

COMMON**WEALTH** NORTH

The State's Operating Budget:

Critical Crossroads, Choices,
and Opportunities
(Update)

A Commonwealth North Study Report

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<ul style="list-style-type: none">• Given the state's fiscal reality, the Administration and unions re-open negotiations to identify savings in salary and other benefit costs.• Amend the Public Employee Relations Act to remove health care as a mandatory subject of bargaining.	
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Recommendations:	
<ul style="list-style-type: none">• Review the findings of the state's health care authority feasibility study to be released in January 2017. Based on its findings, evaluate the impact of removing barriers to formation of larger consolidated health coverage plans with a pool of members that could include public employees and retirees, individuals, and small business groups, and potentially Medicaid enrollees; two or three plan choices for this pool could be identified by possibly using the Medicaid benefit package as a base and varying levels of co-pays and deductibles.• Work with diverse stakeholders, including payers and health care providers, to modify the 80th percentile rule and increase consumer protections related to balance billing.	

- Leverage "value-based" payment reforms currently underway in Medicare that places physicians on a fee schedule for Medicare patients; provide bonus payments to providers who implement value-based payment reforms for Medicaid as well as public and private employer coverage.
- Identify Alaska Medicaid and Medicare top primary care and behavioral health providers that see the most Medicaid and Medicare enrolled patients and negotiate with those providers to pay per-member-per-month payments for primary care case management for enrollees that would benefit from that level of care management; may require a subsidy for the cost for these providers to connect to Alaska's Health Information Exchange.
- Review the reform initiatives proposed in the "Recommended Medicaid Expansion and Reform Strategies for Alaska" and consider implementation for Alaskans, including and beyond those covered by Medicaid, such as those with marketplace-plans, large and small employers, and the individual market.
- Enact a statewide smoke-free workplace law to protect all Alaskans from secondhand smoke in the workplace and that implements proven approaches to reducing tobacco use among all Alaskans; include marijuana smoke and e-cigarette vapor. A statewide law is necessary because many Alaska communities are in boroughs that lack health powers, or are located outside of a borough or municipality, so don't have the ability to make these changes.

Formula Driven Spending: Medicaid 15

Recommendations:

- The Administration and the Legislature immediately embark on a Medicaid reform initiative to ensure that the state can continue to provide services to those most in need. (2015)
- The Legislature should reduce the number of Optional Services Alaska covers if necessary due to budget constraints. (2015)
- Given the anticipated policy changes at the Federal level, the State needs to quickly assess these potential reforms on health coverage for Alaskans and identify challenges and opportunities that may arise.
- Depending upon the magnitude and speed by which these initiatives may be implemented, the State should consider options such as adjusting Medicaid reimbursement rates by reducing Medicaid rates to a factor of Medicare rates (Medicaid rates are 20 to 30% above the rates for Medicare) to avoid an abrupt increase in State general fund spending.

Formula Driven Spending: K-12 Funding 20

- Education funding needs to refocus on direct instruction that yields measurable improvements in student achievement. State K-12 funding should be reduced by 1 to 3 percent per year for four years, during which funding would have to be reallocated from administrative/operations to maintain funding for direct instruction.
- Prior to making investments in UA, teacher training programs, both in and outside Alaska, should be evaluated to identify those that have produced high quality teachers that have generated high student achievement results.

State Transportation and Infrastructure 23

- Increase coordination of state road maintenance and snowplowing functions with local governments, where it can result in improved performance and efficiency.
- Develop and publish performance metrics for the Department of Transportation and Public Facilities' activities and results so its performance can be compared to that of other states as well as provide transparent accountability to Alaskans.
- Increase the state motor fuel tax from 8 cents to 16 cents per gallon so an estimated \$30 million in additional revenue can be available for maintenance and operation of transportation infrastructure.
- Explore divestiture (privatize or restructure) of the Alaska International Airport System (AIAS) (Ted Stevens and Fairbanks Airports) to determine the benefits that might come from of a nimbler structure.
- Reform and revitalize the Alaska Marine Highway System by converting it from long haul routes to short-range ferry routes in combination with road segments.

Permanent Fund & Use of Earnings 25

Recommendations:

- Support a percent of market payout formula.
- Use Permanent Fund earnings to help structurally address the state's revenue shortfall, while maintaining a dividend program.
- Reducing the annual dividend is a fiscal necessity for the state-Alaska needs to start using some level of Permanent Fund earnings to help meet the need for public services.
- Continue to pay the Permanent Fund dividend from the fund's realized earnings.
- The Permanent Fund's earnings reserve account should be invested in cash equivalents apart from the rest of the Fund.
- Permanent Fund Corporation should open offices in Anchorage and out-of-state financial centers.
- Strengthen and enlarge the Board of Trustees.

- More competitive compensation of board and staff members to attract and retain highly skilled individuals.

State Government Operational Efficiencies / Savings 28

Recommendations:

- Fully implement the Universal Space Management Standards (2013) to achieve savings through uniform procurement and office space consistency in all parts of the state. The Administration is realizing savings by reducing the amount of leased space and relocating programs to state-owned buildings that now have space available. In 2013 it was estimated that application of uniform standards could save \$125 million over 20 years.
- Expand the Administration's Shared Services initiative to achieve efficiencies/savings by outsourcing, such as:
 - Contract with the private sector for IT savings (i.e. shift email hosting from the State's mainframe to private sector providers).
 - Consolidate/centralize payment collections for various permits, licenses, etc. that currently are spread throughout departments; use of technology to make on-line payments eliminates the need for program subject matter "experts" be directly involved in payment process.
 - Re-consolidate Human Resources; over time some HR staff has been shifted back to departments thereby reducing the productivity savings in work load distribution and consistent interpretation of employee contracts/laws that have been/can be realized through consolidation;
 - Centralize department administrative services functions into the Department of Administration instead of each department having a stand-alone division.
- Consolidate departments such as:
 - Labor with Commerce
 - Public Safety with Corrections
 - Environmental Conservation with Natural Resources

Budget Process & Practices (2015 Recommendations) 29

- The Governor should appoint, with legislative approval, a committee of experts to analyze, within a short period of time, what designated revenue accounts have no legal restriction on use and can be appropriated to the general fund, including any statutory changes that will be necessary.

- The Legislature appropriate designated reserve balances to the general fund so these funds are available to fund priority State services.
- Identify and Fund Appropriate, Effective Services: The Administration and Legislature should undertake a review of state services to evaluate the following:
 - Based on constitutional responsibilities, is a program or service something the State is required to do;
 - If it is appropriate, analyze the results the program is getting-how effective is it in achieving its intended purpose;
 - Examine the cost to deliver current results-what's the "return on investment" in terms of cost compared to results/effectiveness;
 - Evaluate if the State is the only entity that can provide the service or if it would be more cost effective and responsive if the services were contracted out or shed through privatization; and/or
 - If it is not a State responsibility, stop providing the service.
- Increase the number of in-depth performance reviews conducted to more than one department per year so increased information is available to identify potential savings.
- Undertake an in-depth review of performance frameworks and measures during the interim.
- Integrate use of program performance measures into its budget review to ensure public dollars are spent on effective services.
- Engage citizens in this review process, which will provide legislators and the Administration with differing perspectives and advance citizen understanding of state services.
- The Governor appoint a citizen-led commission to conduct a management review of state operations that engages the departments and citizens to identify savings and opportunities to improve service delivery.
- Put in place an approval process, such as that used by Congress in the Base Realignment and Closure (BRAC) decision-making, to increase the likelihood that comprehensive reforms will be enacted.
- Engage Alaskans in Meeting the Challenge: The Governor and Legislature engage Alaskans in a series of community-based dialogues in which they discuss the state's future; the responsibilities of the state and individual Alaskans in that future; and how achieving that vision will be funded.

- Develop a multiyear approach to communicate critical operating budget issues in cooperation with other public and private organizations. Such efforts must identify general "consumer level" messaging that attracts public interest in Alaska's budget and the challenges we face. It is critical to engage the public with social media-sized bites of information that drive clicks to detail, and that helps to enhance an understanding of the needs and vision of the state.

Budget Development (2015 Recommendations) 34

- The Governor should establish citizen advisory panels to provide input during development of the Governor's proposed budget.
- Require the Governor to submit the proposed budget to the Legislature by November 15th each year to enable the Legislature to get an earlier start to its review.
- Establish Revenue Limit that limits the amount of savings that can be spent in any one fiscal year to ensure prudent use and extend availability.
- Use the appropriation structure to provide departments maximum flexibility to identify and implement savings.
- The Legislature revises its schedule to increase the time available for oversight of state spending, such as:
 - Returning to the Constitution's 120-day session limit;
 - Increasing the number of interim meetings for Finance Committee/subcommittee work;
 - Convening special session(s) devoted to budget issues; and/or
- Extending the session by four weeks in odd-years (two weeks added on each end).
- Establish a Joint Ways and Means Committee tasked with:
 - Introduction of a resolution at the start of each session that establishes the overall amount of revenue that will be available for the following fiscal year's budget (including the amount that will come from savings) on which the budget will be based;
 - Review of the state's revenue forecasting methodology to ensure the degree of reliability for spending decision-making and identify options that could improve reliability.

- The Legislature and Governor develop and implement a contingency plan that identifies steps that will be taken to reduce current fiscal year spending due to a dramatic drop in expected revenue.
- Evaluate the potential benefits to forward fund the state budget based on prior year revenue.
- Deposit the CBR balance into the statutory budget reserve.

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The Operating Budget: Critical Crossroads, Choices, and Opportunities Update - January 2017

Introduction

With Commonwealth North's (CWN) long commitment to a sound state fiscal policy and the state faced with a daunting gap between revenue and spending, CWN's Fiscal Policy Study Group was charged with an examination of the state's operating budget to identify recommendations to help reduce state spending.

This was the opening introduction for the initial report released in February 2015. This report is an update on state spending since then, as well as on its recommendations.

We hope that these reports assist Alaska's Governor and Legislature find new and different approaches that serve to strengthen resolve and help craft a new direction for the state in the years ahead.

Commonwealth North has been contributing to Alaska's fiscal policy dialogue since 1980, with reports addressing sustainable budgets, the Permanent Fund, additional revenue generation, and ways to better manage state spending. Over this period of time, Alaska has seen decline and growth, boom, bust, and change, with crises seemingly affecting the state every decade. Along the way, the scale of the challenge has only increased-the state's dependence on volatile oil prices and decreasing production on the one hand, and the demand for public services and critical infrastructure development on the other, coupled, leave Alaska's future prosperity uncertain.

Between 2004 and 2014 the state's operating budget increased 105%.¹ In 2013 Commonwealth North (CWN) released a study titled "Long Term Economic Sustainability for the State of Alaska" in which we noted that the *"current level of spending is unsustainable and it's imperative that the state implement a long-term fiscal plan, which will require spending restraints."* Since 2014, events have made this recommendation much more important, as the state faces a dramatic drop in state revenue coupled with an unsustainable level of operating budget spending. In response, the general fund operating budget has decreased 7%.

Over the years, CWN studies have focused primarily on the revenue side of the state's ledger, working to find innovative solutions to generate increased revenue needed to provide essential services. We have learned along the way that it is not enough to just address revenue; instead, a thoughtful approach to rightsizing government is necessary. It's an uncomfortable

¹ Based on general fund spending of \$2.1 billion in FY 2004 to \$4.4 billion in FY 2014 (inflation increased 30% and population increased 11% during the ten years).

conversation for many, but critical if Alaska is to ensure choices and opportunity today and into the future.

We highlight "resolve" because the challenge is not as simple as manipulating spending scenarios on a spreadsheet. Resolve is necessary because state spending is directly tied to the people's interest. It is rare that legislators hear advocacy against spending on a program or project. Yet pro-spending advocates are quite formidable. In the same manner, there few are calling for Alaskans to contribute to government revenue. Fingers point quickly elsewhere. Commonwealth North understands this challenge-citizens are disconnected from the spending at the state level. Individual Alaskans don't have "skin in the game." If spending goes up, Alaskans don't pay more in taxes; if spending is reduced, citizens don't see the benefit. Compounding this challenge are general attitudes toward policymakers; legislators are highly regarded for the projects they fund in their districts and they also get the blame when services are diminished or eliminated. This results in a budget process Alaskans don't perceive as relevant to their lives and a system that rewards elected officials for decisions that increase spending.

It is difficult in this context to make hard decisions, or to even begin to reconcile clashing interests. Indeed, the effort to do so results in a new critical crossroad for Alaska. Meeting these challenges will require leaders who can negotiate and compromise when necessary, and sacrifice in the short term for long-term prosperity. This crossroad will require difficult decision-making.

The initial Fiscal Policy Study Group began meeting in August 2014.² At that time the State of Alaska had just begun a new fiscal year with a budget that required an average price of \$105 per barrel of oil to fund it. Five months later the price of oil had plummeted and state revenue is estimated to be just half of what was expected when the Legislature adjourned in April 2014.

For the last two years, oil revenue has continued to decline. Finally, Alaska is teetering on what has been described as the state's "fiscal cliff." In earlier years, state revenue was plentiful due to the high oil prices in spite of declining oil production. The last decade has seen a drop in oil production from 932,000 barrels per day in 2005 to 547,000 barrels in 2014-and to 490,300 projected for 2017. High oil prices masked the impact on the state treasury of declining oil production.

Commonwealth North recognizes that there are many approaches that can be used to address long-term fiscal stability for the state as well as its citizens. Commonwealth North's Board of Directors believes that a crucial first step-rightsizing state spending-is a fundamental starting point for sustainable spending in the future, which will only be strengthened by stable and diverse revenue sources. We commend the Governor and Legislature for efforts to-date-but much more needs to be done.

² Appendix A is a list of study group participants and speakers.

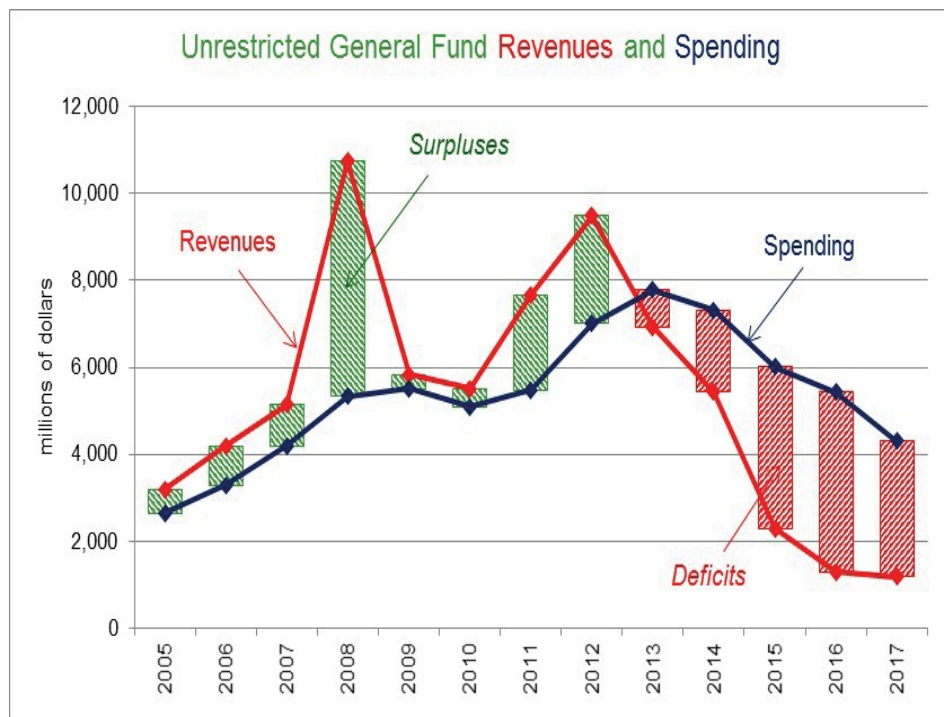
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Two Year Update-What's Changed?

The focus of Commonwealth North's 2015 report was on the operating budget, within the context of the dramatic drop in state revenue. The revenue decline has continued and the need to reduce recurring expenditures in the state's operating budget has not lessened. The one constant is that one-time savings have been relied on to prop up recurring spending, albeit at a somewhat reduced level.

**Chart 1.
Surpluses and Deficits - FY 05 to 17**

As Chart 1 illustrates, deficit spending since 2013 has been covered by savings set aside in the Constitutional Budget Reserve (CBR) when there was a surplus. The FY 2017 budget required \$3.2 billion³ from the CBR to balance, leaving \$3.3 billion in the CBR-enough



only for one more year of filling the gap even at a reduced level of spending and current revenue sources.

Unless significant legislative action is taken during the 2017 session, Alaska will finally be at the edge of the "fiscal cliff."

³ The final FY 17 amount of the CBR draw and balance available for FY 18 will be determined by the actual oil and other revenues received during the current fiscal year. At the time the FY 17 budget was approved, the Department of Revenue's Spring 2016 forecast was \$38.89/barrel; 523,000 barrels per day produced for a \$1,186.5 in Unrestricted General Fund revenue.

Has Spending Been Cut Since 2015?

The short answer is yes.

The longer answer is that while the Legislature has reduced overall spending substantially, recurring obligations in the operating budget have not been reduced anywhere near a level that can be supported by existing recurring revenues.

Two years ago, the state's general fund spending was \$7 billion⁴. For FY 17, the approved budget is \$5.4 billion. A \$1.6 billion (22%) reduction over two years is substantial-but it's also important to understand the nature of the reductions to know the impact going forward because most of the savings has been one-time in nature:

- Capital project spending is down \$636 million or 82% (from \$776 million to \$140 million); and
- Funding for statewide programs is down \$511 million (from \$947 million to \$436 million) primarily by not funding oil and gas tax credits (\$595 million); this does, however, reflect a \$219 million increase in FY 17 for the state's retirement system.

Chart 2.
FY 15 All General Fund Spending
FY 15 - \$7 Billion

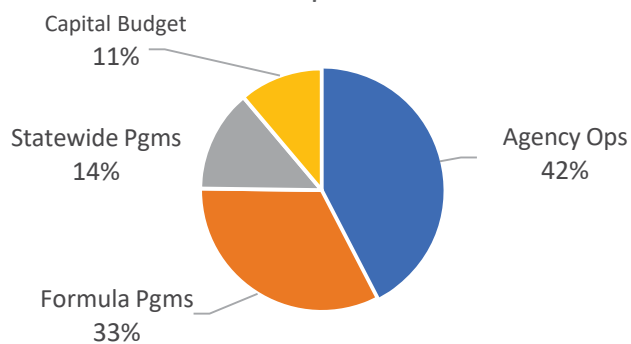
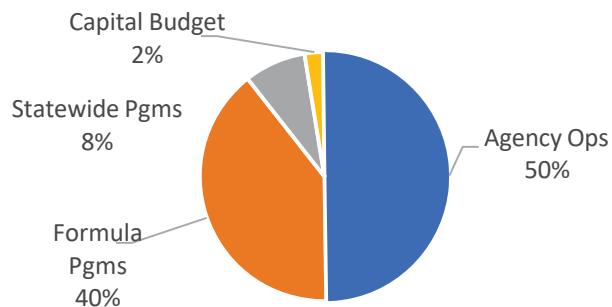


Chart 3.
FY 17 All General Fund Spending

FY 17 - \$5.4 Billion



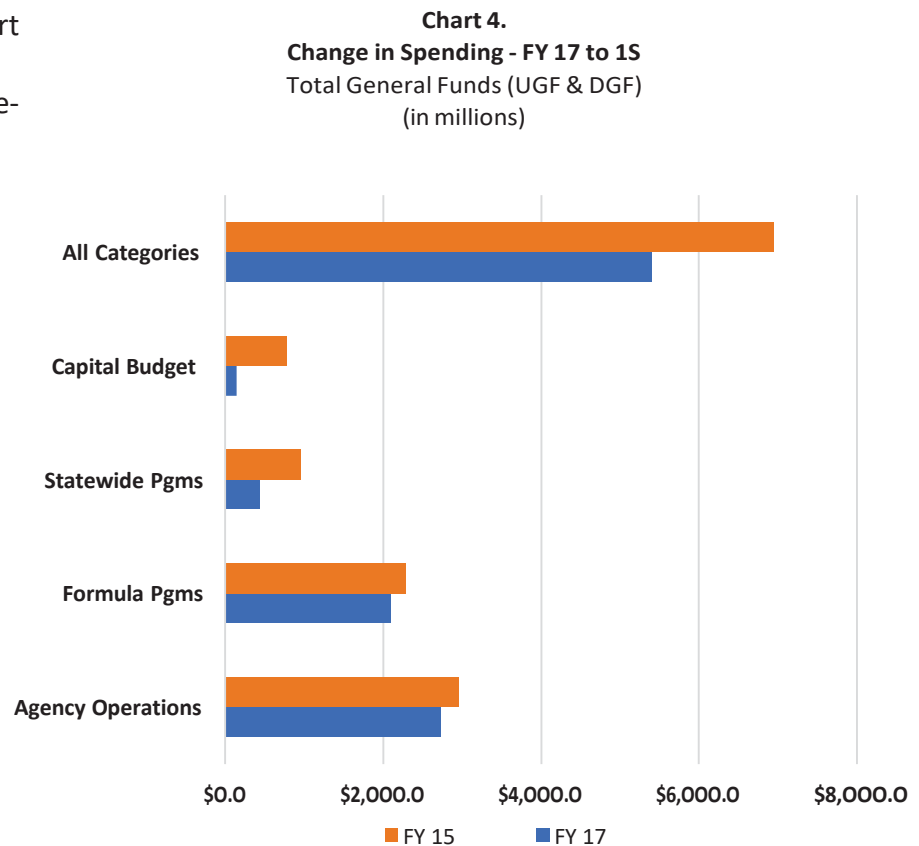
Spending for recurring operating budget programs declined the least:

- Formula program funding (primarily K-12 and Medicaid) is down 10% (- \$211 million);
- Agency operations (all other department programs and services) is down 8% (-\$217 million).

⁴ "General Fund" spending includes both unrestricted general funds (UGF) and designated general funds (DGF). Accounting for spending from both revenue sources mitigates the rewards of playing a "shell game" in which UGF cuts are made, only to be backfilled by DGF.

While the good news is that progress has been made in reducing state spending over the last two years, concern continues that the state does not have the revenue to afford even this reduced level of recurring obligations in the operating budget.

The remainder of this report updates recommendations made in the 2015 report, re-states recommendations that CWN continues to believe are relevant, and adds new recommendations in response to issues of interest to the CWN Study Group that are relevant to today's budget discussions.



Operating Budget: Major Cost Drivers

State Employee Salary and Health Care Costs

2015 Recommendation:

Given the state's fiscal reality, the Administration and unions re-open negotiations to identify savings in salary and other benefit costs.

Update: Most Contracts Have 0% COLA

The Administration has negotiated four collective bargaining agreements (CBA) with the unions representing more than 11,000 full-time positions. In each case, unions agreed to a 0% cost-of-living adjustment for each year of their respective contract. Employees also are required to take 15 hours of furloughs each fiscal year for which they can use accrued leave, if available. Eligible employees will continue to receive a 3.25% "step" or "merit" increase, which is set by state law.⁵

Update: New Contracts Require Employees Pay Toward Health Benefits

New CBAs require employees to contribute toward the cost of health insurance (although the contribution amount for some bargaining units still is minimal).

New Recommendation:

Amend the Public Employee Relations Act to remove health care as a mandatory subject of bargaining.

Discussion

As outlined in Table 1, another 7 contracts expire on June 30, 2017 (representing 1,772 full time employees). The only "old" contract that expires in 2018 is the Correctional Officers (994 members) who will receive a 2.25% increase in FY 18.

⁵ Legislation was introduced (HB 379) in 2016 to suspend step increases until state revenue from oil increased; the legislation was on the House Calendar but died when the Legislature failed to act prior to adjournment.

Table 1.
Collective Bargaining Agreement Selected Terms & Profile - January 2017 Status

Bargaining Unit	Contract Expires	Cost of Living Adjustment				Average Yearly Pay (6/30/16)*	Employer Paid Benefit Rate*	FY 17 Budgeted Cost**
		FY 17	FY 18	FY 19	PFT Pos*			
AVTEC Teachers	6/30/17	1%			31	\$80,572	42%	\$3 M
Inlandboatmen	6/30/17	2%			903	\$55,280	56%	
Marine Engineer's Beneficial Association	6/30/17	2%			125	75,352	40%	
Masters, Mates, and Pilots	6/30/17	2%			135	\$86,824	61%	
PSEA - Airport Security	6/30/17	2%			89	\$74,088	53%	\$11 M
Public Safety Employees	6/30/17	2%			461	\$90,675	52%	\$68 M
Teachers Education Association Mt.	6/30/17	0%			28	\$67,211	40%	\$3 M
Correctional Officers	6/30/18	1%	2.25%		994	\$64,925	53%	\$110 M
Labor, Trades and Crafts	6/30/18	0%	0		1438	\$56,259	54%	\$162 M
Supervisory Unit/APEA	6/30/18	0%	0		1436	\$87,649	52%	\$322 M
Confidential Employees	6/30/19	0%	0%	0%	203	\$62,457	49%	\$20 M
General Government Unit/ASEA	6/30/19	0%	0%	0%	7926	\$60,867	50%	\$826 M
Non-Covered	N/A	0%	0%	0%	1712			\$278 M
UA: Non Rep, Adjuncts	N/A	1%	0%					
UA: Fbks FireFighters	12/31/15	0%	0%					
UA: AK Higher Ed Crafts and Trades	12/31/16	1.9%						
UA: United Academics	12/31/16	2% & \$750 per FTE lump						
UA: United Academics-Adjuncts	2/28/17	Based on # of semester s taught: 0-5 1% 6-11 2% 12+ 3%						
UA: Federation of Teachers	12/31/17	2% + 0.5% Base Mkt Adj + \$900						
* Source: Bargaining Unit Profile (6/30/16) http://doa.alaska.gov/dop/LaborRelations/bgUnitProfiles/								
** Source: OMB Personal Services Bargaining Unit Position Counts and Costs Statewide; FY 17 Management Plan								

State Health Care Spending

The State of Alaska is a significant health care consumer beyond the cost of employee health benefits.

Overall, the cost for health care is \$125 million less in FY 17 than FY 15 as shown in Table 2⁶. A significant portion of this is in Medicaid, primarily from shifting payments to Federal funds.

Table 2.
SOA Operating Budget Health Care Costs – All State Funds
FY 17 v. 15

	FY 15	FY 17	FY 17 v 15
Medicaid	\$702.8	\$580.2	\$(122.6)
Retired Employees	491.9	528.5	36.6
Active Employees	371.9	338.6	(33.3)
Inmates	43.7	38.3	(5.4)
Workers Comp	27.2	26.5	(0.7)
Total	\$1,637.5	\$1,512.1	\$(125.4)

Spending for active state employees also is down, substantially due to the drop in the number of budgeted positions as discussed elsewhere in this report.

It's also relevant to point out that in the 2015 CWN report it was noted that most state employees paid zero toward the cost of their generous

health benefits package. During the 2016 collective bargaining negotiations, the Administration was successful at reaching agreements that require more employees to contribute toward the cost of health benefits (Table 3)-effective January 1, 2017, those that previously contributed zero now are contributing \$30 a month for an individual plan.

Table 3.
Changes in Key Provisions of Health Benefit Plans
For Supervisory Union, Confidential Employees Union, Exempt Employees

	2015 Economy Plan	2017 Economy Plan
Monthly Employee Contribution	\$0 individual / \$0 family	\$30 individual / \$ 75 family
Deductible	\$500 individual / \$1,000 family	\$600 individual / \$1200 family
Coinsurance	70% of allowable amount	70% of allowable amount
Annual Out-of-Pocket Maximum	\$2,000 after deductible	\$2,850 individual / \$5,700 family If out of network

⁶ Appendix E includes the details by department.

Several unions have their own Trust that administers health benefits for their respective members:

Table 4.
Union Trust Member Premium Cost and Benefits

	Master, Mates & Pilots*	ASEA	Labor Trades and Crafts*	Public Safety Employees Association*
Monthly employee contribution	\$149	\$90 individual \$195 family	Requested Information Not Provided by Union	Requested Information Not Provided by Union
Deductible	\$250 individual \$500 family	\$300 individual \$600 family		
Co-Insurance	80-90% Inside PPO 70-80% Outside PPO	80%		
Annual out-of-pocket maximum	\$3,000 individual \$10,000 family	\$1,200 \$2,400 non-preferred or out-of-network		

*Bargaining unit members have been contributing toward health insurance prior to 1/1/17

Potential savings in FY 18 may be possible from other union agreements currently being negotiated:

- Inland Boatmen's Union
- Marine Engineer's Beneficial Association
- Masters, Mates, and Pilots
- Alaska Vocational Technical Center Teacher's Unit
- Teachers' Education Association of Mt. Edgecumbe
- Public Safety Employees Association

The Administration hopes to reach agreement with these unions by the 60th day of the 2017 legislative session.

Discussion

The challenge of managing health care costs will continue to be critical going forward. Currently health insurance benefits in the public sector by statute must be collectively bargained. Thus, public employee health plans are locked in for the period of the contract, which makes them much less flexible and adaptable to changing markets. This contrasts with health plans in the private sector that often are changed annually. At the same time, public

employers often don't have the capacity, knowledge, or the will to aggressively bargain health care. As a result, public employee health plans are extremely rich compared to private sector plans, with very low premium shares and deductibles and the disparity between public and private sector benefits continues to grow.

The Kaiser Family Foundation, in its 2016 employee health benefits survey, found that for an average PPO plan, a family pays \$5,569 out of pocket for premiums each year. Contrast this to the state economy plan for 2017, with \$2000 for some bargaining units. The same study found that the average deductible for single coverage is \$1,478 (compared to \$500 in the state economy plan). Some teachers' plans are significantly richer than even the state employee plan.

This disparity causes distortions in the overall health care market, since public employees with low deductibles tend to be less aware of cost than employees in high-deductible plans. The private sector is moving very quickly toward high deductible plans with employer-funded health savings accounts. A total of 29% of all employees are now in high deductible plans, compared to only 4% a decade ago. A high deductible plan with an HSA turns employees into better consumers of health care.

To address the unprecedented cost of state employee health care, the state should have the opportunity and latitude to work with unions to explore these options beyond the customary boundaries of a collective bargaining process.

For these reasons, CWN recommends that the Public Employee Relations Act be amended so that the Administration can explore options to manage this ever-increasing cost.

Are There Fewer State Employees?

A benchmark that often provides a sense of how much spending has changed is the number of positions that were cut-or added-to budget. Seems like it's a straightforward question-but is not so easy to answer. There are lots of different reports and indicators. There's the number of positions shown in state budget reports that compare one fiscal year to the next; reports of the number of state employees getting a paycheck as reported by the Department of Labor; and/or the number of employees that got actually got laid off (OMB suggests isn't a good indicator because people voluntarily seek other positions when they see their job is being eliminated and then there is the trickle-down effect of "bumping" in which more senior employees can take someone else's job, etc.).

We used the number of budgeted positions from a report⁷ prepared by OMB. Between FY 14 and the FY 17:

- The FY 17 budget has 1,594 fewer positions in the operating budget when compared to FY 14 (Table 5);

⁷ Does not include data for Court System, Legislature, and AMHS. FY 17 report is Appendix D.

- This saved \$203 million in Unrestricted General Fund; however total net savings in all revenue sources is \$78 million (Table 6).

Table S.
Change in Number of Budgeted Positions FY 17 v 14

	FY 14				FY 17				Change FY 17 v 14			
	FT	PT	on Perm	Total	Position Count				FT	PT	Non Perm	Total
					FT	PT	Non Perm	Total				
Confidential Employees	203	2	4	209	196	3	2	201	-7	1	-2	-8
Labor, Trades & Crafts	1,475	362	91	1,928	1,401	332	79	1,812	-74	-30	-12	-116
Supervisory Employees	2,426	25	4	2,455	2,375	24	1	2,400	-51	-1	-3	-55
AK Vocational Tech Cntr Teachers	42	0	2	44	32	0	1	33	-10	0	-1	-11
Teachers Educ. Assoc I Mt Edgumbe	27	2	0	29	27	2	0	29	0	0	0	0
Corrections Officers	1,005	0	0	1,005	981	0	0	981	-24	0	0	-24
(GG) General Gov't Employees	356	10	26	392	229	7	10	246	-127	-3	-16	-146
(GP) General Gov't Employees	7,558	1,093	175	8,826	7,222	996	96	8,314	-336	-97	-79	-512
(GY) Youth Counselors	7	0	1	8	5	0	0	5	-2	0	-1	-3
(GZ) Youth Counselors	237	0	15	252	235	0	16	251	-2	0	1	-1
<i>ASEA/General Govt Union Total</i>	<i>8,158</i>	<i>1,103</i>	<i>217</i>	<i>9,478</i>	<i>7,691</i>	<i>1,003</i>	<i>122</i>	<i>8,816</i>	<i>-467</i>	<i>-100</i>	<i>-95</i>	<i>-662</i>
Public Safety Employees	448	0	14	462	413	0	3	416	-35	0	-11	-46
Airport Security Officers	89	0	0	89	84	0	0	84	-5	0	0	-5
<i>Public Safety Employees Assoc (PSEA) Total:</i>	<i>537</i>	<i>0</i>	<i>14</i>	<i>551</i>	<i>497</i>	<i>0</i>	<i>3</i>	<i>500</i>	<i>-40</i>	<i>0</i>	<i>-11</i>	<i>-51</i>
AHFC Employees	264	4	14	282	257	10	14	281	-7	6	0	-1
AHFC Custodian Positions	7	0	0	7	7	0	0	7	0	0	0	0
AHFC Laborer Positions	12	18	0	30	13	12	0	25	1	-6	0	-5
AHFC Maintenance Mechanic Positions	28	1	0	29	31	1	0	32	3	0	0	3
AHFC Lead Mechanic Positions	7	0	0	7	7	0	0	7	0	0	0	0
AGDC Employees	32	0	0	32	26	0	1	27	-6	0	1	-5
Excluded Employees	5	1	149	155	3	0	90	93	-2	-1	-59	-62
Partially Exempt & Exempt Executive	1,486	15	118	1,619	1,368	4	104	1,476	-118	-11	-14	-143
<i>Non-Covered Employees Total:</i>	<i>1,841</i>	<i>39</i>	<i>281</i>	<i>2,161</i>	<i>1,712</i>	<i>27</i>	<i>209</i>	<i>1,948</i>	<i>-129</i>	<i>-12</i>	<i>-72</i>	<i>-213</i>
UAAFT (University)	356	9	0	365	318	9	0	327	-38	0	0	-38
Fairbanks FireFighters Association, IAFF					9	1	0	10	9	1	0	10
United Academics (University)	1,045	39	0	1,084	971	33	0	1,004	-74	-6	0	-80
Non-covered employees (University)	293	7	0	300	2,760	158	0	2,918	2,467	151	0	2,618
CEA Trades & Crafts (University)	3,033	167	0	3,200	230	6	0	236	-2,803	-161	0	-2,964
<i>Univeristy of Alaska Total:</i>	<i>4,727</i>	<i>222</i>	<i>0</i>	<i>4,949</i>	<i>4,288</i>	<i>207</i>	<i>0</i>	<i>4,495</i>	<i>-439</i>	<i>-15</i>	<i>0</i>	<i>-454</i>
Statewide Total:	20,441	1,755	613	22,809	19,200	1,598	417	21,215	-1,241	-157	-196	-1,594

Note: This report does not contain data for the following agencies: Court System, Legislature, and AMHS. Does not include lump sum, boards, or University Labor Pool amounts

Source: Office of Management and Budget: "Personal Services Bargaining Unit Position Counts and Costs by Fund Class Statewide"

Table 6.
Change in Amount Budgeted for Positions FY 17 v 14

Cost	UGF	DGF	Other	Federal	Total
FY 14	\$1,188.0	\$254.3	\$476.9	\$276.7	\$2,195.9
FY 17	\$985.4	\$347.2	\$509.2	\$276.9	\$2,118.7
<i>Di//erence</i>	<i>-\$202.6</i>	<i>\$92.9</i>	<i>\$32.3</i>	<i>\$0.2</i>	<i>-\$77.2</i>

Cost of Health Care in Alaska

New Recommendations:

- Review the findings of the state's health care authority feasibility study⁸ to be released in January 2017. Based on its findings, evaluate the impact of removing barriers to formation of larger consolidated health coverage plans with a pool of members that could include public employees and retirees, individuals, and small business groups, and potentially Medicaid enrollees; two or three plan choices for this pool could be identified by possibly using the Medicaid benefit package as a base and varying levels of co-pays and deductibles.
- Work with diverse stakeholders, including payers and health care providers, to modify the 80th percentile rule⁹ and increase consumer protections related to balance billing.¹⁰
- Leverage "value-based"¹¹ payment reforms currently underway in Medicare that places physicians on a fee schedule for Medicare patients; provide bonus payments to providers who implement value-based payment reforms for Medicaid as well as public and private employer coverage.
- Identify Alaska Medicaid and Medicare top primary care and behavioral health providers that see the most Medicaid and Medicare enrolled patients and negotiate with those providers to pay per-member-per-month payments for primary care case management for enrollees that would benefit from that level of care management; may require a subsidy for the cost for these providers to connect to Alaska's Health Information Exchange.
- Review the reform initiatives proposed in the "Recommended Medicaid Expansion and Reform Strategies for Alaska"¹² and consider implementation for Alaskans, including and

⁸ The Medicaid reform package legislation required the Department of Administration to determine the feasibility of creating a health care authority that could coordinate health care plans and consolidate purchasing effectiveness for all state employees, retired state employees, retired teachers, medical assistance recipients, University of Alaska, state corporations, and school district employees. The state contracted with PRM Consulting Group to prepare the report, which is to be completed by June 30, 2017. Information about the HCA feasibility study is available at: <https://alaskahcastudy.com/>

⁹ The 80th percentile rule is in regulation; it requires insurance companies to pay 80 percent of the reasonable market rate (or UCR for "usual, customary, and reasonable" rate for a health care service. But in Alaska, that market is small and there may be only specialties that have only one or two provider groups. The result is that the 80th percentile rule essentially allows specialists to name a price that insurers are then required to pay. The Alaska Division of Insurance currently is reviewing the regulation.

¹⁰ "Balance billing" is when a healthcare provider bills a patient for the difference between what the patient's health insurance chooses to reimburse and what the provider chooses to charge.

¹¹ "Value-based" reform is a strategy to promote quality and value of health care services by focusing on outcomes instead of fees-for-service that are purely volume-based. The goal is to slow the increase in the total cost of care by changing the current incentives of "overproduction" of health care services.

¹² DHSS, January 22, 2016 (See Appendix F for summary of reforms)

beyond those covered by Medicaid, such as those with marketplace-plans, large and small employers, and the individual market.

- Enact a statewide smoke-free workplace law to protect all Alaskans¹³ from secondhand smoke in the workplace and that implements proven approaches to reducing tobacco use among all Alaskans; include marijuana smoke and e-cigarette vapor. A statewide law is necessary because many Alaska communities are in boroughs that lack health powers, or are located outside of a borough or municipality, so don't have the ability to make these changes.

Discussion

Initially CWN's discussions focused on the skyrocketing cost of health insurance.

This "state of affairs" was highlighted during one of the 2016 legislative special sessions when the Legislature approved the Governor's "Reinsurance" program (House Bill 374) that appropriated \$55 million¹⁴ to help pay for insurance provided on the Federal Exchange for 450¹⁵ Alaskans with a chronic illness for two years.

The Alaska Division of Insurance reports that this action reduced a projected 40% increase in premiums for Alaskans covered by the individual market to a 7% increase. The Division is now pursuing a Federal 1332 waiver to secure Federal funds for the reinsurance program, but some reform watchers suggest it may be difficult to get the waiver approved.

While this step helped a very small number of Alaskans, it highlighted an even larger concern—the cost of health care in Alaska. The United States has the highest health care costs in the world; and Alaska has the highest in the United States.

What else can be done in response—other than continuing to pay higher and higher insurance rates? That's the question that Commonwealth North members pondered and offer the following thoughts and observations for further discussion:

¹³ The 2015 update of "Alaska's Tobacco Facts" reports that among non-Native adults age 25 to 64, those of low socio-economic status are nearly three times as likely as those of higher socio-economic status to be smokers (38% versus 14%); and, among those who work primarily indoors, men, younger adults age 18 to 29 and non-Native adults of low socio-economic status are significantly less likely to be protected from secondhand smoke by a clean indoor air policy. Individuals with low socioeconomic status are also more likely to be covered by Alaska's Medicaid program.

¹⁴ This funding comes from a 2.7% tax paid by Alaskans on every insurance policy. These tax proceeds previously went into the state's General Fund; now this revenue is being diverted to the "Alaska Comprehensive Health Insurance Fund" established by this legislation (a designated funding source).

¹⁵ Based on the State's 1332 Waiver Application, the number of estimated insureds is 1,248 in FY 17 and 1,641 in FY 18 because in promulgating regulations to implement the legislation, the State expanded the number of conditions that will be covered by the Reinsurance Program.

- Lack of consolidation among health care payers limits leverage to drive prices down and limits ability to push for reforms in health care delivery that would manage care to improve health and contain costs.
- Current high cost, small, and fragmented health coverage populations increase the level of risk for managed care entities, making Alaska an unattractive market for provider-led or other managed care operators to share risk and participate in managing care to bring down costs and improve health.
- With a limited number of health care providers in most markets and specialties, the 80th percentile rule and limits on insurance company contracting requirements, increase leverage for providers and limit payers' ability to reduce costs.
- Efforts to combine health insurance pools have had only very limited success in gaining leverage over health care costs, frequently by bypassing local providers to seek care outside and have been unable to drive needed reforms to local health care delivery.
- Low income Alaskans continue to experience health disparities including increased use of tobacco, increased obesity rates, and other factors that increase the risk for chronic disease. In 2015, 40% of low income Alaskans smoked cigarettes, compared to 15% of middle to high income Alaskans.
- Fast growing senior population increases the need for primary care and other health care providers accepting Medicare. With current disparity between prices paid by private insurers compared to Medicare, many providers limit the number of Medicare patients they will accept. Limited primary care for seniors leads to worsening health conditions that may require more expensive care later.
- Individual Market and High-risk Pool: Alaska's individual health insurance market will have only one carrier, Premier Blue Cross Blue Shield of Alaska, in 2017 following the exit of Moda from that market. Premier received approval for an average rate increase of 7.3 percent. Approximately 20,000 Alaskans are covered through the individual market. As described previously, this modest rate increase was achieved only after a \$55 million payment by the State of Alaska to the Reinsurance program, which avoided an increase in premiums close to 40%. The study group's projected cost going forward is estimated at \$27 million in FY 2018 to \$33 million in FY 2021.
- For private sector employers, particularly small business, and public sector employers, the high cost of health care in Alaska drives cost increases for employee and retiree coverage, raising costs for public and private employers, as well as consumers.

Formula Driven Spending: Medicaid

2015 Recommendations:

- The Administration and the Legislature immediately embark on a Medicaid reform initiative to ensure that the state can continue to provide services to those most in need.
- The Legislature should reduce the number of Optional Services Alaska covers if necessary due to budget constraints.

Update - Reform legislation Enacted

During the 2016 legislative session, the Legislature approved a Medicaid reform package (Senate Bill 74). It proposes a set of interrelated reforms to Alaska's Medicaid Program to manage care by paying for value, improving health through increased preventive and integrated care, and containing costs. These reforms also provide a helpful starting point for reforms across Alaska's health care sector.

No change was made in Optional Services.

New Recommendations:

- Given the anticipated policy changes at the Federal level, the state needs to quickly assess these potential reforms on health coverage for Alaskans and identify challenges and opportunities that may arise.
- Depending upon the magnitude and speed by which these initiatives may be implemented, the state should consider options such as adjusting Medicaid reimbursement rates by reducing Medicaid rates to a factor of Medicare rates (Medicaid rates are 20 to 30% above the rates for Medicare) to avoid an abrupt increase in state general fund spending.

Discussion

**Table 7.
Medicaid Program Funding – FY 18 v. 15**

<u>Medicaid Reform</u>		<u>FY 15 Actuals</u>	<u>FY 18 (Gov)</u>	<u>Difference</u>
Reform initiatives even prior to passage of a Medicaid reform package have resulted in some general fund savings when compared to FY 15. Per OMB, the full cost for FY 18 has not yet been finalized, so any additional savings and/or increases aren't reflected in Table 7.	General Funds	\$673.1	\$580.6	\$(92.5)
	Other Funds	8.0	11.9	3.9
	Federal Funds	900.7	1,165.0	264.3
	Total	\$1,581.8	\$1,757.5	\$175.7

The Medicaid reform legislation tasked the Department of Health and Social Services with implementation of cost containment initiatives:

- Expand use of telemedicine for primary care and urgent care;

- Enhance fraud prevention, enforcement, and recovery;
- Undertake additional pharmacy initiatives;
- Reduce cost of home and community-based services through a new waiver program;
- Initiate managed care or case management demonstration projects;
- Streamline payment system and examine payment redesign (Alaska pay one of the highest rates in the country);
- Explore privatization of the Alaska Psychiatric Institute, Alaska Pioneer Homes, and select Juvenile Justice facilities through feasibility studies.

Savings from the legislation in FY 17 was estimated at \$27 million in state General Funds and a \$24 million increase in Federal funds. The fiscal note that accompanied the legislation projected a cumulative General Fund savings through FY 22 of \$278 million and a \$175 million increase in Federal Funds.

As a cautionary note, it might be helpful to lawmakers to note the historical trend in Medicaid cost growth and cost drivers as outlined in Table 8. To date much of the savings appears to have been based on cost shifting to the Federal governments. The potential policy shifts at the Federal level may make a very different forecast for state funding if the past is a predictor for the future.

Table 8.
Trends in Alaska Population, Medicaid Enrollment, Utilization, and Spending, and Health Care Price Inflation, FY 1997-2015

FY	Population 1/	Enrollment 2/	Total Count of Utilization 3/	Alaska Healthcare Deflator 4/	Cost of Medicaid Services 5/	Inflation Adjusted Spending 6/
1997	609,655	89,864	208,926	0.9147	\$304,449,016	\$332,826, 747
1998	617,082	88,494	227,851	0.9397	\$330,997,945	\$352,227,380
1999	622,000	95,690	258,039	0.9585	\$385,468,075	\$402,169,721
2000	628,346	110,219	303,544	1.0000	\$457,371,292	\$457,371,292
2001	632,716	116,226	333,592	1.0397	\$549,818,653	\$528,828, 758
2002	641,729	121,582	358,676	1.0960	\$671,005,687	\$612,224,486
2003	649,466	126,632	382,476	1.1523	\$799,170,972	\$693,523,908
2004	659,653	129,528	397,912	1.2087	\$894,288,148	\$739,903,627
2005	667,146	131,136	407,274	1.2650	\$950,213,346	\$751,170,980
2006	674,583	131,996	414,666	1.3087	\$967,843,127	\$739,539,778
2007	680,169	128,295	397,068	1.3486	\$942,645,524	\$698,982,832
2008	686,818	125,138	395,062	1.3987	\$955,821,043	\$683,355,376
2009	697,828	127,944	405,007	1.4591	\$1,044,528,921	\$715,856,029
2010	714,021	135,086	444,861	1.5426	\$1,181,988,231	\$766,250,283
2011	723,133	146,244	479,309	1.6246	\$1,295,442,444	\$797,409,057
2012	731,630	150,998	492,402	1.6952	\$1,351,541,201	\$797,264,857
2013	736,616	151,797	487,694	1.7495	\$1,377,817,359	\$787,530,939
2014	737,354	159,277	491,642	1.8057	\$1,400,855,884	\$775,813,112
2015	737,625	164,840	501,770	1.8977	\$1,568,714,557	\$826,660,888
Avg. Annual Growth (1997-2016):						
	1.06%	3.37%	4.87%	4.05%	9.11%	5.05%
(1) Population estimates from Alaska Department of Labor						
(2) Annual unduplicated count of Individuals enrolled in Medicaid during the fiscal year, excludes retroactive enrollment						
(3) Unduplicated count of the number of service categories (out of 20) used by a Medicaid enrollee during the fiscal year summed across all enrollees						
(4) Anchorage All Urban Consumers Price Index for Medical Care: www.bls.gov/cpi						
(5) Cost of Medicaid services received during fiscal year (regardless of when actually paid); excludes spending on administration of Medicaid program						
(6) Cost of Medicaid services received during fiscal year divided by Ak Healthcare Deflator (value may differ due to rounding)						

Mandatory v. Optional Services

The 2015 report recommended that the state re-examine the list of optional Medicaid services. Alaska covers (these are in addition to the mandatory services that the Federal government requires states to cover). Alaska continues to be the only state that covers all optional services.¹⁶

Table 9.
Optional Medicaid Services Cost
(Approximately 50% State Funds)

To date, there has been no reduction in optional services and in fact, with Medicaid expansion, it has increased the state's provision of services. Given the state's fiscal challenge, it is prudent to examine its ability to continue this expanded level of coverage.

FY 13	FY 16
\$480 M	\$530 M

Medicaid Expansion

After CWN's 2015 report was released, the Governor expanded those eligible¹⁷ for Medicaid, which was expected to add an estimated 42,000 Alaskans to the Medicaid program (as of late October 2016 22,000 Alaskans had been added at a cost of \$175 million in Federal funds, which is about \$30 million more than originally estimated). The department believes that this increased pool of Alaskans covered by Medicaid is expected to make reforms more practical. While the Federal government currently is reimbursing 100% of the expansion's cost, that percentage decreased to 95% on January 1, 2017. As currently charted, the reimbursement rate will ratchet further down each year to 90% by 2020.

Wild Card: Potential for Significant Federal Changes

Early indications suggest that the new President will propose substantial reforms to Medicaid and the Affordable Care Act. Based on the policy prescriptions described in the Trump "Contract with America" and Representative Paul Ryan's "A Better Way," the state needs to quickly assess the impact of the proposed reforms on health coverage for Alaskans and identify challenges and opportunities that may arise from the proposed reforms.

Of note is Representative Ryan's plan that would shift costs from the Federal government to the states in the Medicaid and Children's Health insurance programs and move Medicaid to a block grant (either a set dollar amount or a certain amount per beneficiary). Changes also could include transitioning Medicaid expansion from 90% Federal share to the more "normal" 50 to 60% Federal match. One analysis of Representative Ryan's 2017 block grant proposal concluded that the "cost-shift to states would be very large" because Representative Ryan's plan "would cut Federal Medicaid funding by \$1 trillion, or nearly 25%, over ten years, relative

¹⁶ State law (AS 47.07.030) defines optional and mandatory services; list of services is Appendix G.

¹⁷ Expanded eligibility includes those that are not caring for dependent children, not disabled or pregnant, and who earn at or below 138 percent of the Federal Poverty Level for Alaska.

to current law, on top of the cuts the plan would secure from repealing the ACA's Medicaid expansion."¹⁸

The combination of the cost shifting and conversion to a block grant could create considerable cost challenges for the state, which could create incentives to accelerate value-based purchasing. Depending upon the magnitude and speed by which these initiatives may be implemented, the state should consider options such as adjusting Medicaid reimbursement rates by reducing Medicaid rates to a factor of Medicare rates (Medicaid rates are 20 to 30% above the rates for Medicare) to avoid an abrupt increase in state general fund spending.

¹⁸ Analysis by Center on Budget and Policy Priorities (CBPP), November 30, 2016, <http://www.cbpp.org/research/health/>. CWN note: current CBO projections indicate Medicaid + CHIP will grow by 5.8% per year over the next ten years under baseline projections referenced by CBPP. The Ryan/Price block grant proposal is expected to hold annual cost growth to 1.6% (CBPP) to 2.9% (Committee for a Responsible Budget) over the next ten years [based on analysis of CBO, CBPP and CRFB cost estimates].

Formula Driven Spending: K-12 Funding

New Recommendations:

- Education funding needs to refocus on direct instruction that yields measurable improvements in student achievement. State K-12 funding should be reduced by 1 to 3 percent per year for four years, during which funding would have to be reallocated from administrative/operations to maintain funding for direct instruction.
- Prior to making investments in UA, teacher training programs, both in and outside Alaska, should be evaluated to identify those that have produced high quality teachers that have generated high student achievement results.

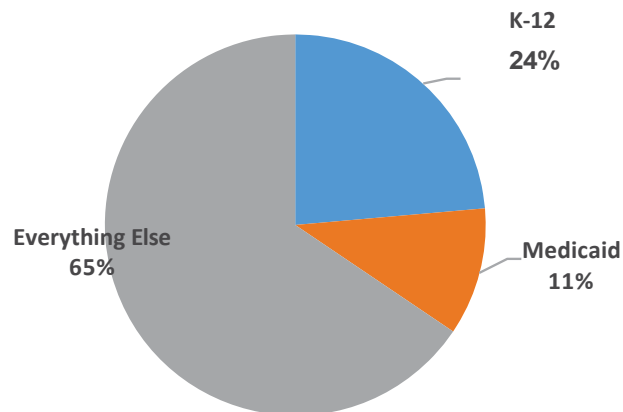
Discussion

Funding for K-12 education is the state budget's largest investment of General Fund dollars and the amount is tied to a formula. The formula¹⁹ uses the following variables to calculate a district's "Average Daily Membership" (ADM) to determine the amount to which a school district is "entitled:"

District's Average Daily Membership (ADM):

1. ADM is adjusted for school size, which considers alternative and charter schools
2. A "Special Needs Factor" is applied;
3. A "Vocational and Technical Funding" factor then is applied;
4. Add the number of "Intensive Services" students;
5. Add the number of Correspondence Students.

Chart 6.
K-12, Medicaid Share of Budget
FY 17 Total General Fund Spending



The result from the above is the "Final Adjusted ADM" that is multiplied by the Base Student Allocation (BSA) to determine the "Basic Need." In recent years, the BSA and entitlement has been:

Table 10.
State Education Funding FY 15 - 17

Fiscal Year	BSA	Total State Entitlement
FY 2015	\$5830	\$1,163,971,736
FY 2016	\$5880	\$1,178,637,851
FY 2017	\$5930	\$1,236,806,776

¹⁹ "Public School Funding Program Overview," Department of Education & Early Development, September 2015

Even after spending \$3.6 *billion* (not including local funds) the last three years:

- Alaska continues to be among the bottom states in K-12 achievement, including National Assessment of Educational Progress (NAEP) test scores and advanced placement (AP) scores of three or above per 100 students;²⁰
- Alaska remains below average among states for high school graduation rates;²¹
- Alaska continues to be one of the top two states for spending on K-12 education-even after adjusting for regional differences in the cost of living;²²
- Despite having dramatically increased per pupil spending on K-12 education over the past dozen years compared to other states, Alaska student achievement on national normed tests, after adjusting for social and economic status relative to prior periods and compared to other states, remains flat to declining;²³
- The July 2015 "Review of Alaska's School Funding Program" by Augenblick, Palaich & Associates for the Alaska State Legislature concluded that, among other things:
 - Overall spending on public education was not correlated with student performance (page xi);
 - Spending on direct instruction (teachers in the classroom) was correlated with student performance (even after controlling for demographics and teacher characteristics) (page xi);

Taken together, this suggests that spending on functions other than direct instruction tends to diminish student performance.²⁴

For these reasons, CWN recommends:

- Education funding (both state and local) needs to refocus on direct instruction that works and stop spending on non-essential administration, operations, and support that does not yield measurable improvements in student achievement.

The Governor/Legislature should reconstitute the public school education funding formula to focus investments in effective direct instruction and reduce investments in administration and support functions that have not yielded measurable improvements in student achievement.

²⁰ Education Week, Quality Counts Annual Report, K-12 Achievement, 2016

²¹ (Education Week, Quality Counts Annual Report, K-12 Achievement, 2016).

²² Education Week, Quality Counts Annual Report, School Finance, 2016.

²³ (Education Week, Quality Counts Annual Reports, School Finance & K-12 Achievement, 2002, 2016).

²⁴ Based on the conclusion that positive correlation on direct instruction + negative correlation on other than direct instruction = no correlation for overall spending

- The state should require all districts to benchmark spending and performance of their administrative, operations, and support functions and provide districts with a strong incentive to reduce expenditures in these areas so that investment in direct instruction can be sustained. An approach would be to reduce state K-12 funding by 1 to 3 percent per year for four years. During this time, benchmarks for administrative type operations would be expected to decrease in order to reallocate dollars to maintain funding for direct instruction. This pressure would provide an incentive to explore/implement consolidation of support functions, including facilities, student nutrition, and pupil transportation with local municipalities and boroughs as well as outsourcing and/or managed competition to reduce administration and support, thereby refocusing district investment in direct instruction. This also would provide an incentive to explore increased use of technology to deliver classroom instruction.
- High quality direct instruction is well correlated with student performance²⁵. Prior to making investments in UA teacher training under its "let's grow our own" initiative, it is recommended that the Board of Regents, the Governor, and Legislature evaluate teacher training programs, both in Alaska and outside Alaska, that have produced high quality teachers that have generated sustained above-average student achievement results for Alaska students to ensure that limited financial, managerial, and recruitment resources are directed toward teacher training that is likely to yield positive results for Alaska's students.

²⁵ Hanushek, Eric., "Valuing Teachers: How Much is a Good Teacher Worth?" Summer 2011

State Transportation and Infrastructure

New Recommendations:

- Increase coordination of state road maintenance and snowplowing functions with local governments, where it can result in improved performance and efficiency.
- Develop and publish performance metrics for the Department of Transportation and Public Facilities' activities and results so its performance can be compared to that of other states as well as provide transparent accountability to Alaskans.
- Increase the state motor fuel tax from 8 cents to 16 cents per gallon so an estimated \$30 million in additional revenue can be available for maintenance and operation of transportation infrastructure.
- Explore divestiture (privatize or restructure) of the Alaska International Airport System (AIAS) (Ted Stevens and Fairbanks Airports) to determine the benefits that might come from of a nimbler structure.
- Reform and revitalize the Alaska Marine Highway System by converting it from long haul routes to short-range ferry routes in combination with road segments.

Discussion

Administrative Efficiencies and Accountability

The state should increase coordination of state road maintenance and snowplowing functions with local governments where it can result in improved performance and efficiency. In some communities, local and state roads are maintained by two or more levels of government. CWN recommends these crews be managed as one service group, which should result in lower overhead costs and other economies of scale (e.g. combined purchasing power for vehicles and materials).

The state and local communities should also consider alternate approaches such as "managed competition" in which the private and public sectors bid on the delivery of services.

The department should develop and publish performance metrics for DOT activities (i.e. "One DOT" initiative) so its performance can be compared to that of other states as well as provide transparent accountability to Alaskans. CWN's understanding is that DOT/PF currently has performance measures that track the cost of providing services and outcomes (e.g. road quality), but the measures and metrics are not released to the public-and should be.

Increase Motor Fuel Tax

The state tax should be increased from 8 cents to 16 cents per gallon so an estimated \$30 million in additional revenue can be available to pay for maintenance and operation of the transportation infrastructure.

While some propose motor fuel tax revenue be earmarked in a designated fund (such as the Governor's proposed bill for the 2017 session), CWN recommends against such automatic earmarking and instead, the revenue should be deposited in the general fund. This revenue then is available for appropriation for road maintenance and operations and ultimately the Legislature and Governor are held accountable for how these funds are used each year.

Evaluate Restructure of Alaska International Airport System

The state should explore divestiture (privatize or restructure) of the Alaska International Airport System (AIAS) (Ted Stevens and Fairbanks Airports) to determine the benefits that might come from of a nimbler structure.

The state operates 249 airports to move people and goods between communities. While many local communities don't have the resources to fully operate local airports, the AIAS is a self-sustaining enterprise. Privatizing or restructuring the two airports could transfer the state's obligations to a more nimble and separate entity (like the Alaska Railroad Corporation structure) and results in creating additional private sector jobs.

Alaska Marine Highway System (AMHS) Conversion

CWN supports the current work between DOT and the Southeast Conference to develop a plan to reform and revitalize AMHS by converting it from long-haul to short-range ferry routes in combination with road segments. When fully implemented, this would enable AMHS to operate at a lower overall cost and standardize the fleet (from five different vessel designs to one or two designs that will result in associated savings and improved fleet efficiencies). Important to this implementation will be the transfer of easements through Federal land to allow construction of a marine access point at various locations. Alaska was given 250 such easements. To date, it has received two.

Permanent Fund and Use of Earnings

Recommendations:

- Support a percent of market payout formula.
- Use Permanent Fund earnings to help structurally address the state's revenue shortfall, while maintaining a dividend program.
- Reducing the annual dividend is a fiscal necessity for the state-Alaska needs to start using some level of Permanent Fund earnings to help meet the need for public services.
- Continue to pay the Permanent Fund dividend from the fund's realized earnings.
- The Permanent Fund's earnings reserve account should be invested in cash equivalents apart from the rest of the Fund.
- Permanent Fund Corporation should open an Anchorage and out-of-state offices in financial centers.
- Strengthen and enlarge the Board of Trustees.
- More competitive compensation of board and staff members to attract and retain highly skilled individuals.

Discussion

While the 2015 CWN budget report did not discuss use of Permanent Fund earnings, certainly prior CWN reports²⁶ have. To update its information, the study group met with the Permanent Fund's executive director and convened an informal "Permanent Fund Review Group" composed of five former Fund trustees (Steve Frank, Steve Rieger, Bruce Botelho, John Shively, and Eric Wohlforth). The result of this work, as well as previous CWN study groups, as follows:

Use of Permanent Fund Earnings

- CWN supports use of Permanent Fund earnings to help structurally address the state's revenue shortfall, while maintaining a dividend program, to advance long-term fiscal stability needed to secure the state's economy.²⁷
- Alaska should continue to pay the Permanent Fund dividend from the fund's realized earnings as it has in the past.

The link between the size of the dividend and the performance of the fund is a critical element in protecting the Permanent Fund, and for this reason, would discourage basing the annual dividend calculation on state oil and gas royalties (as advocated in at least two pieces of legislation in the 2016 legislative session). The concern is that uncoupling the annual dividend from the fund could threaten the long-term viability of the fund itself

²⁶ These reports include: "Long Term Economic Sustainability for the State of Alaska (2013); "At a Crossroad: The Permanent Fund, Alaskans, and Alaska's Future" (2007); "Permanent Fund Earnings-Phase II: A Cornerstone for Fiscal Certainty" (1999); "Budget Recommendations for Alaska: Breaking the Fall" (1994). All reports are available at www.commonwealthnorth.org

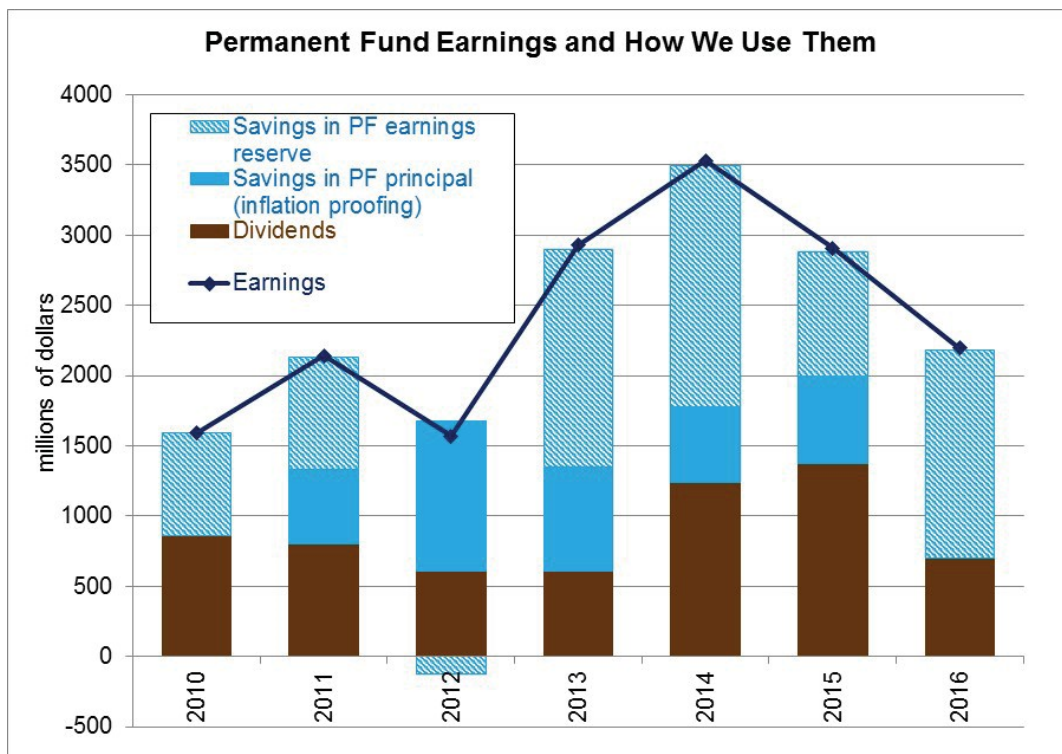
²⁷ See CWN Board resolution approved February 23, 2016 (Appendix H).

because the payments to the public would be detached from the earnings, management, and preservation of the fund.

- Reducing the annual dividend is a fiscal necessity for the state-Alaska needs to start using some level of Permanent Fund earnings to help meet the need for public services.
- The informal group did not settle on a specific formula regarding the size of the dividend needed to keep Alaskans focused on the integrity of fund, though it considered prior legislative efforts to limit the dividend to 30 or 40 percent of the fund's annual earnings calculated as an average of several years to reduce volatility. Regardless of the amount of earnings directed to the dividend, the group believed it would be appropriate for the Legislature to adopt a percent-of-market-value cap on the total annual payout of fund earnings for dividends and public services, at a level consistent with the long-term safety of the fund's principal.

Chart 7 (provided by ISER) illustrates the distribution of Permanent Fund earnings between dividends, inflation proofing the Fund, and earnings that remained, which have accumulated in the Earnings Reserve Account. At the end of FY 2017, the Earnings Reserve is projected to have a \$9 billion balance.

Chart 7.



Source: Alaska Permanent Fund Corporation, Monthly Financial Report, June 30, 2016. http://www.apfc.org/_amiReportsArchive/APFC201606.pdf.

Permanent Fund Management

- Continue support for a percent of market payout formula, as recommended in CWN's 2013 report. Currently the Constitution only permits earned or realized income to be paid out. Within this constraint a statutory percent of market value formula would provide for more consistent annual payouts available for distribution.
- Regarding the investment policy for the Permanent Fund's earnings reserve account (this is the income account which may be spent by legislative action as opposed to the principal or corpus of the fund which is constitutionally inviolate), in light of the likely drawdown of amounts from the earnings reserve account in the near future by legislative appropriation, it is recommended that the reserve account be invested in cash equivalents apart from the rest of the Fund to ensure its availability for expenditure.

Permanent Fund Corporation

- Open an Anchorage and out-of-state offices in financial centers in addition to the one Juneau office to maintain better contract with the larger investment world.
- Strengthen and enlarge the Board of Trustees. The board selection process should be enhanced to ensure deeply qualified board members. This could be accomplished by ensuring that members have special "investment expertise" rather than simply "financial expertise." In addition, the process could include vetting of applicants by a committee and selection by the governor from a panel of qualified applicants by the committee. The current six-person board allows only four members to be appointed from the public at large in addition to the two cabinet officers the governor can appoint. A larger board, say of nine members, will permit better statewide representation and an improved decision process with broader input.
- More competitive compensation of board and staff members to attract and retain highly qualified individuals.

State Government Operational Efficiencies / Savings

Just as tracking the change in the number of positions as an indicator of government growth or shrinkage, so is information about operational "efficiencies" and administrative-type savings from consolidations and delivery of services at less cost.

The good news is that implementation of several technology solutions (finances/accounting, tax oversight) is being realized, hopefully resulting in some budget savings. But more is needed and to that end, CWN offers the following recommendations:

New Recommendations:

- Fully implement the Universal Space Management Standards (2013) to achieve savings through uniform procurement and office space consistency in all parts of the state. The Administration is realizing savings by reducing the amount of leased space and relocating programs to state-owned buildings that now have space available. In 2013 it was estimated that application of uniform standards could save \$125 million over 20 years.
- Expand the Administration's Shared Services initiative to achieve efficiencies/savings by outsourcing, such as:
 - Contract with the private sector for IT savings (i.e. shift email hosting from the state's mainframe to private sector providers).
 - Consolidate/centralize payment collections for various permits, licenses, etc. that currently are spread throughout departments; use of technology to make on-line payments eliminates the need for program subject matter "experts" be directly involved in payment process.
- Re-consolidate Human Resources; over time some HR staff has been shifted back to departments thereby reducing the productivity savings in work load distribution and consistent interpretation of employee contracts/laws that have been/can be realized through consolidation.
- Centralize department administrative services functions into the Department of Administration instead of each department having a stand-alone division.
- Consolidate departments such as:
 - Departments of Labor with Commerce
 - Public Safety with Corrections
 - Environmental Conservation with Natural Resources

Budget Process and Practices

CWN recognizes the challenge that the Governor and Legislature face in facing the politically difficult decisions that will need to be made to structurally change Alaska's finances. As noted in this report, some steps have been made-but Alaska is far from having a state fiscal environment that will provide stability for state services, but also one in which the private sector can make business decisions to invest and provide the jobs critical to Alaska's future.

With that as the backdrop, the following recommendations include some that will "diversify" inputs into budget development by engaging Alaskans.

2015 Recommendations: Stop Earmarking Revenue

- The Governor should appoint, with legislative approval, a committee of experts to analyze, within a short period of time, what designated revenue accounts have no legal restriction on use and can be appropriated to the general fund, including any statutory changes that will be necessary.
- The Legislature should appropriate designated reserve balances to the general fund so these funds are available for priority state services.

Discussion

Revenue Earmarks-Designated Fund Sources

"Fences" have been built around two categories of budget revenue: "designated general funds" and "other state funds." These fences limit how these revenues can be spent and are Alaska's version of revenue "earmarks." This is especially true for "designated general funds," which includes revenue such as park fees, occupational licensing fees, Marine Highway fares, revolving loan payments, and University tuition. The Legislature tends to have less latitude in spending "other state funds," which includes revenue generated by activities of state corporations (e.g., Permanent Fund, Alaska Housing Finance Corporation) and revenue that needs to be segregated for other legal reasons or obligations.

There are 112 different "designated general fund" accounts and 78 "other state fund" accounts.²⁸ By practice, the Legislature has not scrutinized programs funded by these sources as much as those that are funded by Unrestricted General Funds. The practical result is that programs such as the State Troopers (funded by unrestricted general funds) get more scrutiny/cuts than the budgets for occupational licensing boards because these boards "pay their own way" (designated funds).

²⁸ See Appendix I for a list of all fund source codes that are in use/have been used (source: Division of Legislative Finance "Swiss Army Knife").

Alaska can no longer afford this practice of earmarking revenue, which limits access to funding for high priority state responsibilities. There would be an additional \$1.1 billion in the general fund if these earmarks were eliminated.

When revenues were bountiful, the state set aside funds in designated reserves,²⁹ the proceeds of which have been used to fund their respective programs each year. Just as with programs funded by "designated general funds," programs funded from these reserves are not subject to the same scrutiny and do not compete for scarce state dollars.

Due to the unrestricted general fund shortfall, Alaska no longer can afford to have these set-asides. The Legislature should amend state statutes if necessary and appropriate the reserve balances to the general fund.

Focus on Results

2015 Recommendation: Identify and Fund Appropriate, Effective Services

- The Administration and Legislature should undertake a review of state services to evaluate the following:
 - Based on constitutional responsibilities, is a program or service something the state is required to do;
 - If it is appropriate, analyze the results the program is getting-how effective is it in achieving its intended purpose;
 - Examine the cost to deliver current results-what's the "return on investment" in terms of cost compared to results/effectiveness;
 - Evaluate if the state is the only entity that can provide the service or if it would be more cost effective and responsive if the services were contracted out or shed through privatization; and/or
 - If it is not a state responsibility, stop providing the service.

Update: In OMB's overview of the Governor's proposed FY 18 budget, several criteria identified above were said to have been used to develop their budget. However, missing from the Administration's list was evaluating if a program is effective-is it achieving its intended results?

- Increase the number of in-depth performance reviews conducted to more than one department per year so increased information is available to identify potential savings.
- Undertake an in-depth review of performance frameworks and measures during the interim.

²⁹ Source: "Summary of Appropriations FY 15," Division of Legislative Finance, page 4.

- Integrate use of program performance measures into its budget review to ensure public dollars are spent on effective services.
- Engage citizens in this review process, which will provide legislators and the Administration with differing perspectives and advance citizen understanding of state services.
- The Governor should appoint a citizen-led commission to conduct a management review of state operations that engages the departments and citizens to identify savings and opportunities to improve service delivery.
- Put in place an approval process, such as that used by Congress in the Base Realignment and Closure (BRAC) decision-making, to increase the likelihood that comprehensive reforms will be enacted.

Discussion

Alaska's budget decision-makers typically focus on the incremental change (both increases and decreases) in spending from one year to the next instead of examining the full budget, or base budget. The result is that the base continues from year to year with minimal scrutiny.

Given the systemic nature of this current budget challenge, decision-makers need to shift their attention to evaluating the effectiveness of state programs and the cost associated with getting those results. The answers to these questions will inform budget decision-makers and identify ineffective and/or cost-prohibitive programs for elimination.

State law (Executive Budget Act AS 37.07.014) requires that the Legislature review state programs based on performance, which it has done in varying and limited fashion. Some departments, such as the Department of Health and Social Services, has made significant progress in providing performance-focused information as part of its budget presentations.

While performance-based frameworks for many of the other state agencies currently exist,³⁰ many still need additional work to ensure they include meaningful performance measures linked to program results and costs (versus activities and inputs). It also will be important for the Legislature to review the frameworks to ensure the information reflects results for programs that Alaskans value and are not selective information put forth by program advocates.

We commend the steps the Legislature has taken to acquire results-based information. Recent efforts include:

³⁰ See <http://omb.alaska.gov/html/performance/department-key-indicators.html>. Some departments are making progress in developing frameworks that strategically align programs with goals and identification of corresponding performance measures.

- In-depth performance reviews of departments (ch 19 SLA 13), sponsored by Rep. Mike Chenault, now are required.
- Periodic review of expenditures such as tax credits (ch 61 SLA 14) by Rep. Steve Thompson provides the Legislature with a tool to evaluate the effectiveness of these expenditures in achieving public policy goals (i.e., results). The "Indirect Expenditures" report is an excellent tool to review these programs.

We believe that the 90-day session limits the ability for legislators to undertake the level of examination to ensure meaningful performance information informs its decision-making. We would like to acknowledge that some Finance subcommittees have worked extensively during the interim with their assigned department and believe this should be an expectation of Finance Committee membership.

Another tool available to assist in review of the state's roles and responsibilities is a comprehensive management review of state services and methods of delivery. Governor Hammond created a citizen-led Blue Ribbon Commission that reviewed state services; Governor Hickel used an in-house team to examine state programs and operations.

Given the seriousness of the challenge that needs to be met, the Governor and Legislature may need alternate strategies to implement recommendations. One such process is the voting mechanism Congress uses to approve or reject the Base Realignment and Closure (BRAC) recommendations. The Federal process involves a panel that makes recommendations to the President who can approve or make changes; the list is sent to Congress, which has 45 days to enact a resolution of disapproval; if Congress fails to pass a resolution, the recommendations become final.

Recommendations: Engage Alaskans in Meeting the Challenge

- The Governor and Legislature engage Alaskans in a series of community-based dialogues in which they discuss the state's future; the responsibilities of the state and individual Alaskans in that future; and how achieving that vision will be funded.
- Develop a multiyear approach to communicate critical operating budget issues in cooperation with other public and private organizations. Such efforts must identify general "consumer level" messaging that attracts public interest in Alaska's budget and the challenges we face. It is critical to engage the public with social media-sized bites of information that drive clicks to detail, and that helps to enhance an understanding of the needs and vision of the state.

Discussion

To responsibly address the state's fiscal choices, it will be important that Alaskans also understand the fiscal challenge facing the state. For nearly 30 years Alaskans have periodically heard about the imminent "fiscal cliff" but events have always intervened

that re-routed the state from falling. There's good reason for citizens to be skeptical of the problem and therefore, unwilling to accept solutions.

For these reasons Alaskans need to be engaged in a different type of discussion about the challenge and then, based on their understanding, have an opportunity to provide constructive input to political leaders on what steps they believe the state should take. If such an opportunity is provided, we believe Alaskans will be more willing to provide the "political permission" many elected officials may need to make the politically difficult budget decisions. Unlike most approaches to public testimony and participation, a dialogue is not about winning the argument or changing someone's mind. Instead, a dialogue provides participants with an opportunity to constructively discuss options with their neighbors and friends; weigh the choices; and offer recommendations on the choices and trade-offs they would be willing to make. It enables common ground to be identified, which can assist elected officials in making decisions that are based on the values of local communities. Such a process increases participants' understanding of the challenge our leaders are facing.

Important to good policy decision-making are informed citizens. Effective communication of balanced, objective information is integral but is a challenge in this era of political gamesmanship that are immediately tweeted, posted, etc. Irrespective, CWN believes it is extremely important to convey budget information at a "consumer level."

We appreciate the Legislature's efforts (through www.AlaskaBudget.com) to provide objective budget information and encourage increased efforts to drive Alaskans to the website. We also appreciate the work that the Legislature's Division of Legislative Finance does, especially its annual overview of the Governor's proposed budget (but unfortunately its primary focus is on incremental changes). The Department of Revenue's Revenue Forecast also has come a long way over the years in presenting information so it is more "consumer friendly."

Commonwealth North has a longstanding history of addressing the fiscal policy needs of the state, and we have identified several organizations with similar concerns. These include the three-legged stool campaign by First National Bank Alaska; the Alaskanomics blog by Northrim Bank; ISER supported works; Alaska Common Ground's continued efforts; and Commonwealth North's historical and current efforts.

Among the tools discussed to advance Alaskans understanding of the challenges is an easy-to-use spreadsheet that allows a user to input adjustments to budget items to see the effect on other budget items.

CWN also encourages a review of past efforts to engage the public in drafting Alaska's fiscal future. A new effort to inform Alaskans on our fiscal challenges needs to treat Alaskans like stakeholders in the future of our state.

Budget Development

Recommendation:

The Governor should establish citizen advisory panels to provide input during development of the Governor's proposed budget.³¹

Discussion

During development of a Governor's proposed budget, the primary source of input is state departments, who are very effective members of the "spending lobby." CWN believes there would be value for the Governor to also solicit other points of view from citizens prior to submission of the budget to the Legislature.

Recommendation:

Require the Governor to submit the proposed budget to the Legislature by November 15th each year³² to enable the Legislature to get an earlier start to its review.

Discussion

Currently the Governor is required by law to submit the proposed budget to the Legislature by December 15th of each year. Given the budget challenges and limited session length, we believe it is important that the Legislature have additional time to scrutinize state spending and program results. This change also will require the Department of Revenue to move up release of its revenue forecast so as to inform budget decision-makers.

Recommendation:

Establish Revenue Limit that limits the amount of savings that can be spent in any one fiscal year to ensure prudent use and extend availability.

Discussion

One of the most effective restraints on spending is the lack of revenue. While we commend past efforts to save surplus revenue in reserve accounts, ironically its availability can undermine the political will to make sustainable reductions. In other words, decide what you can afford to spend up-front and base a budget on it.

Recommendation:

Use the appropriation structure to provide departments maximum flexibility to identify and implement savings.

³¹ Oregon has "Citizen Program Funding Teams" that advise the Governor on budget priorities, rank programs in terms of priorities, and recommend funding levels. It is re-thinking this role for citizens because the initial task delegated an overwhelming responsibility to citizen volunteers in trying to understand complex programs. The thinking is to have citizens advise later in the process in order to limit the commitment of time and effort required for them to participate in the process. Of note is that state agencies were concerned that they would still have the opportunity to justify their budget to the Governor after the citizen groups made their recommendations.

³² An accommodation should be made in budget submission timeframe when a new governor is elected.

Discussion

Recognizing the unusual nature of the challenge, CWN recommends that the Legislature take an unusual step of structuring³³ the operating budget so that the Administration has maximum flexibility to evaluate and implement changes that will result in significant savings.

Two options that could provide this type of flexibility are:

- Make one reduced-level appropriation to the Executive Branch that is allocated to each department³⁴, and one appropriation to the Judiciary, and one to the Legislative branches as is currently done. For the Executive Branch, this would give maximum latitude to move funds within and between departments, as savings are identified; or
- Make one reduced-level appropriation to each department, the Judiciary, Legislature, and University. While this does not provide as much flexibility as the first option, it would still provide more latitude than the more typical appropriation/allocation structure.

We recognize this type of extraordinary step weakens the Legislature's fundamental role in the appropriation process. The Legislature also could include a "report back" mechanism by which the Administration would make periodic reports on changes made and/or proposed to achieve required savings; or the changes would need ratification the following session. Another option would be to provide partial-year funding by which departments would then report progress/proposals to the Legislature the following session at which time legislative action would be taken on funding for the balance of the year.

Recommendation: More Time to Do Its Work

The Legislature revises its schedule to increase the time available for oversight of state spending, such as:

- Returning to the Constitution's 120-day session limit;
- Increasing the number of interim meetings for Finance Committee/subcommittee work;
- Convening special session(s) devoted to budget issues; and/or
- Extending the session by four weeks in odd-years (two weeks added on each end).

³³ The importance of the level of "appropriation" is that a department does not have the authority to move money between appropriations (only the Legislature has this power to set appropriation levels). Within an appropriation, the Legislature "allocates" funds to different purposes; departments can move funds between allocations.

³⁴ In 1983 the Governor proposed a department-level appropriations structure bill for the operating and capital budgets (HB 105; see Appendix J); final budget bill ultimately approved by the Legislature returned to the traditional appropriations structure that limited management flexibility.

Discussion

More Time for Budget Deliberations

The study group examined the impact of the current 90-day session limit on the Legislature's ability to address important issues. The Alaska Constitution limits the regular legislative session to 120 days. A statute, passed by initiative, further limits session length to 90 days. The Legislature could amend the statute and abide by the Constitutional maximum.

Recommendation:

Establish a Joint Ways and Means Committee tasked with:

- Introduction of a resolution at the start of each session that establishes the overall amount of revenue that will be available for the following fiscal year's budget (including the amount that will come from savings) on which the budget will be based;
- Review of the state's revenue forecasting methodology to ensure the degree of reliability for spending decision-making and identify options that could improve reliability.

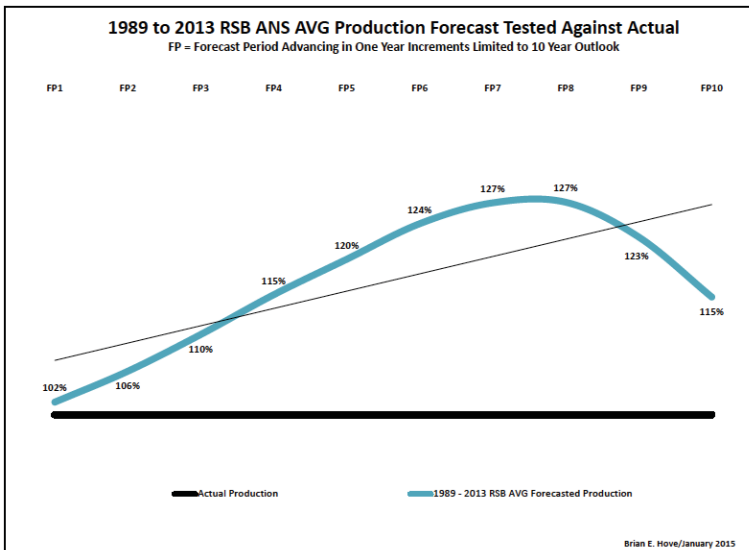
Discussion

A Joint Ways and Means Committee would bring focus to the revenue side of the Legislature's budget decision-making. The joint committee would introduce a resolution that identifies the state revenue expected to be available from identified sources on which the Legislature will base the next fiscal year budget. If it is anticipated that additional revenue sources will be necessary, the resolution would identify potential sources and estimates. Earlier release of the fall revenue forecast will enable the Joint Ways and Means Committee to start meeting in November in order to prepare a resolution for introduction at the start of the Legislative session.

Given the importance of oil production to the state budget, the study group reviewed the reliability of Alaska North Slope oil production forecasts as presented in the Alaska Department of Revenue's (ADOR) Fall Revenue Sources Books.

Chart 7 shows that from 1989 to 2013, each one-year forecast over the 25-year look-back

Chart 7.



averaged, as a group with actual production as a baseline, 102% of actual production; each two-year forecast averaged 106% of actual production and so on. While it's reasonable to expect forecasting models to become less reliable as they stretch into the future, it's clear that even near-term forecasts were prone to miss the mark by wide margins.

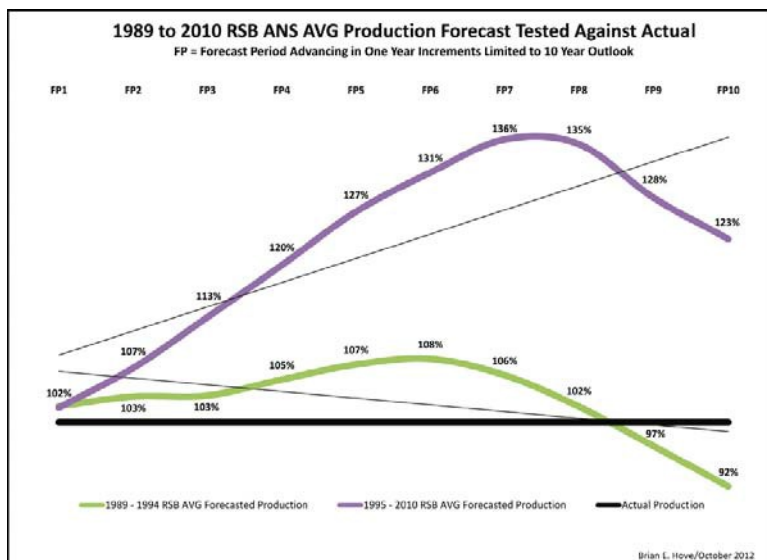
Chart 8 further demonstrates this substantial variance by emphasizing two timeframes, 1989-1994 and 1995-2010, each

represented by a curve. The upper curve suggests a significant change in forecasting methodology implemented in 1995 (continuing through 2010) relative to the lower curve (1989-1994). It's clear that for budgeting purposes, the production forecasting methodology used in the upper curve turned out to be of little value.

This look-back illustrates that ADOR's forecast was almost always on the high side and never missed on the low side.

Starting with the Fall 2012 Revenue Sources Book, ADOR implemented a new forecasting

Chart 8.



methodology with an expressed purpose to move forecasted production and revenue closer to the average of the high and low predictions. While it's too soon to know if it's going to be a better predictor of production, early results suggest ADOR may be getting closer to an effective forecasting methodology for budgeting purposes.

Starting with the Fall 2016 forecast, the Department of Natural Resources (DNR) is now more involved in assessing oil production (versus a consultant)

and the DNR and ADOR have refined risk factors used to project oil production.

Recommendation:

- The Legislature and Governor develop and implement a contingency plan that identifies steps that will be taken to reduce current fiscal year spending due to a dramatic drop in expected revenue.

Discussion

In FY 2015, revenue dropped nearly 50% during the fiscal year when compared to what the budget was based on. Minimal, if any, steps were taken to slow down spending during the year- and CWN believes it would have been prudent to do so. Going forward, the Legislature should implement a "contingency plan" through which current year reductions can be made in such events.

Recommendation:

- Evaluate the potential benefits to forward fund the state budget based on prior year revenue.

Recommendation:

- Deposit CBR Balance to Statutory Budget Reserve.

Discussion

The Constitutional Budget Reserve³⁵ (CBR) was created to save surplus revenue so it would be available to support services when revenue fell. Under those circumstances, a simple majority vote is required to access the revenue. If the Legislature wants to use the CBR to spend more than it did the prior year, a super-majority vote (3/4 of each legislative body) is required.

Over the years, the high threshold to get enough votes to meet the super-majority vote requirement has resulted in the unintended consequence of spending even more money by funding additional projects or programs to get needed votes.

Evaluated but Not Recommended: Biennial Budget

The study group discussed the pros and cons of moving to a biennial budget. A National Conference of State Legislatures 2011 report³⁶ on annual/biennial budget cycles was inconclusive on the benefits of annual and biennial budget cycles, by most measures. However, the study did find that "forecasting is likely to prove more accurate in annual budget states than in biennial budget states, possibly reducing the need for supplemental appropriations and special legislative sessions."

As shown in the Charts 7 and 8, Alaska has difficulty accurately forecasting oil revenue beyond one year, which typically has comprised some 90% of the state's general fund revenue. We concluded that the revenue uncertainty would be compounded by a biennial budget cycle and for this reason do not recommend Alaska move to a biennial budget cycle. If the source of revenue substantially changes (i.e. POMV/Permanent Fund earnings) there could be merit in a biennial budget.

³⁵ Voters created the Constitutional Budget Reserve (CBR) in 1990. Initially, settlements from disputed oil and gas settlements were the primary source for deposits. Since then the Legislature has also deposited surplus revenue into the CBR; no further disputes/settlements are anticipated

³⁶ Snell, Ronald K., "State Experiences With Annual and Biennial Budgeting," National Conference of State Legislatures, April 2011.

Commonwealth North

Fiscal Study Group Participant List

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Speakers & Presentations

Fiscal Policy Study Group

2015-2017

June 11, 2015

- Pat Pitney, Director of the Office of Management and Budget
- Randall Hoffbeck, Commissioner, Alaska Department of Revenue

August 6, 2015

- Study Group Overview of Scope, *The State's Operating Budget: Critical Crossroads, Choices, and Opportunities* (Published by CWN, 2/2015), *At a Crossroad: The Permanent Fund, Alaskans and Alaska's Future* (Published by CWN, 12/2007)

August 14, 2015

- Larry Persily, Special Assistant to the Kenai Peninsula Borough Mayor
- Scott Goldsmith, PhD, Professor Emeritus of Economics at UAA

August 25, 2015

- Scott Goldsmith, PhD, Professor Emeritus of Economics at UAA

September 4, 2015

- Primer on Alaska's oil and gas tax credits: Dan Dickinson, Dan E. Dickinson, CPA; Director of Tax, Alaska Department of Revenue (1998-2006)

September 17, 2015

- Mark A. Foster, CFO of the Anchorage School District

September 24, 2015

- Eric Wohlforth - Update and discussion on the Permanent Fund and CWN's 2007 report, *At a Crossroad: The Permanent Fund, Alaskans and Alaska's Future*

October 1, 2015

- Representative Mike Hawker; Senator Lesil McGuire, discussion about the Permanent Fund, POMV, and HJR2 & SB114

October 8, 2015

- Diane Kaplan, President and CEO, Rasmuson Foundation
- Jordan Marshall, External Affairs Manager, Rasmuson Foundation
- Larry Persily, Special Assistant to the Kenai Peninsula Borough, Deputy Commissioner, Alaska Department of Revenue (1997-2003)

October 15, 2015

- Larry Persily, Special Assistant to the Kenai Peninsula Borough, Deputy Commissioner, Alaska Department of (1997-2003)

December 14, 2015

- Pat Pitney - Director of Alaska Office of Management and Budget, Office of the Governor

December 17, 2015

- Scott Goldsmith, PhD, Professor Emeritus of Economics at UAA

February 11, 2016

- Cassandra Stalzer, Vice President - Communications, Rasmuson Foundation

February 18, 2016

- Sheldon Fisher, Commissioner of Administration- Update on tentative negotiations with Alaska State Employees Association

February 25, 2016

- Bob Loeffler, Visiting Professor of Public Policy at ISER, presentation of his report, *Fiscal Effects of Commercial Fishing, Mining and Tourism*

March 3, 2016

- Senator Berta Gardner, Alaska Senate Minority Leader

March 10, 2016

- Representative Mike Hawker, Chair, House Legislative Budget & Audit Committee

March 17, 2016

- Gunnar Knapp, PhD, Professor Emeritus of Economics, ISER, presentation of study of the economic effects of new revenue proposals

March 24, 2016

- Eric Wohlforth, CWN Board of Directors Past President, Commissioner Alaska Department of Revenue (1970-1972), Trustee Alaska Permanent Fund Corporation (1995-2006): Discussion on A New Fiscal Planning Process; CWN Working Group updates

March 31, 2016

- Michele Schuh, Senior Vice President and Chief Financial Officer, First National Bank Alaska

April 7, 2016

- Joe Beedle, Chairman of Northrim Bank - Perspective on Alaska's Fiscal Crisis

April, 14

- Lisa Parker, Campaign Manager for the Rasmuson Foundation's Plan4Alaska campaign

May 5, 2016

- Alan Mitchell, Founder and President of Analysis North

June 6, 2016

- Senator Anna MacKinnon, Co-Chair, Senate Finance Committee; Vice Chair, Legislative Budget and Audit Committee

July 7, 2016

- Legislative Update: Senator Berta Gardner, Alaska Senate Minority Leader
- Representative Chris Tuck, Alaska House of Representatives Minority Leader

July 15, 2016

- Cheryl Frasca - Study Group topics, speakers, and scope; CWN Working Group updates

July 22, 2016

- Pat Pitney, Director of Alaska Office of Management and Budget, Office of the Governor

July 29, 2016

- Eric Wohlforth – Permanent Fund investments and potential uses of earnings reserve

August 5, 2016

- Cheryl Frasca – Updating CWN's 2015 report, operating budget review, and subcommittee work assignments

August 12, 2016

- Cheryl Frasca, CWN President and Fiscal Policy Study Group Co-Chair
- Suzanne Cunningham, Chief of Staff to Alaska Senate President Kevin Meyer

August 8, 2016

- Angela Rodell, Executive Director of the Alaska Permanent Fund Corporation

August 26, 2016

- Representative Paul Seaton, presentation of HB365

September 2, 2016

- Mike Hanley, Assistant Superintendent, Chugach School District, Commissioner Alaska Department of Education (2011-2016)

September 9, 2016

- Craig Richards, Contracted Advisor to the Governor, Alaska Attorney General (2014-2016)

September 23, 2016

- Mark Foster, Principal of Mark A. Foster & Associates; Anchorage School District Chief Financial Officer (2013-2016)

September 29, 2016

- Panel discussion moderated by Tim Bradner
- Senator Cathy Giessel, Chair Senate Resources Committee
- Keith Meyer, President of AGDC
- Larry Persily, Special Advisor to the Kenai Borough Mayor

November 11, 2016

- Jerry Covey, former Commissioner of the Alaska Department of Education and Early Development

December 9, 2016

- Joe Beedle, Chairman of Northrim Bank

December 16, 2016

- Pat Pitney, Director of Alaska Office of Management and Budget, Office of the Governor

January 6, 2017

- Gunnar Knapp, PhD, Professor Emeritus of Economics, Institute for Social and Economic Research, University of Alaska Anchorage

Prior Fiscal Policy Studies Commonwealth North

1980 - 2015

1980	"Alaska's Golden Opportunity: Resource Revenues and State Spending"
1981	"The Promise and Pitfalls of Alaska's State Loan Programs"
1981	"Investing in Alaska's Future: The Capital Investment Fund"
1986	"Alaska's Budget Crisis: Facing the Facts - Closing the Gap"
1988	"Using the Permanent Fund as a Positive Countercyclical Force in the Alaskan Economy"
1993	"Convening Budget Conference on Closing the Gap"
1994	"Breaking the Fall: Budget Recommendations for Alaska"
1998	"Alaska's Asset Portfolio: Managing for Maximum Return"
1999	"Permanent Fund Earnings: A Cornerstone for Fiscal Certainty"
2001	"Gambling with the State's Fiscal Future: Can Alaskans Afford the Odds"
2007	"At a Crossroad: The Permanent Fund, Alaskans and Alaska's Future"
2013	"Long Term Economic Sustainability for the State of Alaska"
2015	"The State's Operating Budget: Critical Crossroads, Choices, and Opportunities"

Personal Services Bargaining Unit Position Counts And Costs by Fund Class Statewide (1522)

Scenario: FY2017 Management Plan (13565)

	Position Counts				Post-Vacancy Position Costs				Total
	PFT Count	PPT Count	NP Count	Total Count	UGF Amount	DGF Amount	Other Amount	Federal Amount	Post-Vacancy Costs
GC Corrections Officers	981	0	0	981	99,462,834	0	0	3,557,575	103,020,410
KK Confidential Employees	196	3	2	201	5,537,373	1,454,911	10,762,647	694,585	18,449,516
LL Labor, Trades & Crafts	1,401	332	79	1,812	72,321,834	6,469,864	71,805,946	5,857,071	156,454,715
SS Supervisory Employees	2,375	24	1	2,400	134,853,874	51,170,089	66,072,040	56,717,419	308,813,423
TAAK Vocational Tech Cntr Teachers	32	0	1	33	3,161,155	0	377,539	0	3,538,694
TM Teachers Educ. Assoc / Mt Edgecumbe	27	2	0	29	0	0	2,838,217	0	2,838,217
GG General Gov't Employees	229	7	10	246	9,142,192	3,450,091	6,984,655	7,041,566	26,618,504
GP General Gov't Employees	7,222	996	96	8,314	300,632,131	113,372,280	183,518,968	142,568,375	740,091,755
GY Youth Counselors	5	0	0	5	584,759	0	0	0	584,759
GZ Youth Counselors	235	0	16	251	23,346,140	0	340,023	0	23,686,164
AK State Employees Association / General Govt Unit (GGU) Total:	7,691	1,003	122	8,816	333,705,222	116,822,371	190,843,646	149,609,941	790,981,181
-- AHFC Employees	257	10	14	281	0	0	27,276,241	6,958,533	34,234,774
-1 AHFC Custodian Positions	7	0	0	7	0	0	0	506,255	506,255
-2 AHFC Laborer Positions	13	12	0	25	0	0	52,037	1,616,626	1,668,663
-3 AHFC Maintenance Mechanic Positions	31	1	0	32	0	0	0	3,949,774	3,949,774
-4 AHFC Lead Mechanic Positions	7	0	0	7	0	0	142,061	860,772	1,002,833
-5 AGDC Employees	26	0	1	27	0	0	5,515,893	0	5,515,893
EE Excluded Employees	3	0	90	93	582,996	128,192	1,333,963	122,242	2,167,392
XE Partially Exempt & Exempt Executive	1,368	4	104	1,476	101,782,429	19,763,229	88,541,594	6,275,430	216,362,682
Non-covered Employees Total:	1,712	27	209	1,948	102,365,425	19,891,421	122,861,790	20,289,630	265,408,266
AA Public Safety Employees	413	0	3	416	62,681,025	345,355	241,205	532,964	63,800,549

* Note: This report does not contain data for the following agencies: Court System, Legislature, and AMHS. This report does not include lump sum, boards, or University labor pool amounts.

Personal Services Bargaining Unit Position Counts And Costs by Fund Class Statewide (1522)

Scenario: FY2017 Management Plan (13565)

	Position Counts				Post-Vacancy Position Costs				Total Post-Vacancy Costs
	PFT Count	PPT Count	NP Count	Total Count	UGF Amount	DGF Amount	Other Amount	Federal Amount	
AP Airport Security Officers	84	0	0	84	0	0	10,784,832	433,974	11,218,806
Public Safety Employees Association (PSEA) Total:	497	0	3	500	62,681,025	345,355	11,026,036	966,938	75,019,355
AA UAAFT (University)	318	9	0	327	13,384,460	12,331,010	988,406	1,132,794	27,836,669
FF Fairbanks FireFighters Association, IAF	9	1	0	10	128,067	497,422	113,055	641,943	1,380,487
IT United Academics (University)	971	33	0	1,004	48,570,951	38,221,185	8,276,160	11,390,745	106,459,040
TC CEA Trades & Crafts (University)	230	6	0	236	8,166,615	6,125,187	1,426,108	532,779	16,250,689
XX Non-covered employees (University)	2,760	158	0	2,918	101,097,514	93,868,068	21,778,593	25,466,864	242,211,038
University of Alaska Total:	4,288	207	0	4,495	171,347,607	151,042,871	32,582,321	39,165,125	394,137,923
Statewide Total:	19,200	1,598	417	21,215	985,436,349	347,196,884	509,170,182	276,858,284	2,118,661,698

* Note: This report does not contain data for the following agencies: Court System, Legislature, and AMHS. This report does not include lump sum, boards, or University labor pool amounts.

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Potential Reforms to Alaska's Health Care Delivery System

Extracted from "*Recommended Medicaid Expansion and Reform Strategies for Alaska*"

Department of Health and Social Services - January 2016.

These are a package of five interconnected reform initiatives aimed at improving the health and well-being of Alaskans while reducing overall costs to the State of Alaska:

- Initiatives 1 through 3 propose foundational reforms that together are intended to create the incentives, services, management structures and controls, data analytics capacity, and technology infrastructure for a well-functioning, sustainable Medicaid program; and
- Initiatives 4 and 5 are pilots that would allow the Department of Health and Social Services (DHSS) to test value-based payment mechanisms.

The first three initiatives propose engaging third-party entities (two Administrative Services Organizations and an advanced data analytics firm) to enable DHSS to more quickly implement the systems changes needed to improve performance.

Initiative #1. Primary Care Improvement Initiative

The Primary Care Improvement Initiative proposes activities to improve enrollee health status and reduce overall costs by supporting Primary Care Providers and engaging enrollees in improving their health. The initiative introduces Primary Care Case Management, a form of care management, in which every enrollee selects or is assigned to a Primary Care Provider who coordinates his or her care. An annual Health Risk Assessment identifies enrollees with higher health needs and risks. Health Homes and other care management programs would ensure that enrollee needs are addressed as early and appropriately as possible. Under this initiative, DHSS would contract with an Administrative Services Organization to conduct enrollee outreach and education, perform the Health Risk Assessment, manage the stratification and assignment of enrollees, develop and manage the primary care provider network.

Initiative #2. Behavioral Health Access Initiative

The Behavioral Health Access Initiative identifies key strategies for integrating behavioral health and primary care services, improving access to needed Substance Use Disorder treatment and mental health services, and addressing gaps in the behavioral health continuum of care to strengthen the crisis response system. The initiative includes a recommendation that DHSS contract with an Administrative Services Organization to increase capacity within DHSS to manage a coordinated behavioral health system of care that improves health outcomes for Medicaid enrollees and controls costs.

Initiative #3. Data Analytics and Information Technology Infrastructure Initiative

Through this initiative, DHSS would increase its capacity to appropriately collect and share health information among providers and analyze health data to improve outcomes and decrease costs. This initiative would increase the utility of Alaska's existing Health Information Exchange by connecting Alaska's hospitals, Emergency Departments and community based providers, and integrating the Prescription Drug Monitoring Program database. This initiative also proposes contracting with an advanced data analytics contractor to provide program-level data analysis to DHSS and providers to drive quality improvement and cost containment. These improvements are foundational to support health reform efforts: to connect and coordinate care and to increase capacity to analyze program-level data to improve outcomes and contain costs for Alaska Medicaid.

Initiative #4. Emergency Care Initiative

This initiative is a private-public partnership between DHSS, the Alaska State Hospital and Nursing Home Association and the Alaska Chapter of the American College of Emergency Physicians. This initiative proposes that Emergency Departments would use Alaska's Health Information Exchange, or a commercially available software package, to share necessary Medicaid enrollee patient data to improve patient care, reduce preventable Emergency Department use, and facilitate follow up with primary care and behavioral health providers. This initiative would increase appropriate service utilization, reduce costs for the Medicaid program, improve care for enrollees, and improve prescription monitoring to reduce opioid misuse.

The Emergency Care Initiative relies on the Information Technology infrastructure investments described in Initiative 3 and additionally proposes that DHSS pursue the authority to offer shared savings to support hospital efforts to drive down Emergency Department costs.

Initiative #5. Accountable Care Organizations Initiative: Shared Savings/Shared Losses Model

The Accountable Care Organizations Initiative proposes that DHSS pilot value-based payments for quality health care in regions by contracting with groups of providers who come together to form Accountable Care Organizations (ACO). An ACO is a group of health care providers that agrees to share responsibility for the cost and quality of health care for a defined patient population. In this model, a projection is established for the total cost of care and the ACO is eligible for a portion of the savings that results from improvements in health care delivery, if it also meets quality measures. If the total cost of care were exceeded, the ACO would be responsible for a portion of the overrun.

FY2015 Medicaid Optional and Mandatory Services Claim Activity

MMIS Category of Service	Medicaid Services, excluding Waivers and CAMA							
	Adults (21 or older)				Children (under age 21)			
	Mandatory / Optional	Net Claim Payments ⁽¹⁾	Recipients ⁽²⁾	Cost per Client	Mandatory / Optional	Net Claim Payments ⁽¹⁾	Recipients ⁽²⁾	Cost per Client
ADVANCED NURSE PRACTITIONER	M	\$ 6,867,854	17,892	\$ 384	M	\$ 5,422,405	19,673	\$ 276
EPSTD SCREENING	M	\$ 12,151	68	\$ -	M	\$ 13,076,051	22,152	\$ 590
FAMILY PLANNING SERVICES	M	\$ 2,421,479	4,515	\$ 536	M	\$ 816,403	2,016	\$ 405
FQHC	M	\$ 5,310,908	6,555	\$ 810	M	\$ 2,309,820	3,712	\$ 622
HOME HEALTH SERVICES	M	\$ 1,261,254	324	\$ 3,893	M	\$ 23,549	15	\$ 1,570
ICF SERVICES	M	\$ 91,701,381	728	\$ 125,963	M	\$ 146,569	2	\$ 73,285
INPATIENT HOSPITAL SERVICES	M	\$ 91,102,019	9,416	\$ 9,675	M	\$ 87,918,582	7,220	\$ 12,177
LABORATORY SERVICES	M	\$ 3,002,059	14,280	\$ 210	M	\$ 470,097	5,292	\$ 89
MIDWIFERY SERVICES	M	\$ 3,250,549	3,971	\$ 819	M	\$ 635,312	1,282	\$ 496
OUTPATIENT HOSPITAL SERVICES	M	\$ 85,647,494	37,325	\$ 2,295	M	\$ 54,209,154	38,088	\$ 1,423
OUTPATIENT SURGERY SERVICE	M	\$ 3,014,335	2,288	\$ 1,317	M	\$ 2,067,553	1,807	\$ 1,144
PHYSICIAN IHS CLINIC	M	\$ 26,455,129	11,714	\$ 2,258	M	\$ 24,503,359	18,270	\$ 1,341
PHYSICIAN SERVICES	M	\$ 82,010,903	48,015	\$ 1,708	M	\$ 46,867,077	60,489	\$ 775
RURAL HEALTH SERVICES	M	\$ -	-	\$ -	M	\$ 16	1	\$ 16
SHORT TERM LTC SERVICES	M	\$ 2,304,625	106	\$ 21,742	M	\$ -	-	\$ -
SNF SERVICES	M	\$ 43,031,529	863	\$ 49,863	M	\$ 60,984	2	\$ 30,492
TRANSPORTATION SERVICES ⁽⁴⁾	M	\$ 31,867,639	16,741	\$ 1,904	M	\$ 35,843,961	15,574	\$ 2,302
X-RAY SERVICES	M	\$ 19,186	81	\$ 237	M	\$ -	-	\$ -
ACCOMMODATION SERVICES ⁽⁴⁾	M	\$ 6,718,608	6,945	\$ 967	M	\$ 5,010,588	8,097	\$ 619
CARE COORDINATION	O	\$ -	-	\$ -	M	\$ -	-	\$ -
CASE MANGEMENT SERVICES	O	\$ 85,438	102	\$ 838	M	\$ 1,915,063	1,475	\$ 1,298
CHIROPRACTIC SERVICES	O	\$ 139,809	727	\$ 192	M	\$ 277,275	1,043	\$ 266
DENTAL SERVICES	O	\$ 29,241,160	22,669	\$ 1,290	M	\$ 48,806,714	44,743	\$ 1,091
DME SERVICES	O	\$ 5,546,752	7,383	\$ 751	M	\$ 1,808,311	3,521	\$ 514
DRUG ABUSE CENTER	O	\$ 5,386,390	584	\$ 9,223	M	\$ 3,340,085	217	\$ 15,392
ESRD SERVICES	O	\$ 7,419,790	312	\$ 23,781	M	\$ 24,897	3	\$ 8,299
HEARING SERVICES	O	\$ 1,965,037	1,582	\$ 1,242	M	\$ 526,088	1,123	\$ 468
HOSPICE CARE	O	\$ 685,851	89	\$ 7,706	M	\$ -	-	\$ -
ICF/DD SERVICES	O	\$ 1,565,102	9	\$ 173,900	M	\$ 1,142,373	9	\$ 126,930
INPATIENT PSYCHIATRIC SERVICES	O	\$ 268,146	95	\$ 2,823	M	\$ 46,825,935	1,066	\$ 43,927
MEDICAL SUPPLIES SERVICES	O	\$ 7,778,640	8,108	\$ 959	M	\$ 5,157,236	5,774	\$ 893
MENTAL HEALTH SERVICES	O	\$ 35,740,465	6,407	\$ 5,578	M	\$ 84,395,149	7,078	\$ 11,924
NUTRITION SERVICES	O	\$ 29,638	516	\$ 57	M	\$ -	-	\$ -
NUTRITION SERVICES UNDER 21	O	\$ -	-	\$ -	M	\$ 73,791	1,848	\$ 40
OCCUPATIONAL THERAPY	O	\$ 260,150	279	\$ 932	M	\$ 5,623,007	1,591	\$ 3,534
PERSONAL CARE SERVICES	O	\$ 86,644,531	4,632	\$ 18,706	M	\$ 2,308,065	110	\$ 20,982
PODIATRY	O	\$ 155,738	1,297	\$ 120	M	\$ 169,176	358	\$ 473
PRESCRIBED DRUGS	O	\$ 48,191,765	32,684	\$ 1,474	M	\$ 22,575,667	43,385	\$ 520
PRIVATE DUTY NURSING	O	\$ -	-	\$ -	M	\$ 6,492,768	40	\$ 162,319
PROSTHETICS AND ORTHOTICS	O	\$ 718,679	605	\$ 1,188	M	\$ 559,564	503	\$ 1,112
PSYCHOLOGY SERVICES	O	\$ 540,214	526	\$ 1,027	M	\$ 2,483,611	1,314	\$ 1,890
REHABILITATIVE SERVICES	O	\$ 3,080,370	3,053	\$ 1,009	M	\$ 21,114,796	5,193	\$ 4,066
RESIDENTIAL HABILITATION	O	\$ -	-	\$ -	M	\$ -	-	\$ -
RESPIRE CARE	O	\$ -	-	\$ -	M	\$ -	-	\$ -
VISION SERVICES	O	\$ 3,527,389	16,158	\$ 218	M	\$ 3,841,775	16,075	\$ 239
Mandatory Services ⁽³⁾	M	\$ 485,999,100	56,159	\$ 8,654	M	\$ 538,842,828	77,684	\$ 6,936
Optional Services (excluding waivers) ⁽³⁾	O	\$ 238,971,053	49,996	\$ 4,780	O			\$ -
ALL Non-Waivers Services ⁽³⁾	M + O	\$ 724,970,153	60,862	\$ 11,912	M + O	\$ 538,842,828	77,684	\$ 6,936

Wavier services, notes, and sources are on the prior page.

FY2015 Medicaid Optional and Mandatory Services Claim Activity

MMIS Category of Service	Medicaid Waiver Services Only							
	Adults (21 or older)				Children (under age 21)			
	Mandatory / Optional	Net Claim Payments ⁽¹⁾	Recipients ⁽²⁾	Cost per Client	Mandatory / Optional	Net Claim Payments ⁽¹⁾	Recipients ⁽²⁾	Cost per Client
ADULT DAY CARE	O	\$ 4,958,681	440	\$ 11,270	O	\$ -	-	\$ -
CARE COORDINATION	O	\$ 10,875,331	4,194	\$ 2,593	O	\$ 2,509,001	1,431	\$ 1,753
CHORE SERVICES	O	\$ 3,688,233	526	\$ 7,012	O	\$ 7,659	4	\$ 1,915
DAY HABILITATION	O	\$ 35,722,664	1,311	\$ 27,248	O	\$ 10,607,583	658	\$ 16,121
ENVIRONMENTAL MODIFICATIONS	O	\$ 1,023,996	151	\$ 6,781	O	\$ 169,031	23	\$ 7,349
INTENSIVE ACTIVE TREATMENT/THERAPY	O	\$ 626,856	119	\$ 5,268	O	\$ 1,353,099	283	\$ 4,781
MEALS	O	\$ 3,715,771	694	\$ 5,354	O	\$ -	-	\$ -
PROFESSIONAL CI	O	\$ -	-	\$ -	O	\$ -	-	\$ -
RESIDENTIAL HABILITATION	O	\$ 101,592,550	1,252	\$ 81,144	O	\$ 17,672,646	566	\$ 31,224
RESIDENTIAL SUPPORTED LIVING	O	\$ 48,058,026	1,171	\$ 41,040	O	\$ -	-	\$ -
RESPIRE CARE	O	\$ 11,391,792	1,372	\$ 8,303	O	\$ 3,201,045	518	\$ 6,180
SPECIALIZED EQUIPMENT AND SUPPLIES	O	\$ 523,021	812	\$ 644	O	\$ 28,459	15	\$ 1,897
SPECIALIZED PRIVATE DUTY NURSING	O	\$ 1,036,717	5	\$ 207,343	O	\$ 81,858	-	\$ -
SUPPORTED EMPLOYMENT	O	\$ 8,355,524	442	\$ 18,904	O	\$ -	13	\$ -
TRANSPORTATION	O	\$ 2,867,108	1,143	\$ 2,508	O	\$ 12,167	6	\$ 4,427
ALL Waiver Services ⁽³⁾	O	\$234,436,270	4,505	\$52,039	O	\$35,642,547	898	\$39,691

Source: MMIS Enterprise/COGNOS data systems as of January 26, 2016.

These data are based on the date a claim was paid. Please keep in mind that Medicaid providers can submit claims up to one year after the date of service. As such, these data should be viewed as provisional and subject to revision. In addition, these data reflect a large number of claims from SFY2014 that were reprocessed in SFY2015.

MMIS Category of Service approximates the types of required and optional services offered under Alaska Medicaid.

1) Payments are net total payments.

2) Recipient figures are unduplicated within each Category of Service.

3) Recipient figures for major categories (such as Mandatory Services, Optional Services, etc.) are unduplicated within major category.

The average annual cost per client is the net total payments divided by the unduplicated annual recipients.

Many Medicaid recipients use both required and optional services over the course of a year.

4) The Centers for Medicare and Medicaid Services (CMS) considers non-emergency Medicaid transportation, including accommodations, to be optional services. However, in order to provide access to medically necessary health care, these services are mandatory for Alaska.

Non-Wavier services are on the following page.

COMMONWEALTH
NORTH

Resolution 2016-2

Urging the Legislature to use Permanent Fund earnings this
legislative session to promote long-term fiscal and economic stability
February 23, 2016

WHEREAS Alaska faces a recurring \$3.5 to \$4 billion annual revenue shortfall due to a dramatic drop in oil prices and production; and

WHEREAS as noted by the recent downgrading in the state's bond rating, the state's fiscal uncertainty and lack of a long-term fiscal plan is jeopardizing public and private investment in Alaska's economy and will impact the state's ability to deliver necessary state services; and

WHEREAS achieving long-term fiscal stability will require use of a number of fiscal tools; and

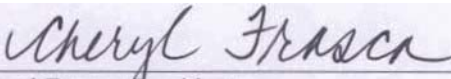
WHEREAS Alaskans created the Permanent Fund in 1976 in order to save and preserve a portion of Alaska's oil and gas wealth to meet future needs when state revenue from oil production was in decline; and

WHEREAS Permanent Fund earnings could provide substantial new revenue today to support necessary state services with no additional administrative costs or implementation lead time; and

WHEREAS approving use of Permanent Fund earnings during the 2016 legislative session will also preserve savings in the Constitutional Budget Reserve that otherwise will be depleted by 2018:

BE IT RESOLVED that Commonwealth North urges the Alaska State Legislature to take action during the 2016 legislative session to use Permanent Fund earnings to help structurally address the state's revenue shortfall, while maintaining a dividend program, to advance long-term fiscal stability needed to secure the state's economy.

Approved by the Commonwealth North Board of Directors
February 23, 2016


Cheryl Frasca, President

**Funding Codes Currently in Use as of 02/12/2013
(Alphabetical Order)**

FUND-CODE	FUND-SHORT-NAME	FUND-LONG-NAME	ACTIVE
1148	AATP Fund (Other)	Accelerated Alaska Transportation Projects Fund	F
1190	Adak Air (Fed)	Adak Airport Operations	T
1021	Agric RLF (DGF)	Agricultural Revolving Loan Fund	T
1011	AACTS Fund (Other)	Alaska Advance College Tuition Savings Fund	F
1101	AAC Fund (Other)	Alaska Aerospace Corporation Fund	T
1197	AK Cap Fnd (DGF)	Alaska Capital Income Fund	T
1209	Capstone (DGF)	Alaska Capstone Avionics Revolving Loan Fund	T
1075	Cln Wtr Fd (Other)	Alaska Clean Water Fund	T
1106	ACPE Rcpts (Other)	Alaska Commission on Postsecondary Education Receipts	T
1044	ADRF (Other)	Alaska Debt Retirement Fund	F
1100	Drk Wtr Fd (Other)	Alaska Drinking Water Fund	T
1107	AEA Rcpts (Other)	Alaska Energy Authority Corporate Receipts	T
1152	AFSC Rcpts (Other)	Alaska Fire Standards Council Receipts	T
1198	F&GRevBond (Other)	Alaska Fish and Game Revenue Bond Redemption Fund	T
1226	High Ed (DGF)	Alaska Higher Education Investment Fund	T
1213	AHCC (UGF)	Alaska Housing Capital Corporation Receipts	T
1139	AHFC Div (UGF)	Alaska Housing Finance Corporation Dividend	T
1103	AHFC Rcpts (Other)	Alaska Housing Finance Corporation Receipts	T
1113	AHFC Bonds (Other)	Alaska Housing Finance Corporation Statewide Bonds	T
1102	AIDEA Rcpt (Other)	Alaska Industrial Development & Export Authority Receipts	T
1140	AIDEA Div (UGF)	Alaska Industrial Development and Export Authority Dividend	T
1135	AMHS Dup (DGF)	Alaska Marine Highway System Duplicated Expenditures	F
1076	Marine Hwy (DGF)	Alaska Marine Highway System Fund	T
1227	Micro RLF (DGF)	Alaska Microloan ROF	T
1104	AMBB Rcpts (Other)	Alaska Municipal Bond Bank Receipts	T
1162	AOGCC Rct (DGF)	Alaska Oil & Gas Conservation Commission Receipts	T
1125	APA Plant (DGF)	Alaska Power Authority Plant Maint & Op - FY88	F
1110	APUC Rcpts (DGF)	Alaska Public Utility Commission Receipts	F
1131	ARRC Fund (DGF)	Alaska Railroad Corporation Revenue Fund - FY85, FY86, FY87	F
1199	Sportfish (Other)	Alaska Sport Fishing Enterprise Account	T
1186	ASLC Bonds (Other)	Alaska Student Loan Corporation Bonds	T
1150	ASLC Div (UGF)	Alaska Student Loan Corporation Dividend	T
1181	Vets Endow (Other)	Alaska Veterans' Memorial Endowment Fund	T
1180	A/D T&P Fd (DGF)	Alcohol and Other Drug Abuse Treatment & Prevention Fund	T
1013	Al/Drg RLF (Fed)	Alcoholism and Drug Abuse Revolving Loan Fund	F
1071	Alt Energy (DGF)	Alternative Energy Revolving Loan Fund	F
1084	Alyeska (Other)	Alyeska Settlement Fund	T
1082	Vessel Rep (UGF)	AMHS Vessel Replacement Fund	T
1202	Anat Fnd (DGF)	Anatomical Gift Awareness Fund	T
1145	AIPP Fund (Other)	Art in Public Places Fund	T
1218	146(c)code (DGF)	AS 37.05.146(c) codes that are not GFPR	T
1205	Ocn Ranger (DGF)	Berth Fees for the Ocean Ranger Program	T
1216	Boat Rcpts (Other)	Boat Registration Fees	T
1172	Bldg Safe (DGF)	Building Safety Account	T
1208	Fuel Bridg (DGF)	Bulk Fuel Bridge Loan Fund	T
1074	Bulk Fuel (DGF)	Bulk Fuel Revolving Loan Fund	T
1175	BLic&Corp (DGF)	Business License & Corporation Filing Fees and Taxes	T
1061	CIP Rcpts (Other)	Capital Improvement Project Receipts	T
1123	Care/Trmnt (DGF)	Care and Treatment - FY88	F
1163	COP (Other)	Certificates of Participation	T
1068	Child Care (DGF)	Child Care Facility Revolving Loan Fund	F
1128	Child Sup (DGF)	Child Support Enforcement - FY88	F
1098	ChildTrErn (DGF)	Children's Trust Earnings	F
1099	ChildTrPrn (DGF)	Children's Trust Principal	T
1221	Legal Serv (DGF)	Civil Legal Services Fund	T
1093	Clean Air (Other)	Clean Air Protection Fund	T

**Funding Codes Currently in Use as of 02/12/2013
(Alphabetical Order)**

FUND-CODE	FUND-SHORT-NAME	FUND-LONG-NAME	ACTIVE
1144	CWF Bond (Other)	Clean Water Fund Bond Receipts	T
1223	CharterRLF (DGF)	Commercial Charter Fisheries RLF	T
1201	CFEC Rcpts (DGF)	Commercial Fisheries Entry Commission Receipts	T
1036	Cm Fish Ln (DGF)	Commercial Fishing Loan Fund	T
1166	Vessel Com (DGF)	Commercial Passenger Vessel Environmental Compliance Fund	T
1206	CPV Tax (Other)	Commercial Passenger Vessel Tax	T
1225	CQuota RLF (DGF)	Community Quota Entity RLF	T
1165	CBR/MH (UGF)	Constitutional Budget Reserve / Mental Health	F
1001	CBR Fund (Other)	Constitutional Budget Reserve Fund	T
1126	Cont Reimb (Other)	Contract Services Reimbursement - FY88	F
1059	Corr Ind (DGF)	Correctional Industries Fund	F
1220	Crime VCF (Other)	Crime Victim Compensation Fund	T
1211	Gamble Tax (UGF)	Cruise Ship Gambling Tax	F
1133	CSSD Admin (Fed)	CSSD Administrative Cost Reimbursement	T
1016	CSSD Fed (Fed)	CSSD Federal Incentive Payments	T
1137	DComp IA (Other)	Deferred Compensation Inter-Agency Receipts	F
1191	DEED CIP (DGF)	DEED CIP Fund Equity Account	T
1116	Dis Relief (Other)	Disaster Relief Fund	T
1014	Donat Comm (Fed)	Donated Commodity/Handling Fee Account	T
1159	DWF Bond (Other)	Drinking Water Fund Bond Receipts	T
1083	Educ Facil (DGF)	Education Facilities Maint & Construction Fund	F
1046	Educ Loan (Other)	Education Loan Fund	T
1182	Ed Cn/Mnt (Other)	Educational and Museum Facility Design/Const/MajorMaint Fund	F
1185	Elect Fund (Other)	Election Fund	T
1056	Elect Svc (DGF)	Electrical Service Extension Fund	F
1219	Engy Tech (Other)	Emerging Energy Technology Fund	T
1158	Emp Pay (Other)	Employee Pay	F
1114	EVOS Rest (Other)	Exxon Valdez Oil Spill Restoration Fund	T
1018	EVOS Trust (Other)	Exxon Valdez Oil Spill Trust	T
1043	Impact Aid (Fed)	Federal Impact Aid for K-12 Schools	T
1187	Fed MH (Fed)	Federal Mental Health	F
1002	Fed Rcpts (Fed)	Federal Receipts	T
1212	Stimulus09 (Fed)	Federal Stimulus: ARRA 2009	T
1033	Surpl Prop (Fed)	Federal Surplus Property Revolving Fund	T
1188	Fed Unrstr (Fed)	Federal Unrestricted Receipts	T
1146	Fee Supp (DGF)	Fee Supported Increase	F
1134	F&G CFP (DGF)	Fish and Game Criminal Fines and Penalties	F
1024	Fish/Game (Other)	Fish and Game Fund	T
1194	F&G NonDed (DGF)	Fish and Game Nondedicated Receipts	F
1070	FishEn RLF (DGF)	Fisheries Enhancement Revolving Loan Fund	T
1032	Fish Fund (DGF)	Fishermen's Fund	T
1111	FishFndInc (DGF)	Fishermen's Fund Income	T
1023	FICA Acct (Other)	FICA Administration Fund Account	T
1090	4 Dam Pool (DGF)	Four Dam Pool Transfer Fund	F
1037	GF/MH (UGF)	General Fund / Mental Health	T
1003	G/F Match (UGF)	General Fund Match	T
1006	GF/MHTIA (Other)	General Fund/Mental Health Trust Income Account	F
1005	GF/Prgm (DGF)	General Fund/Program Receipts	T
1091	GF/Desig (DGF)	General Funds - Designated	T
1008	G/O Bonds (Other)	General Obligation Bonds	T
1184	GOB DSFUND (Other)	General Obligation Bond Debt Service Fund	T
1173	GF MisEarn (UGF)	GF Miscellaneous Earnings	T
1077	Gifts/Grnt (Other)	Gifts/Grants/Bequests	F
1020	Grain Fund (DGF)	Grain Reserve Loan Fund	F
1017	Group Ben (Other)	Group Health and Life Benefits Fund	T
1097	AETNA Res (Other)	Group Health and Life Benefits Fund (AS 39.30.095)	F

**Funding Codes Currently in Use as of 02/12/2013
(Alphabetical Order)**

FUND-CODE	FUND-SHORT-NAME	FUND-LONG-NAME	ACTIVE
1130	Handcap Fn (Fed)	Handicapped Vendor Facility Fund - FY88	F
1138	Hlth I/A (Other)	Health Inter-Agency Receipts	F
1026	HwyCapital (Other)	Highways Equipment Working Capital Fund	T
1069	Hist Dist (DGF)	Historical District Revolving Loan Fund	F
1064	House Loan (DGF)	Housing Assistance Revolving Loan Fund	F
1081	Info Svc (Other)	Information Services Fund	T
1055	IA/OIL HAZ (Other)	Inter-Agency/Oil & Hazardous Waste	T
1007	I/A Rcpts (Other)	Interagency Receipts	T
1112	IntAptCons (Other)	International Airports Construction Fund	T
1027	IntAirport (Other)	International Airports Revenue Fund	T
1177	ITB Endow (DGF)	International Trade and Business Endowment	F
1115	ITBEndEarn (DGF)	International Trade and Business Endowment Earnings	F
1053	Invst Loss (UGF)	Investment Loss Trust Fund	F
1096	----- (UGF)	Investment Loss Trust Fund (error)	F
1042	Jud Retire (Other)	Judicial Retirement System	T
1129	Legal Recp (UGF)	Legal Settlement Receipts - FY88	F
1122	LIC/PER/CT (DGF)	License/Permits/Certification Pre 89	F
1193	MaintGrant (DGF)	Major Maintenance Grant Fund	F
1224	MariculRLF (DGF)	Mariculture RLF	T
1160	M/C Protec (Fed)	Marine/Coastal Protection	F
1196	Master LOC (Other)	Master Lease Line of Credit	T
1095	Med Facil (Other)	Medical Facilities Special Bond Guarantee Account	F
1094	MHT Admin (Other)	Mental Health Trust Administration	T
1092	MHTAAR (Other)	Mental Health Trust Authority Authorized Receipts	T
1192	Mine Trust (Other)	Mine Reclamation Trust Fund	T
1067	Mining RLF (DGF)	Mining Revolving Loan Fund	F
1120	Motor Fuel (UGF)	Motor Fuel Tax Increase	F
1121	MultiFunds (Other)	Multiple Funds pre FY94	F
1087	Muni Match (DGF)	Municipal Capital Project Matching Grant Fund	F
1045	Nat Guard (Other)	National Guard Retirement System	T
1063	NPR Fund (Fed)	National Petroleum Reserve-Alaska Special Revenue Fund	T
1217	NGF Earn (Other)	Non-GF Miscellaneous Earnings	T
1052	Oil/Haz Fd (DGF)	Oil/Hazardous Release Prevention & Response Fund	T
1060	OF(Pre'84) (Other)	Other Funds (Pre-FY '84 Only)	F
1179	PFC (Other)	Passenger Facility Charges	T
1050	PFD Fund (DGF)	Permanent Fund Dividend Fund	T
1041	PF ERA (DGF)	Permanent Fund Earnings Reserve Account	T
1105	PF Gross (Other)	Permanent Fund Gross Receipts	T
1171	PFD Crim (DGF)	PFD Appropriations in lieu of Dividends to Criminals	T
1118	Pioneers' (DGF)	Pioneers' Homes Receipts	F
1089	PCE Fund (DGF)	Power Cost Equalization & Rural Electric Capitalization Fund	F
1169	PCE Endow (DGF)	Power Cost Equalization Endowment Fund	T
1073	Pwr Dv RLF (DGF)	Power Development Revolving Loan Fund	F
1062	Power Proj (DGF)	Power Project Fund	T
1028	Pre90 PRGM (DGF)	Pre-FY90 Program Receipts	F
1147	PublicBldg (Other)	Public Building Fund	T
1029	PERS Trust (Other)	Public Employees Retirement Trust Fund	T
1066	Pub School (DGF)	Public School Trust Fund	T
1132	Publ/Other (DGF)	Publications and Other Services - FY88	F
1012	Rail Enrgy (UGF)	Railbelt Energy Fund	F
1085	Rail InTie (DGF)	Railbelt Intertie Reserve Fund	F
1040	Surety Fnd (Other)	Real Estate Surety Fund	T
1156	Rcpt Svcs (DGF)	Receipt Supported Services	T
1207	RCS Impact (Other)	Regional Cruise Ship Impact Fund	T
1141	RCA Rcpts (DGF)	Regulatory Commission of Alaska Receipts	T
1210	Ren Energy (DGF)	Renewable Energy Grant Fund	T

**Funding Codes Currently in Use as of 02/12/2013
(Alphabetical Order)**

FUND-CODE	FUND-SHORT-NAME	FUND-LONG-NAME	ACTIVE
1161	RRD Fund (DGF)	Renewable Resources Development Fund	F
1072	Res Energy (DGF)	Residential Energy Conservation Fund	F
1124	Res Receipt (DGF)	Resource Assessment Receipts - FY88	F
1000	Restrtd GF (DGF)	Restricted General Fund	F
1143	RHIF/LTC (Other)	Retiree Health Insurance Fund/Long-Term Care	T
1142	RHIF/MM (Other)	Retiree Health Insurance Fund/Major Medical	T
1009	Rev Bonds (Other)	Revenue Bonds	T
1222	REAA Fund (DGF)	REAA Fund	T
1164	Rural Dev (DGF)	Rural Development Initiative Fund	T
1051	RuralEcDev (DGF)	Rural Economic Development Initiative Fund	F
1065	Rural Elec (DGF)	Rural Electrification Revolving Loan Fund	F
1080	Schl Const (DGF)	School Construction Grant Fund	F
1030	School Fnd (DGF)	School Fund	T
1025	Sci/Tech (DGF)	Science & Technology Endowment Income	F
1176	Sci/T End (DGF)	Science and Technology Endowment	F
1031	Sec Injury (DGF)	Second Injury Fund Reserve Account	T
1189	SeniorCare (DGF)	Senior Care Fund	T
1078	Sr Housing (DGF)	Senior Housing Revolving Loan Fund	F
1154	Shore Fish (DGF)	Shore Fisheries Development Lease Program	T
1170	SBED RLF (DGF)	Small Business Economic Development Revolving Loan Fund	T
1057	Small Bus (DGF)	Small Business Revolving Loan Fund	F
1086	SE Energy (DGF)	Southeast Energy Fund	F
1195	SpecVehRct (DGF)	Special Vehicle Registration Receipts	T
1022	Corp Rcpts (Other)	State Corporation Receipts	F
1153	State Land (DGF)	State Land Disposal Income Fund	T
1019	Reforest (DGF)	State Land Reforestation Fund	F
1054	STEP (DGF)	State Training & Employment Program	T
1108	Stat Desig (Other)	Statutory Designated Program Receipts	T
1136	SBS IA (Other)	Supplemental Benefits Systems Inter-Agency Receipts	F
1178	temp code (DGF)	temporary code	T
1034	Teach Ret (Other)	Teachers Retirement Trust Fund	T
1151	VoTech Ed (DGF)	Technical Vocational Education Program Receipts	T
1109	Test Fish (DGF)	Test Fisheries Receipts	T
1155	Timber Rcp (DGF)	Timber Sale Receipts	T
1119	Tobac Setl (UGF)	Tobacco Settlement	F
1167	TobSetSale (Other)	Tobacco Settlement Revenue Sale	T
1168	Tob ED/CES (DGF)	Tobacco Use Education and Cessation Fund	T
1058	Tour RLF (DGF)	Tourism Revolving Loan Fund	F
1049	Trng Bldg (DGF)	Training and Building Fund	T
1149	TAPL (Fed)	Trans-Alaska Pipeline System Liability Fund	F
1183	Trans Proj (Other)	Transportation Project Fund	F
1228	UGFSequest (UGF)	UGF Associated with Sequestration	T
1079	Tank RLF (DGF)	Underground Storage Tank Revolving Loan Fund	F
1215	UCR Rcpts (Other)	Unified Carrier Registration Receipts	T
1088	UnInc Mtch (DGF)	Unincorporated Community Capital Matching Grant Fund	F
1015	UA/DFA SVC (DGF)	University of Alaska Dormitory/Food/Auxiliary Service	F
1039	UA/ICR (DGF)	University of Alaska Indirect Cost Recovery	F
1010	UA/INT INC (DGF)	University of Alaska Interest Income	F
1174	UA I/A (Other)	University of Alaska Intra-Agency Transfers	T
1048	Univ Rcpt (DGF)	University of Alaska Restricted Receipts	T
1038	UA/STF SVC (DGF)	University of Alaska Student Tuition/Fees/Services	F
1004	Gen Fund (UGF)	Unrestricted General Fund Receipts	T
1127	User Fees (DGF)	User Fees - FY88	F
1047	SSBG (Fed)	USHHS Social Services Block Grant	F
1200	VehRntlTax (DGF)	Vehicle Rental Tax Receipts	T
1035	Vets RLF (DGF)	Veterans Revolving Loan Fund	F

**Funding Codes Currently in Use as of 02/12/2013
(Alphabetical Order)**

FUND-CODE	FUND-SHORT-NAME	FUND-LONG-NAME	ACTIVE
1117	Voc SmBus (Other)	Vocational Rehabilitation Small Business Enterprise Fund	T
1214	WhitTunnel (Other)	Whittier Tunnel Tolls	T
1203	WCBenGF (DGF)	Workers Compensation Benefits Guarantee Fund	T
1157	Wrkrs Safe (DGF)	Workers Safety and Compensation Administration Account	T

Introduced. 1/21/83
Referred: Finance

IN THE HOUSE

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

HOUSE BILL NO. 105

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act appropriating for the operating and capital expenses and Permanent Fund Dividend Program of the state government; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. The following items are appropriated for operating expenditures from the general fund or other funds to the state agencies named, for the fiscal year beginning July 1, 1983 and ending June 30, 1984:

		APPROPRIATION FUND SOURCES	
	APPROPRIATIONS	GENERAL FUND	OTHER FUNDS
Office of the Governor	\$ 16,285,600	\$ 16,019,600	\$ 266,000
Department of Administration	175,656,900	127,699,800	47,957,100
Department of Law	18,723,200	15,136,500	3,586,700
Department of Revenue	37,416,600	27,119,300	10,327,300
Department of Education	597,181,500	549,350,600	47,830,900
Department of Health & Social Services	343,385,300	251,503,100	91,882,200
Department of Labor	39,704,600	9,467,800	30,236,800
Department of Commerce & Economic Development	52,893,500	42,735,000	10,158,500
Department of Military Affairs	10,011,800	6,350,300	3,661,500
Department of Natural Resources	49,919,600	39,333,000	10,586,600

Department of Fish & Game	71,758,800	46,882,400	24,876,400
Department of Public Safety	78,830,600	77,335,000	1,495,600
Department of Transportation & Public Facilities	298,639,600	185,233,200	113,406,400
Department of Environmental Conservation	13,477,000	11,776,100	1,700,900
Department of Community & Regional Affairs	41,753,000	26,900,300	14,852,700
Legislative Budget & Audit	37,236,800	37,236,800	
Alaska Court System	37,528,700	37,528,700	
University of Alaska	245,862,200	152,482,700	93,379,500
State Bond Committee	180,620,000	178,655,000	1,965,000

* Sec. 2. The following items are appropriated for capital projects from the general fund or other funds to the state agencies named and are effective immediately in accordance with AS 01.10.070(c):

	APPROPRIATIONS	APPROPRIATION	FUND SOURCES
		GENERAL FUND	OTHER FUNDS
Department of Adminis- tration	\$ 16,476,100	\$ 16,476,100	\$
Department of Revenue	3,000,000	3,000,000	
Department of Education	61,905,600	61,905,600	
Department of Health & Social Services	83,856,600	83,856,600	
Department of Labor	835,900	445,100	390,800
Department of Commerce & Economic Development	143,996,000	143,896,000	100,000
Department of Military Affairs	2,875,800	2,725,800	150,000
Department of Natural			

	Resource	28,152,500	26,039,000	2,113,500
2	Department of Fish & Game	10,435,700	10,435,700	
3	Department of Public Safety	8,530,800	8,530,800	
4	Department of Transportation			
5	& Public Facilities	467,514,100	252,017,400	215,496,700
6	Department of Environmental			
7	Conservation	75,437,300	75,437,300	
6	Department of Community &			
9	Regional Affairs	195,052,500	195,052,500	
10	University of Alaska	64,262,300	64,262,300	
		1,410,900	1,410,900	
11	Alaska Court System			
12	State Loan Programs	350,078,500	294,508,900	55,569,600

* Sec. 3. The following items are appropriated from the undistributed income account of the Alaska permanent fund (AS 37.13.145) for the purposes set out below for the fiscal year ending June 30, 1984:

16	Department of Revenue.			
17	Reinvestment of Permanent Fund		\$101,000,000	
18	Department of Administration			
19	Longevity Bonus		30,400,000	
20	Department of Community & Regional			
21	Affairs			
22	Revenue Sharing -- Municipal			
23	Assistance		141,400,000	
24	TOTAL		\$272,800,000	

* Sec. 4. The following is the operating and capital budget summary by funding source:

27		OPERATING	CAPITAL	TOTAL
28	FUNDING SOURCE	BUDGET	BUDGET	BUDGET
29	Federal Receipts	\$ 196,801,200	\$ 190,035,000	\$ 386,836,200

	General Fund Match	70,685,500	4,212,900	74,898,400
2	General Fund	1,768,059,700	1,235,787,100	3,003,846,800
J	Inter-Agency Receipts	147,646,800		147,646,800
4	Agricultural Loan Fund	567,100		567,100
5	FICA Administration Fund			
6	Account	89,700		89,700
7	Fish and Game Fund	6,255,000		6,255,000
8	Highway Working Capital			
9	Fund	26,636,400	17,600,000	44,236,400
10	International Airport			
11	Revenue Fund	25,129,000	1,300,000	26,429,000
12	Program Receipts	40,682,000	64,819,600	105,501,600
13	Public Employees			
14	Retirement Fund	2,293,200		2,293,200
15	School Fund (Cigarette			
16	Tax)	2,500,000		2,500,000
17	Second Injury Fund			
18	Reserve Account	1,887,400		1,887,400
19	Disabled Fishermans			
20	Reserve Account	1,280,500		1,280,500
21	Surplus Property			
22	Revolving Fund	204,300		204,300
23	Teachers Retirement			
24	System Fund	1,873,500		1,873,500
25	Veterans Revolving Loan			
26	Fund	877,300		877,300
27	Student Fees, University			
28	of Alaska	13,165,400		13,165,400
29	Indirect Cost Recovery	7,223,300		7,223,300

Public Law 81-874/General

2	Fund	10,891,000		10,891,000
3	Title 20	4,113,700		4,113,700
4	Restricted Receipts, U of A	17,603,800		17,603,800
5	Training and Building Fund	449,500		515,500
		<u>66,000</u>	—	<u>515,500</u>
6	*** TOTALS ***	\$2,346,915,300	\$1,513,820,600	\$3,860,735,900

7 * Sec. 5. A sum is appropriated from the general fund necessary to pay
 8 interest on revenue anticipation notes issued by the commissioner of reve-
 9 nue under AS 43.08.010.

10 * Sec. 6. Federal or other program receipts which exceed the amounts
 11 appropriated in this Act are appropriated conditioned upon compliance with
 12 the program review provisions of AS 37.07.050(h).

13 * Sec. 7. This Act, except for sec. 2, takes effect July 1, 1983.

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COMMONWEALTH
NORTH

Commonwealth North is a non-profit corporation, organized and existing under the laws of the State of Alaska. Non-partisan in nature, its purpose is to inject enlightened vitality into the world of commerce and public policy. As well as providing a forum for State and National speakers, working committees study critical issues facing Alaska and prepare well-researched action papers, such as this one.

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