



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Office of the Governor

OFFICE OF MANAGEMENT AND BUDGET
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February 14, 2023

The Honorable DeLena Johnson
Co-Chair, House Finance Committee
Alaska State Capitol Room 505
Juneau, AK 99801

The Honorable Bryce Edgmon
Co-Chair, House Finance Committee
Alaska State Capitol Room 410
Juneau, AK 99801

The Honorable Neal Foster
Co-Chair, House Finance Committee
Alaska State Capitol Room 511
Juneau, AK 99801

Dear Co-Chairs Johnson, Edgmon, and Foster,

Thank you for inviting the Office of Management and Budget (OMB) to present an overview of the Governor's FY2024 capital budget to the House Finance Committee on January 30, 2023. Responses to questions and requests for follow-up information from the committee hearing are included below.

1. Representative Edgmon asked if the chart on slide 5 contained any federal COVID funding.

OMB confirmed that the data represented on slide 5 was unrestricted general funds only.

2. Representative Edgmon asked if the Economic Development staff that were transferred to the Governor's office are returning to the department to manage economic development activities.

Two positions were transferred from Commerce (DCCED) to the Office of the Governor in the FY22 budget, along with \$239,200 in general fund. The intent of the transfer was for the OOG to manage economic development activities at the statewide level and would allow cabinet-level focus on engaging the business community and outreach, as well as direct coordination with the Governor's Office and the Governor on the economic impact of policies across departments.

One of the positions is currently filled, the incumbent in the other position left state service in May 2022. Since December 2022 the incumbent in the filled position has taken on the role of State Corporation Liaison. He's the primary point of contact in the Governor's Office for the State of Alaska's corporations and authorities. In this role he works with State Agencies and other staff in the Governor's Office to assist in promoting investment, economic growth, and statewide development. In addition, he performs intake and vetting related to potential project development partners that approach the State

seeking to grow their businesses in Alaska. These tasks are separate from the activities to be performed under the DCCED capital project proposed in the Governor's budget. The FY24 cost of the filled position is projected to be \$225 thousand; in addition, there are travel and contractual costs which, when combined, would exceed the initial \$239 thousand of GF authority transferred from DCCED.

3. Representative Tomaszewski asked if there were other regions that applied for the farming funding referenced on slide 5.

The three-phase power upgrade for the Delta region was based on conversations with farmers in the region and budget recommendations from the Food Policy Council and Alaska Farm Bureau that asked for utility upgrades for farmers. It was also based on the Governor's goals for food security that will require state investments in infrastructure to achieve. The Delta Co-Op, for example, relies on diesel generated power to operate its grain dryer, which adds greatly to expense, especially in a year like last when fuel prices rose dramatically. The \$3 million figure was arrived at after preliminary talks with Golden Valley Electric Association and is also in line with a previous state appropriation of \$3 million to provide three-phase power to the Nenana-Totchaket Agriculture Project.

4. Representative Coulombe asked for a status update on the Point Mackenzie Farm Produce Processing Plant. Specifically regarding whether or not anything has been constructed as of yet, or if the original appropriation of approximately \$1.5m was solely for planning purposes.

The Department of Corrections solicited and negotiated a contract with an engineer. The engineer has completed a bid ready design for the construction of the produce plant. During this phase it was identified that the original project estimate was understated in the areas of electrical/mechanical costs and the equipment costs necessary for a fully functional operation. The original allocation of \$1,500.0 was not intended for the sole purpose of planning and there has been nothing constructed as of yet.

5. Representative Foster asked for additional information regarding research projects in the Yukon-Kuskokwim region.

The following projects are on-going within the Department of Fish and Game:

- a. Norton Sound crab monitoring and research
 - i. Conduct and report on harvest assessment programs for Norton Sound red king crab fisheries. Conduct and report on stock assessment programs on the Norton Sound red king crab population and other Norton Sound area crab populations.
- b. Yukon River sonar extensions
 - i. Early start-up of Pilot station sonar and Eagle sonar to increase coverage and assessment of early running salmon populations. Extended operations of Pilot Station sonar to increase coverage and assessment of late running salmon populations.
- c. Norton Sounds Red King Crab survey
 - i. Conduct and report on an annual trawl survey to estimate abundance of the Norton Sound red king crab population. Trawl survey results are used to determine population metrics and annual guideline harvest levels in compliance with federal and state fishery regulations.

6. Representative Josephson asked about the success rate for statehood defense litigation.

Currently, Department of Law has many cases still pending in district courts or on appeal, please see attached list of current litigations funded with the multi-year appropriations for Statehood Defense. Out of all these cases four were lost in the district court and are currently on appeal (attachments 1 & 2).

7. Representative Stapp asked about the need for the Arctic Fisheries appropriation referenced on side 7.

The department anticipates opportunities for Arctic fishing in the short-term (after the moratorium expires). Without proper planning, including but not limited to securing match funding to develop stock assessments and a sustainable fisheries plan, Alaska will be at risk of losing out on these opportunities to other jurisdictions.

8. Representative Hannan asked about whether or not the \$10m for statehood defense was for new litigation or to cover existing case costs, and is the recent case related to the SE troll fishery included in the department's plans regarding statehood defense.

The current multi-year operating funding for Statehood Defense is utilized by the Department of Law to supplement efforts to ensure the department can keep up with the barrage of federal actions affecting Alaskans and the policy initiatives to assert Alaska's ownership rights and public rights to access. Attached is a list of current litigation being funded by the multi-year operating Statehood Defense funding. The estimated costs in attachment 2 exceed the current \$6.5 million multi-year appropriations received during fiscal years 2021 and 2023, so the \$10 million will be used as cases continue, in addition to new cases, along with, research and policy actions needed outside of the litigation context to support Statehood Defense efforts.

In response to the case Representative Hannan referenced, which was brought forward by the Wild Fish Conservancy against the National Marine Fisheries Service: The Department of Law is not utilizing statehood defense funds for anything related to that case at this time. This is a case where the State is aligned with National Marine Fisheries Service (NMFS), a federal agency. The Department of Law has focused the multi-year appropriations on actions where the State is challenging the federal government in some way.

However, the Wild Fish Conservancy case could have significant impacts on Southeast fisheries, and the State has and will continue to advocate that these fisheries remain open, even if NMFS needs to complete a new biological opinion. The case is mainly being funded by Department of Law general funds.

9. Representative Josephson asked about the amounts swept, and from which funds, at the close of FY2022.

Attachment 3 details the audited sweep amounts from FY2021. Review is still being conducted by the Division of Legislative Audit so the FY2022 amounts are not yet available.

10. Representatives Johnson and Hannan asked whether or not the Dalton Highway Delineators Improvements project would result in different color reflectors or if the Department would be

assuming ownership of maintaining that section, and also whether or not there are other regions that might be impacted.

This project would replace the existing delineator assemblies (*see figure 1*) with new delineator assemblies. The new delineators would have white reflectors facing the opposite oncoming traffic (left) and amber on the side facing the driver (right), in other words, amber on front, white on back.

Please see attachment 4 showing location/extents of the project.

The department is currently responsible for maintaining this section of highway and is responsible for maintenance of all DOT&PF federally funded projects. Broadly speaking, highway maintenance is not an eligible use of federal highway funds. Other regions are not impacted by this request or requesting funding, this is a Dalton Highway specific need.

11. Representative Galvin asked if the phase 2 of the WWAMI expansion would be phase 2 of 2 or if there will be more changes.

The University of Alaska believes this will be phase 2 of 2 for the WWAMI Expansion.

12. Representative Edgmon asked if any unobligated appropriations are directed towards deferred maintenance.

Yes, please see attachment 5 which includes details from the most recent Capital Appropriation Status Report.

Sincerely,



Neil Steininger
Director

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