



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET
Neil Steininger, Director

Court Plaza Building
240 Main Street, Suite 801
Juneau, Alaska 99811-0020
Main: 907.465.4660
Fax: 907.465.2090

February 22, 2021

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 fiscal year 2022 capital budget and fiscal year 2021 supplemental capital budget to the Senate Finance Committee on Wednesday, February 3rd. Responses to questions and requests for follow-up information from the committee hearing are included below:

Senator Wilson asked about the Department of Transportation and Public Facilities' (DOT&PF) annual capital expenditures and requested a report that shows the last three years (FY18 - FY20) and projections of the next four years (FY21 - FY24). Below are the DOT&PF capital expenditures (actual and projected):

| DOT&PF Capital Expenditures | | |
|-----------------------------|------|------------|
| Actual | FY18 | \$ 897.9 |
| | FY19 | \$ 1,064.3 |
| | FY20 | \$ 1,013.9 |
| Projected | FY21 | \$ 1,034.2 |
| | FY22 | \$ 1,054.9 |
| | FY23 | \$ 1,076.0 |
| | FY24 | \$ 1,097.5 |

Please note that projections are based on anticipated annual federal appropriations provided in the Fixing America's Surface Transportation (FAST) Act. The FAST Act was extended for an additional federal fiscal year with flat funding. Future projections represent a conservative increase as the new transportation bill has not been approved by Congress and the amounts of federal funding have not been determined.

The above projections are based on annual federal appropriations and do not account for pandemic relief bills (e.g., the Coronavirus Aid, Relief, and Economic Security Act; or the Coronavirus Response and Relief Supplemental Appropriations Act of 2021). The pandemic relief bills have largely allowed for relief and usage in the Department's operating programs. Though eligible for capital use, no significant amount of relief funds have been appropriated for that purpose. A capital appropriation of Coronavirus

Response and Relief Supplemental Appropriations Act of 2021 (CRRSAA) funds could potentially increase the Department's projections and future expenditures.

Senator Stedman requested a one-page consolidation of information from the Capital Appropriation Status Report (CASR). Provided as Attachment 1.

Sen. Bishop asked if projected Vehicle Rental Tax (VRT) receipts are sufficient to fund the \$5m appropriation for Alaska Travel Industry Association (ATIA). There is sufficient carryforward balance to fund the proposal; however, the balance is projected to be depleted within the next three years as expenditures outpace VRT receipts.

Senator Bishop asked for deferred maintenance projections of in-house versus contractor expenditures. For state facilities, it is projected that more than 99% of deferred maintenance expenditures are executed through contractors with less than 1% conducted in-house. Work typically done by DOT&PF in-house staff is determined by project size, scope and cost, in addition to resource availability to perform work. In the past the Division of Facilities Services maintenance and operations employees have done re-siding projects, limited roof repairs, and portions of projects to remove class V injection wells.

Senator von Imhof asked if there are any federal match funds for weatherization or renewable energy that DOT&PF has not pursued. The Department of Transportation and Public Facilities is partnering with the Alaska Housing Finance Corporation (AHFC) on a collaborative grant application to the U.S. Department of Energy's Building Technology Office for energy monitoring equipment and systems for select state facilities. Additional information is provided in Attachment 2. DOT&PF is not aware of any other federal funds that are available for energy related projects.

Senator Stedman asked about a detailed accounting and current status report of the [Power Cost Equalization \(PCE\)](#) fund balance. Average market value of fund earnings for the most recently closed state fiscal year is provided as Attachment 3. The most recent Financial Statement for PCE can be found on the Treasury Division's website and is also provided as Attachment 4. More information about the PCE Endowment Fund may be found on the Treasury Division website, hyperlinked [here](#).¹ Information about the PCE Endowment Fund Investment Policy Statement detailed accounting information can be found on the Treasury Division website, hyperlinked [here](#).²

Senator Hoffman asked about how PCE earnings are being spent in each of the following categories as specified by AS 42.45.085.

- a. Assistance to lower energy costs
- b. Community assistance
- c. Projects like the Rural Power System Upgrades

These appropriations are listed in the table below.

¹ (State of Alaska Department of Revenue Treasury Division, 2021)
<https://treasury.dor.alaska.gov/Investments/Power-Cost-Equalization-Fund.aspx>

² (State of Alaska Department of Revenue Treasury Division, 2020)
https://treasury.dor.alaska.gov/Portals/0/docs/Blue%20Book%20V%205_3%20FY21%20FINAL_1.pdf

| Category | FY2021 | FY2021 Notes | FY2022 Proposed |
|--|------------|--|-----------------|
| a. Assistance to lower energy costs | \$30,236.8 | Includes all PCE appropriations from AEA's operating structure | \$33,584.1 |
| b. Community assistance | \$28,731.5 | Capitalization effective in FY2021 | \$12,394.8 |
| c. Projects like the Rural Power System Upgrades | \$0.0 | | \$10,500.0 |
| d. Department of Revenue Cost to Manage the Fund | \$359.8 | | \$992.6 |
| e. Other usage | \$16,000.0 | Carried forward from FY20 HB49 fiscal notes for Palmer Correctional Center | \$0.0 |

Senator Wilson asked for a report of current utilization of body scanners within the Department of Corrections (DOC). DOC has a total of twelve (12) body scanners located in the following facilities:

| Facility | # of Body Scanners |
|--|--------------------|
| Anchorage Correctional Complex (ACC) | 3 |
| Fairbanks Correctional Center (FCC) | 1 |
| Goose Creek Correctional Center (GCCC) | 2 |
| Hiland Mountain Correctional Center (HMCC) | 1 |
| Lemon Creek Correctional Center (LCCC) | 1 |
| Palmer Correctional Center (PCC) | 2 |
| Spring Creek Correctional Center (SCCC) | 1 |
| Wildwood Correctional Center (WCC) | 1 |
| TOTAL | 12 |

Three of these scanners are currently not in use; one at ACC, and two at PCC. The only facilities with newer technology scanners are ACC (1) and HMCC (1). The FY2022 request will replace seven of the older technology scanners.

Senator Wilson requested a list of Village Safe Water and Wastewater Projects. Provided as Attachment 5.

Senator Wilson requested the amount of federal funding being leveraged by the additional GF Match for Village Safe Water programs. Provided as Attachment 6.

Senator Hoffman asked for a list of projects that will be funded in the Governor's FY22 capital budget for Sport Fish Boating and Angler Access by location. Attachment 7 provides the FY21 boating access projects by region. If the proposed FY21 supplemental items are not appropriated, these projects will move to the FY22 capital appropriation.

Senator Hoffman requested a list of projects that will be funded for Wildlife Management, Research and Hunting and to include information on funding split between research and hunting. The Department of Fish and Game does not have a list of projects that will be funded by this capital appropriation. The FY22 capital project is not needed if the FY21 supplemental is approved. To see the process used to solicit and select projects, along with, descriptions of funded projects, please visit the following Alaska Department of Fish and Game site:
<http://www.adfg.alaska.gov/index.cfm?adfg=access.hunter>.

The amount for the FY22 capital project was reduced to \$10 million in the recently released Governor's Amended Budget. The project will only include hunter access. The research and management portion of the project was moved to operating in the FY22 budget.

Senator Hoffman requested a report on Pacific Salmon Treaty Chinook Fishery Mitigation that details how funding is being spent in current or future expenditures by tributary, etc. and responds to the question regarding how the mitigation efforts are being conducted. Provided as Attachment 8.

Senator Hoffman asked if the Department of Fish and Game will be reverting funds for Dingell-Johnson (DJ) and Pittman-Robertson (PR).

- Dingell-Johnson: The department has never reverted funds and does not expect to revert funds in FY22.
- Pittman-Robertson: The department does not expect to revert any substantial funds. Some funds may be reverted due to very old grants closing from years when there was not a safety margin.

Senator Wilson would like confirmation about whether the appropriation for Endangered Species Act (ESA) mitigation is really funded with federal dollars. The federal dollars in the ESA request are largely used to fund research that inform listing decisions, in addition to litigation. These dollars come to the department through competitive grants for research projects on species proposed to be listed. The department's marine mammal research group is highly respected nationally and the team competes for federal research dollars. The federal dollars are not used for lawsuits but to gather information to better inform listing decisions regarding species in Alaska.

Senator von Imhof requested that the Department of Health and Social Services provide a report of the results and overall effectiveness of the Health Information Exchange program. Provided as Attachment 9.

Senator von Imhof asked if there are any deferred maintenance projects for Pioneer Homes that qualify for CARES Act funding. A list of deferred maintenance projects for Pioneer Homes is provided as Attachment 10. The State has determined that none of these projects qualify for CARES Act funding.

Senator Stedman asked if any Federal Aviation Administration (FAA) funding is available that can be used for the Kotzebue Tarmac Repair and Maintenance project. The Kotzebue airport apron is located on a Department of Military and Veterans Affairs (DMVA) lease lot. All improvements to lease lots (exclusive use areas) are an ineligible use of Airport Improvement Program (AIP) funding (FAA grants). The proposed pavement improvements to this apron are not something the FAA program can assist with.

Senator Bishop asked about the Department of Public Safety's vehicle replacement project and whether the Department of Public Safety or the Department of Transportation and Public Facilities will perform vehicle maintenance. The Department of Public Safety does not perform its own vehicle maintenance, so payment is made to the DOT&PF State Equipment Fleet for the purchase and up-fits of equipment and accessories based on provided specifications for pursuit rated police vehicles.

Senator Wielechowski requested a Crime Lab update including utilization of square footage of building, and report of backlog of cases. Provided as Attachment 11.

Senator Wielechowski asked what is causing Crime Lab case analysis to stagnate. Provided as Attachment 11.

Senator Wilson requested the Alaska Housing Finance Corporation (AHFC) bond project list. Provided as Attachment 12. SB54 is a bill to bond:

1. \$15,730,000 for Village Safe Water and Wastewater Infrastructure Projects including:
 - First Time Service Projects, and
 - Expansion, Upgrade, and Replacement of Existing Service projects
2. \$85,900,000 for finance matching money for federal aid eligible highway and aviation transportation projects including:
 - Federal-Aid Aviation State Match
 - Federal-Aid Highway State Match

Senator Hoffman requested a total for the deferred maintenance for the State of Alaska. Provided as Attachment 13.

Senator Hoffman asked if the State of Alaska is in compliance with Regional Education Attendance Area (REAA) School construction commitment. On March 18, 2020, the Department of Law provided a letter to Senator Hoffman on similar issues raised by Mr. Trickey – relating to the proportionate reduction in the REAA fund when the appropriation for school debt reimbursement is reduced. This analysis continues to apply to the proportionate reduction in the REAA fund capitalization proposed in the Governor's budget for FY22.

The following table summarizes the attached documents and provides a complete history of the correspondence related to the REAA fund appropriation as well as the decisional documents from the *Kasayulie* case.

| Date | From | To | Subject | Attachment |
|------------------------------|---|---------------------------------|---|------------|
| February 17, 2016 | AAG Luann Weyhrauch | OMB Director Pitney | REAA fund does not require additional appropriation prior to expenditure. Includes history of the <i>Kasayulie</i> case. This is provided only as background. | 14 |
| March 3, 2017 | Howard Trickey | Governor, AG, DEED Commissioner | Kivalina school funding and REAA fund capitalization under <i>Kasayulie</i> | 15 |
| March 24, 2017 | AAG Luann Weyhrauch | Howard Trickey | Response to Kivalina funding and REAA proportionate reduction under <i>Kasayulie</i> | 16 |
| July 24, 2019 | Howard Trickey | Governor, AG, DEED Commissioner | REAA fund capitalization under <i>Kasayulie</i> | 17 |
| March 18, 2020 | AAG Luann Weyhrauch | Senator Hoffman | REAA fund capitalization under <i>Kasayulie</i> | 18 |
| Historical Background | | | | |
| September 1, 1999 | Superior Court initial decision in <i>Kasayulie</i> | | | 19 |
| March 27, 2001 | Further order from Superior Court in <i>Kasayulie</i> | | | 20 |
| SB 237 (2010) | Statute providing for REAA fund in response to <i>Kasayulie</i> | | | 21 |
| October 4, 2011 | <i>Kasayulie</i> Consent Order and Settlement Agreement | | | 22 |

Senator Bishop asked for a listing of Alaska Land Mobile Radio (ALMR) projects going to DMVA.
Provided as Attachment 23.

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

Sincerely,



Neil Steininger
Director

cc: Miles Baker, Legislative Director, Office of Governor Mike Dunleavy

Alexei Painter, Director, Legislative Finance Division