



THE STATE  
*of* **ALASKA**  
GOVERNOR MIKE DUNLEAVY

**Office of the Governor**

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April 15, 2022

The Honorable Representative Foster  
Co-Chair, House Finance Committee  
Alaska State Capitol Room 505  
Juneau, AK 99801

The Honorable Representative Merrick  
Co-Chair, House Finance Committee  
Alaska State Capitol Room 511  
Juneau, AK 99801

Dear Co-Chairs Foster and Merrick,

Thank you for inviting the Office of Management and Budget to present on the Infrastructure Investment and Jobs Act fiscal year 2022 and 2023 budget to the House Finance Committee on April 7<sup>th</sup>. Responses to questions and requests for follow-up information from the committee hearing are included below.

**Representative Carpenter asked for additional detail on Department of Environmental Conservation added positions and why they are proposed as permanent versus non-permanent.**

The Department of Environmental Conservation (DEC) has a regulatory oversight role under the primacy requirements of the Safe Drinking Water Act which cannot be contracted out. Alaska is required to have staff engineers in the Drinking Water Program to conduct engineering plan review of all projects at public water systems as the primacy agency for the Safe Drinking Water Act. Drinking water staff are required to have extensive knowledge of civil and arctic engineering practices, as well as state and federal regulations.

EPA has promulgated the Lead and Copper Rule Revisions and will be promulgating the Lead and Copper Rule Improvements, and regulations for PFAS and Harmful Algal Bloom toxins in drinking water in the next two years. These are complex regulations that will affect all public water systems in Alaska. It takes approximately two years to fully train an Environmental Program Specialist to be able to implement and provide regulatory oversight for a public water system. The needs, requirements, and expertise of the DEC programs cannot be met with non-permanent and/or contract employees.

Qualified and competent engineers are already difficult to recruit. All industries impacted by IJJA are looking to recruit engineers for planning, design, construction, and project management. The state's pay scale is not competitive with private industry for these positions and as a result, creating and recruiting non-permanent positions to manage the additional work brought on by IJJA will result in constant turnover as individuals find better opportunities elsewhere that provide greater pay and benefits. The projects managed by these staff are multi-year, multi-million dollar projects; budgets, timelines, and quality will be negatively impacted by staff turnover.

As part of DEC's primacy requirements for the Safe Drinking Water implementation, the department is required to ensure public water systems have the technical, financial, and managerial capacity to safely operate their systems in compliance with the regulations. Additionally, in order for the state to access the full Drinking Water State Revolving Fund (DWSRF) annual grant from EPA, an EPA approved Capacity Development Strategy must be implemented. This work is accomplished by the Division of Water's Capacity Development Program, which is currently comprised of two positions. Funds can be accessed from the annual DWSRF grant to carry out the Capacity Development requirements, which can include a wide variety of activities including operator certification and training, asset management, utility manager and council training, etc. If the full amount allowed is not accepted, the remainder goes to the loan fund to be used for future loans; however, the department has the right to access the unused amount from future State Revolving Fund capitalization grants to use for Capacity Development purposes. In recent years, the department has not taken all the available Capacity Development funds and have built up approximately \$2.5M that can be accessed in future years. These reserved funds, as well as similar funds from all future SRF capitalization grants, will be able to support the expanded activities long after the IIJA funds are ended.

It is the department's goal to leverage the available funds to provide additional assistance based on the feedback from an upcoming stakeholder outreach process for additional support to water systems and is developing a long-term strategy for the Capacity Development group. The need for assistance and support from these programs will increase as the unserved communities are provided with piped service.

IIJA funding will allow for a significant increase in DWSRF funds, with a corresponding increase in the funds available to carve off for Capacity Development activities. Following IIJA funding, DEC will still be able to access funding for these activities from the traditional DWSRF annual grant, as well as from the reserved authority, which are sufficient to support the requested positions.

Since IIJA funding is not continuing in perpetuity, the department will be able to accurately predict when the work associated with IIJA funding will begin to decrease through the project funding allocation process for each program. Using this information, DEC will be able to proactively reduce positions through attrition to avoid a layoff situation.

Funding received through IIJA is an expansion of work already done by state employees. Under the bargaining unit contracts, the department is not able to contract this work out without going through a feasibility study, which will take time.

Don't hesitate to reach out to my office if you have further questions.

Sincerely,



Neil Steininger  
Director

April 15, 2022

Page 3 of 3

Co-Chairs Foster and Merrick

cc: Akis Gialopsos, Legislative Director, Office of Governor Mike Dunleavy  
Miles Baker, Infrastructure Investment Coordinator, Office of Governor Mike Dunleavy  
Alexei Painter, Director, Legislative Finance Division  
Jason Brune, Commissioner, Department of Environmental Conservation