmFund, and (\$1,105.5) of MET Fund] Behavioral Health, Alcohol Safety Action Program: (\$11.8) in A/D T&P Fd Behavioral Health, Behavioral Health Administration: (\$308.8) [(\$8.2) of A/D T&P Fd, (\$66.5) of RcdvsmFund, (\$42.0) of MET Fund, and (\$192.1) of Tob ED/CES] Behavioral Health, Behavioral Health Prevention and Early Intervention Grants: (\$145.1) in A/D T&P Fd Public Health, Chronic Disease Prevention and Health Promotion: (\$1,738) [(\$676.2) of MET Fund and (\$1,061.8) of Tob ED/CES]</p> <p>Fiscal Analyst Comment: Given that the Department of Revenue has already projected shortfalls in FY25, a Supplemental may be necessary to replace the uncollectible revenue with a viable alternative if the legislature chooses to maintain current funding levels.</p>
2	Behavioral Health / Behavioral Health Treatment and Recovery Grants	Replace Funding Source to Align with Statutory Distribution of Restorative Justice Account Funds	Net Zero \$87.0 Gen Fund (UGF) (\$87.0) Rest Just (Other) FndChg	The amount of Restorative Justice Account funding (AS 43.23.048) available for appropriation each year is calculated to represent the sum of Permanent Fund Dividends forfeited by Alaskans sentenced or incarcerated for felonies and certain misdemeanors in the qualifying calendar year. The distribution reduces the amount of the Permanent Fund Dividend distribution to eligible Alaskans.

Department of Health
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	Behavioral Health / Behavioral Health Treatment and Recovery Grants	Replace Funding Source to Align with Statutory Distribution of Restorative Justice Account Funds	Net Zero \$87.0 Gen Fund (UGF) (\$87.0) Rest Just (Other) FndChg	(continued) In FY25, the amount was based on 7,556 ineligible Alaskans and a \$1,312 dividend for the qualifying 2022 calendar year, and in FY26 the amount in the Governor's budget is based on 4,120 ineligible Alaskans and a \$1,702 dividend for the qualifying 2023 calendar year. AS 43.23.048(b) outlines the following purposes and percentages of the Governor's proposed FY26 distribution, with the statutory ranges referenced in parentheses: 12% - Fund Cap - Crime Victims Compensation Fund (10-13%) 3% - Legislature - Office of Victims' Rights (2-6%) 3% - Public Safety - Nonprofit Services for Crime Victims (1-3%) 3% - Health - Nonprofit Mental Health and Substance Abuse Treatment for Offenders (1-3%) 79% - Corrections - Costs Related to Incarceration or Probation (79-88%) Fiscal Analyst Comment: The Governor's FY26 amount is 53% lower than FY25 because the number of incarcerated felons and misdemeanants reported by DOC represents only the ineligible Alaskans who did apply, rather than the total number of individuals who are ineligible under these statutes. This may be corrected in the Governor's budget amendments.
3	Behavioral Health / Behavioral Health Administration	Add Federal Receipt Authority for New and Prior-Year Grants for Multiple Behavioral Health Programs	\$5,000.0 Fed Rcpts (Fed) Inc	Additional authority is requested to allow the Division to fully expend from new and prior year federal grants. These grants support the Community Mental Health Initiative, the Alaska State Opioid Response, and Alaska's 988 Crisis Coordination Project. The Department reports that these grants have no match requirements with the exception of the Community Mental Health Initiative, and that match is being met with existing funding. The FY25 budget contained a \$3,000.0 Increment of Federal receipt authority for the same purpose.

Department of Health
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Behavioral Health / Behavioral Health Administration	MH Trust: Crisis Call Center (FY26-FY27)	Total: \$1,500.0 \$750.0 GF/MH (UGF) \$750.0 MHTAAR (Other) IncT	The Alaska Mental Health Trust Authority (Trust) Board approved a new initiative for Crisis Call Center support in the FY26 budget. Trust funding and General Funds-Mental Health (GF/MH) will be used to support the implementation of crisis call centers that provide direct intervention, a warm talk line, information about services, and referrals to treatment and recovery supports for Trust beneficiaries experiencing severe mental illness or substance use disorders, and at-risk youth. Funding may be used for staffing support while onboarding new programs, operations support, expanding services, and so on.
5	Various	Establish A New "Facility O&M" Allocation for Each Appropriation Within the Department	Struct	<p>In FY25, the legislature added intent language in the Governor's Office that read: "It is the intent of the legislature that the budget prepared under AS 37.07.020 for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities." In FY25, the Department had one allocation for this purpose: State Facilities Maintenance and Operations (formerly called HSS State Facilities Rent) located in the Departmental Support Services (DSS) appropriation.</p> <p>In FY26, the Governor's budget creates a new allocation named "Facility Operations and Maintenance" (short name: "Facility O&M") in all but four of the appropriations within the Department, and differentiates these allocations incorporating the name of the Division (or in short names, the common abbreviation of the relevant Division). In DSS, the prior allocation has been effectively eliminated by transferring all funding and authority into the new "Departmental Support Services Facility Operations and Maintenance" allocation.</p> <p>The appropriations with a new allocation are: Behavioral Health Health Care Services Public Assistance Public Health Senior and Disabilities Services</p>

Department of Health
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Health Care Services / Health Facilities Licensing and Certification	Add Funding and Authority to Comply with Changes to Federal Requirements for Health Facility Inspections	Total: \$962.5 \$295.0 Fed Rcpts (Fed) \$667.5 GF/Match (UGF) Inc	<p>In FY24, the Centers for Medicare and Medicaid Services (CMS) informed Health Facilities Licensing and Certification that inspections for Non-Long-Term-Care facilities, previously charged to Title 18 Medicare (which had up to 100 percent federal funding), must now be charged to Title 19 Medicaid, which requires a State match between 10-50 percent. These facilities were previously listed incorrectly on the CMS form under Title 18, and now must be charged to Title 19 Medicaid going forward. Additional funding is needed to meet the new State match requirements.</p> <p>In federal fiscal year (FFY) 23 and FFY24, the federal Authorized Baseline Budget for Title 18 was underfunded, resulting in budget shortfalls of \$210.0 - \$242.0. The Department reports that Health Facilities Licensing and Certification managed these shortfalls without additional funding due to higher vacancy, but now positions have been filled. Additionally, the growth in facilities providing services that this allocation oversees has raised the need for inspections and complaint investigations.</p>
7	Public Assistance / Child Care Benefits	Add Funding, Authority and Positions Related to Enacted Xtnd Boards; Game Permits; Taxes; Child Care Ch15 SLA2024 (SB189)	Total: \$6,092.2 \$225.1 Fed Rcpts (Fed) \$225.1 GF/Match (UGF) \$5,642.0 Gen Fund (UGF) 2 PFT Positions Inc	<p>The language of the Child Care: Tax Credits/ Assistance/Grants legislation (originally HB 89) was incorporated into SB 189, Extend Boards; Game Permits; Taxes; Child Care prior to final passage as one of the final actions of the 2024 legislative session. The operating budget did not include fiscal note funding for the legislation.</p> <p>The Child Care Assistance Program currently pays child care providers on behalf of participating families who receive a subsidy. Federal Child Care and Development Fund rules require family income limits not exceed 85 percent of the state median income and that families pay a portion of their child care cost on a sliding fee scale.</p> <p>SB 189 increased the income eligibility standards to 105 percent of the state median income, and the difference between the federal and state eligibility cap must be covered by general funds. This change made approximately 18,000 additional children meet the eligibility criteria. Currently, only about seven percent of income eligible families are utilizing the Child Care</p>

Department of Health
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Public Assistance / Child Care Benefits	Add Funding, Authority and Positions Related to Enacted Xtnd Boards; Game Permits; Taxes; Child Care Ch15 SLA2024 (SB189)	Total: \$6,092.2 \$225.1 Fed Rcpts (Fed) \$225.1 GF/Match (UGF) \$5,642.0 Gen Fund (UGF) 2 PFT Positions Inc	(continued) Assistance Program. Assuming that pattern is consistent, the Department estimates an additional 1,200 -1,300 new children may use the Child Care Assistance Program. Increased grant funding will also be provided to four Child Care Assistance Program grantees, so that each grantee can hire one new Eligibility Technician to administer the program on behalf of the State. The Child Care Program Office requests two new positions to manage the additional workload: Full-time Accounting Technician 1 (16390), range 12, located in Anchorage Full-time Program Coordinator 1 (16391), range 18, located in Anchorage
8	Public Health / Women, Children and Family Health	Add Interagency Receipt Authority to Support Partnership with University of Alaska for the Child Welfare Academy	\$1,000.0 I/A Rcpts (Other) Inc	The Divisions of Public Assistance and Public Health have partnered with the University of Alaska's Child Welfare Academy (CWA) to identify and remediate childhood trauma and adverse experiences. The CWA will undertake three activities funded by the federal Preschool Development Grant Birth to Five (B-5) renewal, secured in FFY24. A post-pandemic needs assessment will gather input from stakeholders about early intervention and developmental services as they currently exist and then create implementation plans for areas of change that are identified as well as new performance measures. Finally, the CWA will focus on improving program quality by expanding developmental and social-emotional learning supports, and supporting B-5 workforce development. This allocation performs other work related to adverse childhood experiences, commonly known as ACEs, including work supported by the Alaska Mental Health Trust Authority.
9	Public Health / Emergency Programs	Add General Fund Program Receipt Authority to Support Increase in Health Care Professionals Utilizing SHARP Benefits	\$1,650.0 GF/Prgm (DGF) Inc	The Division of Public Health requests General Fund-Program Receipt (GF/PR) authority to continue work on the original Strengthening Healthcare Access Recruitment Program, known as SHARP-1. SHARP-1 began in 2010 and is a federal program that aims to address the shortage of qualified healthcare professionals in Alaska by setting agreements with these professionals to work for two years in State-

Department of Health
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
9	Public Health / Emergency Programs	Add General Fund Program Receipt Authority to Support Increase in Health Care Professionals Utilizing SHARP Benefits	\$1,650.0 GF/Prgm (DGF) Inc	<p>(continued)</p> <p>designated locations and facilities that are underserved, in exchange for repayment of eligible education loan repayment. SHARP-1 does not include direct incentive payments, which are available in later iterations of SHARP. SHARP-1 is supported with 50 percent with federal funds, 34 percent by health provider employers and the remainder from the Alaska Mental Health Trust Authority. State general funds are only needed for the cost of administering the program, which is a federal requirement.</p> <p>The Department states that the number of qualified applicants for the program has continued to rise significantly and additional authority is needed to recruit and retain these healthcare professionals.</p> <p>Fiscal Analyst Comment: The FY25 budget contained a similar Increment of \$1,154.5 in Statutory Designated Program Receipts (SDPR), reflecting the sixth and final year of the Department's Fiscal Note for SB 93, Medical Provider Incentives/Loan Repayment (Ch. 15, SLA 19), also known as SHARP-3. SHARP-3 is still active.</p> <p>Unspent GF/PR is returned to the general fund at the close of a fiscal year, whereas unspent SDPR must be returned to the source or carried forward for future expenditure for the designated purpose. As the non-federal support for SHARP-1 is primarily funded by employer contributions, the legislature should consider a fund source change to SDPR for all SHARP-1 GF/PR. This would align the fund source for SHARP-1 and SHARP-3 employer contributions and prevent those contributions from being swept to the general fund.</p>
10	Public Health / Chronic Disease Prevention and Health Promotion	Adjust Timeframe to Utilize the Opioid Settlement to Combat the Opioid Epidemic (FY26-FY27)	\$4,390.0 Stat Desig (Other) IncT	<p>The Governor is proposing to amend the timeline of an existing Temporary Increment for FY25-FY40 to instead terminate in FY27.</p> <p>\$4,390.0 of SDPR was authorized in order to use settlement funds to combat the myriad impacts of the opioid epidemic in Alaska. The State is receiving these settlements as a result of multi-state actions against several manufacturers and distributors of prescription opioids, anticipating a total of \$58.5 million over a</p>

Department of Health
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Public Health / Chronic Disease Prevention and Health Promotion	Adjust Timeframe to Utilize the Opioid Settlement to Combat the Opioid Epidemic (FY26-FY27)	\$4,390.0 Stat Desig (Other) IncT	(continued) period of 18 years (the first payment was received in 2022).
11	Senior and Disabilities Services / Senior and Disabilities Community Based Grants	MH Trust: "No Wrong Door" Coordinated Access to Services (FY26-FY29)	\$300.0 MHTAAR (Other) IncT	The Trust is providing temporary funding to enhance existing efforts to improve coordination and access to long-term support services through the No Wrong Door federal grant implemented by Senior and Disabilities Services. The No Wrong Door initiative is based on the concept of consolidating the process of applying for social services down to one application, i.e. there is "no wrong door" for social services that a member of the public could walk through to apply for a variety of services and benefits. The aim of the initiative is to streamline eligibility determination and enrollment in social programs.
12	Senior Benefits Payment Program / Senior Benefits Payment Program	Second Year of Workers' Comp.; Extnd Sr Benefits Payment Ch12 SLA2024 (SB147) (Sec2 Ch7 SLA2024 P51 L02 (HB268))	\$470.8 Gen Fund (UGF) Inc	The Senior Benefits Program, established on August 1, 2007 under AS 47.45.301, was reauthorized and made permanent under SB 147, Workers' Compensation; Extend Senior Benefits Payment. The Department's Fiscal Note for the legislation included increased funding year-over-year in order to pay the full benefit amount (\$125 in statute, but amended by regulation to \$76 effective in FY17, which is allowed for in statute) for the highest-earning cohort and to meet historical participation growth of 2 percent annually. This Increment represents the anticipated increase in program participants.
13	Departmental Support Services / Various	Add Interagency Receipt Authority to Capture Revenue from Internal Chargebacks for Personal Services Costs	\$1,051.8 I/A Rcpts (Other) Inc	Additional Interagency (I/A) receipt authority in multiple allocations within the DSS will represent the actual cost of staff performing work for other divisions within the Department. The Department reports that while this work is not new, it has historically been partially supported with off-budget I/A. Reflecting the true cost of centralized administrative functions in the budget may offer more clarity when considering future investment to support Department-wide activities. DSS is requesting additional I/A in the following allocations: Public Affairs: \$51.8 Administrative Services: \$300.0 Information Technology Services: \$700.0

Department of Health
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
13	Departmental Support Services / Various	Add Interagency Receipt Authority to Capture Revenue from Internal Chargebacks for Personal Services Costs	\$1,051.8 I/A Rcpts (Other) Inc	(continued) Fiscal Analyst Comment: The Governor's FY26 budget also contains a Decrement of \$51.8 in I/A in the Information Technology Services (ITS) allocation despite requesting additional I/A in ITS. The cumulative impact of these requests would provide \$648.2 more of I/A to ITS in FY26. Further discussion with the Department may be needed to determine if the net amount of I/A is sufficient.
14	Medicaid Services / Medicaid Services	FY26 Open-Ended Federal Receipts Received for Medicaid Services	\$247,137.7 Fed Rcpts (Fed) IncM	Beginning in FY21, open-ended Federal receipt authority was provided in language for the Medicaid Services allocation to respond to the COVID-19 pandemic. The language was maintained through FY25 due to the post-public health emergency changes to the enhanced federal medical assistance percentage (eFMAP) rate and the eligibility redeterminations for Medicaid enrollment. Based on projections from the Department, substantial federal funding above the budgeted authorization is being utilized under the language in FY25, indicating there is still considerable adjustments to utilization and enrollment in the wake of Medicaid redeterminations. The FY26 Governor's budget maintains the language. Legislative Finance has updated the estimated value of this FY26 open-ended authority from \$0.0 to \$247,137.7 based on the Department's Medicaid Services Projection Model dated December 15, 2024. Fiscal Analyst Comment: In SLA 24 the legislature approved the addition of \$293,730.2 in Federal receipt authority for the Medicaid Services allocation, while also preserving the open-ended authority in language. This was based on updated Medicaid projections provided by the Department on February 14, 2024, and the addition of budgeted Federal receipt authority was meant to provide greater visibility of the State's Medicaid activity and to highlight the need for more State General Fund Match post-pandemic. The Department's current Medicaid projections for FY25 indicate a shortfall of \$14,202.6 in General Fund Match, which is not included in the Governor's FY25 operating supplemental request.

Department of Health
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
14	Medicaid Services / Medicaid Services	FY26 Open-Ended Federal Receipts Received for Medicaid Services	\$247,137.7 Fed Repts (Fed) IncM	(continued) The Department's projections also estimate an FY26 shortfall of \$19,634.6 in General Fund Match, which is not included in the Governor's FY26 budget proposal.
15	Various	MH Trust: Continuing Trust Recommendations Not Included or Improperly Reflected in FY26 Budget Proposal	n/a	<p>The Governor's FY26 budget contains several deviations from Trust recommendations. These deviations include not funding items that were previously supported with GF/MH in FY25, not including new recommendations by the Trust for FY26, and funding items with a fund source that does not align with the Trust's recommendations.</p> <p>Trust recommendations supported in FY25 with GF/MH but not included in the Department's FY26 budget: <u>Senior and Disability Services, Senior and Disabilities Community Based Grants:</u> (\$250.0) of GF/MH for Maintain Aging and Disability Resource Centers (FY22-FY26) - FY26 Trust recommendations removed \$300.0 of Mental Health Trust Authority Authorized Receipts (MHTAAR) a year early, but maintained the recommendation for \$250.0 of GF/MH for the final year. The Governor's FY26 budget does not include this recommendation.</p> <p>Trust recommendations to establish GF/MH in FY26 but are not included in the Department's FY26 budget: <u>Senior and Disability Services, Senior and Disabilities Services Administration:</u> (\$45.0) of GF/MH for Extend Develop Targeted Outcome Data (FY26-FY27) - This initiative had originally been in place from FY18-FY25 and funded with \$80.0 of MHTAAR, but FY26 Trust recommendations extended this initiative for another two years (FY26-FY27) and changed the funding to \$45.0 of GF/MH. The Governor's FY26 budget does not include this request.</p> <p>Trust recommendations incorrectly placed/funded in the FY26 budget: <u>Public Health, Emergency Programs:</u> \$75.0 of GF/MH for a Comprehensive Program</p>

Department of Health
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
15	Various	MH Trust: Continuing Trust Recommendations Not Included or Improperly Reflected in FY26 Budget Proposal	n/a	(continued) Planning Coordinator (FY21-FY28) - The Governor's FY26 proposal, in accordance with the Trust, moved this initiative to the Division of Behavioral Health, BH Administration, and modified the title. However, the Governor's budget included a second request for this purpose Emergency Programs, but did not use the correct fund source and did not reflect the title change as recommended by the Trust.

Department of Health
FY2026 - Summary of Significant Capital Issues
(\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
1	Emergency Medical Services Match for Code Blue Project	\$500.0 GF/Match (UGF)	This program assists communities around the state with the purchase of critical and essential medical equipment necessary to provide emergency medical and first responder services, including ambulances. State general funds are used to leverage other funding sources, such as federal grants from the Rural Development Office, organizations like the Rasmuson Foundation, and local communities. Funding has been \$500.0 annually since FY15.
2	MH Trust: Essential Program Equipment	Total: \$500.0 \$250.0 GF/MH (UGF) \$250.0 MHTAAR (Other)	This competitive grant is a partnership between the Department and the Mental Health Trust Authority (Trust) to provide funding for equipment to agencies that provide services required by Trust beneficiaries. The scope of allowable purchases varies from items necessary to conduct business (security systems, copiers, etc.) to direct service equipment for telehealth or in-person medical services. Fiscal Analyst Comment: The Trust has confirmed that this request should not be put forward in FY26 and should remain on a two-year cycle. This program began in FY00 and occurred as an annual request through FY09. Requests for appropriations returned in FY13 on a biennial basis, fluctuating between \$475.0 - \$600.0 split between General Funds-Mental Health (GF/MH) and Mental Health Trust Authority Authorized Receipts (MHTAAR).
3	MH Trust: Home Modification and Upgrades to Retain Housing	\$575.0 GF/MH (UGF)	Individuals who are Trust beneficiaries or part of other special needs cohorts may apply to this competitive grant program to receive funds for approved housing modifications so grantees can move into, or remain in, their own home rather than moving into assisted, institutional, or similar housing that is more costly. Projects typically approved include structural accessibility modifications (widening doorways, installing ramps, renovating bathrooms) but may also include general upgrades such as repairing or replacing heating systems, roofs, or energy efficiency improvements.

Department of Health
FY2026 - Summary of Significant Capital Issues
(\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
3			<p>(Continued)</p> <p>Fiscal Analyst Comment: The FY25 Trust-approved budget contained a recommendation that this program be funded with \$1,150.0 GF/MH but the Governor’s budget requested only \$575.0 GF/MH. The legislature added \$575.0 to meet Trust recommendations, but the Governor vetoed this addition.</p> <p>The FY26 Trust-approved budget continued the recommendation of \$1,150.0 GF/MH, but the Governor once again submitted a request for \$575.0 GF/MH.</p>
4	Provider Services Module for Alaska Medicaid Program	<p>Total: \$14,069.8</p> <p>\$12,662.8 Fed (Fed)</p> <p>\$1,407.0 GF/Match (UGF)</p>	<p>The proposed module would interface with the State’s existing Medicaid Management Information System (MMIS). The module would include a new online portal and enhanced background systems efficiency to improve the timely processing of provider enrollment applications and revalidations. Providers must be enrolled with the Division of Health Care Services in the Department to be eligible for reimbursement for services provided to Medicaid Beneficiaries, and currently it can take up to two months to achieve this within the existing MMIS.</p> <p>The Centers for Medicare and Medicaid Services is encouraging states to participate in modernization efforts and is reimbursing states 90 percent for these improvements. The Department is requesting \$12,662,790.00 in Federal receipt authority and \$1,406,976.00 in General Fund Match for this project.</p>

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**2025 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

**Numbers and Language
Agencies: Labor**

Appropriation	[1] 25Enroll	[2] 25Auth	[3] 25MgtPln	[4] AdjBase	[5] Gov	[5] - [3] 25MgtPln to Gov	[5] - [4] AdjBase to Gov
Labor & Workforce Dev							
Commissioner and Admin Svcs	37,836.8	51,099.7	51,099.7	50,082.2	49,269.1	-1,830.6 -3.6 %	-813.1 -1.6 %
Workers' Compensation	12,224.4	12,265.4	12,265.4	12,395.6	12,521.0	255.6 2.1 %	125.4 1.0 %
Labor Standards and Safety	12,918.0	12,944.0	12,944.0	13,176.9	13,259.6	315.6 2.4 %	82.7 0.6 %
Employment & Training Services	61,245.9	61,264.1	61,264.1	61,902.1	57,352.1	-3,912.0 -6.4 %	-4,550.0 -7.4 %
Vocational Rehabilitation	29,308.6	29,774.2	29,774.2	29,497.4	29,497.4	-276.8 -0.9 %	0.0
AVTEC	15,190.9	19,290.9	19,290.9	19,487.2	19,346.0	55.1 0.3 %	-141.2 -0.7 %
Agency Unallocated	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agency Total	168,724.6	186,638.3	186,638.3	186,541.4	181,245.2	-5,393.1 -2.9 %	-5,296.2 -2.8 %
Statewide Total	168,724.6	186,638.3	186,638.3	186,541.4	181,245.2	-5,393.1 -2.9 %	-5,296.2 -2.8 %
Funding Summary							
Unrestricted General (UGF)	22,517.0	22,584.9	22,584.9	22,782.1	23,439.0	854.1 3.8 %	656.9 2.9 %
Designated General (DGF)	32,449.6	49,736.3	49,736.3	48,647.9	47,391.9	-2,344.4 -4.7 %	-1,256.0 -2.6 %
Other State Funds (Other)	20,052.8	20,569.6	20,569.6	20,341.0	17,793.9	-2,775.7 -13.5 %	-2,547.1 -12.5 %
Federal Receipts (Fed)	93,705.2	93,747.5	93,747.5	94,770.4	92,620.4	-1,127.1 -1.2 %	-2,150.0 -2.3 %

Department of Labor and Workforce Development
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Various	Move Technical and Vocational Education Program Appropriation to Language	\$14,596.2 VoTech Ed (DGF) Inc	<p>The Technical Vocational Education Program (TVEP) was reauthorized under HB 148 (Ch. 4, SLA 24), and was moved to the numbers section in FY25 after having been part of the language section in FY24.</p> <p>The Governor's FY26 budget moves the TVEP distribution of funding back to the language section, so there are corresponding Decrements in the affected allocations that removes the funding from the numbers section. Moving the TVEP distribution to the language section allows for a single budget transaction to be updated, if necessary, to reflect the distribution based on the latest revenue projections.</p> <p>Current projected TVEP distributions in the Department for FY26: Commissioner and Administrative Services, Alaska Workforce Investment Board: \$10,836.6 Alaska Vocational and Technical Education Center (AVTEC), AVTEC: \$3,759.6</p> <p>The original distribution estimates were based on a projection from January 2024, while the amounts reflected above are based on actuarial analysis from July 2024. The Department reports that the FY26 Governor's Amended budget will reflect any anticipated changes to the TVEP distribution amounts once projections are completed in January.</p>
2	Workers' Compensation / Workers' Compensation	Add Funding for Stay-at-Work Program Enacted Under Workers' Comp.; Extend Sr Benefits Payment Ch12 SLA2024 (SB147)	\$125.4 Gen Fund (UGF) Inc	<p>The language of the Workers' Compensation Stay-at-Work legislation (originally SB 206) was incorporated into SB 147, Workers' Compensation; Extend Senior Benefits Payment prior to final passage as one of the final actions of the 2024 legislative session. The operating budget did not include fiscal note funding for the legislation.</p> <p>The Department's fiscal note for SB 206 included one full-time position and associated authority for Workers' Safety and Compensation Administration Account receipts beginning January 1, 2025. The Department is requesting general funds in the FY26 budget, as the fund source included in the fiscal note does not have sufficient projected revenues to meet the need. In lieu of a new position, the Department reports that a vacant position from Unemployment</p>

Department of Labor and Workforce Development
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	Workers' Compensation / Workers' Compensation	Add Funding for Stay-at-Work Program Enacted Under Workers' Comp.; Extend Sr Benefits Payment Ch12 SLA2024 (SB147)	\$125.4 Gen Fund (UGF) Inc	(continued) Insurance has been transferred into the allocation and is being reclassified for this purpose.
3	Labor Standards and Safety / Mechanical Inspection	Add Funding for Program Changes Enacted Under Certificate of Fitness: Plumbers/Electricians Ch21 SLA2024 (SB204)	\$58.8 Gen Fund (UGF) Inc	<p>The Certificate of Fitness (COF) renewal cycle for trainees has been extended from two years to six years under SB 204, Certificate of Fitness: Plumbers/Electricians. This change allows for trainees to complete their training program under one COF, which ensures the trainee will get credit for all of their training hours. As one of the final actions of the 2024 legislative session, an amendment in the House reduced the fee that the Department may charge for a journeyman level certificate or renewal from \$300.00 to \$200.00 prior to the bill's passage. The operating budget did not include fiscal note funding for the legislation.</p> <p>The Department's fiscal note for SB 204 included an increase in Training and Building Fund (TBF) authority. The Department is requesting unrestricted general funds in the FY26 budget, as the lowered certificate fees mean that there will be insufficient revenue in the TBF.</p>
4	Labor Standards and Safety / Alaska Safety Advisory Program	Add Funding to Support New Personal Services Costs Associated with Executive Order 135	\$290.4 Gen Fund (UGF) Inc	<p>Executive Order 135 (EO 135) transferred existing unfunded responsibilities of the Alaska Safety Advisory Council to the Department and changed the name of the allocation to "Alaska Safety Advisory Program," or ASAP.</p> <p>Two positions, and \$266.5 of Interagency (I/A) receipt authority, were transferred to ASAP in the FY25 Management Plan in support of EO 135:</p> <ul style="list-style-type: none"> - Full-time Electrical Inspector (074519), range 49, located in Anchorage - Full-time Safety Inspection and Compliance Electrical Inspector (074542), range 49, located in Anchorage <p>In the Governor's FY26 budget proposal replaces the \$266.5 of I/A with \$290.4 of UGF, and the positions have been reclassified to a Program Coordinator 2 and a Project Assistant.</p> <p>The allocation maintains \$281.6 in Statutory</p>

Department of Labor and Workforce Development
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Labor Standards and Safety / Alaska Safety Advisory Program	Add Funding to Support New Personal Services Costs Associated with Executive Order 135	\$290.4 Gen Fund (UGF) Inc	(continued) Designated Program Receipts, which is used to support the annual Governor's Safety Conference that ASAP will continue to convene. This receipt authority allows the State to collect money from sponsors and vendors at the conference for booth space. Those collected funds, in turn, are used to pay for the venue, refreshments, and so on. Fiscal Analyst Comment: The positions transferred in to ASAP were funded with I/A in FY25 but have since been reclassified, meaning that the authority may be hollow. A Supplemental may be necessary to fund the positions.
5	Employment and Training Services / Workforce Services	Eliminate Authority for Unrealized Partnership with Department of Transportation and Public Facilities	(\$2,400.0) I/A Rcpts (Other) Dec	The FY25 budget contained an Increment for \$2,400.0 of Interagency (I/A) receipt authority in anticipation of a workforce development partnership with the Department of Transportation and Public Facilities (DOT&PF), which would use federal funding from the Infrastructure Investment and Jobs Act (IIJA) to support the partnership. IIJA funding that DOT&PF received for workforce development was less than originally proposed in the State Transportation Improvement Program, so the partnership is unrealized and this I/A is no longer needed. The Division is referring parties with DOT&PF-related training or workforce development project ideas to DOT&PF for consideration.
6	Employment and Training Services / Unemployment Insurance	Eliminate Pandemic-Related Federal Receipt Authority No Longer Needed	(\$2,150.0) Fed Rcpts (Fed) Dec	During the pandemic, the Unemployment Insurance (UI) allocation required additional Federal receipt authority to process pandemic-related unemployment assistance. As the period of performance on CARES Act activity for this purpose ended June 30, 2024, this Federal receipt authority is no longer needed. UI is retaining \$48.0 in Federal receipt authority to process Disaster Unemployment Assistance for Alaskans impacted by natural disasters, as it becomes available after qualifying events.
7	Alaska Vocational Technical Center / Alaska Vocational Technical Center	Add One AVTEC Instructor and Funding to Support Blueprint for Expanding Alaska's Electrical and Plumbing Workforce	\$182.3 Gen Fund (UGF) 1 PFT Position Inc	This Increment adds a second instructor with the intent to double the current class capacity in the Industrial Electrical Program from 15 to 30 students annually, in support of the Blueprint for Expanding Alaska's Electrical and Plumbing Workforce initiative.

Department of Labor and Workforce Development
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Alaska Vocational Technical Center / Alaska Vocational Technical Center	Add One AVTEC Instructor and Funding to Support Blueprint for Expanding Alaska's Electrical and Plumbing Workforce	\$182.3 Gen Fund (UGF) 1 PFT Position Inc	(continued) The goal of the initiative is to expand the number of licensed electricians and plumbers within the state by increasing access to training in these fields.
8	Alaska Vocational Technical Center / State Facilities Maintenance and Operations	Rename AVTEC Facilities Maintenance to State Facilities Maintenance and Operations to Adhere to AS 37.07.020(e)	Struct	In FY25, the Legislature added intent language in the Governor's Office that read: "It is the intent of the legislature that the budget prepared under AS 37.07.020 for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities." In FY26, the Governor's budget renames the former AVTEC Facilities Maintenance allocation to "State Facilities Maintenance and Operations" and maintains the location.

Department of Labor and Workforce Development
FY2026 - Summary of Significant Capital Issues
(\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
1	Certificate of Fitness Licensing System	\$85.0 Gen Fund (UGF)	This project will replace the existing Certificate of Fitness (COF) application which cannot suitably integrate new COF regulations and requirements, resulting in significant manual processing of COF applications and delaying issuance.

**2025 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

**Numbers and Language
Agencies: Law**

Appropriation	[1] 25Enroll	[2] 25Auth	[3] 25MgtPln	[4] AdjBase	[5] Gov	[5] - [3] 25MgtPln to Gov	[5] - [4] AdjBase to Gov
Law							
Criminal Division	51,429.7	54,341.6	54,341.6	56,116.2	57,977.5	3,635.9 6.7 %	1,861.3 3.3 %
Civil Division	58,612.3	65,643.1	65,643.1	63,253.2	64,817.9	-825.2 -1.3 %	1,564.7 2.5 %
Administration and Support	5,752.3	5,802.4	5,802.4	5,896.4	10,454.9	4,652.5 80.2 %	4,558.5 77.3 %
Agency Unallocated Approp	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agency Total	115,794.3	125,787.1	125,787.1	125,265.8	133,250.3	7,463.2 5.9 %	7,984.5 6.4 %
Statewide Total	115,794.3	125,787.1	125,787.1	125,265.8	133,250.3	7,463.2 5.9 %	7,984.5 6.4 %
Funding Summary							
Unrestricted General (UGF)	75,263.2	83,585.0	83,585.0	81,825.2	85,299.1	1,714.1 2.1 %	3,473.9 4.2 %
Designated General (DGF)	2,969.9	3,005.5	3,005.5	3,037.6	3,016.8	11.3 0.4 %	-20.8 -0.7 %
Other State Funds (Other)	35,243.7	36,811.4	36,811.4	37,950.7	42,482.1	5,670.7 15.4 %	4,531.4 11.9 %
Federal Receipts (Fed)	2,317.5	2,385.2	2,385.2	2,452.3	2,452.3	67.1 2.8 %	0.0

Department of Law
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Criminal Division / Various	Add Five PFTs to Reduce Caseloads to Manageable Levels in the First and Third Judicial (Outside Anchorage) Districts	\$1,194.1 Gen Fund (UGF) 5 PFT Positions Inc	<p>There are two Increments requested for five new PFT positions in the First Judicial and Third Judicial (Outside Anchorage) Districts with the intent of reducing caseloads toward a more manageable level.</p> <p>When considering where to put additional resources, the offices with the three highest average open caseloads per attorney were identified by the agency as Dillingham with 289, Palmer with 253, and Ketchikan with 185.</p> <p>The requested Increments are intended to lessen the caseloads of these three locations as follows:</p> <p>For the First Judicial District, \$413.2 UGF would fund an Attorney 5 and Law Office Assistant 2 in Sitka. The intent is to transfer an Attorney 5 and a Law Office Assistant from Ketchikan to Sitka, and to redistribute the caseloads accordingly. The agency states that having a minimum of two prosecutors in both locations will allow for improved office management when a prosecutor is sick or on leave.</p> <p>For the Third Judicial District (Outside Anchorage), \$780.9 UGF would fund an Attorney 5 in Dillingham and an Attorney 5 and Paralegal 3 in Palmer.</p> <p>Fiscal Analyst Comment: There does not appear to be a metric for a recommended level of casework per prosecuting attorney as there are many factors that can affect any particular case. The American Bar Association does, however, provide for an "Appropriate Workload" (Standard 3-1.8) for prosecutors based on meeting their professional obligations.</p> <p>In short, it is the prosecutor's ethical obligation to carry a workload that does not prevent competent representation. Every prosecuting office should be regularly reviewed for the workloads of prosecutors as well as the workload of the entire office and adjust when necessary to ensure effective and ethical conduct. "The chief prosecutor.....should inform governmental officials of the workload of the</p>

Department of Law
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Criminal Division / Various	Add Five PFTs to Reduce Caseloads to Manageable Levels in the First and Third Judicial (Outside Anchorage) Districts	\$1,194.1 Gen Fund (UGF) 5 PFT Positions Inc	(continued) prosecutor's office, and request funding and personnel that are adequate to meet the criminal caseload."
2	Criminal Division / Criminal Justice Litigation	Add Attorney 5 Position Dedicated to Complex "Brady Case" Disclosure	\$279.9 Gen Fund (UGF) 1 PFT Position Inc	In order to avoid a "Brady Violation" all evidence which might be favorable to the accused must be turned over to the defense during disclosure. This is called a Brady Obligation. Failure to do so could result in a conviction being overturned. By law, however, prosecuting attorneys are not authorized access to the personnel files of law enforcement officers. In certain cases, the content of those files might trigger a Brady Obligation, and thusly becomes a complicated area of law. This Increment would fund an Attorney 5 in Anchorage dedicated to managing proper disclosure for Brady Violation avoidance as it relates to these law enforcement officer's privacy rights. This Attorney would maintain a separation from the line prosecutors and work with the Judge, if necessary, to determine whether information in law enforcement personnel files should be disclosed. Fiscal Analyst Comment: Two Attorney 5 positions have been 100% vacant over the most recent 12 month period in the Criminal Justice Litigation allocation.
3	Criminal Division / Criminal Appeals/ Special Litigation	Add Attorney 5 and Law Office Assistant for Post Conviction Relief Cases	\$387.3 Gen Fund (UGF) 2 PFT Positions Inc	This Increment would fund an Attorney 5 and Law Office Assistant 2 in Anchorage dedicated to "Post Conviction Relief" (PCR) casework. These cases involve defendants seeking to overturn their conviction based on claims, such as ineffective assistance of counsel, a change in the law, material facts not considered, or actual innocence. Adding dedicated legal staff that specialize in these type of cases is intended to relieve other Attorneys' workloads and improve prosecution outcomes.
4	Civil Division / Deputy Attorney General's Office	Continued Statehood Defense Efforts Across Multiple Agencies Supporting Alaska's Statehood Sovereignty (FY26-FY27)	\$500.0 Gen Fund (UGF) IncT	"Statehood Defense" isn't clearly defined, but is understood as the legal resources necessary to protect the State's sovereignty against actions of the Federal government on issues such as the environment, fish and wildlife, and natural resources.

Department of Law
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Civil Division / Deputy Attorney General's Office	Continued Statehood Defense Efforts Across Multiple Agencies Supporting Alaska's Statehood Sovereignty (FY26-FY27)	\$500.0 Gen Fund (UGF) IncT	<p>(continued)</p> <p>Prior to the 2024 session, a total of \$11.5 million was appropriated for statehood defense efforts via Multiyear appropriations: FY21-FY25 - \$4,000.0 FY23-FY25 - \$2,500.0 FY24-FY26 - \$5,000.0</p> <p>The Governor's FY25 request was for a \$2,018.0 Temporary Increment (IncT) from FY25-FY27 in the numbers section. This would have provided just over \$2 million each year for those three years. Instead, the legislature reduced the amount to a \$500.0 IncT for a total of \$1.5 million over the three years.</p> <p>A table was provided by the agency in January of 2024 identifying a total of \$8.8 million in potential anticipated costs. With the FY25 authorization, \$7.7 million was available.</p> <p>For FY26, another IncT is proposed from FY26-FY27 for \$500.0. This would provide an additional \$1 million and essentially meet the level of funding identified last January.</p>
5	Civil Division / Labor, Business & Corporations	Funding for Labor Relations Analysts from Department of Administration for Program Alignment	\$805.6 Gen Fund (UGF) ATrIn	<p>Per Article III, Section 23 of the Alaska Constitution, the Governor may make changes in the assignment of functions in the Executive Branch that are considered necessary for efficient administration. In September 2024, the Governor issued Administrative Order 356 transferring the labor relations function in the Department of Administration (DOA) to the Department of Law (Law) and the Governor's Office with the intended purpose of tying the agency directly responsible for drafting, interpreting, and negotiating legal instruments on behalf of the State (Law) directly to the State's labor relations work.</p> <p>Four Labor Relations Analyst positions were transferred in the FY25 Management Plan from DOA to Law and a Reimbursable Services Agreement (RSA) was established to pay for the function using the DOA Labor Relations budget.</p> <p>In the Governor's FY26 budget proposal, the funding for the four positions is being transferred from DOA Labor Relations to Law, Labor, Business &</p>

Department of Law
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Civil Division / Labor, Business & Corporations	Funding for Labor Relations Analysts from Department of Administration for Program Alignment	\$805.6 Gen Fund (UGF) ATrIn	(continued) Corporations - a total of \$805.6 UGF. Items 5 and 6 are related.
6	Civil Division / Labor, Business & Corporations	Attorney 5 Position and Associated Expenditures to Assist for Labor Relations Work	\$279.9 Gen Fund (UGF) 1 PFT Position Inc	Coupled with the transfer of the labor relations function (positions and funding) from DOA to Law, an Increment for a full-time Attorney 5 position is being requested to oversee the new labor relations unit. This position would provide direct legal assistance on contract terms and negotiations, and enhance responses to grievances, arbitrations and contract interpretation. Items 5 and 6 are related.
7	Administration and Support / Various	Establish New Allocations for State Facilities Maintenance and Operations	Struct	Last session the legislature made an attempt to consolidate facility maintenance and operations costs for each agency following AS 37.07.020(e). The FY25 budget for the Department of Law included a new allocation named State Facilities Maintenance and Operations in the Administration and Support appropriation. In addition, the legislature added intent language in the Governor's Office that read: "It is the intent of the legislature that the budget prepared under AS 37.07.020 for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities." For FY26, the Department of Law added multiple new allocations in the Administration and Support appropriation to account for maintenance and operations costs for both State owned and non-State owned facilities, as well as rent. Funding would be transferred from State Facilities Maintenance and Operations into the new Facility Operations and Maintenance State Owned and Facilities Rent State Owned allocations. In addition two allocations would be created called Facilities Operations and Maintenance Non-state Owned and Facilities Rent Non-state Owned .

Department of Law
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Administration and Support / Various	Establish New Allocations for State Facilities Maintenance and Operations	Struct	(continued) Interagency Receipts authority would be transferred to these allocations to represent the costs paid for within the agency for non-State owned facilities.

Department of Law
FY2026 - Summary of Significant Capital Budget Issues
 (\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
1	Case Management System Replacement	\$8,000.0 Gen Fund (UGF)	<p>The case management systems currently used by the Civil and Criminal divisions are purportedly becoming obsolete. This project would develop and implement a single replacement system that can serve both divisions. The intent would be an off the shelf product that can be customized for both divisions. The project has been proposed in two phases, with phase two in FY27 estimated at \$5 million.</p> <p>The agency has worked with a consultant and other State Attorney General's offices (that have transitioned to a cloud-based solution) for their cost estimate.</p> <p>Both systems are intended to be developed at the same time with Civil Division costs estimated at \$8 million and Criminal Divisions costs estimated at \$5 million over a five-year period. Costs are expected to include data clean-up tasks, customizing the system based on each Division's matter management, timekeeping, workflows, and billing needs, data migration, testing, and integration with other applications.</p> <p>Annual operating costs for licensing, integration, and data storage are expected along with costs associated with supporting the older systems during the implementation process for business continuity.</p>

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Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

**2025 Legislature - Operating Budget
Allocation Summary - Governor Structure**

**Numbers and Language
Agencies: DM&VA**

Allocation	[1] 25Enr01	[2] 25Auth	[3] 25MgtP1n	[4] AdjBase	[5] Gov	[5] - [3] 25MgtP1n to Gov	[5] - [4] AdjBase to Gov		
Military & Veterans' Affairs									
Military and Veterans' Affairs									
Office of the Commissioner	7,174.0	7,231.3	7,269.8	7,409.3	7,584.3	314.5	4.3 %	175.0	2.4 %
Homeland Security & Emerg Mgt	9,291.2	9,307.6	9,598.9	9,778.5	9,778.5	179.6	1.9 %	0.0	
Army Guard Facilities Maint.	15,290.1	15,305.5	15,170.8	15,308.6	15,308.6	137.8	0.9 %	0.0	
Civil Air Patrol	250.0	250.0	250.0	250.0	250.0	0.0		0.0	
Air Guard Facilities Maint.	7,912.0	7,924.6	7,924.6	8,021.7	8,021.7	97.1	1.2 %	0.0	
Alaska Military Youth Academy	12,150.4	12,164.9	11,869.8	11,973.1	11,973.1	103.3	0.9 %	0.0	
Veterans' Services	2,570.9	2,680.5	2,780.5	2,751.9	2,751.9	-28.6	-1.0 %	0.0	
State Active Duty	325.0	325.0	325.0	325.0	525.0	200.0	61.5 %	200.0	61.5 %
Facilities Rent - NonState Owned	0.0	0.0	0.0	88.1	88.1	88.1	>999 %	0.0	
Appropriation Total	54,963.6	55,189.4	55,189.4	55,906.2	56,281.2	1,091.8	2.0 %	375.0	0.7 %
Alaska Aerospace Corporation									
Alaska Aerospace Corporation	3,894.2	3,894.2	3,894.2	3,911.6	3,911.6	17.4	0.4 %	0.0	
AAC Facilities Maintenance	6,601.0	6,609.9	6,609.9	6,624.3	6,624.3	14.4	0.2 %	0.0	
Appropriation Total	10,495.2	10,504.1	10,504.1	10,535.9	10,535.9	31.8	0.3 %	0.0	
Agency Unallocated									
Agency Unallocated Approp	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
Appropriation Total	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
Agency Total	65,458.8	65,693.5	65,693.5	66,442.1	66,817.1	1,123.6	1.7 %	375.0	0.6 %
Statewide Total	65,458.8	65,693.5	65,693.5	66,442.1	66,817.1	1,123.6	1.7 %	375.0	0.6 %
Funding Summary									
Unrestricted General (UGF)	17,584.4	17,791.7	17,791.7	18,024.1	18,199.1	407.4	2.3 %	175.0	1.0 %
Designated General (DGF)	36.3	36.3	36.3	35.2	35.2	-1.1	-3.0 %	0.0	
Other State Funds (Other)	12,762.0	12,772.6	12,772.6	13,000.8	14,000.8	1,228.2	9.6 %	1,000.0	7.7 %
Federal Receipts (Fed)	35,076.1	35,092.9	35,092.9	35,382.0	34,582.0	-510.9	-1.5 %	-800.0	-2.3 %

Department of Military and Veterans' Affairs
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Military and Veterans' Affairs / Office of the Commissioner	Add Program Manager for Alaska State Defense Force Using Existing Funding	Net Zero 1 PFT Position PosAdj	<p>The Alaska State Defense Force (ASDF) is a part of the Organized Militia per AS 26.05.100. The Department has expanded the role of ASDF in responding to emergencies and disasters. Currently, the commander of the ASDF is a volunteer position. In FY25, the Governor proposed the creation of this position with a \$138.1 UGF Increment. The legislature denied this request.</p> <p>The Department again requests to have a Program Manager for the ASDF, who is accountable to the Commissioner, using \$141.1 in existing UGF funding in the Commissioner's Office Services line. The Commissioners Office contains \$400.2 in base ASDF funding and this would come from within that amount. This funding would be made available by reprioritizing travel and other ASDF activities, but the Department indicates that this will not affect the core mission.</p>
2	Military and Veterans' Affairs / Office of the Commissioner	Expanded Operations of Alaska State Defense Force, Naval Militia, and Civil Air	\$175.0 Gen Fund (UGF) Inc	<p>The Department intends to use this increase in UGF funding to enable State Active-Duty payments, recruitment efforts, training, travel, supplies, and other associated operating costs.</p> <p>Fiscal Analyst Comment: In FY24, the Governor proposed the creation of a new ASDF allocation and an associated \$2.1 million UGF increase to bring the ASDF from 200 members up to 500. The legislature denied this request for a new allocation and for the funding increase. In FY25, the Governor again proposed a \$261.7 UGF increase to expand the ASDF. The legislature again denied this request, but maintained \$400.2 (\$359.5 UGF, \$40.7 I/A) in funding for the ASDF in the Commissioner's Office base budget.</p>
3	Military and Veterans' Affairs / State Active Duty	Counterdrug Training, Outreach, and Education for Drug Prevention	\$200.0 I/A Repts (Other) Inc	<p>The National Guard Counterdrug Support Program (CDSP) is established to provide support for law enforcement agencies, community-based organizations, and federal agencies that support Alaska's local law enforcement purposes and prevention through analysis, research, interdiction, and educational support activities. The Governor proposes the use of Interagency receipt authority to activate two Guard members to provide training, outreach, and education for communities across the state with funding availability from other state and</p>

Department of Military and Veterans' Affairs
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Military and Veterans' Affairs / State Active Duty	Counterdrug Training, Outreach, and Education for Drug Prevention	\$200.0 I/A Rcpts (Other) Inc	(continued) federal agencies. Fiscal Analyst Comment: The Alaska CDSP's federal funding level is limited by the method for distribution used by the federal government, which allocates funding by population rather than by the use of any metrics on the prevalence of drug use within the population.
4	Military and Veterans' Affairs / Facilities Rent - Non State Owned	Create New Allocation for Facilities Rent - Non State Owned to Adhere to Alaska Statute 37.07.020(e)	Struct	In FY25, the legislature added intent language in the Governor's Office that read: "It is the intent of the legislature that the budget prepared under AS 37.07.020 for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities." In FY26, the Governor's budget creates a new allocation in the Military and Veterans' Affairs appropriation named "Facilities Rent - Non State Owned" and transfers \$88.1 of Federal receipts and GF/Match into it from various other Military and Veterans' Affairs allocations.

Department of Military and Veterans' Affairs
FY2026- Summary of Significant Capital Budget Issues
(\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
1	Camp Carroll Recruiting and Retention Modernization	Total: \$1,586.0 \$1,189.5 Fed Rcpts (Fed) \$396.5 GF/Match (UGF)	Full remodel of the Recruiting and Retention building on Joint Base Elmendorf-Richardson (JBER). The project would replace interior and exterior lighting, paint, carpet, walls, windows, doors, and new asphalt.
2	Alcantra Modernization	Total: \$1,950.0 \$1,250.0 Fed Rcpts (Fed) \$700.0 GF/Match (UGF)	The Alcantra Armory Complex dates was first built in the early 1970's. The Department asserts that the Armory Annex is beyond its usable lifecycle. The dining facility does not meet current health code requirements. The Department is requesting funding to renovate the dining facility, to add pavement to the road that connects the lower to upper armory complex, and for installation of a new sign for the facility. Fiscal Analyst Comment: Alcantra last received a capital appropriation for deferred maintenance in FY15 for \$430.0. The Governor last proposed a reappropriation of \$900.0 for the Alcantra access road in FY20, and a \$4.9 million appropriation for design of a replacement Alcanta Readiness Center, but neither was approved by the legislature.
3	Camp Denali Barracks Remodel Design and Cost Estimate	Total: \$1,000.0 \$750.0 Fed Rcpts (Fed) \$250.0 GF/Match (UGF)	The Alaska Army National Guard does not have adequate barracks space to house soldiers during training events on JBER. This project will provide for engineering, design, and cost estimating to convert the old United States Property and Fiscal Office building into barracks space.
4	Statewide Armory Barracks Conversions	Total: \$2,200.0 \$1,100.0 Fed Rcpts (Fed) \$1,100.0 GF/Match (UGF)	The Department requests funding to address four armories that lack designated space for housing soldiers or individuals responding to disasters. This project will convert existing storage into functional male and female bunk rooms. The following Armories would be converted: Bethel, Nome, Fairbanks, and Kodiak.
5	Open Storage Classified Workspace	Total: \$393.0 \$300.0 Fed Rcpts (Fed) \$93.0 GF/Match (UGF)	Establish an area in the Anchorage Armory as a classified workspace that complies with Army Regulation 380-67.

Department of Military and Veterans' Affairs
FY2026- Summary of Significant Capital Budget Issues
(\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
6	State Homeland Security Grant Programs	Total: \$14,833.0 \$14,100.0 Fed Rcpts (Fed) \$733.0 GF/Match (UGF)	Federal receipt authority for the State Homeland Security Program (SHSP), Building Resilient Infrastructure in Communities (BRIC) Grants, Emergency Management Performance Grant (EMPG), National Oceanic and Atmospheric Administration (NOAA) grant, and State and Local Cybersecurity Grant. Fiscal Analyst Comment: Funding for these programs fluctuates from year to year. In FY25 the Department received an appropriation totaling \$20.6 million, whereas FY23 it was only \$11.4 million.
7	National Guard Counterdrug Support	\$150.0 Fed Rcpts (Fed)	The National Guard Counterdrug Support Program (CDSP) supports law enforcement agencies in drug enforcement operations, assists in training Law Enforcement Officers, and provides community-based drug awareness programs. Fiscal Analyst Comment: The funding level has remained flat from the last two years. In SLA 2024 the Department received funding in FY25 and FY24 as a Supplemental.

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**2025 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

**Numbers and Language
Agencies: DNR**

Appropriation	[1] 25Enroll	[2] 25Auth	[3] 25MgtPln	[4] AdjBase	[5] Gov	[5] - [3] 25MgtPln to Gov	[5] - [4] AdjBase to Gov
Natural Resources							
Admin. and Support Services	32,630.6	33,328.8	33,328.8	33,847.7	42,008.2	8,679.4 26.0 %	8,160.5 24.1 %
Oil and Gas	22,760.6	23,308.2	23,308.2	23,776.5	23,776.5	468.3 2.0 %	0.0
Fire, Land, and Water Resources	88,446.2	88,524.4	88,524.4	89,901.6	94,356.0	5,831.6 6.6 %	4,454.4 5.0 %
Parks and Outdoor Recreation	21,387.7	21,061.7	21,061.7	21,144.3	21,446.3	384.6 1.8 %	302.0 1.4 %
Agriculture	7,161.0	7,176.2	7,176.2	7,266.0	7,266.0	89.8 1.3 %	0.0
Agency Unallocated	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agency Total	172,386.1	173,399.3	173,399.3	175,936.1	188,853.0	15,453.7 8.9 %	12,916.9 7.3 %
Statewide Total	172,386.1	173,399.3	173,399.3	175,936.1	188,853.0	15,453.7 8.9 %	12,916.9 7.3 %
Funding Summary							
Unrestricted General (UGF)	66,885.0	67,488.9	67,488.9	68,315.8	70,470.2	2,981.3 4.4 %	2,154.4 3.2 %
Designated General (DGF)	48,679.2	48,428.7	48,428.7	49,265.0	49,567.0	1,138.3 2.4 %	302.0 0.6 %
Other State Funds (Other)	41,521.2	42,180.3	42,180.3	42,953.2	53,413.7	11,233.4 26.6 %	10,460.5 24.4 %
Federal Receipts (Fed)	15,300.7	15,301.4	15,301.4	15,402.1	15,402.1	100.7 0.7 %	0.0

Department of Natural Resources
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Administration & Support Services / State Facilities Maintenance and Operations	Add Receipt Authority to State Facilities Maintenance and Operations to Track Maintenance and Operations Expenditures	\$7,881.0 I/A Rcpts (Other) Inc	<p>In FY25, the legislature added intent language in the Governor's Office that read:</p> <p>"It is the intent of the legislature that the budget prepared under AS 37.07.020(e) for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities."</p> <p>In FY25, the legislature renamed the existing "Facilities" allocation in Administration and Support Services appropriation to "State Facilities Maintenance and Operations."</p> <p>In FY26, the Governor's Budget proposes adding \$7,881.0 in Interagency Receipt authority to the State Facilities Maintenance and Operations allocation to track transfers of funding in support of maintenance and operating activities.</p>
2	Oil & Gas / Oil & Gas	Add Commercial Analyst for AKLNG Project	n/a	<p>This Commercial Analyst position was added in FY25 Management Plan using funding the Department has linked to FY25 Increments of \$385.0 General Fund Program Receipts (GFPR). At the time, \$200.0 of the GFPR funding was added for the purpose of increasing efficiency in Easement Inspection Workloads to the personal services line, and the rest of the new GFPR was in the services line.</p> <p>Fiscal Analyst Comment: Funding was not requested or appropriated specifically for the purposes of addressing this position, or AKLNG related activity.</p>
3	Fire Suppression, Land & Water Resources / Mining, Land & Water	Big Game Guide Concession Area Implementation, SB 189 (Ch. 15 SLA 24)	\$342.0 Gen Fund (UGF) 2 PFT Positions Inc	<p>The Guide Concession Permit Program (HB 396) was rolled into SB 189 as one of the final actions of the 2024 legislative session. The operating budget did not include fiscal note funding for the legislation. Fiscal Notes for HB 396 were published for the Department of Natural Resources to manage the program, and for the Department of Fish and Game to support DNR's management, as well as the Board of Game process in considering proposed guide concession areas.</p> <p>This funding enables DNR to add two permanent full-time positions, one Natural Resource Manager and one Natural Resource Specialist, in Anchorage or</p>

Department of Natural Resources
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Fire Suppression, Land & Water Resources / Mining, Land & Water	Big Game Guide Concession Area Implementation, SB 189 (Ch. 15 SLA 24)	\$342.0 Gen Fund (UGF) 2 PFT Positions Inc	(continued) Fairbanks. These positions support the creation of a program that will adopt regulations, develop selection criteria and guiding qualifications, evaluate applications, and issue permits for big game hunting guides to have exclusive rights to specific geographic areas. This request is \$28.6 larger than the FY26 Fiscal Note amount to include salary adjustments for the positions.
4	Fire Suppression, Land & Water Resources / Mining, Land & Water	Add Two Natural Resource Specialist Positions to Address Increased Broadband Easement Applications (FY26-27)	\$306.0 Gen Fund (UGF) 2 PFT Positions IncT	The Federal Infrastructure Investments & Jobs Act provided \$65 billion for broadband infrastructure development across the nation, including \$32.2 billion in matching grants to states and subgrantees expanding broadband access to unserved or underserved areas. The Department reports that easement permitting activity has already increased since the passage of the act. This temporary funding will add two full-time Natural Resource Specialist positions in Anchorage or Fairbanks to keep pace with the increase in easement applications for the next two years. Fiscal Analyst Comment: This request adds two permanent full-time positions with temporary funding. The Department has indicated that they are requested as permanent positions to aid in their recruitment. If the positions are not removed or the funding is not extended at the end of the two-year appropriation, these positions may create a funding gap.
5	Fire Suppression, Land & Water Resources / Forest Management & Development	Add UGF to Replace Expiring CIP and Federal Funds that Support 4 Foresters, 5 GIS Analysts, and 3 Equipment Operators	\$437.6 Gen Fund (UGF) Inc	This provides permanent funding for positions that rely on temporary capital and federal funds. \$217.7 to change funding sources for four Forester positions from Federal to UGF. These positions are located in Anchorage, Fairbanks, Home, and Palmer, and are already 50 percent funded by UGF. This federal funding is from the Bipartisan Infrastructure Law which is anticipated to end in FY26 or FY27. \$219.9 to change funding sources for five GIS Analysts, two Equipment Operator Journey 2 positions, and one Equipment Operator Foreman 1 from Capital Improvement Projects (CIP) Receipts to UGF. These positions are all located in Fairbanks except one GIS Analyst 1 who is in Palmer. The

Department of Natural Resources
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Fire Suppression, Land & Water Resources / Forest Management & Development	Add UGF to Replace Expiring CIP and Federal Funds that Support 4 Foresters, 5 GIS Analysts, and 3 Equipment Operators	\$437.6 Gen Fund (UGF) Inc	<p>(continued) equipment operators are fully funded by CIP Receipts, and the GIS analysts are funded 25 percent by CIP Receipts. The Department states the Fire Risk Reduction and Fuel Breaks capital project that funds these positions will end in FY26.</p> <p>These fund source substitutions follow an FY25 approved Increment of \$900.0 UGF to support personal services with a reliable and permanent fund source, allowing the department to use less predictable revenues from Timber Sale Receipts on infrastructure projects.</p> <p>Fiscal Analyst Comment: There are no corresponding reductions to any fund sources as the agency shifts its personal services funding from expiring fund sources to UGF.</p>
6	Fire Suppression, Land & Water Resources / Forest Management & Development	Add One Forester, One Engineer/Architect, and One Accounting Tech to Support Development of New Lands for Timber Sales	\$420.4 Gen Fund (UGF) 3 PFT Positions Inc	<p>This additional funding adds three positions associated with expanding access to new state lands to encourage timber development projects.</p> <p>\$144.9 to add a Forester in Haines to increase timber sale capacity in Southeast Alaska. There is currently a long term non-permanent Forester position doing this work in Haines.</p> <p>\$173.5 to add an Engineer/Architect in Anchorage to plan infrastructure development projects that expand access to state forests.</p> <p>\$102.0 to add an Accounting Tech in Anchorage to provide administrative support of forest development projects</p> <p>These additional positions follow an FY25 approved Increment of \$900.0 UGF to support personal services with a reliable and permanent fund source, allowing the department to use less predictable revenues from Timber Sale Receipts on infrastructure projects, thereby also expanding the available resources for timber development opportunities.</p>

Department of Natural Resources
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Fire Suppression, Land & Water Resources / Forest Management & Development	Add Authority for Anticipated Denali Commission Grant to Perform Forest Management Activities on Private Lands	\$800.0 Stat Desig (Other) Inc	The Department does not currently perform forest management activities such as reforestation, fire mitigation, and health treatments on any private lands. If awarded this grant, the Department expects to initiate new forest management activity with the intention of helping to prevent large-scale disturbances like forest fires and spruce beetle outbreaks. Fiscal Analyst Comment: This could be changed to a temporary Increment instead of being added to the base. The Department has indicated that a temporary Increment could satisfy their needs.
8	Fire Suppression, Land & Water Resources / Various	Reduce Federal Receipt Authority Due to Increased Use of Capital Budget Grants	(\$2,200.0) Fed Rcpts (Fed) Dec	The Department has Federal receipt authority that is no longer needed due to grants being structured against the capital budget, instead of the operating budget. The Forest Management & Development allocation would be reduced by \$1,247.8, and the Fire Suppression Preparedness allocation would be reduced by \$952.2.
9	Fire Suppression, Land & Water Resources / Geological & Geophysical Surveys	Increase Federal Receipt Authority for Natural Disaster Hazard Assessment Studies	\$2,200.0 Fed Rcpts (Fed) Inc	This Increment will use grant opportunities from the US Geological Survey (USGS) and the Federal Emergency Management Agency (FEMA) to conduct studies assessing environmental characteristics that result in hazardous natural disasters, such as landslides or floods. The agency anticipates funding to support research in remote areas of Prince William Sound and Southeast Alaska, with the potential to identify and better understand what environmental conditions could put Alaskan residents at risk from natural disasters.
10	Fire Suppression, Land & Water Resources / Geological & Geophysical Surveys	Add Two Positions to Create Response and Prevention Team for Natural Disaster Emergency Responses and Public Outreach	\$648.4 Gen Fund (UGF) 2 PFT Positions Inc	This funding will establish a team dedicated to Natural Disaster Emergency Response and Prevention to respond to State Emergency Center requests for assistance. Two full time positions would be created for the team: one Geologist 2 in Fairbanks and one Geographic Information System (GIS) Analyst 2 in Anchorage. \$301.2 would be added for travel, services, and supplies including Light Detection and Ranging (LIDAR) capable drones, satellite links to weather stations, and maintenance on older equipment. The State does not currently have any positions or resources dedicated for this purpose, which has previously hindered response times and the ability to

Department of Natural Resources
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Fire Suppression, Land & Water Resources / Geological & Geophysical Surveys	Add Two Positions to Create Response and Prevention Team for Natural Disaster Emergency Responses and Public Outreach	\$648.4 Gen Fund (UGF) 2 PFT Positions Inc	(continued) have a qualified geological expert on-site in the aftermath of a natural disaster to assess the situation and advise response activities. When not actively preparing or responding, this team would make use of GIS technology and conduct public outreach to educate and advise Alaskans on the risks of natural disasters that may occur in their region.
11	Fire Suppression, Land & Water Resources / Fire Suppression Preparedness	Improve Maintenance of Fire Fighting Fleet with Revenues from Regional Sharing of Firefighting Resources	\$1,500.0 Stat Desig (Other) Inc	DNR provides firefighting assistance and resources to members of the Northwest Compact Agreement and the Federal Fire Cooperators when possible, and receives assistance in return. Members reimburse each other based on per-day rates, which prior to 2021 had been limited to crews, overhead, dispatchers, and aircrafts. In 2021 the members started also exchanging fire engines, which increased revenues as well as maintenance costs. The Department collects reimbursement for their efforts as Statutory Designated Program (SDPR) Receipts, which are tied to a specific purpose and do not lapse into the general fund. This request to add SDPR authority would allow the agency to use these funds to address ongoing fleet maintenance. In FY2024 the agency received a capital appropriation of \$1,200.0 SDPR for maintenance that the Department states is fully encumbered. This request adds ongoing maintenance activity with this fund source to the base budget.
12	Agriculture / Agricultural Development	Create New Department of Agriculture	n/a	On December 20th, 2024, the Governor announced an Executive Order (EO) to create a new Department of Agriculture from the existing Division of Agriculture in the Department of Natural Resources. According to the Governor's website, "The EO will be introduced under the Governor's constitutional authority in Article 3, Section 23, to reorganize the executive branch. Unless rejected by a majority lawmakers, the Department of Agriculture will be official on July 1, 2025." The Governor's December budget release does not include any changes or funding relating to this forthcoming EO.

Department of Natural Resources
FY2026 - Summary of Significant Capital Budget Issues
 (\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
1	Firefighting Aircraft	\$2,500.0 Gen Fund (UGF)	<p>DNR owns two aircraft used to coordinate wildland fire responses, a Turbo Commander N840AK and a Turbo Commander N905AK. According to the Department the N840AK is at the end of its operational life and is decreasing in operational efficiency while increasing in upkeep. It will require significant ongoing costs to remain operational.</p> <p>This funding would purchase a used Turbo Commander 1000 series, similar to the existing N905AK, eliminating the need for new training prior to use and allowing the agency to potentially harvest useful parts from the retired N840AK. Current annual maintenance for each plane average \$436.5, and the operating costs for the new plane would use the existing budget for the retired plane.</p>
2	Land and Water Conservation Fund Grant Program	<p>Total: \$3,700.0</p> <p>\$2,900.0 Fed Rcpts (Fed)</p> <p>\$800.0 GF/Prgm (DGF)</p>	<p>This request is part of a 50/50 federal match grant program to develop and upkeep public outdoor recreation areas and facilities that the State has participated in since the 1970s. The Department typically matches a portion of the grant and offers subgrants to municipalities and boroughs who can also provide match for the remaining federal portion. In Alaska, this program usually assists projects such as ski areas, ADA compliant trails, parks, rifle ranges, sports fields, and skate parks.</p> <p>In FY26, the amount of federal funding available increased from \$2,600.0 to \$2,900.0, but the Governor is requesting half the amount of matching funds that were appropriated in FY25.</p> <p>Fiscal Analyst Comment: Historically this program has used general fund match instead of general fund program receipts as a fund source to match federal funds.</p>
3	National Recreational Trails Federal Grant Program	<p>Total: \$2,750.0</p> <p>\$2,500.0 Fed Rcpts (Fed)</p> <p>\$250.0 GF/Match (UGF)</p>	<p>This request is part of a 10:1 federal match grant program to develop and improve trails that the State has participated in since 2014. Funding is split proportionally between motorized, non-motorized, and diversified trails.</p> <p>In FY26 the federal and match amounts increase by 66% over FY25 due to additional federal</p>

Department of Natural Resources
FY2026 - Summary of Significant Capital Budget Issues
(\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
3			(Continued) funding becoming available, requiring additional state match.
4	Department of Natural Resources Ongoing Capital Programs	Total: \$17,330.0 \$16,330.0 Fed Rcpts (Fed) \$500.0 State Land (DGF) \$500.0 Stat Desig (Other)	The following programs are regular capital requests with no substantial changes. \$12,000.0 Fed Rcpts - Cooperative Forestry and Fire Programs \$4,330.0 Fed Rcpts - Abandoned Mine Lands Reclamation Federal Program \$500.0 State Land - Land Sales New Subdivision Development \$500.0 Stat Desig - Industry Projects Application Review (Dam Safety)

Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

**2025 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

**Numbers and Language
Agencies: DPS**

Appropriation	[1] 25Enroll	[2] 25Auth	[3] 25MgtPln	[4] AdjBase	[5] Gov	[5] - [3] 25MgtPln to Gov	[5] - [4] AdjBase to Gov
Public Safety							
Fire and Life Safety	7,438.2	7,456.4	7,456.4	7,566.6	7,566.6	110.2 1.5 %	0.0
Alaska State Troopers	198,673.2	199,437.8	199,437.8	207,966.4	216,432.2	16,994.4 8.5 %	8,465.8 4.1 %
Village Public Safety Ops	24,347.3	24,362.0	24,362.0	24,381.8	25,597.0	1,235.0 5.1 %	1,215.2 5.0 %
AK Police Standards Council	1,637.4	1,653.1	1,653.1	1,570.1	1,650.1	-3.0 -0.2 %	80.0 5.1 %
Integrated Victim Assistance	36,839.1	36,867.8	36,867.8	37,591.6	36,842.9	-24.9 -0.1 %	-748.7 -2.0 %
Statewide Support	57,508.5	57,915.0	57,915.0	59,063.2	59,244.3	1,329.3 2.3 %	181.1 0.3 %
Agency Unallocated	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Agency Total	326,443.7	327,692.1	327,692.1	338,139.7	347,333.1	19,641.0 6.0 %	9,193.4 2.7 %
Statewide Total	326,443.7	327,692.1	327,692.1	338,139.7	347,333.1	19,641.0 6.0 %	9,193.4 2.7 %
Funding Summary							
Unrestricted General (UGF)	261,658.5	262,503.9	262,503.9	273,093.8	281,982.9	19,479.0 7.4 %	8,889.1 3.3 %
Designated General (DGF)	9,536.6	9,883.5	9,883.5	9,601.9	9,214.8	-668.7 -6.8 %	-387.1 -4.0 %
Other State Funds (Other)	14,310.2	14,330.6	14,330.6	14,319.7	15,011.1	680.5 4.7 %	691.4 4.8 %
Federal Receipts (Fed)	40,938.4	40,974.1	40,974.1	41,124.3	41,124.3	150.2 0.4 %	0.0

Department of Public Safety
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Various	Structure Changes to Adhere to AS 37.078.020(e)	Struct	<p>In FY25, the legislature added intent language in the Governor's Office that read:</p> <p>"It is the intent of the legislature that the budget prepared under AS 37.07.020(e) for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities."</p> <p>In FY25, the legislature renamed the existing "Facility Maintenance" allocation in the Statewide Support Services appropriation to "State Facilities Maintenance and Operations."</p> <p>In FY26, the Governor's Budget adds five new allocations to each appropriation in Public Safety that did not already have a Facility Maintenance and Operation allocation. In addition, the Governor transfers \$8,159.3 UGF, \$29.0 DGF, and \$2.3 of Other funds from within each appropriation into these new allocations.</p> <p>Additionally, the Governor's budget adds \$1,010.0 in Interagency Receipt authority to the maintenance and operations allocations for the purpose of passing through lease costs from other allocations.</p> <p>All funding is transferred out of DPS State Facilities Rent, effectively eliminating the allocation.</p>
2	Alaska State Troopers / Dispatch Services	Increased Costs for Dispatch Services Contracts in Kenai and Wasilla	\$123.8 Gen Fund (UGF) Inc	<p>In FY23, the legislature funded a \$1,819.4 increment to support an updated Dispatch Services contract with the Kenai Peninsula Borough (KPB), though the allocation also received a \$1 million decrement. The agency worked with KPB to renegotiate costs and lower the contract amount.</p> <p>Negotiations to extend dispatch services contracts with the Boroughs of Kenai and Wasilla for FY25 have resulted in increased costs to maintain the services. According to the Department the rates are affected by cost-of-living, call volumes, and other services provided. This is approximately a 3 percent increase over the FY24 contracts.</p>

Department of Public Safety
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Alaska State Troopers / Various	Add Five Troopers and One Crim. Justice Tech to Re-Establish Talkeetna Post/ Trapper Creek/North Parks Highway Corridor	\$1,808.6 Gen Fund (UGF) 6 PFT Positions Inc	<p>The Talkeetna Spur Road Trooper Post was closed in 2016 due to budget reductions. This initiative would fund the reopening of the post, with five Troopers and one Criminal Justice Technician added to serve the Trapper Creek/North Parks Highway Corridor. The Department cites increased call for service and the growing population in the area as reasons for the proposed change. The ongoing annual cost of \$1,808.6 is allocated between the Alaska State Troopers Detachments (\$1,485.6) and the Alaska Wildlife Troopers (\$323.0).</p> <p>Separate one-time increments totaling \$596.0 UGF are requested for startup costs of commissioned officers which includes the purchase of a vehicle, and office buildout costs of a leased space when acquired.</p>
4	Alaska State Troopers / Alaska State Trooper Detachments	Add Funding for up to 300 Hours of Overtime per State Trooper	\$2,348.0 Gen Fund (UGF) Inc	<p>The Department currently has funding to provide up to 168 hours of overtime per State Trooper. In FY24, the average overtime per Trooper was 300 hours. This funding increase ensures each Trooper can be budgeted for 300 hours of overtime per trooper, aligning the budget with actual workload requirements.</p> <p>Trooper overtime is paid at 1.5 times their hourly rate, and can be exchanged for comp time in accordance with the terms of their union contract. This flexibility allows Troopers to manage high-priority incidents and maintain public safety presence in underserved areas.</p>
5	Alaska State Troopers / Various	Address Cost Increasing Law Enforcement Supply and Equipment Costs	\$800.0 Gen Fund (UGF) Inc	<p>This Increment adds funding for increasing costs of equipment to the base. According to DPS, the cost of replacing law enforcement equipment is rising due to improved technology, with significant cost increases for clothing/uniforms, firearms, ammunition, safety and first aid gear, ballistic vests, survival suits, and other parts and supplies.</p> <p>In FY25, the legislature approved \$800.0 of one-time funding for new supplies and equipment between the Alaska State Troopers Detachments (\$500.0) and Wildlife Troopers (\$300.0). This funding was used to initiate purchase of less-lethal equipment for patrol units and SWAT teams Statewide, as well as uniforms, ballistic vests, rifle plate carriers, and startup/ replacement equipment.</p>

Department of Public Safety
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	Alaska State Troopers / Various	Address Cost Increasing Law Enforcement Supply and Equipment Costs	\$800.0 Gen Fund (UGF) Inc	(continued) There is also an FY26 Capital request to continue/ expand the FY25 One-Time Increment and purchase additional body armor, plate-carriers, and less-lethal equipment. According to the Department, this FY26 operating Increment is unrelated to the FY25 IncOTI and the FY26 capital request, and is specifically requested to address increasing costs of standard equipment.
6	Alaska State Troopers / Alaska State Trooper Detachments	Purchase Two Transit Vans for Crime Scene Response in Palmer	\$65.0 Gen Fund (UGF) IncOTI	This request to purchase two transit vans would provide forensic technicians in Palmer and Soldotna with consistent and reliable transportation to and from crime scenes. Currently, transportation in Soldotna relies on an unequipped X-class van, while Palmer technicians must rely on what is available within the State fleet at the time of a call for service. The agency states that these limitations hinder the timely transfer of equipment and evidence and reduce efficiency in supporting forensic operations. The proposed transit vans would address these challenges by offering dedicated vehicles equipped to function as mobile workstations. The request includes funding to modify and outfit the vans with shelving, lights, dual batteries, and other essential equipment. The agency reports that this will ensure that technicians have the necessary tools to perform their duties effectively and maintain the integrity of evidence.
7	Alaska State Troopers / Alaska Bureau of Investigation	Add Three Troopers in Kotzebue for Child Crimes Investigations in Western Alaska	\$1,075.5 Gen Fund (UGF) 3 TMP Positions Inc	This funding request would add three non-permanent Trooper positions to investigate child crimes in the Northwest Arctic region. According to the Department, the current volume of sexual assault cases involving minors exceeds the capacity of existing Trooper Investigators in the area. These dedicated positions would focus on cases of sexual assault against minors, enabling the Department to deploy trained Investigators to address this critical need. In FY25, three child crimes Investigators were added in Bethel, all of which were filled in the first half of the fiscal year. There is a related request for one-time startup costs of \$270.0 UGF for these three positions.

Department of Public Safety
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
8	Alaska State Troopers / Alaska Bureau of Investigation	Pilot Program for New Investigative Genealogy Testing on Unidentified Human Remains	\$50.0 Gen Fund (UGF) IncOTI	<p>The agency reports that there are approximately 70 cases of unidentified human remains dating back to 1968, that typical forensic methods have failed to identify. This funding would send several samples out of state to see if new methods in forensic genetic genealogy might prove successful for identifying these remains. The process typically costs \$8.0-\$10.0 per sample.</p> <p>This one-time funding would be used to pilot the usefulness of the new process and inform further investment.</p>
9	Alaska State Troopers / Aircraft Section	Add Funding for Increased Costs of Repair, Utilities, Fuel, and Parts for Aircraft Operations	\$400.0 Gen Fund (UGF) Inc	<p>This request adds funding to address inflationary costs of parts, supplies, aviation fuel, and utilities. In FY22, the Aircraft Section spent \$348.3 on parts and supplies. In FY23, that number doubled to \$673.7, and in FY24 it doubled again to \$1,312.7.</p> <p>In FY24, the Department received a \$400.0 supplemental, stating at the time that monthly aviation fuel costs have averaged \$126.9 per month, which is projected to result in an annual estimated cost of \$1,522.6. FY2023 fuel costs were \$1,165.8. Contributing factors to the cost increase include fuel prices and increases in department flight hours. In FY2024, aviation fuel has averaged \$7.34/gallon compared to FY2024, when fuel costs averaged \$6.68/gallon. A comparison of pilot hours for the time-period from October to July 2023 and October to July 2024, showed a 24 percent increase (+607.1 hours) and a 23 percent increase in aircraft hours (+526.5).</p> <p>Fiscal Analyst Comment: It is possible the Department will request an FY25 supplemental, given the FY24 supplemental request and the proposed FY26 Increment.</p>
10	Alaska State Troopers / Alaska Wildlife Troopers Marine Enforcement	Remove One Boat Officer No Longer Needed	(\$151.1) Gen Fund (UGF) (1) PFT Position Dec	<p>Funding and a Boat Officer 1 position located in Kodiak is removed from the budget. According to the Department, this operational change follows the decommissioning and sale of the Patrol Vessel (P/V) Enforcer. This leaves a single large vessel, the P/V Stimson, active in the area. The Department believes the single remaining Boat Officer position will suffice for the agency's present needs, however that remaining position is currently vacant and under active recruitment.</p>

Department of Public Safety
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Alaska State Troopers / Alaska Wildlife Troopers Marine Enforcement	Remove One Boat Officer No Longer Needed	(\$151.1) Gen Fund (UGF) (1) PFT Position Dec	<p>(continued)</p> <p>An FY25 capital project provided \$9,500.0 UGF to replace the P/V Enforcer. The agency has indicated a related Boat Officer position will not be needed for at least two years' time, and rather than hold this position vacant it is better to be removed/repurposed. When the P/V Enforcer is replaced, the agency may request an additional Boat Officer position to replace this removed position.</p> <p>Fiscal Analyst Comment: The Governor proposes a transfer of funding equal to the cost of this position to the Commissioner's Office to fund a Project Manager that would coordinate capital funding and special projects. Transfers of funding across appropriations that do not transfer associated duties are classified as Increment/Decrement combinations by Legislative Finance. These transactions have been modified accordingly.</p> <p>Items 10 and 15 are related.</p>
11	Village Public Safety Operations / Village Public Safety Operations	Add Funding for Five New Village Public Safety Officers	\$1,215.2 Gen Fund (UGF) Inc	<p>This transaction would add funding for five new Village Public Safety Officer (VPSO) positions, bringing the total funded positions to 90.</p> <p>As of January 1, 2025, the program serves 64 of the 156 eligible communities, with 15 of those having two officers. While VPSOs are assigned to specific home communities, many also provide public safety services to nearby communities that do not have VPSOs through roving efforts. This approach ensures that even communities without an assigned officer receive necessary public safety services.</p> <p>Each VPSO position is estimated to cost \$243.0, which includes salary, overtime, travel, services, supplies, and equipment.</p> <p>In FY25, the legislature approved funding for 10 additional positions. Currently 79 of the existing 85 VPSO positions are filled, and the agency reports they expect to fill the remaining positions in early 2025.</p>

Department of Public Safety
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
12	Integrated Victim Assistance / Council on Domestic Violence and Sexual Assault	Decrease Funding Due to Reduced Recidivism Reduction Fund Revenue	(\$387.1) RedvsmFund (DGF) Dec	<p>The Recidivism Reduction fund consists of 50% of the proceeds from an excise tax on marijuana sold or transferred from cultivators to stores or manufacturing facilities. FY26 projections show a decline in available revenues. This Decrement brings authority in line with projected revenues.</p> <p>In DPS, this funding supports victim services, crime victim compensation, and programs aimed at reducing recidivism. This decrement would lower the amount of subgrant funding available from Public Safety for prevention programs directed at reducing domestic violence and sexual assault, based on reduced Restorative Justice Account funds being available.</p>
13	Integrated Victim Assistance / Council on Domestic Violence and Sexual Assault	Add General Funds to Replace Reduced Statutory Distribution of Restorative Justice Account	Net Zero \$87.0 Gen Fund (UGF) (\$87.0) Rest Just (Other) FndChg	<p>The amount of Restorative Justice Account funding (AS 43.23.048) available for appropriation each year is calculated to represent the sum of Permanent Fund Dividends forfeited by Alaskans sentenced or incarcerated for felonies and certain misdemeanors in the qualifying calendar year. The distribution reduces the amount of the Permanent Fund Dividend distribution to eligible Alaskans.</p> <p>In FY25, the amount was based on 7,556 ineligible Alaskans and a \$1,312 dividend for the qualifying 2022 calendar year, and in FY26 the amount in the Governor's budget is based on 4,120 ineligible Alaskans and a \$1,702 dividend for the qualifying 2023 calendar year.</p> <p>AS 43.23.048(b) outlines the following purposes and percentages of the Governor's proposed FY26 distribution, with the statutory ranges referenced in parentheses: 12% - Fund Cap - Crime Victims Compensation Fund (10-13%) 3% - Legislature - Office of Victims' Rights (2-6%) 3% - Public Safety - Nonprofit Services for Crime Victims (1-3%) 3% - Health - Nonprofit Mental Health and Substance Abuse Treatment for Offenders (1-3%) 79% - Corrections - Costs Related to Incarceration or Probation (79-88%)</p> <p>Fiscal Analyst Comment: The Governor's FY26 amount is 53% lower than FY25 because the number</p>

Department of Public Safety
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
13	Integrated Victim Assistance / Council on Domestic Violence and Sexual Assault	Add General Funds to Replace Reduced Statutory Distribution of Restorative Justice Account	Net Zero \$87.0 Gen Fund (UGF) (\$87.0) Rest Just (Other) FndChg	(continued) of incarcerated felons and misdemeanants reported by DOC represents only the ineligible Alaskans who did apply, rather than the total number of individuals who are ineligible under these statutes. This may be corrected in the Governor's budget amendments. Items 13 and 14 are related.
14	Integrated Victim Assistance / Violent Crimes Compensation Board	Decrease Funding to Align with Available Restorative Justice Funds Used to Capitalize Crime Victim Compensation Fund	(\$361.6) Crime VCF (Other) Dec	The Crime Victims Compensation fund is capitalized with Restorative Justice Account funding. See Item 13 for more information about the fund source. AS 43.23.048(b) outlines the following purposes and percentages of the Governor's proposed FY26 distribution, with the statutory ranges referenced in parentheses: 12% - Fund Cap - Crime Victims Compensation Fund (10-13%) 3% - Legislature - Office of Victims' Rights (2-6%) 3% - Public Safety - Nonprofit Services for Crime Victims (1-3%) 3% - Health - Nonprofit Mental Health and Substance Abuse Treatment for Offenders (1-3%) 79% - Corrections - Costs Related to Incarceration or Probation (79-88%) Fiscal Analyst Comment: The Governor's FY26 amount is 53% lower than FY25 because the number of incarcerated felons and misdemeanants reported by DOC represents only the ineligible Alaskans who did apply, rather than the total number of individuals who are ineligible under these statutes. This may be corrected in the Governor's budget amendments. Items 13 and 14 are related.
15	Statewide Support / Commissioner's Office	Additional Funding for Project Manager Previously Added for Oversight of Capital and Special Projects	\$151.1 Gen Fund (UGF) Inc	A Project Manager was added in FY25 Management Plan to provide oversight of capital and special projects that cross allocations. Also in FY25 Management Plan, Administrative Services removed a Maintenance Generalist/Journey position and transferred \$104.8 UGF to the Commissioner's Office. This position was removed in order to make funding available for the Project Manager, and the agency states that duties were absorbed by a second Maintenance Generalist/Journey

Department of Public Safety
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
15	Statewide Support / Commissioner's Office	Additional Funding for Project Manager Previously Added for Oversight of Capital and Special Projects	\$151.1 Gen Fund (UGF) Inc	<p>(continued) position.</p> <p>The FY26 Governor's Budget removes a Boat Officer position located in Kodiak from the Wildlife Troopers Marine Enforcement Unit due to one of two large vessels being decommissioned, and the Governor proposes transferring \$155.1 UGF to the Commissioner's Office to offset the cost of this Project Manager.</p> <p>These transactions combined provides a total of \$255.9 for this single position. According to the Department, this comprehensive figure ensures the position's sustainability, and includes necessary adjustments such as relocating the position to Juneau.</p> <p>Fiscal Analyst Comment: Transfers of funding across appropriations that do not transfer associated duties are classified as Increment/Decrement combinations by Legislative Finance. These transactions have been modified accordingly.</p> <p>Items 10 and 15 are related.</p>

Department of Public Safety
FY2026 - Summary of Significant Capital Budget Issues
 (\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
1	Pilatus PC-12 for Emergency Rural Response	\$6,500.0 Gen Fund (UGF)	<p>The Department requests to purchase a pre-owned Pilatus PC-12 airplane and states that it is uniquely capable of accessing 96 percent of Alaska's maintained airports, which would give the Department flexibility to provide rapid law enforcement response, transport prisoners and DPS employees alike, and reduce reliance on aircraft charters which sometimes create operational delays.</p> <p>In FY25 the legislature denied \$6,200.0 for the purchase of this plane. In FY20 the legislature also denied a similar request of \$9,000.0 for this type of plane.</p> <p>The Department anticipates that securing a pre-owned aircraft could take a year or more, and states that it will evaluate operational cost impacts once the purchase is finalized. This indicates additional operating funding of an unknown amount will be requested in the future.</p>
2	Rifle-Rated Armor and Less Lethal 40mm Program	\$750.0 Gen Fund (UGF)	<p>This request would replace gear for the Special Weapons and Tactics (SWAT) Teams and Drug Unit, including Helmets and Armor that is rated for defense against rifles, less lethal launchers, and rifle-rated ballistic shields.</p> <p>In FY25 the legislature approved One-Time Increments in the operating budget totaling \$800.0 to purchase similar items as described in this capital request. This capital funding appears to be a continuation/expansion of that funding.</p> <p>Legislative Fiscal Analyst Comment: This funding does not meet the statutory definition of a capital project (AS 37.07.120(4)) as it does not create a capital asset and would be more appropriately reflected in the operating budget, as it was in FY25.</p>
3	Alaska Wildlife Trooper Marine Vessel Maintenance and Repair	\$2,775.0 Gen Fund (UGF)	<p>This is the second and final part of a five-year vessel maintenance plan initiated in FY25. In FY25 the legislature approved \$2,775.0 UGF for the same purpose, providing funds for scheduled and unscheduled maintenance activities.</p>

Department of Public Safety
FY2026 - Summary of Significant Capital Budget Issues
 (\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
3			<p>(Continued)</p> <p>The request provides shipyard time for the P/V Stimson in 2024 and 2028, the Cam'ai in 2025 and 2029, and the replacement ship for the P/V Enforcer in 2029. This project would also provide \$250.0 per year for annual maintenance and unscheduled repair for medium and small class marine vessels operated by Public Safety, specifically replacing worn or obsolete equipment that includes marine radios, global positioning systems, engines, and hull refurbishment.</p> <p>Legislative Fiscal Analyst Comment: This funding does not meet the statutory definition of a capital project (AS 37.07.120(4)) as it does not create a capital asset and would be more appropriately reflected in the operating budget.</p>
4	Aircraft Maintenance and Repairs	\$1,400.0 Gen Fund (UGF)	<p>This is an ongoing annual request initiated in FY25 to address repair and maintenance of the Department's aircraft fleet totaling \$7,500.0 over five years. In FY25 the legislature approved \$1,900.0 UGF for the same purpose.</p> <p>The request provides routine maintenance as well as overhauls of airframes, which are recommended every seven years.</p> <p>Legislative Fiscal Analyst Comment: This funding does not meet the statutory definition of a capital project (AS 37.07.120(4)) as it does not create a capital asset and would be more appropriately reflected in the operating budget.</p>

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Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

**2025 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

**Numbers and Language
Agencies: Rev**

Appropriation	[1] 25Enroll	[2] 25Auth	[3] 25MgtPln	[4] AdjBase	[5] Gov	[5] - [3] 25MgtPln to Gov	[5] - [4] AdjBase to Gov
Revenue							
Taxation and Treasury	87,110.5	87,836.6	87,836.6	88,658.8	89,890.4	2,053.8 2.3 %	1,231.6 1.4 %
Child Support Enforcement	28,195.6	28,223.0	28,223.0	28,625.2	28,622.0	399.0 1.4 %	-3.2
Administration and Support	6,474.3	6,570.8	6,570.8	6,727.1	8,943.6	2,372.8 36.1 %	2,216.5 32.9 %
Mental Health Trust Authority	6,058.0	6,242.8	6,242.8	6,448.6	6,758.8	516.0 8.3 %	310.2 4.8 %
AK Muni Bond Bank Authority	1,385.5	1,401.9	1,401.9	1,412.2	1,412.2	10.3 0.7 %	0.0
AK Housing Finance Corporation	113,573.7	225,405.6	225,405.6	117,825.4	139,692.4	-85,713.2 -38.0 %	21,867.0 18.6 %
AK Permanent Fund Corporation	225,104.8	226,564.5	226,564.5	227,413.4	230,851.0	4,286.5 1.9 %	3,437.6 1.5 %
Agency Unallocated	0.0	0.0	0.0	0.0	0.0	0.0	0.0
APFC Anchorage Office	0.1	0.0	0.0	0.0	0.0	0.0	0.0
Agency Total	467,902.5	582,245.2	582,245.2	477,110.7	506,170.4	-76,074.8 -13.1 %	29,059.7 6.1 %
Statewide Total	467,902.5	582,245.2	582,245.2	477,110.7	506,170.4	-76,074.8 -13.1 %	29,059.7 6.1 %
Funding Summary							
Unrestricted General (UGF)	36,233.2	36,811.1	36,811.1	36,857.4	37,001.4	190.3 0.5 %	144.0 0.4 %
Designated General (DGF)	2,498.6	2,511.9	2,511.9	2,556.5	2,599.2	87.3 3.5 %	42.7 1.7 %
Other State Funds (Other)	339,582.4	377,272.1	377,272.1	346,041.2	353,617.2	-23,654.9 -6.3 %	7,576.0 2.2 %
Federal Receipts (Fed)	89,588.3	165,650.1	165,650.1	91,655.6	112,952.6	-52,697.5 -31.8 %	21,297.0 23.2 %

Department of Revenue
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Taxation and Treasury / Alaska Retirement Management Board	Contractual Cost Increases for Investment Data Services	Total: \$154.7 \$57.0 Group Ben (Other) \$60.7 PERS Trust (Other) \$30.0 Teach Ret (Other) \$7.0 Jud Retire (Other) Inc	The Alaska Retirement Management Board (ARMB) has seen continually increasing subscription costs for data services providers, including Bloomberg, Moody's Analytics, Swift, and S&P Global Market Intelligence. This Increment allows ARMB to maintain the existing level of data services. Fiscal Analyst Comment: ARMB's FY25 budget included a \$150.0 base Increment for the same purpose.
2	Taxation and Treasury / Alaska Retirement Management Board	Add Authority to Fund Interagency Receipts Added in Treasury Division for Salary Adjustments	Total: \$819.9 \$304.7 Group Ben (Other) \$338.5 PERS Trust (Other) \$164.0 Teach Ret (Other) \$12.7 Jud Retire (Other) Inc	Salary Adjustments for the Treasury Division include Interagency (I/A) receipt authority, allowing the Treasury Division to bill ARMB for its portion of expenses. However, the Salary Adjustments did not provide ARMB with additional funding. Three ARMB Increments add ARMB's portion of the expenses to the budget. This includes Fiscal Note funding for provisions in Compensation for Certain State Employees (Ch. 5, SLA 2024), and salary, health insurance, and retirement adjustments in Treasury Division's FY26 Adjusted Base.
3	Taxation and Treasury / Permanent Fund Dividend Division	Add Funding for Decreased Vacancy Rate	\$233.7 PFD Fund (Other) Inc	The PFD Division's FY23 average vacancy rate was 19%. The Division decreased its FY24 vacancy rate to 11%, with the reductions concentrated in the second half of the fiscal year. Through November 15, 2024, the FY25-to-date vacancy rate is 4%. The Division anticipates it will maintain a lower vacancy rate in FY26 and is requesting additional personal services funding. The Division's FY26 budgeted vacancy factor is 6.00%, down from 6.85% in FY25.
4	Various	Structure Changes to Adhere to AS 37.078.020(e)	Struct	In FY25, the legislature added intent language in the Governor's Office that read: "It is the intent of the legislature that the budget prepared under AS 37.07.020 for the succeeding fiscal year adhere to AS 37.07.020(e) and present separately for each agency the annual facility operations, annual maintenance, and periodic repair or replacement of components of public buildings and facilities." The Department of Revenue's FY26 proposed budget adds four new allocations to existing appropriations with the following funding:

Department of Revenue
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	Various	Structure Changes to Adhere to AS 37.078.020(e)	Struct	(continued) Administration and Support State Facilities Rent (\$2,216.5 I/A Increment) Alaska Mental Health Trust Authority Long Term Care Ombudsman Office Facilities Rent (\$32.7 I/A Increment) Alaska Housing Finance Corporation Facilities Operations and Maintenance (\$1,294.3 Federal receipts and \$337.1 AHFC Receipts transferred from AHFC Operations allocation) Alaska Permanent Fund Corporation Facilities Rent Non-State Owned (\$615.0 Permanent Fund Corporation Gross Receipts transferred from APFC Operations allocation)
5	Alaska Mental Health Trust Authority / Long Term Care Ombudsman Office	MH Trust: Add Long-Term Care Ombudsman Position	\$144.0 GF/MH (UGF) 1 PFT Position Inc	With Alaska's aging population, residency in long-term care facilities has steadily increased. This new position would grow the Long-Term Care Ombudsman Office (LTCOO) staff from five to six. LTCOO anticipates the position would allow for 120 additional visits to long-term care facilities and 40 additional case investigations. Fiscal Analyst Comment: The Mental Health Trust's FY25 budget included a base Increment of \$133.5 of General Fund / Mental Health (GF/MH) for a new Long-Term Care Ombudsman. The item was not included in the Governor's FY25 budget proposal. The legislature added \$133.5 GF/MH and one permanent full-time position, but the Governor vetoed the funding and position.
6	Alaska Housing Finance Corporation / AHFC Operations	Contractual Cost Increases for Software, Insurance, and Security Services	Total: \$1,667.0 \$1,067.0 Fed Rcpts (Fed) \$600.0 AHFC Rcpts (Other) Inc	AHFC's FY26 proposed budget includes an Increment for the following services increases: 1) \$300.0 (AHFC Corporate Receipts) for cost increases to existing software subscriptions, including technical support. 2) \$867.0 (\$300.0 AHFC Corporate Receipts, \$567.0 Federal Receipts) for rising insurance costs at both its corporate facilities and public housing. 3) \$500.0 (Federal Receipts) to expand security services at public housing properties.

Department of Revenue
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
7	Alaska Housing Finance Corporation / Alaska Sustainable Energy Corporation	Federal Receipt Authority to Support Green Bank (FY26-FY28)	\$20,000.0 Fed Repts (Fed) MultiYr	<p>Ch. 24, SLA 2024 authorized creation of the Alaska Sustainable Energy Corporation (ASEC). The bill's AHFC Operations fiscal note provided \$450.0 UGF base funding and \$20,000.0 Federal Receipts for FY25 only. The FY26 proposed budget creates a new Alaska Sustainable Energy Corporation allocation, transfers \$457.0 UGF from AHFC Operations, and adds Federal authority.</p> <p>The Federal authority will allow AHFC to apply for federal grants authorized under the 2022 Inflation Reduction Act for energy-efficiency upgrades and other projects aimed at reducing greenhouse gases.</p>
8	Alaska Permanent Fund Corporation / Various	Return Alaska Permanent Fund Corporation to Single Appropriation Structure	Struct	<p>Prior to FY25, the Alaska Permanent Fund Corporation (APFC) was a single appropriation. The FY25 Enacted budget moved the "APFC Investment Management Fees" allocation to a separate appropriation and renamed the "Alaska Permanent Fund Corporation" appropriation to "Alaska Permanent Fund Corporation Juneau Office Operations".</p> <p>The FY26 proposed budget returns APFC to a single appropriation. It also renames the appropriation to "Alaska Permanent Fund Corporation" and the "Alaska Permanent Fund Corporation Juneau Office Operations" allocation to "APFC Operations".</p> <p>Fiscal Analyst Comment: The legislature's FY25 Enrolled budget also created a separate "Alaska Permanent Fund Corporation Anchorage Office Operations" appropriation, with a \$0.1 One-Time Increment to decommission the Anchorage office. The Governor vetoed the appropriation, including the \$0.1 funding. The Anchorage office remains open.</p>
9	Alaska Permanent Fund Corporation / APFC Operations	Increase Funding for Incentive Compensation	\$810.0 PF Gross (Other) Inc	<p>The FY25 Enacted budget included \$3,245.0 for incentive compensation (\$2,800.0 for investment staff and \$445.0 for operations staff). This Increment would provide an additional \$810.0 (\$775.0 for investment staff and \$35.0 for operations staff).</p> <p>This item fully funds the maximum possible payments under APFC's Incentive Compensation Plan adopted in December 2022. Maximum bonuses as a percentage of salary range from 5% to 15% for operations staff, and from 25% to 50% for investment staff. Bonuses</p>

Department of Revenue
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
9	Alaska Permanent Fund Corporation / APFC Operations	Increase Funding for Incentive Compensation	\$810.0 PF Gross (Other) Inc	(continued) are paid based on performance relative to benchmarks. If the calculated distribution is less than the amounts appropriated, the undistributed portion will remain in the Earnings Reserve Account. APFC maintains that consistently fully funding incentive compensation is critical for recruitment and retention. Fiscal Analyst Comment: The Governor's FY25 request included \$470.0 to increase the maximum possible incentive compensation for investment staff, and \$445.0 to expand the program to operations staff, who received no incentive compensation prior to FY25. The legislature denied the \$470.0 for investment staff and accepted the \$445.0 to establish incentive compensation for operations staff.
10	Alaska Permanent Fund Corporation / APFC Operations	Program Receipts for Third-Party Travel Reimbursement	\$250.0 Stat Desig (Other) Inc	APFC will begin using Statutory Designated Program Receipts (SDPR) to reflect travel expenses paid by third parties. Previously these amounts were not shown in APFC's budget. The added SDPR will bring APFC into compliance with the Alaska Administrative Manual's guidance on third party reimbursements (AAM 60.230). This change does not reflect an increase in expenditures.
11	Alaska Permanent Fund Corporation / APFC Operations	Add a Portfolio Manager to Support the Private Income Team	\$391.6 PF Gross (Other) 1 PFT Position Inc	The new Portfolio Manager position would grow the private income team to four people. Beginning July 1, 2025, the target asset allocation for private income will increase from 9% to 10% of the total Permanent Fund balance. APFC also anticipates the new position will decrease reliance on external contractors. Fiscal Analyst Comment: The FY26 proposed budget does not include a corresponding Decrement for reduced contractual services costs in the Investment Management allocation.
12	Alaska Permanent Fund Corporation / APFC Operations	Reclassify an Investment Officer to Support the Public Equities Team	\$143.0 PF Gross (Other) Inc	A vacant Investment Officer position will be reclassified to a higher paid Investment Officer (Portfolio Manager) position. APFC intends for the position to reduce reliance on external managers and increase trade volume and complexity. Fiscal Analyst Comment: The FY26 proposed budget does not include a corresponding Decrement for

Department of Revenue
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
12	Alaska Permanent Fund Corporation / APFC Operations	Reclassify an Investment Officer to Support the Public Equities Team	\$143.0 PF Gross (Other) Inc	(continued) reduced contractual services costs in the Investment Management allocation.
13	Alaska Permanent Fund Corporation / APFC Operations	Increased Services and Commodities Costs	\$510.5 PF Gross (Other) Inc	APFC's FY26 proposed budget includes the following changes to contractual services and commodities: 1) \$75.0 to increase legal support from Department of Law (DOL). Contracting with DOL allows APFC's in-house attorney to focus on investment transactions. 2) \$20.0 for a required third-party audit of APFC systems connected to the Society for Worldwide Interbank Financial Telecommunications (SWIFT), the world's primary secure financial messaging network. 3) (\$6.0) to reflect savings from truing up audit costs. 4) \$157.5 for cost increases to cloud infrastructure management and software licensing. 5) \$150.0 to fund bi-annual third party cybersecurity audit, including a review of the findings from a separate third party. 6) \$45.5 for additional funding of the three year workstation replacement schedule, as well as subscription increases resulting from reduced vacancies. 7) \$68.5 for increased training costs, primarily for the real estate team and executive staff, as well as datacenter and mobile phone costs.
14	Alaska Permanent Fund Corporation / APFC Operations	APFC Board Proposals not Included in Governor's Budget	n/a	The FY26 budget request approved by the APFC Board of Trustees included two items not included in the Governor's budget proposal: 1) \$35.0 for Anchorage office lease costs. 2) \$200.0 for increased staff and trustee travel, as well as relocation costs and non-employee travel.
15	Alaska Permanent Fund Corporation / APFC Investment Management Fees	Add Authority to Investment Systems to Meet Data and Analytics Needs	\$810.8 PF Gross (Other) Inc	APFC's Investment Management allocation includes the following increases for investment systems costs: 1) \$430.8 for shared services costs such as SWIFT access and Bloomberg terminals, due to inflationary pressures and increased staffing. 2) \$350.0 for a contractor to provide guidance on APFC's ongoing implementation of a data vault. APFC asserts that a data vault would allow for more efficient and automated data analytics. 3) \$30.0 for consulting services to ensure APFC's middle office team has the capacity to implement

Department of Revenue
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
15	Alaska Permanent Fund Corporation / APFC Investment Management Fees	Add Authority to Investment Systems to Meet Data and Analytics Needs	\$810.8 PF Gross (Other) Inc	(continued) either regulatory changes or new investment strategies within the Aladdin management system.
16	Alaska Permanent Fund Corporation / APFC Investment Management Fees	Increase Authority for Investment Due Diligence	\$521.7 PF Gross (Other) Inc	APFC's Investment Management Fees allocation includes the following increases for due diligence: 1) \$300.0 to expand the scope of APFC's contract with Albourne for due diligence of private credit and real asset investments. APFC's current contract only covers private equity and hedge fund investments. 2) \$177.7 for various fiduciary advice and research resources across asset classes. 3) \$44.0 for costs of maintaining professional designations for APFC staff.

Department of Revenue
FY2026 – Summary of Significant Capital Budget Issues
(\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
1	Dividend Application Information System (DAIS) Replacement - Phase 2	\$4,475.0 Gen Fund (UGF)	<p>The Department’s FY25 capital budget included \$7,500.0 UGF to replace the DAIS. At the time of the FY25 request, the Department estimated the total project cost to be from \$14 to \$20 million. The Department has hired a contractor to build the new DAIS, and this \$4,475.0 UGF request will fund the remainder of the total project cost of \$11,975.0. The new DAIS is intended to improve efficiency for applicants and PFD staff, as well as improve security.</p> <p>Analyst Comment: The FY14 capital budget included \$1,500.0 for a new DAIS. Due to the lack of project performance and numerous change orders associated with the initial awarded contract, the Commissioner’s Office suspended or terminated the contract with the initial contractor as of September 2023.</p>
2	Projects Matching AHFC and MHTA Board Requests	<p>Total: \$33,985.0</p> <p>\$25,750.0 Fed Rcpts (Fed)</p> <p>\$8,100.0 AHFC Div (UGF)</p> <p>\$135.0 MHTAAR (Other)</p>	<p>The Governor’s FY25 budget includes eight capital projects that match requests put forward by the Alaska Housing Finance Corporation (AHFC) Board of Directors and Mental Health Trust Authority (Trust) Board of Trustees.</p> <p>Fiscal Analyst Comment: AHFC Dividend capital requests fluctuate based on dividend size.</p>
3	AHFC Senior Citizens Housing Development Program	\$3,000.0 AHFC Div (UGF)	<p>AHFC’s Board request included \$4,000.0 AHFC Dividend funds for this ongoing program. The Governor’s budget includes partial \$3,000.0 funding of the request. The program provides incentives to develop housing for low and middle-income seniors. AHFC provides grant funding to subsidize developments that would otherwise not be financially feasible. Grant recipients may be regional housing authorities, municipalities, or private entities. This is an ongoing project.</p>
4	AHFC Energy Programs Weatherization	<p>Total: \$5,000.0</p> <p>\$3,000.0 Fed Rcpts (Fed)</p> <p>\$2,000.0 AHFC Div (UGF)</p>	<p>AHFC’s Board request included \$3,000.0 Federal receipts and \$3,000.0 AHFC Dividend funding. The Governor’s budget reduces the AHFC Dividend funding to \$2,000.0. This ongoing program provides weatherization upgrades to existing homes. Homeowners and renters who meet income limits may apply to the program.</p>

Department of Revenue
FY2026 – Summary of Significant Capital Budget Issues
 (\$ thousands)

5	MH Trust: AHFC Homeless Assistance Program	Total: \$10,150.0 \$950.0 MHTAAR (Other) \$9,200.0 AHFC Div (UGF)	The Governor's budget matches the Trust Board and AHFC Board recommendations for total funding, but not fund source. The Trust Board and AHFC board recommended that General Funds-Mental Health (GF/MH) compose \$2,850.0 of the request. The Governor's request replaces GF/MH funding with AHFC Dividend funding. The program provides competitive grant awards to entities providing emergency housing or services to prevent homelessness. Fiscal Analyst Comment: GF/MH and AHFC Dividend are both Unrestricted General Funds.
6	AHFC Rural Professional Housing	Total: \$11,550.0 \$500.0 Fed Rcpts (Fed) \$500.0 Stat Desig (Other) \$10,550.0 AHFC Div (UGF)	AHFC's Board request included \$500.0 Federal receipts, \$500.0 SDPR, and \$5,000.0 AHFC Dividend. The Governor's request includes an additional \$5,550.0 AHFC Dividend beyond AHFC's Board request. The program provides grant funding to local governments or other entities building or rehabilitating rural housing. The housing must be intended for teachers, health care, or public safety professionals.
7	Energy Efficiency Research	n/a	AHFC's Board request included \$500.0 Federal receipts and \$500.0 SDPR for research on energy efficiency design of new housing units and improvements to existing homes. The Governor's budget does not include funding for this purpose. This is an ongoing program that has been funded in each capital budget since FY04. The program provides grant funding for entities researching energy efficient practices specific to Alaska homes and public facilities.
8	MH Trust: AHFC Beneficiary and Special Needs Housing	Total: \$1,950.0 \$200.0 MHTAAR (Other) \$1,750.0 AHFC Div (UGF)	The Governor's matches the total funding level requested by the Trust Board but not the AHFC Board. The Trust Board recommended \$200.0 MHTAAR and \$1,750.0 GF/MH. The AHFC Board recommended \$200.0 MHTAAR, \$1,750.0 GF/MH, and \$1,750.0 AHFC Dividend. The program provides competitive grants to entities developing housing for Trust beneficiaries.

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**2025 Legislature - Operating Budget
Appropriation Summary - Governor Structure**

**Numbers and Language
Agencies: DOT/PF**

Appropriation	[1] 25Enroll	[2] 25Auth	[3] 25MgtPln	[4] AdjBase	[5] Gov	[5] - [3] 25MgtPln to Gov	[5] - [4] AdjBase to Gov		
Transportation									
Division of Facilities Services	103,978.1	104,008.9	104,008.9	104,429.5	104,429.5	420.6	0.4 %	0.0	
Administration and Support	64,844.6	65,203.9	65,203.9	64,967.7	65,632.7	428.8	0.7 %	665.0	1.0 %
Design, Engineering & Constr	128,859.8	128,912.3	128,912.3	132,942.5	132,942.5	4,030.2	3.1 %	0.0	
State Equipment Fleet	39,503.2	39,503.2	39,503.2	39,948.6	39,948.6	445.4	1.1 %	0.0	
Highways/Aviation & Facilities	180,964.9	171,041.1	171,041.1	171,647.7	174,708.5	3,667.4	2.1 %	3,060.8	1.8 %
International Airports	123,894.7	123,952.5	123,952.5	127,019.7	127,019.7	3,067.2	2.5 %	0.0	
Marine Highway System (CY)	178,999.6	169,070.9	169,070.9	159,418.4	159,418.4	-9,652.5	-5.7 %	0.0	
Agency Unallocated	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
Agency Total	821,044.9	801,692.8	801,692.8	800,374.1	804,099.9	2,407.1	0.3 %	3,725.8	0.5 %
Statewide Total	821,044.9	801,692.8	801,692.8	800,374.1	804,099.9	2,407.1	0.3 %	3,725.8	0.5 %
Funding Summary									
Unrestricted General (UGF)	204,863.9	193,547.4	193,547.4	183,920.4	184,046.2	-9,501.2	-4.9 %	125.8	0.1 %
Designated General (DGF)	72,398.5	72,413.2	72,413.2	72,886.6	72,986.6	573.4	0.8 %	100.0	0.1 %
Other State Funds (Other)	465,012.8	456,962.5	456,962.5	464,600.1	465,225.1	8,262.6	1.8 %	625.0	0.1 %
Federal Receipts (Fed)	78,769.7	78,769.7	78,769.7	78,967.0	81,842.0	3,072.3	3.9 %	2,875.0	3.6 %

Department of Transportation and Public Facilities
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Administration and Support / Statewide Safety and Emergency Management	Dalton Highway Safety Training	\$250.0 Gen Fund (UGF) IncOTI	This One-Time Increment would provide specialized training to Department employees to respond to highway accidents involving hazardous material being transported along the Dalton Highway, where liquefied natural gas transportation poses unique safety challenges.
2	Design, Engineering and Construction / Project Delivery	Establish New Allocation for Project Delivery	Struct	Transfer planning and engineering staff from Statewide Design & Engineering Services, and Program Development & Statewide Planning into a new single allocation. This integration will encompass planning, environmental considerations, reality capture, standards, and specifications, as well as ongoing inspections and maintenance oversight. The Department asserts that this will enhance the overall efficiency of project delivery by fully integrating all phases of a project's life cycle. By consolidating these functions, the Department "aims to streamline processes, improve coordination, and ensure more effective project execution from initiation through completion and maintenance."
3	Highways, Aviation and Facilities / Abandoned Vehicle Removal	Use Abandoned Motor Vehicle Fund for Removal of Abandoned Vehicles	\$100.0 AbandonVeh (DGF) Inc	<p>The Abandoned Motor Vehicle Fund (AS 28.11.110) was previously appropriated to the Department of Administration in FY23 to reimburse communities for the removal of abandoned vehicles. This changes the use of the Fund from community reimbursement to direct funding for DOT&PF to remove abandoned vehicles from State highways, vehicular ways or areas, and public property. The fund has been previously capitalized with deposits of Division of Motor Vehicle receipts, and the sale of abandoned vehicles (up to \$10.0 per year).</p> <p>The existing DOT&PF allocation was created in FY23 with \$100.0 UGF in base funding. This additional appropriation brings the total budgeted receipt authority up to \$200.0 for this activity.</p> <p>Fiscal Analyst Comment: Under AS 28.11.110(c) use of this fund is limited to disbursement to the Department of Administration and to eligible municipalities. Direct appropriation to DOT&PF is not a designated use of the fund.</p> <p>The balance of the fund was swept into the Constitutional Budget Reserve at the end of FY23. There is no corresponding deposit into the fund in the</p>

Department of Transportation and Public Facilities
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Highways, Aviation and Facilities / Abandoned Vehicle Removal	Use Abandoned Motor Vehicle Fund for Removal of Abandoned Vehicles	\$100.0 AbandonVeh (DGF) Inc	(continued) language section of the Governor's FY26 budget. This would leave only the deposit of abandoned vehicle sales made after July 1st, 2024 for this proposed appropriation to draw from. The Governor submitted this as a language item appropriation and it would better fit as a numbers section appropriation along with the existing UGF funding in the allocation.
4	Highways, Aviation and Facilities / Central Region Highways and Aviation	Right of Way Clearing of Vacated Homeless Encampments	\$500.0 Gen Fund (UGF) IncOTI	The Department is required in federal code to keep Right of Way clear to provide safety for pedestrians and traffic. The Department intends to use the requested funding to hire contractors who will perform site assessments, secure the necessary permits, and ensure the proper disposal of waste and hazardous materials. Fiscal Analyst Comment: The appropriation is in Central Region but budget documentation indicate the Department's intent to use the funding for any "area across the state where encampments have posed ongoing challenges." It is also unclear how the prioritization will be determined. The Governor is requesting this funding as a one-time item. According to the Alaska Coalition on Housing and Homelessness, point in time January estimates of unsheltered individuals in Alaska increased by 300% in the last three years alone. Homeless encampments on right of ways are likely to remain an ongoing issue for the Department. Budget documentation does not indicate how this issue is currently being addressed by the Department.
5	Highways, Aviation and Facilities / Northern Region Highways and Aviation	Increased Contractor Costs to Maintain Current Service Levels of Rural Airport Maintenance	\$374.7 Gen Fund (UGF) Inc	This Increment would provide additional funding to support ongoing maintenance contracts at rural airports. The Northern Region operates and maintains 102 airports within the statewide aviation system, with 57 of these airports maintained by local contractors. In 2019, the region spent \$2.3 million on rural airport maintenance, which rose to \$2.6 million by calendar year 2024.

Department of Transportation and Public Facilities
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Highways, Aviation and Facilities / Northern Region Highways and Aviation	Roadside Hardware Repairs	\$1,000.0 Gen Fund (UGF) IncOTI	<p>This One-Time Increment would allow the Department to purchase roadside hardware, such as guardrails, signs, and other devices, which are installed along roadways to inform and protect users, serving as essential safety features. The Department actively seeks compensation for damages to roadside hardware through insurance collections and other actions, however, the funds collected are often insufficient to cover the full cost of necessary repairs.</p> <p>Fiscal Analyst Comment: While this is requested as a one-time item, the continual year-round damage of roadside hardware means that this is an on-going issue that may require continued work to avoid building up a backlog. Budget documentation does not provide any information on how the \$1 million cost was determined, or how this need has been addressed in the past.</p>
7	Highways, Aviation and Facilities / Northern Region Highways and Aviation	Dalton Maintenance Camp Contracting	\$692.5 Gen Fund (UGF) IncOTI	<p>Due to personnel shortages along the Dalton Highway, the Department proposes contracting for services, including equipment operators and mechanics, to maintain specific sections of the highway. As a test case, an entire Dalton maintenance camp will be contracted out during the winter of 2025-2026. The Department has had challenges fully staffing the Dalton highway for several years. The Department received a \$1.2 million base budget increase in FY24 to fund the shift of employees to two weeks on, two weeks off schedule for the Dalton with the goal of improving employee retention and hiring.</p>
8	Highways, Aviation and Facilities / Whittier Access and Tunnel	Revert Back to Federal Funding from UGF for Operations of Whittier Tunnel after FHWA Agreement to Cover Operations Costs	Net Zero \$2,875.0 Fed Rcpts (Fed) (\$2,875.0) Gen Fund (UGF) FndChg	<p>In FY23, the Federal Highway Administration (FHWA) conducted a comprehensive review of the Anton Anderson Memorial Tunnel maintenance project contract and determined that federal participation would only cover 51 percent of the monthly billed contract work. It has previously covered 100 percent. This left 49 percent of costs, estimated at approximately \$239.5 per month, that needed to be covered by another State funding source. The legislature appropriated \$2,875.0 UGF in both FY24 and FY25 for this purpose. FHWA has now recognized the Whittier Tunnel, an inter modal connector, as a necessary road for the Alaska Marine Highway System, allowing federal funds participation for operations at 100 percent under 23 USC section 218.</p>

Department of Transportation and Public Facilities
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
8	Highways, Aviation and Facilities / Whittier Access and Tunnel	Revert Back to Federal Funding from UGF for Operations of Whittier Tunnel after FHWA Agreement to Cover Operations Costs	Net Zero \$2,875.0 Fed Rcpts (Fed) (\$2,875.0) Gen Fund (UGF) FndChg	(continued) Fiscal Analyst Comment: This policy reversal by FHWA is not retroactive and no negative supplemental for the FY25 UGF appropriation should be expected.
9	Marine Highway System (Calendar Year) / Various	Maintain Current Level of Marine Highway Budget Authority	Total: \$159,418.4 \$76,242.1 Fed Rcpts (Fed) \$61,440.9 Gen Fund (UGF) \$981.1 CIP Rcpts (Other) \$20,754.3 Marine Hwy (DGF) IncM	The budget proposed by the Governor for FY26 maintains the same level of funding as Calendar Year (CY) 2025. Legislative Finance estimates that, as currently constructed, it could include somewhere from \$10 million to \$38 million in uncollectable Federal receipt authority based on the previous years' federal grant amounts. The amount that the State receives in a given year is entirely at the discretion of the Secretary of Transportation. There is a cap on the grant amount that can be used for operating, which current Federal receipt authority exceeds by at least \$10 million. Over the last several years, the AMHS budget has grown in complexity due to year-by-year variation in federal funding awards (awarded by federal fiscal year rather than calendar year), vessel operability, and available staffing. These constraints have led to a disconnect between budgeted figures and the actual operation of the vessels. Starting in CY23, federal receipts for AMHS operations have been available through the Infrastructure Investment and Jobs Act (IIJA). The act provides up to \$196 million per year over five years in competitive grants that can be used for operating as well as capital needs. The Department has used this operating grant funding to supplant rather than supplement UGF spending levels. In FY25 the Department received a federal operating grant for \$66 million and had \$76 million in Federal receipt authority. The federal operating grant was \$38.5 million in FY24, and \$44 million in FY23. The timing of these grants creates a budgeting challenge since they are not awarded until the end of the calendar year. The federal FY24 award was not announced until September of CY24, several months after the passage of the CY25 budget by the

Department of Transportation and Public Facilities
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
9	Marine Highway System (Calendar Year) / Various	Maintain Current Level of Marine Highway Budget Authority	Total: \$159,418.4 \$76,242.1 Fed Rcpts (Fed) \$61,440.9 Gen Fund (UGF) \$981.1 CIP Rcpts (Other) \$20,754.3 Marine Hwy (DGF) IncM	(continued) legislature. The Governor's budget submission does not include backstop language to fill any estimated shortfall in federal funding with another fund source, estimated to be as low as \$10 million based on the FY24 federal award amount and as high as \$38 million based on the FY23 award amount. The Department has relied on UGF backstop the last few years, including \$20 million in CY23, and \$10 million in CY24. The legislature appropriated \$20 million in backstop funding in CY25 and the Governor vetoed half of that amount. Fiscal Analyst Comment: Predicting the amount of federal operating grant assistance is challenging. As illustrated above the amount can fluctuate by nearly \$28 million between Federal Fiscal Years (FFY). Alaska was the only state that met eligibility requirements for the program in FFY23. However, the Secretary of Transportation is granted flexibility to waive eligibility requirements. Because of this, there is no guarantee how much Alaska will receive of the full amount of available grants in any given year. For example, in FFY23, the Secretary granted American Samoa \$21.3 million in capital funding that otherwise would have been available to AMHS. Over the last three years the AMHS budget has had tens of millions of dollars in hollow Federal receipt authority. There is no indication that the FY26 budget will be more closely aligned. Given AMHS' history of vessel failures and staffing issues there is a high likelihood of it not fully expending the maximum authority granted to the system. Seven vessels are budgeted to run with full service, which is something that AMHS has not been able to do in many years. This led to a 10 percent budget surplus in CY23. While this extra Federal receipt authority does allow the Department to expend federal funding that was awarded previously and is eligible to be expended in different fiscal years, it could greatly overstate the level of financial support provided to the system in the FY26 budget.

Department of Transportation and Public Facilities
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
10	Marine Highway System (Calendar Year) / Marine Vessel Operations	Move Marine Highway Funding to Language Section and Change from Calendar Year to Multi-Year Fiscal Year Appropriation	<p>Net Zero</p> <p>Lang</p>	<p>In FY22, the AMHS operating budget shifted from running on the State fiscal year to running on the calendar year (CY) (January 1- December 31), with the objective of allowing for better system planning, service, and full-year advanced schedule releases.</p> <p>This Governor's proposed change would allow the Department to move money across fiscal years and offer even more flexibility. It also eliminates the additional accounting burden of having to do fiscal year and calendar year closeouts. The Governor is proposing to extend the current CY25 appropriation through the end of FY26 (June 30th, 2026) and to create a new FY26-FY27 Multi-Year appropriation. This allows the Department to expend any remaining CY25 appropriation during the six months overlap between the two appropriations. This may negate the need for backstop language, assuming that there is remaining unspent funding from the CY25 appropriation.</p> <p>Fiscal Analyst Comment: The shift to Multi-Year appropriation allows the Department to move any surplus in the current year forward to help support the system in the following year. Conversely it also allows the Department to use future year funding to fill budget holes in the current year. This can lead to the need for unexpected supplementals and reduces the legislature's direct control of year-to-year spending levels for the system. Additional reporting and projections could provide more budget transparency and keep the legislature better informed of operational cost trends.</p>

Department of Transportation and Public Facilities
FY 2026- Summary of Significant Capital Budget Issues
(\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
1	Dalton Highway Projects	Total: \$7,000.0 \$4,500.0 CIP Rcpts (Other) \$2,500.0 UGF (UGF)	<p>Work would include heavy maintenance on the Dalton highway from milepost 76 to 89 and stockpiling aggregate for ongoing maintenance of the highway. Some Dalton Highway projects have historically been state funded in order to avoid federal requirements for the use of Federal Highway Funding.</p> <p>Fiscal Analyst Comment: The Department received an \$8 million UGF appropriation for Dalton Highway Heavy Maintenance in FY25.</p> <p>The CIP authority being requested is from federal highway funded projects. This is not an appropriate use of the fund source code, which is intended for the operating budget expenditures associated with capital projects. Federal receipts should be appropriated directly to the project. It is not clear from existing backup how this is an acceptable use.</p>
2	Alaska West Coast Resiliency Projects - DOT&PF	Total: \$18,180.0 \$14,544.0 Fed Rcpt (Fed) \$3,636.0 GF/Match (UGF)	<p>This funding would address damage from Typhoon Merbok and provide resilience upgrades to infrastructure in four disadvantaged and rural communities in Western Alaska - Elim, Golovin, Koyuk, and Shaktoolik.</p>
3	Silvertip Camp Bunkhouse	\$325.0 UGF (UGF)	<p>This project would construct a bunkhouse for maintenance workers to overnight due to the remote location of this camp. Workers stationed at this camp currently commute daily from the north or south which negatively impacts operations during weather events. The Department asserts that if lodging were available at this camp, alternative work schedules, such as two weeks on/two weeks off could be implemented, further improving recruitment, retention, and service levels.</p>
4	Ted Stevens Anchorage International 10MW Solar Array	\$10,000.0 IntAirport (Other)	<p>This funding request is for the installation of a 10-megawatt (MW) solar photovoltaic (PV) array at Ted Stevens International Airport to generate renewable solar energy and reduce operational costs. There is the potential for revenue generation by selling electricity to the Chugach Electrical Association. The physical asset will have an estimated 25-year lifespan.</p>

Department of Transportation and Public Facilities
FY 2026- Summary of Significant Capital Budget Issues
 (\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
5	Wood River Canyon Bridges and Trails	\$4,250.0 UGF (UGF)	<p>Construct realignments and new trail bridges along the Copper River Highway Wood Canyon Trail from O'Brien Creek to Haley Creek. This is stage 1 of 3 for a total project cost of \$12.8 million over three years.</p> <p>Fiscal Analyst Comment: The Governor previously proposed this project in FY25, but it was not approved by the legislature.</p>
6	Williamsport Intermodal Connector Phase 2	\$2,666.6 UGF (UGF)	<p>Stage two of a three stage project to create a multi-modal road and waterway connection between Pile Bay on Illiamna Lake and Williamsport on Illiamna Inlet (Cook Inlet). The previous FY25 appropriation for phase one was \$2,666.6 UGF. The total project cost is estimated at \$8 million. Initial stage one funding has been used to contract a design consultant under who performed preliminary engineering for potential road improvement projects. LiDAR and imagery were also taken for the Williamsport side of the road corridor.</p>

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Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

2025 Legislature - Operating Budget
Allocation Summary - Governor Structure

Numbers and Language
Agencies: Univ

Allocation	[1] 25Enr011	[2] 25Auth	[3] 25MgtP1n	[4] AdjBase	[5] Gov	[5] - [3] 25MgtP1n to Gov	[5] - [4] AdjBase to Gov
University of Alaska							
University of Alaska							
Systemwide Reduction/Additions	33,530.0	40,535.5	1,055.5	1,055.5	6,635.6	5,580.1 528.7 %	5,580.1 528.7 %
Systemwide Services	32,432.6	32,432.6	30,190.6	31,533.9	46,865.2	16,674.6 55.2 %	15,331.3 48.6 %
Office of Information Technology	18,530.3	18,530.3	20,061.1	20,552.6	21,957.6	1,896.5 9.5 %	1,405.0 6.8 %
Anchorage Campus	251,303.3	252,353.6	263,723.5	268,240.9	283,961.6	20,238.1 7.7 %	15,720.7 5.9 %
Small Business Development Ctr	3,684.6	3,684.6	3,701.4	3,701.4	3,701.4	0.0	0.0
Kenai Peninsula College	16,588.9	16,588.9	17,674.5	18,193.3	17,544.9	-129.6 -0.7 %	-648.4 -3.6 %
Kodiak College	5,687.1	5,687.1	6,424.6	6,556.9	5,981.7	-442.9 -6.9 %	-575.2 -8.8 %
Matanuska-Susitna College	13,577.1	13,577.1	14,277.8	14,608.9	14,428.8	151.0 1.1 %	-180.1 -1.2 %
Prince William Sound College	6,409.2	6,409.2	6,657.8	6,856.8	6,779.4	121.6 1.8 %	-77.4 -1.1 %
Troth Yeddha' Campus	449,243.5	450,786.5	467,340.0	459,018.0	588,778.7	121,438.7 26.0 %	129,760.7 28.3 %
College of Indigenous Studies	8,664.8	8,664.8	8,999.7	9,426.1	9,344.2	344.5 3.8 %	-81.9 -0.9 %
Bristol Bay Campus	3,909.0	3,909.0	3,986.7	4,083.7	4,083.7	97.0 2.4 %	0.0
Chukchi Campus	2,214.1	2,214.1	2,255.9	2,299.2	2,299.2	43.3 1.9 %	0.0
Interior Alaska Campus	4,708.1	4,708.1	4,925.7	0.0	0.0	-4,925.7 -100.0 %	0.0
Kuskokwim Campus	5,723.8	5,723.8	5,954.2	6,132.6	6,085.2	131.0 2.2 %	-47.4 -0.8 %
Northwest Campus	4,705.3	4,705.3	4,831.4	4,919.9	4,872.6	41.2 0.9 %	-47.3 -1.0 %
UAF Community and Tech College	12,025.9	12,025.9	14,021.7	19,508.4	18,220.5	4,198.8 29.9 %	-1,287.9 -6.6 %
Education Trust of Alaska	5,669.9	5,669.9	8,977.6	9,026.8	9,026.8	49.2 0.5 %	0.0
Juneau Campus	41,990.8	42,189.7	44,138.2	45,286.9	47,396.2	3,258.0 7.4 %	2,109.3 4.7 %
Ketchikan Campus	5,040.5	5,040.5	5,768.0	5,952.0	5,438.8	-329.2 -5.7 %	-513.2 -8.6 %
Sitka Campus	7,289.5	8,813.9	9,284.5	7,950.3	7,691.1	-1,593.4 -17.2 %	-259.2 -3.3 %
Appropriation Total	932,928.3	944,250.4	944,250.4	944,904.1	1,111,093.2	166,842.8 17.7 %	166,189.1 17.6 %
Agency Total	932,928.3	944,250.4	944,250.4	944,904.1	1,111,093.2	166,842.8 17.7 %	166,189.1 17.6 %
Statewide Total	932,928.3	944,250.4	944,250.4	944,904.1	1,111,093.2	166,842.8 17.7 %	166,189.1 17.6 %
Funding Summary							
Unrestricted General (UGF)	336,904.7	341,021.3	341,021.3	351,025.8	355,125.8	14,104.5 4.1 %	4,100.0 1.2 %
Designated General (DGF)	328,656.1	335,861.6	335,861.6	324,202.5	320,561.6	-15,300.0 -4.6 %	-3,640.9 -1.1 %
Other State Funds (Other)	75,530.5	75,530.5	75,530.5	73,418.0	219,148.0	143,617.5 190.1 %	145,730.0 198.5 %
Federal Receipts (Fed)	191,837.0	191,837.0	191,837.0	196,257.8	216,257.8	24,420.8 12.7 %	20,000.0 10.2 %

University of Alaska
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	University of Alaska / Budget Reductions/ Additions - Systemwide	Move Technical and Vocational Education Program Appropriation to Language	\$6,634.6 VoTech Ed (DGF) Lang	<p>The Governor's FY26 budget moves the Technical and Vocational Education Program (TVEP) distribution back to the language section, so there are corresponding Decrements in the affected allocations that remove the funding from the numbers section.</p> <p>Moving the TVEP distribution to the language section allows the distribution to be reflected in a single transaction that can easily be updated with the best available revenue estimates and changes in the projections.</p> <p>Fiscal Analyst Comment: The University has confirmed that the original FY25 distribution of \$7,205.5 appropriated to the University in HB268 was based on a projection from January 2024, while the amount distributed out to the University's various allocations was only \$6,151.0, based on actuarial analysis from July 2024. The remaining excess TVEP authority will lapse at the end of FY25.</p>
2	University of Alaska / Various	Reclassify University Receipts to Statutory Designated Program Receipts for Non-Federal Grants and Contracts	Net Zero (\$28,600.0) Univ Rcpt (DGF) \$28,600.0 Stat Desig (Other) FndChg	<p>The University of Alaska (UA) will begin reporting non-federal grant and contract activity as Statutory Designated Program Receipts (SDPR). The UA receives private grants and contracts from corporations, local governments, non-profit entities, and foundation endowments that are restricted or designated by contractual terms.</p> <p>Items 2 and 3 are related.</p> <p>Fiscal Analyst Comment: This activity (around \$68.4 million in FY2026) has historically been reported using UA Receipts authority but would more appropriately be considered SDPR.</p>
3	University of Alaska / Various	Statutory Designated Program Receipts Increase for Non-Federal Grants and Contracts	\$39,800.0 Stat Desig (Other) Inc	<p>In addition to the reclassification of current UA receipts, UA requests additional SDPR authority (\$39.8 million) to cover the anticipated FY2026 activity in the following allocations: Systemwide Services: \$40.0 Anchorage Campus: \$1,610.0 Troth Yeddha' Campus: \$37,760.0 Juneau Campus: \$350.0</p> <p>Items 2 and 3 are related.</p>

University of Alaska
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
4	University of Alaska / Various	Governor's Increments that Match the Board of Regents Approved Budget	Total: \$20,805.0 \$3,900.0 Gen Fund (UGF) \$16,905.0 Univ Rcpt (DGF) Inc	The Governor's submission includes the following Board of Regents (BOR) approved requests: -Facilities Maintenance Projects to Preserve Capital Assets - \$2,000.0 UGF/ \$4,000.0 UA Receipts -Information Technology, Software Licensing, and Contractual Increases - \$500.0 UGF/ \$500.0 UA Receipts -Utilities and Custodial Services Cost Increases - \$1,200.0 UGF/ \$1,200 UA Receipts -IncOTI: Updating Firewall Hardware - \$200.0 UGF/ \$500.0 UA Receipts -Cybersecurity Regulatory Compliance - \$130.0 UA Receipts -Ongoing Wide Area Network Hardware Refresh and Replacement and Broadband Connectivity Improvements - \$400.0 UA Receipts -IncOTI: Refresh Equipment to Deliver WAN Services at Sitka, Ketchikan, Seward, and Kodiak Campuses - \$175.0 UA Receipts -UA Receipt Authority for Auxiliary Operating Costs and Deficit Reduction (Anchorage Campus- \$3,000.0 UA Receipts , and Troth Yeddha' Campus - \$7,000.0 UA Receipts)
5	University of Alaska / Various	Governor's Increments that Do Not Match the Board of Regents Approved Budget	\$8,625.0 Univ Rcpt (DGF) 22 PFT Positions Inc	The Governor's proposed Increments also provide UA Receipt authority for 15 BOR approved items totaling \$8,625.0 without the corresponding \$9,445.0 UGF Increments proposed by the BOR. This includes the following Increments: -Inc: Classroom Equipment Deferred Maintenance - \$125.0 UA Receipts and BOR requested \$125.0 UGF -Inc: Expand the Seawolf Start and Seawolf Persist Scholarships to Attract and Retain Students - \$1200.0 UA Receipts and BOR requested \$600.0 UGF -IncOTI: Expand Contracted Recruitment, Strategic Enrollment Marketing and Communications Efforts - \$700.0 UA Receipts and BOR requested \$500.0 UGF -IncOTI: Add Two Additional Academic Advisors to Improve the Retention of Alaska's Students - \$450.0 UA Receipts and BOR requested \$330.0 UGF -IncOTI: Add 5 New Enrollment Services Personnel for Communication and Outreach- \$500.0 UA Receipts and BOR requested \$600.0 UGF -IncOTI: Maintain Seawolf Athletics - \$2,000.0 UA Receipts and BOR requested \$2,500.0 UGF - Inc: Add Licensed Practitioner Nurse and Fire

University of Alaska
FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
5	University of Alaska / Various	Governor's Increments that Do Not Match the Board of Regents Approved Budget	\$8,625.0 Univ Rept (DGF) 22 PFT Positions Inc	<p>(continued)</p> <p>Sciences Program Leader for Year-to-Career Workforce Expansion - \$100.0 UA Receipts and BOR requested \$175.0 UGF</p> <p>-Inc: Food Security: Create Waste Stream Value-Added Recycling Program and Community Rural Development and Engagement Program - \$600.0 UA Receipts and BOR requested \$200.0 UGF</p> <p>-IncOTI: Add 4 New Recruiters for International and Contiguous United States Student Markets - \$750.0 UA Receipts and BOR requested \$600.0 UGF</p> <p>- IncOTI: Add 2 Comprehensive Advising Positions and Expand Data Analysis - \$300.0 UA Receipts and BOR requested \$600.0 UGF</p> <p>-IncOTI: International Student Processing, Graduate School, and Financial Aid Support with 4 Additional Positions -\$600.0 UA Receipts and BOR requested \$400.0 UGF</p> <p>-IncOTI: Nanook Athletics and Division I Hockey for Equipment, Scholarships, Travel, and Staff Salaries - \$1,000.0 UA Receipts and BOR requested \$2,500.0 UGF</p> <p>-IncOTI: Add 2 Recruitment Positions to Boost Out-Of-State Enrollment (Juneau, Ketchikan, Sitka) - \$200.0 UA Receipts and BOR requested \$190.0 UGF</p> <p>-IncOTI: Existing Dual Enrollment Coordinator at UAS (Juneau, Ketchikan, and Sitka) - \$100.0 UA Receipts and BOR requested \$125.0 UGF</p> <p>The Governor did not put forward a number of UGF only increments approved by the BOR, which can be found in the University's final operating budget documents on their website.</p> <p>Fiscal Analyst Comment: The BOR-approved Increments relied upon UGF support to increase enrollment and allow the University to increase revenue in order to make the UA Receipt authority associated with each of these items realizable. Without the associated UGF most if not all of this authority will remain effectively hollow. The Governor also converted a number of these items into One-Time Increments. This further reduces the funding stability that a number of these requests are aimed at providing.</p>

University of Alaska
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	University of Alaska / Various	Additional Federal Receipt Authority for Federal Grants and Contracts	\$20,000.0 Fed Repts (Fed) Inc	<p>The FY2025 federal appropriations bills contain initial funding for nine earmark requests that amount to \$6 million for the University of Alaska, along with an additional \$48 million from nine plus ups of existing federal appropriations. An estimated one-third of the \$48 million would flow through the University of Alaska system.</p> <p>Authority is requested in the following allocations: Anchorage Campus: \$2,800.0 (Five earmarks) Troth Yeddha' Campus: \$16,000.0 (One earmark and a portion of the nine plus up appropriations) Juneau Campus: \$1,200.0 (Three earmarks)</p>
7	University of Alaska / Troth Yeddha' Campus	Rename Fairbanks Campus to Troth Yeddha' Campus	Struct	<p>Troth Yeddha' is the name of the ridge on which the Fairbanks campus sits. The ridge was officially named by the U.S. Board of Geographic Names in 2013. In the Lower Tanana Athabascan language, this name means "wild potato ridge" and refers to the plant with an edible root "Hedysarum alpinum" that is a traditional food for Native people throughout Alaska.</p>
8	University of Alaska / College of Indigenous Studies	Rename College of Rural and Community Development to College of Indigenous Studies	Struct	<p>The University of Alaska Board of Regents (BOR) approved the name change at its May 23rd, 2024 meeting.</p> <p>The college will eventually be housed in the new Troth Yeddha' Indigenous Studies Center, which is slated for construction on the west ridge of the Troth Yeddha' Campus in Fairbanks. The BOR formally approved the project in February, 2024.</p>
9	University of Alaska / Various	Transfer all Funding and Positions to UAF Community and Technical College and Delete Interior Alaska Campus Allocation	Struct	<p>The University of Alaska Fairbanks (UAF) received Board of Regents' approval for the Interior Alaska Campus (IAC), which serves dozens of rural communities throughout Interior Alaska, to become part of the UAF Community and Technical College (CTC). The University intends this change to combine CTC's academic programs with the IAC's expertise in serving rural students to increase overall educational opportunities. Administrative functions currently under IAC will be managed by the UAF CTC.</p>

University of Alaska
FY2026 - Summary of Significant Capital Budget Issues
(\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
1	UAF Agriculture and Food Systems for Alaska's Economic Sustainability	\$3,000.0 Gen Fund (UGF)	<p>This project funds investment in agricultural research. This includes 3 full-time research faculty positions. Areas of potential investment include: 4-H youth and development, post-harvest safety and preservation, livestock nutrition, specialty crop production, horticulture best practices for field and indoor cropping systems, pest management, soil health, and plant breeding.</p> <p>Fiscal Analyst Comment: Research is a programmatic function and as such would be best categorized as an operating appropriation unless it is creating an actual capital asset for the state.</p>
2	UAF R1 Strategy Continuity	\$5,000.0 Gen Fund (UGF)	<p>The University is requesting additional funding to assist the University of Alaska Fairbanks Troth Yeddha' campus to achieve R1 Research Status as defined by the Carnegie Classification of Institutions of Higher Education.</p> <p>Fiscal Analyst Comment: The Governor initially proposed this as a capital project in FY25 using \$10.0 million of UGF and \$10.0 million in university Receipts. The legislature moved the appropriation to the operating budget as an FY25-FY27 Multi-Year and changed the funding to \$12.5 million of Higher Education Investment Fund and \$2.1 million of University Receipts.</p> <p>This request is better defined as an operating budget item as it is not creating a capital asset.</p>
3	UAF Alaska Center University of Alaska Southeast Integration (ACUASI) (Year 4)	\$6,000.0 Gen Fund (UGF)	<p>The University is requesting a fourth year of funding for drone research at UAF.</p> <p>Fiscal Analyst Comment: The capital appropriation title has a typo and should say "Unmanned Aircraft Systems" (UAS) rather than "University of Alaska Southeast."</p> <p>This program received the following past capital/operating funding. FY25: \$6 million UGF FY24: \$10 million UGF FY23: \$10 million UGF (operating)</p>

University of Alaska
FY2026 - Summary of Significant Capital Budget Issues
(\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
3			<p>(Continued)</p> <p>Research is a programmatic function and as such would be best categorized as an operating appropriation unless it is creating an actual capital asset for the state.</p>
4	UAF Seward Marine Center-Infrastructure and Shore Side Ship Support Facility Renewal and Replacement	\$85,300.0 Fed Rcpt (Fed)	<p>The UAF has submitted a proposal to the National Science Foundation (NSF) to support the construction of a new dock in Seward that will support continued operations of the Research Vessel (R/V) Sikuliaq.</p> <p>Fiscal Analyst Comment: The Governor did not include the \$18 million UGF requested by the Board of Regents for the replacement of the shoreside facility that must be completed alongside the dock after the current warehouse, mooring shop, and machine shop are demolished to accommodate the new dock.</p>
5	UAA Alaska Leaders Archives Consortium Library Renovation	<p>Total: \$35,750.0</p> <p>\$6,300.0 Fed Rcpt (Fed)</p> <p>\$1,250.0 Gen Fund (UGF)</p> <p>\$28,200.0 SDPR (Other)</p>	<p>This project is to complete facility renovations to the existing library to create a modern archive, provide enhanced academic and conference space, and a public-facing museum.</p> <p>Fiscal Analyst Comment: The project previously received \$6 million in SDPR authority in FY24.</p>
6	UAS Mariculture Program Expansion	\$2,000 Gen Fund (UGF)	<p>This appropriation would be for the purchase of an existing fully equipped floating mariculture laboratory and then construct a floating strut frame moorage.</p> <p>Fiscal Analyst Comment: This project name should be updated to better reflect the purchase and construction of capital assets rather than programmatic operations.</p> <p>The Board of Regent approved \$4.1 million UGF for this project. There is no indication that the \$2 million proposed by the Governor would be a phased amount, or if the project scope will be downsized. The total project amount that the BOR projected was \$5.5 million, with \$1.4 million covered by a previous one-time FY23-FY26</p>

University of Alaska
FY2026 - Summary of Significant Capital Budget Issues
(\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
6			(Continued) Multi-Year legislative operating appropriation for Mariculture.

Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

**2025 Legislature - Operating Budget
Allocation Summary - Governor Structure**

**Numbers and Language
Agencies: Judiciary**

Allocation	[1] 25Enr011	[2] 25Auth	[3] 25MgtP1n	[4] AdjBase	[5] Gov	[5] - [3] 25MgtP1n to Gov		[5] - [4] AdjBase to Gov	
Judiciary									
Alaska Court System									
Appellate Courts	9,192.2	9,833.5	9,833.5	10,151.2	10,151.2	317.7	3.2 %	0.0	
Trial Courts	112,657.3	118,712.7	118,712.7	122,195.9	123,124.7	4,412.0	3.7 %	928.8	0.8 %
Administration and Support	13,178.5	14,089.5	14,089.5	14,682.7	14,682.7	593.2	4.2 %	0.0	
Appropriation Total	135,028.0	142,635.7	142,635.7	147,029.8	147,958.6	5,322.9	3.7 %	928.8	0.6 %
Therapeutic Courts									
Therapeutic Courts	8,690.5	8,814.3	8,814.3	8,817.4	9,139.3	325.0	3.7 %	321.9	3.7 %
Appropriation Total	8,690.5	8,814.3	8,814.3	8,817.4	9,139.3	325.0	3.7 %	321.9	3.7 %
Commission on Judicial Conduct									
Commission on Judicial Conduct	521.6	546.2	546.2	569.4	613.9	67.7	12.4 %	44.5	7.8 %
Appropriation Total	521.6	546.2	546.2	569.4	613.9	67.7	12.4 %	44.5	7.8 %
Judicial Council									
Judicial Council	1,549.1	1,629.6	1,629.6	1,675.9	1,675.9	46.3	2.8 %	0.0	
Appropriation Total	1,549.1	1,629.6	1,629.6	1,675.9	1,675.9	46.3	2.8 %	0.0	
Judiciary Unallocated									
Agency Unallocated	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
Appropriation Total	0.0	0.0	0.0	0.0	0.0	0.0		0.0	
Agency Total	145,789.2	153,625.8	153,625.8	158,092.5	159,387.7	5,761.9	3.8 %	1,295.2	0.8 %
Statewide Total	145,789.2	153,625.8	153,625.8	158,092.5	159,387.7	5,761.9	3.8 %	1,295.2	0.8 %
Funding Summary									
Unrestricted General (UGF)	140,935.9	148,772.5	148,772.5	153,337.5	154,354.4	5,581.9	3.8 %	1,016.9	0.7 %
Designated General (DGF)	518.0	518.0	518.0	518.0	518.0	0.0		0.0	
Other State Funds (Other)	2,530.0	2,530.0	2,530.0	2,431.7	2,710.0	180.0	7.1 %	278.3	11.4 %
Federal Receipts (Fed)	1,805.3	1,805.3	1,805.3	1,805.3	1,805.3	0.0		0.0	

Judiciary

**FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)**

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Alaska Court System / Trial Courts	Increased Maintenance and Operating Expenses for Trial Court Facilities	\$363.5 Gen Fund (UGF) Inc	<p>This Increment includes funding for the Utqiagvik lease renewal which is increasing by \$250.0, from \$450.0 to \$700.0 per year. This lease has been active since 2000 with minimal modifications to total cost. The leased building used by the Court in Utqiagvik prior to 2000 was over \$700.0 per year.</p> <p>The remaining \$113.5 would be used to support increased costs of building maintenance services in Anchorage, Kenai, Fairbanks, and Palmer. These services are provided by the Department of Transportation and Public Facilities.</p>
2	Alaska Court System / Trial Courts	Funding to Address Increased Court Visitor Caseload and Backlog	\$365.3 Gen Fund (UGF) Inc	<p>Court Visitors are investigators in guardianship and conservatorship cases who provide information to the judicial officer about the protected person's status regarding medical treatment, housing, education, and finances.</p> <p>In FY23, HB 155 transferred responsibility of the Court Visitor Program from the Office of Public Advocacy to the Alaska Court System, and transferred \$854.4 for Court Visitor contract costs. In addition, \$106.2 was appropriated for a new position to oversee the training, supervision, and scheduling of Court Visitors.</p> <p>In FY25, the legislature approved an Increment of \$127.4 to pay for contract rate increases and to address costs incurred by the program that were not covered by the funding transferred from the Office of Public Advocacy.</p> <p>The Court system has seen the total contracted hours for Court Visitors increase by 33 percent from FY23 to FY24, and they expect an additional 25 percent increase in contracted hours in FY25 based on year-to-date spending. They attribute the increase to the backlog of Court Visitor work and the increasing number of cases involving these protective proceedings. The Court System believes this can be absorbed in FY25 due to position vacancy savings and does not anticipate an FY25 supplemental, but additional funding is requested in FY26 in anticipation of reduced vacancy.</p>

Judiciary

**FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)**

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
3	Alaska Court System / Trial Courts	Add One Attorney Position to Support Access to Justice Initiatives Using Federal Funding from Child Support Services	\$200.0 I/A Rcpts (Other) 1 PFT Position Inc	This funding would add one Attorney position to expand the Early Resolution Project (ERP) into the Fairbanks area using federal pass-through funding from the Department of Family and Community Services, Child Support Services Division. The ERP project assists parties in same-day resolution of their cases with the support of volunteer (pro bono) attorneys. This program helps parties resolve their cases without going through a trial or through other lengthy court proceedings.
4	Alaska Court System / Trial Courts	Replace American Rescue Plan Act (ARPA) Revenue with Unrestricted General Funds	Net Zero \$10,586.3 Gen Fund (UGF) (\$10,586.3) ARPA Rev R (UGF) FndChg	This transaction would reverse the FY24 fund source change of UGF to federal ARPA relief funding that was used to replace lost UGF revenue. The FY24 budget utilized the remaining balance of these funds in the Trial Courts, however the transaction to replace the depleted fund source was omitted from the FY25 budget. This is a tracking code and this change has no fiscal impact. A related FY25 supplemental is anticipated in the Governor's Amended budget to reverse the fund sources.
5	Therapeutic Courts / Therapeutic Courts	MH Trust: Funding for Two Paralegals to Continue Centralized Competency Calendar Project Management (FY26-FY27)	\$158.3 MHTAAR (Other) IncT	This Increment extends funding for two paralegal positions to manage the Centralized Competency Calendar. This is the combination of a \$78.3 Temporary Increment (IncT) (FY20-FY25) that is removed in the FY26 Adjusted Base, and an 80.0 IncT (FY24-FY27) that is discontinued in the proposed budget. Items 5 and 6 are related.
6	Therapeutic Courts / Therapeutic Courts	Salary and Benefit Increases of the Two Paralegals for Centralized Competency Calendar Management	\$92.4 GF/MH (UGF) IncOTI	This one-time funding is requested to pay the increased costs of salaries and benefits for two paralegal positions who manage the Centralized Competency Calendar. The Court states that they have been absorbing cost increases for these positions using savings from vacant positions, but that vacancy has gone down and the costs cannot be absorbed in FY26. Fiscal Analyst Comment: This is a One-Time Increment but the related positions are part of a Temporary Increment that will run through FY27. The Legislature should consider aligning the timeframes of these items.

Judiciary

**FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)**

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
6	Therapeutic Courts / Therapeutic Courts	Salary and Benefit Increases of the Two Paralegals for Centralized Competency Calendar Management	\$92.4 GF/MH (UGF) IncOTI	(continued) Items 5 and 6 are related.
7	Therapeutic Courts / Therapeutic Courts	Salary Increases for Contracted Executive Branch Staff to Support Therapeutic Courts	\$170.1 GF/MH (UGF) Inc	Therapeutic Courts contract with a number of positions from the Department of Health's Division of Behavioral Health. In 2024, HB 268 (Ch. 7, SLA 2024) provided salary increases for certain State employees, and the Division of Behavioral Health was appropriated Interagency Receipt authority for the Department of Health to support these salary increases, however additional funds were not provided and the Courts had to absorb the cost increase in FY25.

Judiciary
FY2026 - Summary of Significant Capital Budget Issues
(\$ thousands)

Item	Capital Project Title/ Category	Amount/Fund Source	Comment
1	Court Security Projects	\$1,000.0 Gen Fund (UGF)	<p>This request is part of a semi-regular request for the Courts to target system and building improvements to keep court houses up to date and secure. Since FY17, they have received five other capital appropriations totaling \$11,157.3 for physical security projects and an additional \$973.0 for cyber security in FY20. The Court System reports an estimated \$8.7 million of remaining security upgrade requests that are not currently funded.</p> <p>According to the Court System, this FY26 request would fund the highest priority items on that list, including:</p> <p>\$350.0 for clerk security upgrades in the Kenai Courthouse, \$150.0 for the elevator notification system in the Dimond Courthouse, \$150.0 for judges' bench security upgrades in the Seward Courthouse; and \$350.0 to partially fund access control upgrades in multiple courthouses (the total estimated cost of this access control upgrades project is \$1,500.0).</p>

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Legislative Fiscal Analyst's Overview of the Governor's FY2026 Request

**2025 Legislature - Operating Budget
Allocation Summary - Governor Structure**

**Numbers and Language
Agencies: Legis**

Allocation	[1] 25Enr011	[2] 25Auth	[3] 25MgtP1n	[4] AdjBase	[5] Gov	[5] - [3] 25MgtP1n to Gov	[5] - [4] AdjBase to Gov		
Legislature									
Budget and Audit Committee									
Legislative Audit	7,336.0	7,871.6	7,871.6	8,225.9	8,225.9	354.3	4.5 %		0.0
Legislative Finance	8,754.7	9,365.5	9,365.5	9,766.6	9,766.6	401.1	4.3 %		0.0
LB&A Committee Expenses	2,004.0	2,043.4	2,043.4	2,069.7	2,069.7	26.3	1.3 %		0.0
Appropriation Total	18,094.7	19,280.5	19,280.5	20,062.2	20,062.2	781.7	4.1 %		0.0
Legislative Council									
Administrative Services	7,937.3	8,368.7	8,368.7	8,668.4	8,668.4	299.7	3.6 %		0.0
Council and Subcommittees	1,107.4	1,180.9	1,150.9	1,161.7	1,161.7	10.8	0.9 %		0.0
Legal and Research Services	5,983.3	6,435.3	6,435.3	6,731.1	6,731.1	295.8	4.6 %		0.0
Select Committee on Ethics	319.6	337.9	337.9	350.3	350.3	12.4	3.7 %		0.0
Office of Victims' Rights	1,323.1	1,414.8	1,414.8	1,475.2	1,475.2	60.4	4.3 %		0.0
Ombudsman	1,683.9	1,791.4	1,791.4	1,864.6	1,864.6	73.2	4.1 %		0.0
LEG State Facilities Rent	1,630.5	1,630.5	1,630.5	1,630.5	1,630.5	0.0			0.0
Tech and Info Services Division	8,899.2	9,450.4	9,450.4	9,811.4	9,811.4	361.0	3.8 %		0.0
Security Services	1,344.8	1,430.4	1,585.4	1,649.7	1,649.7	64.3	4.1 %		0.0
Appropriation Total	30,229.1	32,040.3	32,165.3	33,342.9	33,342.9	1,177.6	3.7 %		0.0
Legislative Operating Budget									
Leg Salaries and Allowances	9,432.7	9,432.7	9,432.7	9,599.7	9,599.7	167.0	1.8 %		0.0
Legislative Operating Budget	11,937.2	12,961.3	12,836.3	13,343.6	13,343.6	507.3	4.0 %		0.0
Session Expenses	14,126.9	15,274.8	15,274.8	15,750.9	15,750.9	476.1	3.1 %		0.0
Appropriation Total	35,496.8	37,668.8	37,543.8	38,694.2	38,694.2	1,150.4	3.1 %		0.0
Legislature Unallocated									
Agency Unallocated Approp	0.0	0.0	0.0	0.0	0.0	0.0			0.0
Appropriation Total	0.0	0.0	0.0	0.0	0.0	0.0			0.0
Agency Total	83,820.6	88,989.6	88,989.6	92,099.3	92,099.3	3,109.7	3.5 %		0.0
Statewide Total	83,820.6	88,989.6	88,989.6	92,099.3	92,099.3	3,109.7	3.5 %		0.0
Funding Summary									
Unrestricted General (UGF)	82,848.3	88,017.3	88,017.3	91,127.0	91,214.0	3,196.7	3.6 %	87.0	0.1 %
Designated General (DGF)	639.9	639.9	639.9	639.9	639.9	0.0		0.0	
Other State Funds (Other)	332.4	332.4	332.4	332.4	245.4	-87.0	-26.2 %	-87.0	-26.2 %

Legislature

**FY26 - Summary of Significant Operating Budget Issues
(\$ thousands)**

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
1	Legislative Council / Council and Subcommittees	Redistricting Board Ongoing Litigation	n/a	<p>The Redistricting Board received a \$375.0 UGF base Increment in FY25 for ongoing litigation, but this is not expected to be a permanent item. According to the Board's Executive Director, as of December 2024 one case still remains unresolved and could continue into FY26.</p> <p>Fiscal Analyst Comment: FY26 funding may be unnecessary if the losing party of the remaining case does not appeal to the Supreme Court. The funding should be made a one-time item in FY26 as litigation is unlikely to continue into FY27.</p>
2	Legislative Council / Office of Victims Rights	Replace Funding Source to Align with Balance in Restorative Justice Fund	<p>Net Zero</p> <p>\$87.0 Gen Fund (UGF) (\$87.0) Rest Just (Other) FndChg</p>	<p>The amount of Restorative Justice Account funding (AS 43.23.048) available for appropriation each year is calculated to represent the sum of Permanent Fund Dividends forfeited by Alaskans sentenced or incarcerated for felonies and certain misdemeanors in the qualifying calendar year. The distribution reduces the amount of the Permanent Fund Dividend distribution to eligible Alaskans.</p> <p>In FY25, the amount was based on 7,556 ineligible Alaskans and a \$1,312 dividend for the qualifying 2022 calendar year, and in FY26 the amount in the Governors budget is based on 4,120 ineligible Alaskans and a \$1,702 dividend for the qualifying 2023 calendar year.</p> <p>AS 43.23.048(b) outlines the following purposes and percentages, in priority order, with the statutory ranges referenced in parentheses:</p> <p>12% - Crime Victims Comp. Fund (10-13%) 3% - Legislature - Office of Victims' Rights (2-6%) 3% - Public Safety - Nonprofit Services for Crime Victims (1-3%) 3% - Health - Nonprofit Mental Health and Substance Abuse Treatment for Offenders (1-3%) 79% - Corrections - Costs Related to Incarceration or Probation (79-88%)</p> <p>In FY25, the Office of Victims' Rights (OVR) received 3% of the funding available, which the Governor's budget matches in FY26. The amount allocated to OVR typically substitutes for general funds rather than supplementing them, so this fund</p>

Legislature
FY26 - Summary of Significant Operating Budget Issues
 (\$ thousands)

Item	Appropriation / Allocation	Description	Amount / Fund Source	Comment
2	Legislative Council / Office of Victims Rights	Replace Funding Source to Align with Balance in Restorative Justice Fund	Net Zero \$87.0 Gen Fund (UGF) (\$87.0) Rest Just (Other) FndChg	(continued) change retains the same funding level. Fiscal Analyst Comment: The Governor's FY26 amount is 53% lower than FY25 because the number of incarcerated felons and misdemeanants reported by DOC represents only the ineligible Alaskans who did apply, rather than the total number of individuals who are ineligible under these statutes. This may be corrected in the Governor's budget amendments.

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