



THE STATE
of ALASKA
GOVERNOR MICHAEL J. DUNLEAVY

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET
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April 9, 2019

Representative Neal Foster, Co-Chair
House Finance Committee
State Capitol, Rm 505
Juneau, AK 99801

Representative Tammie Wilson, Co-Chair
House Finance Committee
State Capitol, Room 511
Juneau, AK 99801

Dear Co-Chairs Foster and Wilson,

Below, please see the responses to questions asked during the Office of Management and Budget's presentation to the House Finance Committee on April 2, 2019.

1. *Representative Wilson: Please provide a breakdown on fund sources and expenditures for Village Safe Water, and provide additional information about how the department is addressing both funding and training for long-term operations and maintenance.*

The Department of Environmental Conservation (DEC) has, on average, six years of active Village Safe Water (VSW) appropriations in a given fiscal year. VSW projects can take years to go from design to completion due to the challenges of working in remote communities on highly complex water systems. The current active appropriations are required for federal awards that have been awarded, but not yet spent. Attached, please find additional information on the various VSW funding for the most recent five fiscal years, as well as a chart showing the current funding need to address all unserved homes. DEC and Alaska Native Tribal Health Consortium (ANTHC) have entered into agreements with communities for projects that fully obligate the federal awards and required match.

In FY18, DEC Spent \$29.7 million on VSW projects, with \$19.4 million in federal funds, \$10.1 million in general fund match, and the remainder in statutory designated program receipts. Of that general fund match, \$2.5 million was passed through to ANTHC as required match for the portion of the federal funds they receive directly.

DEC evaluates a community's ability to afford, operate, and maintain any new system before it is funded for construction. Historically, the VSW program has looked at a percentage of the median household income to assess affordability, but has come to realize that this is not the

best indicator for Alaska. The Department currently has an economist under contract who has developed a new affordability assessment tool that considers not only income, but other socioeconomic factors. This model is currently being validated in the field, but the program has already begun to use this affordability criteria for Infrastructure Protection Funding and State Revolving Loan Fund consideration. More info on the affordability assessment model can be found at: <http://dec.alaska.gov/water/village-safe-water/user-rate-affordability/>

DEC also trains and certifies water and wastewater system operators, and the Remote Maintenance Worker program provides technical assistance to rural communities. Department staff work with other stakeholders (RUBA, Regional Health Corporations, community leaders) providing focused assistance to help build communities' financial and managerial capacity in order for them to effectively operate and maintain their facilities.

2. *Representative Wilson: What is the current balance of the Capital Income Fund?*

The starting balance of the fund at the beginning of FY19 was \$26.5m; \$27m is expected from Amerada Hess earnings, and Governor Dunleavy's supplemental bill proposes depositing an additional \$10.1m of gambling taxes. \$42m was appropriated in SLA2018. The remaining balance has been proposed for supplemental appropriation in FY19 leaving a projected end of year balance of \$0. Without the supplemental appropriations proposed by the Governor, the end of year balance would be projected at \$11.5m.

3. *Representatives Carpenter and Wilson: Please provide the deferred maintenance spending plan for several sessions prior as well as the current deferred maintenance listing. Please provide the project listing for the FY19 deferred maintenance appropriation.*

Please see the attached documents relating to deferred maintenance:

1. *Deferred Maintenance Project SLA1997-2019 Appropriations*
2. *Deferred Maintenance Distribution*
3. *FY19 Distribution Detail*
4. *FY19 Backlog Statewide OMB 4-4-2019*

4. *Representative Josephson: Please provide the transaction details for the ASTAR project, to date.*

To date, \$1.3 million has been spent on the following:

- Personal \$486,000
- Travel \$22,000
- Services/contractors \$861,000
- Commodities \$2,200

Below are the transaction details for the ASTAR project's aforementioned categories:

Personal

- Office of Project Management & Permitting – overall ASTAR coordination, budget, and contract management
- Division of Geological & Geophysical Surveys - terrain mapping and field work planning

- Division of Mining, Land & Water – coordination, review ASTAR material, help develop program, contract management, IT assistance, and website management
- Division of Oil & Gas – coordination, review ASTAR material, and help develop program
- Department of Health & Social Services – health baseline data collection

Travel

- Round 1 of stakeholder engagement
- Visited every community within the North Slope Borough to roll out ASTAR and collect project information

Services/Contractors

- Create project library and database of proposed community/regional projects
- Conducted surveys to help prioritize community and regional needs and values
- Assist with terrain unit mapping to identify geohazards and potential construction material for the NPR-A and Prudhoe Bay
- Freight Transportation Study
- Passenger Transportation Study
- Develop tools and models (using GIS) needed to analyze the project library/database and identify which regions and projects offer the most potential cumulative benefit
- Assist the State with producing information that will help inform federal agencies of the NPR-A, Interactive Activity Plan (IAP) and Coastal Plain Oil and Gas Leasing Program
- Assist with permitting efforts for upcoming field season to collect relevant field data

Commodities

- Supplies for stakeholder engagement meetings
- Brochure and printing of other marketing material

Attached is additional information on the ASTAR project:

1. *ASTAR Update Mar 2019*
 2. *ASTAR Original Cap Project March 27*
 3. *ASTAR Supp Op in SB 23 Change Record*
5. *Representatives Wilson and Johnston: Please provide additional information on how ATIA intends to spend \$7.5 million. Please confirm whether it is their intent to subsidize direct flights to China, and confirm whether they are coordinating their efforts to attract direct flights with other impacted associations.*

The FY20 Governor's Amended capital budget includes a named recipient grant to the Alaska Travel Industry Association (ATIA) for Tourism Marketing (\$7,420.0 of Vehicle Rental Taxes).

The information below was provided with the original request for funding in November/December.

\$8 Million State Investment in Tourism Marketing will allow ATIA to:

- Increase distribution of vacation planner
- Expand international presence with up to two overseas representatives in offices in primary markets

- Host additional media in more communities throughout Alaska, highlighting adventure, winter and outdoor travel experiences
- Continue to maintain the state's main consumer Alaska tourism website, TravelAlaska.com.
- Maintain basic research, evaluate advertisements

It is our understanding that the previous administration had plans to subsidize flights between China and Alaska. The current administration does not support this idea. Should funding remain in the capital budget, the grant agreement with ATIA will be written so that these funds cannot be used for anything other than what is outlined above.

6. *Representatives Wilson and Tilton: Please provide documentation of the requirements on community development block grant match and any metrics on the effectiveness of the grants.*

Community Development Block Grants (CDBG) require match of administrative expenses in excess of \$100,000 at a 1:1 ratio, with a maximum amount of \$100,000 + 2% of the federal grant total to be spent on administration over the 5+ year lifespan of the grant. This requirement is documented in 24 CFR 570.489(a)(1). As an example, the department's FY19 federal CDBG grant totaled \$2,737,830. Of that amount, the maximum amount of federal funds to be spent on administration was \$154,756.60 (\$100,000 + 2% of the federal grant total), which was required to be matched by \$54,756.60 of state funds for a total of \$209,513.20 allocated for administration of the grants.

The most recent awards completed by the department were for state FY19 (FFY18). The projects awarded were:

Grant Recipient	Project Name	Award Amount
City of Port Alexander	Water Tank System Engineering and Design Plans	72,000.00
City and Borough of Wrangell	Fire Truck Acquisition	337,500.00
City of Ketchikan	Ketchikan/WISH Domestic Violence Shelter Design & Engineering	95,880.00
City of Chefnak	Head Start Building Design	122,088.00
Kenai Peninsula Borough	Funny River Fire Station #5 - Pumper/Tanker Purchase	487,500.00
City of Hughes	Bulk Fuel Energy Security Project	785,662.00
City of Napakiak	Land Use Planning for Managed Retreat	537,200.00
City of Ekwok	Firefighting Equipment Acquisition	300,000.00
Total		\$2,737,830

The division collects various metrics on CDBG projects, which are transmitted to the Alaska Housing Finance Corporation to include in their annual performance report on their Consolidated Housing and Community Development Plan. The draft 2018 Annual Performance Report and prior year reports are available online: <https://www.ahfc.us/pros/references/plans>.

Co-Chairs Foster and Wilson

April 9, 2019

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Please let me know if you have additional questions.

Sincerely,



Donna Arduin, Director
Office of Management and Budget

Enclosures

1. *VSW Funding 2015 – 2019 UPDATED 03-11-2019*
2. *Deferred Maintenance Project SLA1997-2019 Appropriations*
3. *Deferred Maintenance Distribution*
4. *FY19 Distribution Detail*
5. *FY19 Backlog Statewide OMB 4-4-2019*
6. *ASTAR Update Mar 2019*
7. *ASTAR Original Cap Project March 27*
8. *ASTAR Supp Op in SB 23 Change Record*

cc: Ms. Suzanne Cunningham, Director, Governor's Legislative Office
Mr. David Teal, Director, Legislative Finance Division