

# ALASKA STATE LEGISLATURE

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Senator\_Kevin\_Meyer@legis.state.ak.us



**Session:**  
Alaska State Capitol  
Juneau, Alaska 99801-1182  
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**SENATOR KEVIN MEYER**  
SENATE DISTRICT O

## Agenda

### **The Legislative Budget & Audit Committee** **Wednesday, February 4, 2009**

- I. Call to Order
- II. Minutes – January 12, 2009
- III. Introductions
  - Pat Davidson – Legislative Audit
  - David Teal – Legislative Finance
  - Bob Pawlowski – Denali Commission
- IV. Executive Session
  - Staff Pay
- V. RPL Consideration
  - 08-09-0134 - National Forest Receipts Program (Commerce)
- VI. Discussion of Alaska Renewable Energy Fund (AEA)
  - a. Proposed Grant Allocation – Steven Haagenson, Exec. Director
  - b. Renewable Energy Fund Advisory Committee – Chris Rose
- VII. Other Committee Business
- VIII. Adjournment

# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE Division of Legislative Finance



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Juneau, AK 99811-3200  
(907) 465-3795  
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### MEMORANDUM

DATE: January 30, 2009

TO: Legislative Budget and Audit Committee

FROM: David Teal  
Director

SUBJECT: Preparation for the February 4, 2009 LB&A Meeting

OMB submitted the two revised programs listed below for review by the Legislative Budget & Audit committee at its February 4 meeting. Legislative Finance reviewed RPL 08-09-0134 and added comments as we deemed appropriate. That RPL is on our web site at <http://www.legfin.state.ak.us> so that committee members can print and review it.

Legislative Finance did not review RPL 08-19-0137. The legislature created the Renewable Energy Grant Fund in 2008 (HB152) and authorized the Alaska Energy Authority (AEA) to distribute up to \$100 million in grants from the fund during FY2009. The Legislative Budget and Audit Committee was charged with reviewing AEA recommendations for distributing grants.

The Committee will discuss the review process at its February 4, 2009 meeting. At this time, Legislative Finance has no recommendations on the review process or the individual projects. Grant applications submitted to AEA and project analysis performed by AEA are posted on the AEA website: [http://www.akenergyauthority.org/RE\\_Fund\\_Applications.html](http://www.akenergyauthority.org/RE_Fund_Applications.html)

<u>RPL #</u>	<u>Agency</u>	<u>Appropriation/Allocation</u>	<u>Amount</u>	<u>Fund Source</u>
08-09-0134	Commerce	National Forest Receipts	\$3,638,278	Federal
08-09-0137	Alaska Energy Authority-CIP	Renewable Energy Projects	\$94,817,429	Federal

cc: Josh Applebee  
Tim Grussendorf  
Miles Baker  
Paulyn Swanson  
James Armstrong  
Pat Davidson  
John Bitney

**Department of Commerce, Community and Economic Development  
Revenue Sharing**

**Subject of RPL:** National Forest Receipts  
**Amount requested:** \$3,638,278

**Funding source:** Federal Receipts

**ADN/RPL #:** 08-9-0134

**Appropriation Authority:** Sec. 1, Ch. 27, SLA  
2008, pg 6, ln 4

**Statutory Authority:** AS 41.15.180

*PURPOSE*

The National Forest Receipts program distributes federal payments to local governments located in the Tongass and Chugach National Forests. Federal revenues from commercial timber harvesting, mineral lease permits, recreation and campground fees in these national forests are shared with local governments to be used for schools, roads, and special forest-related projects. The annual payments between FY02-FY08 were based on the average of the three highest annual payments generated between 1986 and 1999. The formulas used to distribute these payments to communities are set in Alaska statute.

Although the program was scheduled to sunset in FY08, the \$700 billion Economic Rescue Package (H.R. 1424—signed into law on October 3, 2008) extended the program's funding through FY12 and contained a provision that shifted the annual payment calculations for each state away from historical income generation to a formula that gives more weight to the actual number of acres of national forest lands. Each borough that has Chugach or Tongass National Forest acreage within its boundaries will receive a payment based in part on their respective acreage figure.

*PREVIOUS LEGISLATIVE CONSIDERATION*

The legislature appropriated \$9,573,400 in the FY 2009 Operating Budget for this program. Although the program was scheduled to sunset, the appropriation remained at the \$9.6 million level so funding could be immediately distributed if Congress reauthorized the program. On November 7, 2008, the Legislative Budget and Audit Committee approved ADN/RPL #08-9-0111 authorizing the appropriation of an additional \$7,900,000. That RPL request was in response to notification from the USFS that the State of Alaska's FY 09 allocation would increase to \$17,445,546. Subsequently, due to literally "last minute adjustments" by the USFS to the State's allocation calculation, the State received a revised payment of \$21,111,678 on January 16, 2009.

*TIMING ISSUES*

This funding is not in the FY09 current budget because the availability, certainty, and amount of the federal award were unknown at the time of the budget submission. Approval is needed now for DCCED to fulfill its statutory obligation to immediately distribute the funds to the communities when the funding is received. Delaying this approval will delay payments to communities.

*BUDGETARY ISSUES*

This funding is directly aligned with the agency's mission to promote strong communities.

Funding will be allocated in the grants line and the FY10 budget request will incorporate the updated amount. This funding has not been spent and there are no current or future general fund impacts. In addition, there will be no impact on positions or staff months.

***Fiscal Analyst Comment:*** This RPL has no direct general fund impact now or in the future; National Forest Receipts are pass-through federal funds that can be used only for the purpose described above. Committee approval will allow the Department to write a single check to each eligible community.

Agency Contact: Amanda Ryder, 465-2506  
Legislative Finance Contact: Cat Downing, 465-5411



United States  
Department of  
Agriculture

Forest  
Service

Albuquerque Service Center

101 B Sun Avenue NE  
Albuquerque, NM 87109

File Code: 6540

Date: January 12, 2009

Treasurer, State of Alaska  
Dept of Revenue, Treasury  
Cash Manager  
P.O. Box 110406  
Juneau, Alaska 99811

Dear Treasurer:

The United States Forest Service will process a payment to your state on or about January 15, 2009, in the amount reflected in the enclosure. The amount is the payment required by the Secure Rural Schools and Community Self-Determination Act of 2000, as amended and reauthorized in 2009 by P.L. 100-343, ("SRS Act"). This payment is the sum of the amounts elected by each county within the state to receive either a share of the state's 25% 7-year rolling average payment, or a share of the State payment using the new formula in the SRS Act.

You may find the enclosed reports helpful in your distribution of payments to the counties.

Each state and county is accountable for the proper use of funds under the Single Audit Act. As a reminder, the amount shown on the report for the 25% 7-year rolling average payment and the Title I portion of the State payment must be used for roads and schools. If a county has elections to allocate a portion of its share of the State payment for county projects under Title III of the SRS Act, that amount must be transferred to the county. Title III funds may not be used for roads and schools and are not subject to the same state distribution that applies to the 25% 7-year rolling average or Title I fund payments.

Funds will be credited to the financial institution and the account you previously designated to receive the electronic funds transfer.

If you have any questions related to this payment, you may contact Winona Gleason in my staff at (505) 563-7467.

Sincerely,

for JESSE L. KING  
Chief Financial Officer

cc: Winona Gleason, Mary Prebble, Bonnie Meelmuury



Caring for the Land and Serving People

Printed on Recycled Paper



ALL SERVICE RECEIPTS  
Payment Summary Report - ASR -10-3  
FY 2008

State	Eligible County	FY2008	County Share of State's 25% Payment (7 year rolling average)		Special Act Payments	Total
			County Shares of the State Payment* (Transition)	County Shares of the State Payment* (Transition)		
AK	Anchorage		\$0	\$133,053	\$0	\$133,053
AK	Haines		\$0	\$510,028	\$0	\$510,028
AK	Juneau		\$0	\$1,020,815	\$12,010	\$1,032,825
AK	Kenai Penin		\$0	\$869,957	\$0	\$869,957
AK	Kodiak Is.		\$0	\$2,656	\$0	\$2,656
AK	Ktn. Gateway		\$0	\$1,717,601	\$0	\$1,717,601
AK	Matanuska-S		\$0	\$43,587	\$0	\$43,587
AK	Sitka		\$0	\$1,619,556	\$0	\$1,619,556
AK	Unorganized		\$0	\$12,256,967	\$0	\$12,256,967
AK	Skagway		\$0	\$107,383	\$18,950	\$126,332
AK	Yakutat		\$0	\$805,490	\$66,334	\$871,825
AK	Wrangell		\$0	\$1,927,292	\$0	\$1,927,292
AK	TOTAL		\$0	\$21,014,384	\$97,294	\$21,111,678



## OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET

PO BOX 141620  
JUNEAU, ALASKA 99814-1620  
TELEPHONE 907.465.4060  
FAX 907.465.4074

January 27, 2009

The Honorable Kevin Meyer  
Chairman  
Legislative Budget and Audit Committee  
State Capitol, Room 101  
Juneau, AK 99801-1182

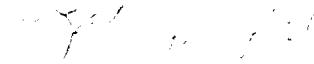
Dear Senator Meyer:

I am submitting the following RPLs for consideration at the February 4th Legislative Budget and Audit Committee meeting. In addition to the expected Renewable Energy Grants RPL from Alaska Energy Authority RPL, the Department of Commerce, Community, and Economic Development has submitted an RPL for the receipt of additional National Forest Receipts. I appreciate the committee's willingness to consider the National Forest Receipts RPL at this meeting

RPL#	Agency	Program
08-09-0134	Commerce	National Forest Receipts
08-09-0137	Alaska Energy Authority - CIP	Renewable Energy Fund

If you have any questions regarding these RPLs, please call or email the agency contact.

Sincerely,

  
Karen J. Rehfeld  
Director

Attachments  
cc: David Teal, Legislative Finance

## Department of Commerce, Community and Economic Development Revenue Sharing

**Subject of RPL:** National Forest Receipts  
**Amount requested:** \$3,638,278  
**Funding source:** Federal Receipts

**ADN/RPL #:** 08-9-0134  
**Appropriation Authority:** Sec. 1, Ch. 27, SIA  
2008, pg 6, ln 4  
**Statutory Authority:** AS 41.15.180

### *PURPOSE*

The National Forest Receipts program distributes federal payments to local governments located in the Tongass and Chugach National Forests. Federal revenues from commercial timber harvesting, mineral lease permits, recreation and campground fees in these national forests are shared with local governments to be used for schools, roads, and special forest-related projects. The annual payments between FY02-FY08 were based on the average of the three highest annual payments generated between 1986 and 1999. The formulas used to distribute these payments to communities are set in Alaska statute.

Although the program was scheduled to sunset in FY08, the \$700 billion Economic Rescue Package (H.R. 1424 – signed into law on October 3, 2008) extended the program's funding through FY12 and contained a provision that shifted the annual payment calculations for each state away from historical income generation to a formula that gives more weight to the actual number of acres of national forest lands. Each borough that has Chugach or Tongass National Forest acreage within its boundaries will receive a payment based in part on their respective acreage figure.

### *PREVIOUS LEGISLATIVE CONSIDERATION*

The legislature appropriated \$9,573,400 in the FY 2009 Operating Budget for this program. Although the program was scheduled to sunset, the appropriation remained at the \$9.6 million level so funding could be immediately distributed if Congress reauthorized the program. On November 7, 2008, the Legislative Budget and Audit Committee approved ADN RPL #08-9-0111 authorizing the appropriation of an additional \$7,900,000. That RPL request was in response to notification from the USFS that the State of Alaska's FY 09 allocation would increase to \$17,445,546. Subsequently, due to literally "last minute adjustments" by the USFS to the State's allocation calculation, the State received a revised payment of \$21,111,678 on January 16, 2009.

### *TIMING ISSUES*

This funding is not in the FY09 current budget because the availability, certainty, and amount of the federal award were unknown at the time of the budget submission. Approval is needed now for DCCED to fulfill its statutory obligation to immediately distribute the funds to the communities when the funding is received. Delaying this approval will delay payments to communities.

### *BUDGETARY ISSUES*

This funding is directly aligned with the agency's mission to promote strong communities.

Funding will be allocated in the grants line and the FY10 budget request will incorporate the updated amount. This funding has not been spent and there are no current or future general fund impacts. In addition, there will be no impact on positions or staff months.

Agency Contact: Amanda Ryder, 465-2506

OMB Approved: 7/16/2009



United States  
Department of  
Agriculture

Forest  
Service

Albuquerque Service Center

101 B Sun Avenue NE  
Albuquerque, NM 87109

File Code: 6540

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Sincerely,

*Jesse L. King*  
JESSE L. KING  
Chief Financial Officer

cc: Winona Gleason, Mary Prebble, Bonnie McElmurry



Caring for the Land and Serving People

101 B Sun Avenue NE



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				Title I \$\$	Title III \$\$		
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AK	Wrangell		\$0	\$1,927,292	\$0	\$0	\$1,927,292
AK	TOTAL		\$0	\$21,014,384	\$97,294	\$0	\$21,111,678

**Department of Commerce, Community and Economic Development**  
**Alaska Energy Authority**

**Subject of RPL:** Renewable Energy Projects  
**Amount requested:** \$94,817,429

**Funding source:** Renewable Energy Fund-Capital

**ADN RPL #:**

**Appropriation Authority:** Sec. 13, Ch. 29, SLA 2008, pg 87, ln 20

**Statutory Authority:** AS 42.45.045  
Ch. 31, SLA 2008 (HB 152)

*PURPOSE*

This request is needed to fund Renewable Energy Fund grants for projects that were submitted through the AEA Request for Applications (RFA). The review process resulted in recommendations for 70 projects to receive grant funding totaling \$94,817,429 through the Renewable Energy Fund.

Reference material submitted with this RPL consists of the following:

- Round 1 Request for LB&A Approval (6 pp): A listing of all projects including applicant name and type; project type; project cost, grant request, match offered; funding approved already by LB&A; current funding requested for LB&A approval; and total grant funds that are approved already or requested for LB&A approval.
- Summary of Methodology for Proposal Evaluation and Grant Recommendation (18 pp): An overview of the review process, a description of the roles of the Renewable Energy Fund Advisory Committee, and detailed evaluation guidelines and instructions for evaluation of the RFA used by AEA staff and contractors.
- Summary of Fuel Price Assumptions Used for Project Economic Analysis (13 pp): A description of the methods that AEA and ISER used to arrive at fuel price projections that contractors used in economic analyses.
- Project specific material (Accessed through this interactive CD's home page):
  - Project Summaries (4 pp project, 444 pp total): Project description; detail on AEA recommendations; and summary of DNR, economist and AEA evaluations.
  - Economic Assessments (87 assessments): MS Excel spreadsheets that provide backup on estimations of benefit cost ratios, installed project cost, fuel costs, and O&M costs over the life of each project.
  - Financial Information about Independent Power Producer (IPP) Applicants (10 applicants projects, 149 pp total): Material received in response to AEA requests for IPP financial statements; claims, contingencies, and legal issues outstanding with State or others; other government funded projects; and summary of tax consequences if grant funds are awarded.

*PREVIOUS LEGISLATIVE CONSIDERATION*

- The legislature specifically designed this program so that the LB&A Committee would have oversight of the projects selected by AEA for FY 2009 funding.
- Ch. 31, SLA 2008 (HB 152) established the Renewable Energy Grant Fund; declared the intent of the legislature to appropriate \$50 million into the fund each year for the next five years to fund projects recommended by the AEA; and required a review of the selected projects by the LB&A Committee.
- Ch 27, SLA 2008 funded AEA's HB 152 fiscal note to pay for advisory committee staff support, travel and evaluation of potential projects.
- Although \$100 million was appropriated to the fund in FY09, only \$1,000 was appropriated from the fund for Alaska Energy Authority Renewable Energy Projects. This minimal appropriation was designed to ensure that AEA could come to LB&A for approval to spend the \$50 million.
- An additional \$50 million was appropriated to the Renewable Energy Grant Fund in Sec. 6, SCS CSHB 4001 (FIN).

- The LB&A Committee previously approved \$5,182,571 (RPL # 08-9-0026) for Renewable Energy Projects.

#### *TIMING ISSUES*

- Delay in approving this funding will mean that grant recipients will not receive funding for their projects. Since all projects are projected to result in long-term savings through diesel and natural gas displacement, grant funding delays will generally delay realization of these savings.
- The grants from this RPL will be multi-year capital grants.

#### *BUDGETARY ISSUES*

- This request fits into the long-term plan the legislature has for the Renewable Energy Grant Fund.
- The grants will be executed when the funding is approved.
- Based on legislative intent in HB 152, the legislature plans to appropriate a total of \$300 million to the fund (\$50 million annually over five years and \$50 million appropriated in Section 6, SCS HB 4001(FIN)).
- Project management will be performed by Anchorage based AEA staff to manage the projects. These positions provide technical assistance and grant management. AEA's funded fiscal note did not include funds to manage projects not previously approved by either LB&A or through the regular legislative process.
- The RFA released in August solicited grants to total \$144.8 million. Project management requirements will significantly increase and AEA will need to hire additional project management and grant administration staff.
- Funding for project management staff has typically been borne by the program or project funding source. AEA, in coordination with OMB will seek legislative approval for additional funds to hire additional project management staff.
- AEA is in the process of evaluating the potential projects for FY 2010 funding. When the evaluation is complete, AEA will provide the list of evaluated projects and projects recommended for funding to the Legislature. Although HB 152 requires this information 10 days after the start of the legislative session, due to the high volume of requests and length of time to evaluate the first round of applications, AEA will not be able to submit this list by January 30<sup>th</sup>. AEA will submit this information as soon as possible.

Agency Contact and Telephone:  
Steve Haagenson, 771-3073

OMB Approved: *John Gifford*  
1/27/2009