



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET
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April 6, 2018

The Honorable Paul Seaton
Co-Chair, House Finance Committee
Alaska State Legislature
State Capitol, Room 505
Juneau, AK 99801-1182

The Honorable Neal Foster
Co-Chair, House Finance Committee
Alaska State Legislature
State Capitol, Room 410
Juneau, AK 99801-1182

Dear Co-Chair Seaton and Co-Chair Foster:

Thank you for the opportunity to present the Governor's FY2019 capital budget overview before the House Finance Committee on April 3, 2018. The following is in response to questions posed by the committee during the overview for distribution to the members.

Representative Gara: How many communities of 50 or more still do not have safe water and sewage?

The Department of Environmental Conservation (DEC) defines an unserved village as one where the majority of homes do not have running water or sewer. There are currently 31 unserved villages in Alaska, of which 26 have populations of 50 people or more. These villages and their populations are included as Attachment 1: Alaska Villages Unserved by Water and Sewer. The 26 unserved communities of 50 people or more are highlighted in yellow.

Representative Wilson: Will deferred maintenance contracts be awarded to Alaskans or people outside?

While deferred maintenance contracts must follow the same procurement rules as any other project, the majority of these projects are anticipated to be awarded to Alaskan contractors. Because deferred maintenance projects are generally smaller in scope, it may not be worthwhile for a large out-of-state contractor to bid. Current state deferred maintenance projects are awarded to Alaskans (state crews or in-state contractors) over 95 percent of the time. The only exceptions are for materials or expertise unavailable in Alaska.

Representative Kawasaki: For the school major maintenance grant projects, does the community need to have its match in-hand to get on the priority list?

The community must secure its local match requirement within three years of signing a grant agreement. If the community does not have its match within this timeframe, it risks losing its grant.

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Representative Guttentberg: Has there been a feasibility study on automated park fee collection systems? Is it possible to implement these stations in remote locations?

The Division of Parks and Outdoor Recreation successfully operates four electronic fee payment machines at high-traffic facilities including the Glen Alps trailhead in Chugach State Park and the Chena River State Recreation Site in Fairbanks. These locations have served as a pilot program. Each of these locations have experienced an increase in fee compliance due to the machine's ability to accept credit card payments in addition to decreased vandalism when compared with the traditional iron cash-box collection method.

Additional locations for these machines will depend on revenue-generating potential for specific sites. These stations require electricity and cellular reception; therefore, remote areas may not be ideal for these automated fee stations.

Representative Pruitt: What is the cost of the tax implementation and why is there a sunset?

The Tax Division initially estimated that administering the tax will require \$10.0 million in one-time start-up costs in addition to \$5.0 million in annual funding. More recently, the Tax Division expects that it may be possible to significantly reduce the administration costs by partnering with the Department of Labor and Workforce Development, which currently collects the Employment Security Tax that is similar to the proposed wage tax.

One of the key priorities of the Alaska Economic Recovery Act and accompanying temporary payroll tax is to inject much-needed activity into the state's sluggish economy. The tax is designed to sunset in FY2021 based on the assumption that Alaska's economy will be in the process of rebounding from its current recession, at which point the Legislature could reassess the necessity of the tax. Projected oil and gas revenues, the success of continued budget cost-containment efforts, and Permanent Fund investment returns all contribute to the state bottom line. By FY2021, legislators will have a better sense of the state's needs, and can adjust or eliminate the tax as needed given the magnitude of revenue measures necessary to balance the budget at that time.

Please let me know if you have additional questions.

Sincerely,



Pat Pitney
Director

Enclosures

1. Alaska Villages Unserved by Water and Sewer

cc: David Teal, Director, Legislative Finance
Darwin Peterson, Director, Governor's Legislative Office

Alaska Villages Unserved by Water and Sewer
(Majority of homes have no running water and sewer)

Sorted by name:

Unserved Village	Population*
Alatna	22
Allakaket	164
Arctic Village	192
Atmautluak	311
Birch Creek	21
Chalkyitsik	77
Chefornak	432
Circle	102
Crooked Creek	95
Diomedede	102
Eagle Village	66
Kipnuk	691
Kivalina	417
Kongiganak	532
Koyukuk	95
Lime Village	26
Newtok	376
Oscarville	60
Platinum	45
Shageluk	74
Shishmaref	561
Stebbins	645
Stevens Village	50
Stony River	36
Takotna	61
Teller	251
Tuluksak	367
Tuntutuliak	471
Tununak	362
Venetie	181
Wales	178

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*Source of population estimate: Alaska Department of Labor and Workforce Development, Research and Analysis, 2017