



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET
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March 14, 2023

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

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

The Honorable Donald Olson
Co-Chair, Senate Finance Committee
Alaska State Capitol Room 508
Juneau, AK 99801

Dear Co-Chairs Stedman, Hoffman, and Olson,

Thank you for inviting the Office of Management and Budget to present an overview of the Governor's FY2024 budget amendments to the Senate Finance Committee on February 20th, 2023. Responses to questions and requests for follow-up information from the committee hearing are included below.

1. Senator Hoffman asked for a breakdown of the State match for the rural ferry grant funding for the Alaska Marine Highway System.

Please see attachment 1 which includes information regarding match for ferry funding.

2. Senator Olson asked for additional details regarding toll match credits, such as whether or not the credit is dollar-for-dollar, and limitations on the use of those credits.

Please see attachments 1, 2, and 3 which include details regarding toll match credits.

A recipient State may use credits received dollar-for-dollar toward the non-federal share requirement for any funds made available to carry out title 23 or title 49 (chapter 53) of the United States Code (USC). These titles comprise the vast majority of surface transportation projects (Federal Highways) and public transportation (Federal Transit).

3. Senator Stedman asked if the State could look further back than five years when determining the value of credits available for match.

It is possible, however, any claims for credits earned more than five years in the past requires significantly more documentation, faces higher scrutiny, and is subject to higher level approvals at the Federal Highway Administration.

4. Senator Kiehl asked if industrial use highway revenues could also be considered as toll match credits.

No, Alaska has no toll roads from the federal perspective, only a toll tunnel and toll ferry. Industrial use highway is a State level designation.

5. Senator Wilson asked whether or not the Alaska Seafood Marketing Institute could use the \$5 million UGF to market products for the mariculture industry.

Seafood products that may be marketed by the Alaska Seafood Marketing Institute (ASMI) are defined in AS 16.51.180(7) and further clarified in AS 16.40.199. The mariculture industry is not included in those statutes, and so is not included in ASMI's current marketing efforts. However, the department's FY2024 capital request for the Statewide Marketing and Economic Development Initiative is intended to support marketing efforts for industries that are not already part of an established marketing program; those marketing efforts may include the mariculture industry.

6. Senator Hoffman asked about potential supplemental needs for the Alaska Seafood Marketing Institute.

The Alaska Seafood Marketing Institute is not requesting supplemental general funds in FY2023.

7. Senator Olson asked about details regarding increased aircraft operations costs and how those are being addressed in the FY2023 and FY2024 budget.

There has been an increased use of aircraft and while there is no FY2024 request specific request related to increased costs for aircraft operations there was \$1.8 million added to the Aircraft section in the FY2023 budget for this reason. There were also other items in the FY2024 budget released in December for the aircraft section that included a Bethel based Pilot to provide uninterrupted service and avoid costly charters, and a Fairbanks based Public Safety Technician 2 to perform general labor and maintenance duties in the Fairbanks aircraft hangar.

8. Senator Olson asked for additional details regarding the expansion of the Village Public Safety Officer Program, specifically region details, if known, where the additional VPSOs will be added.

The Department of Public Safety does not yet know to which regions and villages any new positions would be assigned. Grantees would apply for the FY2024 grant and the department would negotiate increases fairly across all grantees. Because of changes in law last year, Village Public Safety Officers are no longer necessarily isolated to a single village. Grantees might ask to assign traveling officers to cast their programs to more villages while infrastructure is sought or developed.

9. Senator Wilson asked how many of the current Village Public Safety Officer positions are filled.

Today, there are 65 Village Public Safety Officers. There are four Criminal Justice Information System cleared applicants, thus the department anticipates more positions to be filled soon.

10. Senator Hoffman asked what the anticipated timeframe is for a decision on federal funding for the Department of Fish and Game vessel replacement for Western Alaska.

The department is currently seeking federal funding for this purpose, however, it is unknown at this time whether or not funding might be provided.

11. Senator Stedman requested additional information regarding the State's management of its vessels and related maintenance. After the meeting, Senator Stedman clarified he is looking for specifics on the temperature we maintain the vessels at when they are in dock and how we ensure the maintenance of those temperatures. He also asked about regular maintenance schedules.

Large Class Vessels: All large class vessels have routine preventative maintenance systems (PMS), once completed it is recorded and reported to the department's vessel section quarterly. Not all maintenance is done on a quarterly basis. Much of the PMS is done on an hourly basis. Hourly maintenance items are generally conducted based on the manufacture's recommendation. For example, main diesel engines have several PMS items such as oil changes every 500 hours, generators every 250 hours, valve adjustments done every quarter. On occasion the maintenance will be done on a period schedule such as once per month or once per week depending on the system. There are many systems on the large vessels and the crews spend the entirety of the in-port time performing regular maintenance of these items.

All large class vessels go to the shipyard once every three years. This is done for standard level maintenance that can only be conducted out of the water, such as shaft alignment, anode changes, propeller reconditioning, bottom paint, and hull plate replacement. In addition, shipyards are paramount to conduct highly technical repairs and upgrades such as hydraulic system replacement, crane reconditioning, tank repair and many other projects that ship based crew are incapable of doing.

In regard to large vessel heating systems, all vessels are kept at a comfortable heat level for human habitation, however there are some challenges as the vessels do not have HVAC systems. During periods of high heat, the vessel must be vented to bring the ambient temperature to a comfortable working level. All of our vessel were constructed with Alaska as their destination and HVAC systems were not employed. All new vessels will be equipped with HVAC systems that can control the heat with a high degree of reliability and control the humidity. Vessels also employ alarms that alert operators when systems are not functioning. If alarms go off after hours, vessel captains are notified and respond immediately.

Medium Class Vessels: In regard to medium class vessels (27'-35' enclosed cabin vessels), many of the same routine maintenance schedules are employed. Regular oil changes, preventative maintenance, manufacturer recommended maintenance and necessary repairs are done on normal cycles. Maintenance is completed by contracted vendors and DPS employees. Vessels at dock utilize shore power. Vessels are heated while not in operation or removed from the water and stored.

12. Senator Hoffman inquired about the General Obligation bond refinancing amendments and whether or there was a just reduction in interest or also an extension on the repayment timeframe.

There were no changes to the maturities of the refinanced bonds. The term of the maturities remains unchanged.

13. Senator Hoffman asked about the proposal for assistance regarding the Nome Emergency, and whether or not other communities would be included.

The Nome Emergency project is solely for Nome, however, the overall Western Alaska Storm Response effort does include other communities. More information regarding that effort can be found at the following location: <https://dot.alaska.gov/2022storms/>

14. Senator Kiehl asked for additional information regarding the proposed electrification of Southeast Alaska ports.

Please see attachment 4, which is a detailed write-up of Southeast Alaska Port Electrification efforts.

Sincerely,



Neil Steininger
Director

cc: Laura Stidolph, Legislative Director, Office of the Governor
Alexei Painter, Director, Legislative Finance Division