



THE STATE  
of **ALASKA**  
GOVERNOR BILL WALKER

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET  
Pat Pitney, Director

Court Plaza Building  
240 Main Street, Suite 802  
Juneau, Alaska 99811-0020  
Main: 907.465.4660  
Fax: 907.465.2090

February 26, 2016

The Honorable Pete Kelly  
Co-Chair, Senate Finance Committee  
Alaska State Legislature  
State Capitol, Room 518  
Juneau, AK 99801-1182

The Honorable Anna MacKinnon  
Co-Chair, Senate Finance Committee  
Alaska State Legislature  
State Capitol, Room 516  
Juneau, AK 99801-1182

Dear Co-Chair Kelly and Co-Chair MacKinnon:

Thank you for the opportunity to present the Governor's FY 2017 capital budget overview before the Senate Finance committee on February 11, 2016. The following is in response to questions posed by the committee during the overview for distribution to the members.

*Senator MacKinnon: (Regarding Administration) Is the Juneau Community Foundation allowed to donate for improvements to the Executive floor of the Capital Building?*

The Juneau Community Foundation entered into a Master Gift Agreement, dated September 5, 2014 to establish several endowment funds and a Donor Advised Fund. The Juneau Capitol Fund shall be used to assist and support the City and Borough of Juneau and others enhance and improve the State capitol complex in Juneau. The capitol complex consists of the Capitol building, contiguous parking garage, Thomas B. Stewart legislative office building, and the Governor's mansion. Per discussion with the Department of Law, there are no legal issues.

*See attachment #1*

*Senator Dunleavy: (Regarding Commerce) Is the Seward flood protection for a study or actual work?*

Funding from this project will be used to conduct the scoping and feasibility study and other pre-construction requirements.

*Senator Bishop: (Regarding Commerce): How much have we spent on flood control in the state in the last ten years?*

Flood control and prevention efforts are typically smaller, operating budget items within the Department of Transportation and Public Facilities (DOTPF). Flood prevention typically is much less expensive than damage repair and clean-up after a major flooding event. Below is a table showing flood prevention costs incurred by DOTPF during the past 10 years.

<b>Fiscal Year</b>	<b>Costs Incurred</b>
2006 \$	1,120,121
2007 \$	1,442,468
2008 \$	1,614,681
2009 \$	1,584,471
2010 \$	1,432,956
2011 \$	1,656,558
2012 \$	4,377,473
2013 \$	2,533,749
2014 \$	2,808,847
2015 \$	1,930,243
2016 \$	1,012,210
<b>TOTAL \$</b>	<b>21,513,777</b>

*Senator MacKinnon: (Regarding Commerce) Why aren't federal funds paying for all of the Seward floor protection? Is it part of a match? Does Seward have a sales tax?*

The federal process requires a scoping effort, followed by a feasibility study, then design and construction. Funding from this project will be used to conduct the scoping and feasibility study and other pre-construction requirements. These funds will assist the City of Seward in meeting the match requirements of the Army Corps of Engineers. The sales tax for Seward is 4 percent. The sales tax for the Borough is 3 percent.

*Senator Dunleavy: (Regarding Education) Is the third school district major maintenance grant (to Bristol Bay) an attempt to skirt the bonding moratorium?*

The grant program has historically been open to municipalities both with and without bonding capacity. Over the history of the program, the legislature left the grant program open to municipalities. Both grant and debt programs require a match. For the project in question, the match would have been 30 percent under debt and is 35 percent under the grant program.

The Bristol Bay project was submitted to the Department of Education and Early Development (DEED) through Capital Improvement Projects (CIP) and the application was not treated any differently than any other project. The needs in the project resulted in it being ranked third on the major maintenance CIP list.

The department continues to implement the facilities programs in accordance with law and in the best interest of the state including looking for cost efficiencies.

*Senators MacKinnon and Dunleavy: (Regarding Environmental Conservation) What is the match for the Village Safe Water and Wastewater Infrastructure projects? What are the projects? What is included in the SDPR amount?*

The federal funding amount is composed of two parts.

- The Department receives \$16,000,000 of federal funding from the Indian Health Service that does not require any state match.
- Grants from the EPA Infrastructure Grant Program and the USDA-Rural Development Program total \$36,250,000. These federal funds require a state match equal to one-third of the federal amount, which is \$12,080,000.

Several years ago, in order to meet federal appropriation requirements, the Village Safe Water Program established a multi-year priority list. The list includes all ongoing planning projects and construction projects that have an approved facility master plan, but will require multiple years to complete design and construction. Projects are added to the list when communities submit applications that receive high overall scores. Scoring is based primarily on critical health-related needs and local capacity to operate and maintain existing facilities.

The purpose of the multi-year project list is to identify where funding is needed for the next several years and ensure new appropriations will be obligated and expended in a timely manner. Use of the multi-year priority list means that funding won't get held up on projects that are delayed for any number of reasons, including site control, permits, and local capacity concerns. A copy of the current Multi-Year Priority List is attached.

The Statutory Designated Program Receipt (SDPR) amount is comprised of non-state and non-federal funding that is contributed to capital projects, usually during the course of construction activities. This program income can come from a variety of sources for different reasons. Examples include:

- A local government deciding to purchase heavy equipment left over at the end of construction. With the approval of the federal funding agency, the funding from this purchase can be used to extend the scope of the original project.
- Another construction project in town paying to rent the heavy equipment being used for the VSW project.
- The local government or another construction project deciding to purchase left-over material (such as gravel, insulation, or pipe).

The amount for SDPR is an estimate, and the actual amount received by the program is less than the estimate. The table below details actual spending from the five most recently termed VSW appropriations.

<b>AR#</b>	<b>SLA Year</b>	<b>Orig Year</b>	<b>Term Year</b>	<b>SDPR Actual</b>
71969	2011	2012	2016	\$402,319.59*
71960	2010	2011	2015	\$127,052.93
71624	2009	2010	2015	\$ -
71427	2008	2009	2015	\$407,036.56
71310	2007	2008	2015	\$501,436.23

\*Actuals to date in FY2016

*See attachment #2*

*Senator Bishop: (Regarding Environmental Conservation) Would like a list of orphan statewide contaminated sites.*

Attached is the list of 19 priority orphaned sites that the Department of Environmental Conservation is actively working on and are directly related to the capital request. None of these sites are state-owned. There are approximately 100 more orphaned sites in the state that are not being actively worked on at this time.

*See attachment #3*

*Senator MacKinnon: (Regarding Fish and Game) Would like a list of their aircraft and vessels and the date of purchase.*

*See attachments #4 and #5*

*Senator Micciche: (Regarding Fish and Game) Would like detail on the projects included in the Sport Fish Recreational Boating and Angler Access.*

*See attachment #6*

*Senator Micciche: (Regarding Health and Social Services) Would like to see the findings of the risk assessment of the Office of Civil Rights and to know why a risk assessment was conducted.*

The U.S. Department of Health and Human Services (HHS), Office for Civil Rights (OCR) performed an investigation into the Department of Health and Social Services (DHSS) after receiving a Breach Report from DHSS dated October 30, 2009. The report indicated that a portable electronic storage device potentially containing electronic protected health information (e-PHI) was stolen from the vehicle of a DHSS computer technician on or about October 12, 2009. One of the five findings of this investigation mandated that DHSS perform a risk assessment and implement security measures sufficient to reduce the risks and vulnerabilities identified to a reasonable and appropriate level. That risk assessment was performed by Coalfire Systems, Inc. and provided to DHSS March 7, 2013. The risk assessment specifically identifies several areas of significant security and compliance vulnerabilities that would represent a security risk to confidential health information if released publicly. Confidential discussion of the findings is available at the request of the legislature.

*See attachment #7*

*Senator Micciche: (Regarding Military and Veterans Affairs) Wants details on the Bethel Scout Battalion.*

The Department of Military and Veterans Affairs sees several benefits of an Alaska run force. Some benefits are that the force would always be under state control. Members would not be paid to train and the force would be minimally equipped. The mission of the force would be disaster response,

damage assessment, medical station support, and route and zone reconnaissance. The initial operating milestones include:

- Year 1: Establish Battalion Headquarters and 1<sup>st</sup> Line Company: Complete platoon level field readiness and reconnaissance exercises
- Year 2: Establish 2<sup>nd</sup> Line Company: complete platoon level readiness/recon exercises & battalion staff exercise
- Year 3: Establish 3<sup>rd</sup> Line Company: complete platoon level readiness/recon exercises & battalion staff exercise
- Year 4: Conduct company level readiness exercises and battalion staff exercise
- Year 5: Deploy battalion for DSCA exercise in Southcentral

*See attachment #8*

*Senator Hoffman: (Regarding Military and Veterans Affairs) This [Bethel Scout Battalion] is a five year commitment. Can it be discontinued at any point if we start?*

The program can be turned off at any time. The Department of Military and Veterans Affairs (DMVA) does not intend to hire fulltime classified employees or enter into a contract to administer the program so there will be no employee positions or service contracts to terminate. As envisioned, DMVA will not be entering into leases, support contracts or other relationships that would financially encumber the State of Alaska should a decision be made to terminate the program.

*Senator Olson: (Regarding Fish and Game) Can there be donations to cover recreational projects? Is it possible for a private entity to provide the match for recreational programs?*

Third party matching funds may be used alone or in conjunction with in-kind matching funds for recreational programs.

*Senator Hoffman: (Regarding Natural Resources) Do the snowmobile fees have to be spent on trail development?*

Snowmobile fees are collected by the Division of Motor Vehicles (DMV) which is not statutorily required to provide the full amount to the Department of Natural Resources (DNR). The portion of the fees received by DNR is not statutorily required to be spent on trail development. DNR does receive the funds through DMV which go into the snowmobile capital project and any unused funds are carried forward to the next fiscal year. The funds received through the capital project pay for matching grants for trail development and maintenance, trail marking and signing, safety education, and to establish legal trail easements.

*Senator MacKinnon: (Regarding Revenue) Would like more information on AHFC Supplemental Housing Development Program including what was spent last year.*

More information can be found on the Alaska Housing Finance Corporation Website:  
<https://www.ahfc.us/pros/grants/development-grants/supplemental-housing-development-grant-program/>

The Supplemental Housing Development Grant Program received \$7,000,000 from the legislature for FY2015, and applied an additional \$1,473,000 from the remaining balance of FY2014's budget for a total of \$8,473,000. Fourteen grants, totaling \$7,289,509, were awarded to 12 regional housing authorities for new construction of 176 units--115 single-family homes and 61 multi-family units--and rehabilitation work on 170 units to provide safer and affordable housing for residents in rural and urban Alaska.

In FY2016, this program was funded via a re-appropriation of \$3 million. The Alaska Housing Finance Corporation intends to award the entire \$3 million to the following grantees:

<b>Agency-Project</b>	<b>Award</b>
<b>Aleutian Housing Authority</b>	<b>\$ 340,000.00</b>
<b>AVCP Housing Authority</b>	<b>\$ 353,801.50</b>
<b>Bering Straits Regional Housing Authority</b>	<b>\$ 321,191.00</b>
<b>Cook Inlet Housing Authority</b>	<b>\$ 353,801.50</b>
<b>Copper River Basin Housing Authority</b>	<b>\$ 353,801.50</b>
<b>Interior Regional Housing Authority</b>	<b>\$ 353,801.50</b>
<b>Kodiak Island Housing Authority</b>	<b>\$ 106,000.00</b>
<b>North Pacific Rim Housing Authority</b>	<b>\$ 110,000.00</b>
<b>Northwest Inupiat Housing Authority</b>	<b>\$ 353,801.50</b>
<b>Tlingit-Haida Regional Housing Authority</b>	<b>\$ 353,801.50</b>
<b>Total</b>	<b>\$ 3,000,000.00</b>

*Senator Hoffman: (Regarding Revenue) Would like prior year funding on all Revenue projects.*

*See attachment #9*

*Senator Hoffman: (Regarding Transportation and Public Facilities) Would like a list of items in the state equipment fleet being replaced including their age and location.*

*See attachment #10*

*Senator MacKinnon: (Regarding Transportation and Public Facilities) Would like to know if we are receiving fair market value for our assets that are sold. [10:32]*

*See attachment #11*

The Honorable Pete Kelly  
The Honorable Anna MacKinnon  
February 26, 2016  
Page 7

Please let me know if you have additional questions.

Sincerely,



Pat Pitney  
Director

Enclosures

1. Final HFIN 2-11-16 Response Packet

cc: David Teal, Director, Legislative Finance  
Darwin Peterson, Legislative Director, Office of the Governor