



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Office of the Governor

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April 22, 2022

The Honorable Senator Stedman
Co-Chair, Senate Finance Committee
Alaska State Capitol Room 518
Juneau, AK 99801

The Honorable Senator Bishop
Co-Chair, Senate Finance Committee
Alaska State Capitol Room 516
Juneau, AK 99801

Dear Co-Chairs Stedman and Bishop,

Thank you for inviting the Office of Management and Budget to present on the Governor's Infrastructure fiscal year 2022 and 2023 budget bill (SB 241) to the Senate Finance Committee. Responses to questions and requests for follow-up information from the committee hearing are included below.

Senator Wielechowski asked various questions around the orphan oil and gas well plugging program including who is responsible for the wells, a list of the wells to be plugged, and the timeline for the project.

The operator that drills the well is required to plug and remediate unless the operator sells the assets to another operator and the liability transfers to the new operator. An orphan well is one where the responsible party cannot be found. If the operator cannot be found, the landowner is the ultimate responsible party. The orphan wells in question date back to the 1950's and the Alaska Oil and Gas Conservation Commission (AOGCC) is working with the Department of Natural Resources (DNR) to review the title chain for each well, but it appears that nine of the twelve wells identified are the ultimate responsibility of the State. The Federal infrastructure law presents an opportunity to plug the wells using Federal funds without a match requirement.

Attachment 1 provides the requested list of identified wells along with a map. AOGCC is working with the Department of Transportation and Public Facilities (DOTPF) to develop a request for proposal (RFP) for this project. DOTPF has the expertise and experience dealing with contracts of this size and scope. Exact timing of the RFP is uncertain, but AOGCC has until May 13 to apply for the initial \$25 million grant and upon receiving funds, AOGCC has 90 days to obligate.

Senator Bishop asked if this funding will be sufficient to bring closure to all the orphan wells.

It is unclear what the full cost will be until site visits are completed, which is planned for when the snow clears. AOGCC projected a total cost of \$42 million using cost data prepared by Petrochemical Resources of Alaska (PRA) along with additional contingency costs. However, those cost estimates were made based on historical information and comparable wells. No site visits have yet been made.

Senator Bishop asked if there has been helium found associated with the gas discoveries in the state.

AOGCC's records indicate Barrow is the only field in Alaska that has measured concentrations considered to be helium-rich (more than 0.3 percent per BLM's "About Helium" web page). There, well No. 12 measured between 2.5 and 4.2 percent helium in five samples acquired from 1974 and 1983. Well No. 19 measured 0.4 and 1.2 percent in two samples from 1980 and 1983. Lesser amounts of helium (0.02 to 0.13 percent) were also measured in wells 5, 6, 7, 9, 14, 15, 17, and 18.

Lesser amounts of helium (0.02 to 0.14 percent) have also been reported for samples from 3 Cook Inlet Basin wells and from 2 gas seeps in the Copper River Basin. Slight to trace concentrations (less than 0.02 percent) have been reported for samples from 26 wells in the Cook Inlet Basin, 7 wells on the North Slope (including 3 near Prudhoe Bay), 1 well in the Copper River Basin, and in several gas-seep samples from the Alaska Peninsula, Copper River Basin, North Slope, and Southeast Alaska.

Senator Wielechowski asked what the \$6 million in broadband funding will cover.

The \$6 million included in the FY2023 appropriation request for broadband reflects the initial disbursements the State anticipates receiving for the Broadband Equity, Access, and Deployment (BEAD) and Digital Equity Act (DEA) programs. Of the funding included in the capital project, \$5 million will provide funding for BEAD program administrative costs including the initial staff positions (reflected in the operating appropriation as funded through CIP receipts), development of the required five-year action plan, hosting stakeholder and public engagement meetings, and providing comments and input during the Federal Communications Commission (FCC) mapping process. The remaining \$1 million is the estimated allocation for the State from the DEA program for the development of the Digital Equity Plan. It is anticipated that contractual support will be necessary to complete the requirements for both the five-year action plan and the digital equity plan.

Senator Bishop asked various questions on the Rural Utility Business Advisor Program (RUBA) program including the current number of employees, and whether or not there is coordination with the USDA on USDA's Rural Utility Service funding also coming from the Federal Infrastructure bill.

The RUBA Program funds a portion of 19 positions. Of those positions, 14 are local government specialists. There are also four research and analysis staff, and one publication specialist/administrative staff position partially charged to the program. This team works on dashboard creation and the development and improvement of online training modules.

The Division of Community and Regional Affairs (DCRA) is coordinating with funders and partners, including the USDA, ANTHC, VSW, and the Denali Commission. DCRA has been and will continue to engage proactively as they await final guidance on the USDA Rural Utility Service appropriations.

Senator Bishop asked if the \$18 million in Weatherization funding will be coming each year over the next five years.

The \$18.4 million is the total funding authorized by the US Department of Energy for Alaska's weatherization program. This was one of the programs that was funded as a lump sum in the Federal Infrastructure bill to be made available in the first year and available until expended.

Senator Hoffman asked if the Administration considered putting general funds into the Weatherization program similar to when the legislature created the state program several years ago.

In addition to the \$18.4 million in Federal Infrastructure bill funding, the Governor's FY23 budget includes weatherization program funding of \$1.8 million in unrestricted general funds and \$3 million in federal funding. The supplemental federal funding together with the base FY23 program request will provide valuable assistance to Alaskan households impacted by the recent raise in global energy costs.

Senator Bishop asked what sort of activities the \$2 million in Federal funding for Energy Efficiency Research & Training will support.

The Federal Infrastructure bill included a number of provisions targeting both residential and commercial energy efficiency. The U.S. Department of Energy (USDOE) has not issued guidance on all of the programs. However, based on preliminary information, the Alaska Housing Finance Corporation (AHFC) has identified two potential opportunities they may pursue: residential energy efficiency and building science research; and evaluating implementation of updated building energy codes targeting efficiency and resilience.

Senator Bishop asked about AFHC's prioritization of Teacher housing needs across the state.

Ensuring the availability of quality and affordable housing is essential to the State's ability to attract, recruit and retain qualified teachers, health professionals, and public safety officials in rural communities throughout Alaska.

AFHC's Teacher, Health Professional, and Public Safety Housing program responds to this need by providing grants, through a competitive process for construction, rehabilitation, and acquisition of housing. Projects are typically brought forward by community sponsors. Since its inception, the program has funded 123 projects delivering 523 new housing units for these professionals and their families. In FY22, AHFC received 10 applications to fund 55 units, and awarded 4 projects totaling 13 units.

AHFC often provides technical assistance to unsuccessful applicants in an effort to strengthen the competitiveness of any future grant application they may submit to the program.

Senator Hoffman asked if the Pittman-Robertson Wildlife Restoration funding could be used to work on chinook salmon restoration projects in the Yukon-Kuskokwim region, and if not what other steps the State might take to address this problem.

The Pittman-Robertson Wildlife Restoration funding in the infrastructure bill (SB241) cannot be used for fisheries restoration because it is restricted to wildlife restoration. The Administration recognizes the issues related to chinook salmon in the Yukon-Kuskokwim region and is working on a number of projects to assess chinook salmon in the region and statewide. Research is needed to answer the underlying reasons for the reduced production and to inform management decisions. Attachment 2 provides more detail on the \$3.8 million for related projects in the Yukon-Kuskokwim region and \$16.8 million statewide.

The Administration has also proposed several capital projects that would help answer these questions and urges legislative support for those capital projects. The Department of Fish and Game (DFG) is also exploring options for rehabilitation of the chinook runs, but these efforts are complicated due to the

Yukon Salmon Treaty and the Yukon and Kuskokwim drainage because there are federal land ownership issues and mandates against enhancement.

Senator Stedman asked if the Pittman-Robertson funds can be used to build out and expand shooting ranges around the state and if the State has any plans for that.

These funds can be used to build out and expand shooting ranges, and a portion of this funding will be used to support shooting ranges. This project would allow the department to enhance existing facilities to provide more shooting access and opportunities and provide additional funding to support increasing requests from private ranges and organizations to enhance private range development and improvement. More details are provided on page three of the capital project write-up provided as attachment 3. DFG does not want to increase its long-term operational costs, so they are looking to provide funds to other entities to build ranges that they operate. These entities can charge reasonable fees for operations.

Senator Bishop asked for a list of the projects that would be supported by the Pittman-Robertson funds.

Attachment 3 is the capital project write-up for the funding and provides details on the projects this funding will support. This funding will be used for aircraft hangers; infrastructure to support wildlife management; wildlife management and research; habitat enhancement; photocensus; data management, analytics improvements, and infrastructure; shooting ranges; equipment; and habitat conservation.

Senator Hoffman asked if the Administration has done any analysis on what the energy costs are going to be in rural Alaska this year once high oil prices set in and if the Low-Income Home Energy Assistance Program (LIHEAP) funding increase from the Federal Infrastructure bill will be adequate to assist people who are facing these increased costs.

The Administration has not conducted an energy cost increase analysis but recognizes that this is a significant concern facing Alaskans. While the small increase in LIHEAP funding from the Federal Infrastructure bill would likely be insufficient to address the increasing costs Alaskans will face, the State has received more significant increases for LIHEAP through the various COVID-19 relief bills including the American Rescue Plan Act (ARPA). The Department of Health and Social Services processed one supplemental payment to eligible Alaskans in September and is in the process of issuing another supplemental payment to distribute the ARPA funding.

Senator Wilson asked about opportunities for the Alaska Railroad in the Federal Infrastructure bill.

The Alaska Railroad Corporation (ARRC) expects that expanded funding opportunities will be available through increased Federal Transit Administration (FTA) formula programs as well as competitive grant programs and new program opportunities. However, ARRC has not completed a specific project level analysis for funding opportunities because federal agencies are still crafting guidance on funding notices.

Senators Wilson and Wielechowski asked if there are funds available that could support a commuter rail between Anchorage and Mat-Su.

Per ARRC, while there are federal funds that could be considered for expanding the frequency of Anchorage to Mat-Su rail services, there are also many challenges still in place, including the lack of definition and existing infrastructure for the staging and distribution of riders at the ends of an increased rail route service. There is still significant capital investment needed for the ARRC (and potentially for partner agencies and communities) to support a fully developed plan. In addition to this capital investment, such a service would undoubtedly require significant ongoing subsidies to operate, and where those funds would come from to support the operation is undetermined.

For ARRC, expansion investments must be considered judiciously. Public need is also served by responsibly meeting the requirements of ongoing capital demands necessary to ensure safe and properly maintained infrastructure that supports ongoing passenger ridership, freight movement, and property availability within the railbelt.

Senator Wilson asked how many communities in Alaska are still using lead lines and/or under repair.

The Department of Environmental Conservation (DEC) is not aware of any lead service lines in Alaska; however, the U.S. Environmental Protection Agency (EPA) has confirmed that DEC can use the Lead Service Line funding for conducting the required inventories of public water systems. Alaska still has eight community water systems that exceed the lead action level. These systems don't have lead service lines, just components of the water system that contain some level of lead. The community water systems are Nenana, Stevens Village, Violet Circle (in Wasilla), USCG Station Kodiak, Pilot Station, Chignik Bay, Thorne Bay, and Kake. The new Lead Service Line funding from the Federal Infrastructure bill cannot be used to address these systems.

Senator Wilson asked how the additional Brownfield funding through the Federal Infrastructure bill will change or put more of a strain on the Spill Prevention and Response (SPAR) account.

DEC has proposed adding nonpermanent positions to address the temporary increase in workload that will occur as a result of the increased Brownfield funding in the Federal Infrastructure bill so there will not be an increased strain on the SPAR account from this funding.

Senator Stedman asked why the appropriations for the Clean Hydrogen and Carbon Capture projects were not going through the University of Alaska as the State's research institute.

The Federal Infrastructure bill directs the USDOE to establish a number of energy technology infrastructure programs related to carbon and hydrogen. The bill provides \$12 billion in funding for carbon capture, utilization, transportation, and storage projects and \$9.5 billion in funding for clean hydrogen projects. Alaska is uniquely and ideally situated to participate in these large, at-scale demonstration projects and to become a world leader in the development of these emerging energy technologies.

The Governor is proposing to provide \$1 million in unrestricted general fund (UGF) support to the Alaska Gasline Development Corporation (AGDC) and \$1 million in UGF support to DNR for developing competitive and successful proposals to specific USDOE funding opportunities expected to be noticed before the end of calendar 2022. These will be multi-agency and multi-partner efforts involving industry

and commercial partners, academic researchers, and state resource agencies. The University of Alaska is expected to be actively involved in both efforts. Funds will pay for content development, subject matter expertise, technical writing, and coordination between cooperating partners.

USDOE is authorized to fund no less than 4 regional clean hydrogen hubs for the purpose of demonstrating the production, processing, delivery, storage, and end-use of clean hydrogen. The agency received \$8 billion to support this initiative. AGDC will lead a consortium of public and private partners to submit a proposal to secure one of these regional hydrogen hubs in Alaska. The Alaska Center for Energy & Power at UAF will assist this effort through the development of a hydrogen roadmap incorporating domestic and export opportunities for blue and green hydrogen in Alaska. A successful applicant could potentially receive a multi-year federal investment of \$2 billion for planning, design, and construction.

USDOE was provided \$10 billion in funding for carbon capture, utilization, and sequestration (CCUS), direct air capture and clean energy technology demonstration projects. DNR will lead a team to develop and prepare a competitive response to carbon management demonstration and deployment project funding opportunities that are expected to be noticed later this year. Earlier this year, DNR coordinated a joint "Alaska" response to a USDOE CCUS Request for Information in coordination with AEA, AGDC, ASRC, Conoco, Hilcorp, ENI, Usibelli, and the University of Alaska.

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

Sincerely,



Neil Steininger
Director

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