

# ALASKA STATE LEGISLATURE

## SENATOR NATASHA VON IMHOF

Co-Chair Senate Finance Committee, Member: Legislative Budget and Audit, Legislative Council

Session: January – April

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Official Business

Members  
Senate Finance Committee

May 7, 2019

*Re: Answers to Questions from May 3, 2019, Capital Budget SFC CS (K) Presentation*

Dear Honorable Members of the Senate Finance Committee:

***1. AGDC \$25 million receipt authority; statutory designated program; and timeline (Senators von Imhof; Stedman; Hoffman; Wielechowski):***

Co-chairs von Imhof and Stedman discussed the amount of investment that has been made to date for the Alaska LNG project, which is reviewed in the attached update from AGDC. Any third-party funding provided under the receipt authority in the Capital budget would be utilized to cover expenses incurred during the conclusion of the FERC permitting process. FERC's current schedule indicates their authorization is expected in June 2020. (Attachment 1.)

***2. Additional details on ASTAR, including previous appropriations and how spent; FY 20 Capital budget in SFC CS: \$2.5 million; matches Governor's request for funding (Senator Wielechowski):***

The Arctic Slope Transportation and Resources project (ASTAR) is a collaborative effort initiated by the Department of Natural Resources (DNR) to form a cooperative group of stakeholders in the region to guide the development of future infrastructure projects to best benefit the communities of the North Slope, identify material sites critical to resource development, and to provide access to areas that may require remediation from previous exploration activities.

DNR has effectively spent and allocated \$7.3 million appropriated for ASTAR (FY2018-FY2020) to execute key objectives and facilitate the state's participation in complementary planning efforts. This project will fund the next phase of ASTAR, to develop resources that empower Arctic communities.

**Major Milestones and Deliverables to Date**

- Cumulative Benefit Analysis (CBA) Report
- Economics and Socioeconomics Digital Library and Report
- Data Management Plan
- Terrain unit mapping and identified geohazards for Area 1 (of 3)

The next phase of ASTAR is to develop resources that empower Arctic communities. This project will support natural extension of ASTAR through continued engagement with the federal land managers

and delivery of resource information critical to community infrastructure planning, proposal, and development. Funds included in FY 20 will be used as follows:

- State of Alaska participation as a Cooperating Agency during BLM's development of a programmatic Environmental Impact Statement (EIS) for exploration and development activities in the Coastal Plain (\$750.0). Future work in the Coastal Plain should contemplate and support potential infrastructure needs for the community of Kaktovik.
- State of Alaska participation as a Cooperating Agency during the BLM's revision of the 2012 National Petroleum Reserve-Alaska (NPR-A) Integrated Activity Plan (IAP) EIS and 2013 Record of Decision (\$750.0). The current plan imposes substantial surface occupancy restrictions ("no new non-subsistence related infrastructure"), including in Northeastern NPR-A. Subsequent National Environmental Policy Act (NEPA) analysis should include an alternative that identifies known transportation corridors and allows NPR-A communities to build infrastructure where needed.
- Lake survey in the Coastal Plain (\$1,600.0) to collect information about water depths and fish presence, which will inform water needs for ice road and ice pad construction. Temporary ice infrastructure allows for seasonal transportation associated with construction operations, as well as resource development activities (exploration, development drilling, and oil production) in areas with limited or nonexistent gravel roads.
- Sand and gravel survey in the Coastal Plain (\$2,500.0). Because it is expensive to transport sand and gravel, identifying where construction-quality sand and gravel resources are located helps communities estimate costs of new infrastructure.
- Coastal hazards assessment for North Slope communities and facilities (\$1,100.0). Identify areas near North Slope coastal communities and development centers that may be vulnerable to flooding and coastal erosion. Providing data on erosion rates and flooding along the coast will support development projects, community connectivity, public safety, and community resilience.
- Petroleum geology fieldwork from eastern NPR-A to Coastal Plain to provide regional and reservoir-scale geologic data for the Nanushuk, Torok and associated units (\$3,300.0). Industry relies on publicly available geological information when deciding where to invest in seismic, exploration, and development activities. Because Alaska is a resource-rich state, making this information available can attract investment.

***3. South Denali Visitor Center, additional details on funding; where/how funds used; benefits to the state (Senator Wielechowski):***

(Below information is directly from TRS.)

Prior Funding History / Additional Information:

Sec1 Ch16 SLA2013 P72 L27 SB18 \$7,000,000

Sec1 Ch17 SLA2012 P125 L32 SB160 \$1,500,000

Sec1 Ch5 SLA2011 P93 L21 SB46 \$3,000,000

Sec13 Ch29 SLA2008 P153 L28 SB221 \$8,900,000

Sec4 Ch30 SLA2007 P100 L9 53 \$1,000,000

Other Secured Project Funds:

\$950,000 (Scenic Byway Funds) - Interpretive Center Construction

\$1,000,000 (Holland America/Princess Cruises donation) - Electrical Extension

\$49,800 (Recreational Trails Grant) - Curry Ridge Trail

\$168,300 (Land Water Conservation Fund) - Trails

Project Description/Justification:

The long planning history is documented in the Final South Denali Implementation Plan and Environmental Impact Statement (April 2006). This facility will serve Alaskans and out-of-state travelers, local school groups and package tours. The vision is for a high-quality facility that offers a range of opportunities for learning and recreating. It will provide visitors of various abilities a chance to experience alpine and subarctic tundra environments and opportunities to view Denali and the Alaska Range.

The visitor center and trail system could engage visitors for an hour, half-day or all day. Diverse opportunities (such as interpretation of natural and cultural resources, viewing Denali, short walks, long hikes, educational programs, hands-on exhibits and viewing film) and information about the regional recreational opportunities, safety and emergency assistance will be provided to accommodate diverse visitor interests and background.

After consulting with Alaska Native organizations, the campground was named K'esugi Ken, a Dena'ina name for Curry Ridge where the campground is located. K'esugi Ken means "Base of the Ancient One."

The first new Alaska State Park campground to open in more than 20 years, K'esugi Ken campground, Phase I of the South Denali Visitor Center Complex located had its Grand Opening in May 2017. This completed phase included the design and construction of a campground with 32-RV campsites (all with electrical hookups) and 10 walk-in campsites, two public use cabins, a camp host cabin, a large group camping area, a ranger contact station, an interpretive center, trail network and a 34-mile power extension and upgrade along the Parks Highway. The project was funded with general funds, local and federal grants, and a \$1 million donation from Holland America/Princess.

In 2012, the department utilized funds on hand to build the campground and related facilities in order to provide recreational opportunities for Alaskans and guests while creating a revenue stream that could offset the need for general fund dollars to operate the facilities.

Revenue generated from Phase I (RV and tent camping, public use cabins and day use parking) doubled from 2017 to 2018 and is expected to increase each year.

The second phase of the South Denali Visitor Center Complex is the actual visitor's center. The center will be 15,000-16,000 square feet, state-of-the-art visitor center; additional trail infrastructure; and additional road to the existing K'segugi Ken campground and maintenance facility.

Along with providing needed park and visitor industry infrastructure, the visitor center's revenues are projected to pay for the operation of the center and provide net operating revenue to the park system of over \$2 million once the facility is up and running. Infrastructure like this provides significant economic impact to the area as well, by providing direct jobs to those staffing the center, and creating opportunity for private sector operators in the park to increase their business.

#### Completed Work:

Lower Access Road and Campground – Construction of the lower access road, the RV campground, the 32 RV sites, day-use parking/trailhead and a one-half-mile loop interpretive hiking trail is complete. The access road and campgrounds have been paved.

Electrical Extension - The MEA main line extension and upgrade project is complete. MEA has also completed the service line from the main line extension running up to the ranger contact station. The service line was constructed underground following the general alignment of the access road. The final cost of all the electrical work was approximately \$5.2M, which was \$950k less than original estimates. That amount has been refunded back to the project.

Ranger Contact Station/Maintenance Shop – Construction is complete for the nearly 3,900 square foot building which will serve as the operational headquarters for Denali State Park.

Walk-In Campground and Group Area – The 10-site walk-in campground and group use area is complete and in use.

Public Use Cabins and Camp Host Cabin – Two public use cabins and a camp host cabin (also a public use cabin during shoulder seasons) have been constructed and are in operation. The cabins are log construction with two measuring 16-feet by 20-feet and the third at 19-feet by 30-feet.

Trails – Approximately five miles of trails have been completed throughout the facility. The connector trails around the campgrounds, ranger contact station, and public use cabins are 6' to 8' wide with gravel surface. The trail heading up to Curry Ridge is bare earth trail with tread width ranging between 2 and 6 feet.

Interpretive Pavilion – The 3,300-square foot open air interpretive pavilion was completed and opened to the public in spring of 2017. The open-concept structure showcases interpretive panels that highlight the natural and cultural resources of the area, as well as the recreational opportunities available at Denali State Park. Interpretive talks at the center are conducted in partnership with the National Park Service.

#### **4. (Sec. 18) Governor's reappropriation of \$1.85 million and \$650,000:**

I. From Shareen Crosby, SFC staff: Members expressed that the language in the Senate CS (Work Draft K) should be reworked. I am working with Legislative Legal.

II. From the Lt. Governor's office regarding the question pertaining to elections equipment:

"The current statewide and voting tabulation system is 21 years old and has long outlived its life expectancy. The division (of elections) issued a Request for Proposal (RFP) on March 18, 2019 for a statewide voting and ballot tabulation system. The deadline for proposals was April 19, 2019. The division received three responsive proposals.

"The Project Evaluation Committee (PEC) met on May 1, 2019 and completed evaluations of the written proposals. The three responsive bidders will be presenting demonstrations this week. The demonstrations are scheduled for May 7, May 9 and May 10.

“The division estimates a budget of \$4 million to \$6 million to complete this project. The division currently has \$4.6 million currently available for this project. The division anticipates issuing a notice of intent to award a contract on May 15, 2019. The target date to issue a contract is June 3, 2019 with a July 1, 2019 contract starting date.”

##### 5. Additional information regarding AF&G Pittman-Robertson fund source (Senator von Imhof):

- Due to increased gun and ammunition sales, the Federal Aid (Pittman Robertson-Wildlife Restoration) balance continues to remain high. The funding increases we are seeing continue to be unprecedented.
- Funds can be used for Wildlife Restoration, public use and benefit of wild birds and animals (such as viewing trails) and Basic Hunter Education and Safety. It funds many projects in F&G and projects in DNR (Parks/Mining land water, trail organizations). Also working to have additional non-state entities project match for project to utilize the funds.
- Strong gun and ammunition sales nationally have led to increased federal excise tax collections. The federal taxes for wildlife conservation are distributed to states, and Alaska receives the maximum apportionment. In most cases, federal-aid projects are funded 75% federal and 25% Fish and Game (F&G) funds. If a project is not fully-eligible for federal reimbursement. The match is primarily achieved using license and tag fee revenue (F&G fund).
- In order to utilize all Pittman Robertson funds available to Alaska, and avoid reversion (i.e. use it or lose it), additional match is required. The department reverted \$2.9 million last year. The department needs an estimated \$1.7 million in match for the estimated \$24 million of P/R funds available for FY20 and must have projects obligated by Sept 30, 2019.
- Depending on the F&G operating budget amount (House \$13.9 million; Senate \$12.8 million), additional F&G authority may spend down the balance, but a carry-forward balance is still projected. Revenue projected for FY20: \$18.7 million (\$5.3 carryforward and \$13.3 current year). Using the higher amount will still project a \$4 million carryforward.

##### Wildlife Portion of the F&G Fund

Updated 5/2/18

Op Budget Changes

0.0

|   | FY15<br>Actuals | FY16<br>Actuals | FY17<br>Actuals | FY18<br>Actuals | FY19<br>MgtPin | FY20<br>House | FY21<br>Projections |
|---|-----------------|-----------------|-----------------|-----------------|----------------|---------------|---------------------|
| Revenue   | 13,361.8        | 13,783.3        | 16,812.0        | 20,018.9        | 20,010.4       | 18,672.8      | 17,329.9            |
| Carryforward  | 3,973.9         | 4,194.8         | 4,595.6         | 6,684.1         | 6,675.6        | 5,338.0       | 3,995.1             |
| Current Year Revenue  | 9,387.9         | 9,588.5         | 12,216.4        | 13,334.8        | 13,334.8       | 13,334.8      | 13,334.8            |
| Operating   | 9,161.1         | 8,948.5         | 9,950.7         | 12,712.1        | 12,672.4       | 13,877.7      | 12,761.6            |
| Operating   | 9,161.1         | 8,948.5         | 9,950.7         | 12,712.1        | 12,672.4       | 13,877.7      | 12,761.6            |
| Supplemental  | 0.0             | 0.0             | 0.0             | 0.0             | 0.0            | 0.0           | 0.0                 |
| Capital   | 5.9             | 239.2           | 177.2           | 631.2           | 2,000.0        | 800.0         | 0.0                 |
| APPROPRIATIONS  | 9,167.0         | 9,187.7         | 10,127.9        | 13,343.3        | 14,672.4       | 14,677.7      | 12,761.6            |
| Balance to carry forward  | 4,194.8         | 4,595.6         | 6,684.1         | 6,675.6         | 5,338.0        | 3,995.1       | 4,568.3             |
| Revenue less Appropriations<br>(negative indicates unsustainable<br>spending) | 220.9           | 400.8           | 2,088.5         | (8.5)           | (1,337.6)      | (1,342.9)     | 573.2               |

**6. Page 31, lines 21-25, there is a DMVA reapprop of \$640,794. Could you please confirm what that particular project was and the status of its completion or incompleteness? (Senator Wielechowski):**

This appropriation included multiple projects on Joint Base Elmendorf Richardson (JBER), including bathroom and shower renovation, fuel tank removal, and heating system replacement at multiple locations. This appropriation is older than five years, with no funds expended since 11/16/17. Because of this, DMVA chose to offer the remaining funds up for re-appropriation.

**7. There were some ALCANTRA funds reappropriated (page 30, lines 23-26). A member asked about the status of ALCANTRA and, if there are funds being reappropriated, would that effect the status or completion of the project. (Senator Shower):**

Funds from this appropriation were used to replace the septic system at the Alcantra Armory. That project was completed on 8/6/18 with final billings completed on 11/20/18. The appropriation is older than five years and DMVA chose to offer the remaining funds up for re-appropriation. The reappropriation of these funds does not affect the status or completion of the projection.

**8. (Page 27, line 19 & 24) Additional information regarding "2017 TSSLA" Office of the Governor reappropriation (Senator Wielechowski).**

These appropriations were from the otherwise lapsing Governor's Office operating budget appropriations from prior fiscal years. They have become standard practice and match the practice of the legislature to reappropriate its operating budget balances. 2017 TSSLA stands for "2017 Third Special Session."

**10. (Page 27 & 28) Requesting additional details regarding reappropriation to Office of Governor for "...capital costs relating to advancing the governor's initiatives, including elections voting system replacement and security, and the state government efficiency and consolidation initiatives." And Sec. 18 (b) "...for governor's initiatives, including state elections security, U.S. Census complete count, and redistricting." (Senators Stedman and Wielechowski)**

Efficiency initiatives will include efforts by the Department of Administration and the Office of Management and Budget to improve management through use of data analytics, costs associated with consolidation of procurement and human resource functions, and other efforts to streamline and improve state administrative systems.

The elections security and voting system replacement projects will ensure sufficient funding is available to complete replacement of and testing of the new Alaska voting system in time for the 2020 election. RFP for the system has been released and responses are under review. Costs may exceed the amount currently available (\$4.8 million).

Census complete count will be a state effort in partnership with the US Census Bureau to maximize responsiveness to the 2020 census.

Redistricting will follow the Census constitutionally required activity and will begin in FY 20 and continue through FY 21.

Thank you.

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Capital Budget Coordinator  
Chief of Staff to Senator von Imhof