

SENATE FINANCE COMMITTEE  
February 11, 2016  
9:06 a.m.

9:06:08 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:06 a.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair  
Senator Pete Kelly, Co-Chair  
Senator Peter Micciche, Vice-Chair  
Senator Click Bishop  
Senator Mike Dunleavy  
Senator Lyman Hoffman  
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

Pat Pitney, Director, Office of Management and Budget, Office of the Governor; Adam Bryan, Capital Budget Coordinator, Office of Management and Budget.

SUMMARY

SB 138 BUDGET: CAPITAL

SB 138 was HEARD and HELD in committee for further consideration.

SB 167 APPROP: SUPP/CAP/OTHER APPROPRIATIONS

SB 167 was HEARD and HELD in committee for further consideration.

#SB138

SENATE BILL NO. 138

"An Act making appropriations, including capital appropriations, reappropriations, and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

[9:07:21 AM](#)

PAT PITNEY, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, discussed the PowerPoint, "FY2017 Budget Overview Senate Finance Committee FY17 Capital and FY16 Supplemental" (copy on file).

Co-Chair MacKinnon shared the details of the presentation.

Ms. Pitney looked at slide 2, "FY2017 Capital Budget":

Federal Match/Leverage

All funds: \$1,079.9  
UGF: \$82.9

Energy and Housing

All funds: \$52.9  
UGF: \$21.3

Maintenance

All funds: \$92.1  
UGF: \$53.0

Legal Obligations

All funds: \$11.0  
UGF: \$10.5

Initiatives and School Replacement

All funds: \$27.8  
UGF \$27.7

TOTAL

All funds: \$1,263.0  
UGF: \$195.3

Senator Dunleavy wondered how questions would be handled. Ms. Pitney shared that the presentation would address each line item.

Ms. Pitney addressed slide 3, "FY2017 Capital: Administration":

Public Building Fund Buildings Deferred Maintenance

\$4,000,000

Fund Source: Public Building Fund

Prior funding:

FY2016 -\$3,000.0

FY2015 -\$4,000.0

This project will continue addressing deferred maintenance needs in the State Office Building, the Alaska Office Building, the Public Safety Building, the Douglas Island Building, the Dimond Courthouse, the Atwood Building, the Fairbanks Regional Office Building, the Linny Pacillo Parking Garage and Office, the Palmer State Office Building, the Nome State Office Building, the Alaska Geologic Materials Building, and the Community Building.

State Capitol Third Floor Improvements

\$475,000

Fund Source: Statutory Designated Program Receipts

Prior Funding:

None

Remodel and upgrades to the third floor of the capitol building to include upgrading the ventilation and other building systems. This project utilizes funds from the Juneau Community Foundation for the sole purpose of performing improvements and upgrades to the Executive floor (third floor) of the Capitol Building.

Department Total: \$4,475,000

Ms. Pitney looked at slide 4, "FY2017 Capital: Commerce, Community and Economic Development":

Project Title: Community Block Grants, 90/10Match

Amount: \$6,060,000

Fund Source:

\$6,000,000 Fed1002

\$60,000GF/M 1003

Prior Funding: Annual

Community Block Grants encompass multiple federally funded programs, enabling the Department of Commerce, Community and Economic Development (DCCED) to provide grants to communities and non-profits that provide services and/or benefits for low to moderate income individuals.

Project Title: National Petroleum Reserve -Alaska Impact Grant Program

Project Title: National Petroleum Reserve -Alaska Impact Grant Pro

Amount: \$3,502,626

Fund Source: National Petroleum Reserve Fund 1063 (Fed) AS 37.05.530

Prior Funding:

FY2016 -\$3,502.6

FY2015 -\$4,005.6

The National Petroleum Reserve -Alaska (NPR-A) program provides grants to communities for public facilities and services. Priority is given to those communities directly or severely impacted by the leases and development of oil and gas within the NPR-A. Funding comes from the federal

government as a share of the funds received on leases issued within NPR-A.

Project Title: AEA-Electrical Emergencies Program

Amount: \$330,000

Fund Source: General Fund 1004

Prior Funding: Annual

The Electrical Emergencies Program provides technical support when an electric utility has lost or will lose the ability to generate or transmit power to its customers and the condition is a threat to life, health, and/or property. The ability to respond to loss of power in communities is essential to their health and safety.

[9:11:46 AM](#)

AT EASE

[9:12:26 AM](#)

RECONVENED

Co-Chair MacKinnon looked at slide 3, and wondered if a private party was donating money to the capitol improvements. Ms. Pitney replied that the Juneau Community Foundation was donating money for the improvements to provide for upgrades to the third floor.

Co-Chair MacKinnon asked if a private donation was allowed. She wondered if the donation was tax deductible. Ms. Pitney replied that the donation was through the Juneau Community Foundation, so she felt that the money was already tax deductible when it entered the foundation. She assumed the foundation felt it was consistent with enhancing the community.

Co-Chair MacKinnon expressed concern as to whether the donation was an appropriate place to receive the funds.

Vice-Chair Micciche wondered if the first \$4 million was GF. Ms. Pitney replied that the funding was provided through the Public Building Fund. There were interagency receipts for departments, based on the used space. She

furthered that sometimes the Public Building Fund was capitalized. The funds were existing funds that could be used for deferred maintenance.

9:14:35 AM

AT EASE

9:14:53 AM

RECONVENED

9:14:59 AM

Ms. Pitney discussed slide 5, "FY2017 Capital: Commerce, Community and Economic Development":

Project Title: AEA-Renewable Energy Projects Round IX

Amount: \$5,000,000

Fund Source: Renewable Energy Grant Fund 1210  
(DGF/UGF) AS 42.45.045

Prior Funding:

FY2016 -\$11,512.7

FY2015 -\$22,843.9

This project helps Alaska achieve a 50 percent renewable energy goal by 2025; and reduces and/or stabilizes the cost of energy for communities statewide. The Alaska Energy Authority's (AEA) current request for applications for projects to be funded in FY2017 resulted in \$50 million in applications being received for Round IX.

Project Title: AEA-Rural Power Systems Upgrades

Amount: \$5,650,000

Fund Source:

\$3,150,000 Fed 1002

\$2,500,000 GF 1004

Prior Funding:

FY2016-N/A

FY2015 -\$5,120.0

Electric utility systems are part of the basic infrastructure of rural communities. The power plant and distribution systems in rural communities may not meet accepted utility standards for safety, reliability, and environmental protections. Due to high costs and limited economies of scale, most local communities cannot make the capital investments needed to meet accepted utility standards

Project Title: AEA-Bulk Fuel Upgrades

Amount: \$6,650,000

Fund Source:

\$5,350,000 Fed 1002

\$1,300,000 GF 1004

Prior Funding:

FY2016-N/A

FY2015 -\$7,300.0

The Bulk Fuel program upgrades non-compliant bulk fuel facilities in rural communities. Upgrading bulk fuel facilities reduces the cost of energy by reducing or eliminating fuel loss from leaks and spills. By providing enough capacity for current and planned needs, communities may purchase fuel in larger quantities at a lower cost per gallon.

Ms. Pitney highlighted slide 6, "FY2017 Capital: Commerce, Community and Economic Development":

Project Title: AEA-Alternative Energy and Energy Efficiency Programs

Amount: \$1,200,000

Fund Source:

\$1,000,000 Fed 1002

\$200,000 GF 1004

Prior Funding:

FY2014 -\$2,000.0  
FY2013 -\$4,800.0

This project is for the development of alternative energy research and development, resource assessments, regulatory and permitting issues, outreach and stakeholder involvement for alternative energy programs. Funding will be used to meet a minimum 20 percent match that is required for federal funding. The Alternative Energy and Energy Efficiency Programs are critical to the development of cost effective and technically effective Renewable Energy, Alternative Energy and energy efficiency projects. These funds are also used as a match for federal awards in conjunction with AEA's role as the Statewide Energy Office.

Co-Chair Kelly queried how much of the fund was unencumbered. Ms. Pitney agreed to provide that information.

Ms. Pitney continued to address slide 6:

Project Title: Inter-Island Ferry Authority

Amount: \$250,000

Fund Source: General Fund 1004

Prior Funding:

FY2016-\$250.0  
FY2015 -\$500.0

Inter-Island Ferry Authority (IFA) provides daily service between Ketchikan and Prince of Wales Island (POW). Passenger revenue and other funds are insufficient to cover their projected costs. This transport link is a vital service to Southeast Alaska. IFA is continuing to refine their operations plan to maximize profits, reduce expenses and minimize reliance on state funds.

This grant will allow the Inter-Island Ferry Authority to continue their operations in FY2017.

Co-Chair MacKinnon queried the reason the item could not be privatized, so the real cost of the transfer could be borne by those utilizing the service. Ms. Pitney replied that it was already privatized, and a significant majority of the costs were covered by the passenger. She remarked that, relative to the Marine Highway System, the Inter-Island Ferry receipts cover most of the cost. The funding would be a small subsidy to bridge the gap to provide the system.

Vice-Chair Micciche felt that the state should be growing the authority to "pick up a bigger piece of the Marine Highway System."

[9:18:10 AM](#)

Ms. Pitney stated that the following item would be changed in the amendments.

Ms. Pitney addressed slide 7, "FY2017 Capital: Commerce, Community and Economic Development":

Project Title: Lower Kuskokwim School District -Bethel Regional HS Central Kitchen and Multipurpose Addition

Amount: \$7,129,765

Fund Source: General Fund 1004  
(Pending Amendment to DEED with REAA Fund)

Prior Funding: None

This project provides for an addition to the Bethel Regional High School built in 1971. The high school complex totals 78,316 gross square feet. This addition will provide centralized kitchen and food services for the Bethel schools population of approximately 1,300 students, as well as a multipurpose room, restrooms, and storage areas.

Co-Chair MacKinnon wondered why the state would contribute to an insured building. Ms. Pitney replied that the building was insured. The building would be replaced as a school. She stated that the school replacement would not

include the central kitchen. The kitchen would be used for all schools in Bethel.

Co-Chair MacKinnon wondered if the project was put ahead of other projects. Ms. Pitney replied that it was put ahead of other projects, because the kitchen no longer exists.

Ms. Pitney continued to discuss slide 7:

Project Title: Seward -Flood Protection Scoping and Feasibility Study

Amount: \$300,000

Fund Source: General Fund 1004

Prior Funding: None

Over the past 110 years, there have been multiple attempts to build and maintain a diversion channel and tunnel in Seward, Alaska. The Army Corps of Engineers have historically had the biggest role in this effort. At issue is that the current tunnel is in need of significant repair, but is now considered inadequate to handle flood waters. So, during heavy rain, there is a significant flooding threat to the town. Rather than continuing to repair an inadequate system, the city and the Army Corps of Engineers are partnering to evaluate alternative ways to address the flood threat.

Department Total: \$36,072,391

\$12,069,765 UGF

\$5,000,000 DGF

\$19,002,626 Fed

Ms. Pitney looked at slide 8, "FY2017 Capital: Fund Capitalization":

Project Title: AEA-Emerging Energy Technology Fund

Amount: \$1,250,000

Fund Source:

\$250,000 Fed 1002  
\$1,000,000 GF 1004

Prior Funding:

FY2014 -\$2,000.0  
FY2013 -\$1,700.0

The Emerging Energy Technology Fund (EETF) grant program was created in 2010 and competitively funds emerging energy technologies (renewable, efficiency, storage, transmission, etc.) for testing and implementation in Alaska. The program promotes the expansion of energy sources and technologies available to Alaskans with the intent of lowering energy costs.

Senator Dunleavy looked at slide 7, and noted that there were numerous flood affected areas in the state. He wondered why the specific project was selected. Ms. Pitney replied that the project was currently under way. She furthered that there was a consistent flood damage every year.

Senator Dunleavy wondered if it was a feasibility study, or part of the repair process. Ms. Pitney replied that the parties were engaged to move forward on the project.

Senator Dunleavy asked why this was the only flood prevention project. He queried the type of proposed study.

Co-Chair MacKinnon requested documentation on the project.

Senator Dunleavy remarked that there were many constituents who were concerned about the chosen project.

[9:23:41 AM](#)

ADAM BRYAN, CAPITAL BUDGET COORDINATOR, OFFICE OF MANAGEMENT AND BUDGET, replied the he had the project detail. He stated that the federal process required scoping effort followed by a feasibility study then design and construction. He stated that funding for the project would be used to conduct the scoping and feasibility study, and other preconstruction requirements. The funds would help the City of Seward match the federal requirements from the Army Corps of Engineers.

Senator Bishop requested information about state funded flood repair in the last ten years from GF.

Senator Olson remarked that the studies were customary.

Senator Dunleavy restated that he would like to know more information about choosing the specific project. Ms. Pitney replied that the project was based on the current federal involvement. The City of Seward was ready to take advantage with the federal partnership, consistent with the federal matching approach in capital budgeting.

Vice-Chair Micciche noted that the funding was for a stage of the project. He hoped that there would be funding available for the Mat-Su flooding issues. Ms. Pitney replied that the community must have the Corps of Engineers ready and the timing of the money.

Co-Chair MacKinnon queried the reason that the project was not funded fully by federal funds. Mr. Bryan agreed to provide the federal dollar match information.

Co-Chair MacKinnon requested the exact state match. Ms. Pitney responded that the funds would assist the community to meet their overall match requirement. She agreed to provide further information.

Co-Chair MacKinnon wondered whether Seward had a sales tax. Ms. Pitney did not know.

Vice-Chair Micciche clarified that the request was for some details related to the project.

[9:28:47 AM](#)

Senator Olson wondered why the Kuskokwim School was not initially included with the other RAA projects. Ms. Pitney replied that the fire occurred late in the budget development stage. She stressed that the kitchen was not high on the list before that time.

Co-Chair MacKinnon wondered if that city had a sales tax. Ms. Pitney replied in the negative. Senator Hoffman clarified that Kuskokwim had a sales tax.

Ms. Pitney discussed slide 9, "FY2017 Capital: Corrections":

Project Title: OSHA Electric Arc Flash Assessment and Remediation

Amount: \$1,800,000

Fund Source: General Fund 1004

Prior Funding: None

Department of Corrections' facilities require electrical component assessments and potential upgrades and remediation to comply with code requirements and improve worker safety. Occupational Safety and Health Administration (OSHA) electrical changes were issued in regard to transmission line electrical requirements. There is code compliance issues related to the work covered under National Fire Protection Association (NFPA) 70E Electrical Work Practices.

Project Title: Annual Safety and Security Maintenance and Repair

Amount: \$1,000,000

Fund Source: General Fund 1004

Prior Funding:

FY2014 -\$1,000.0

FY2013 -\$1,000.0

This project will replace obsolete, outdated, and inefficient equipment that is essential to security, life safety, food service, laundry, medical, record storage and maintenance equipment at all correctional facilities and probation/parole offices. This project will also provide for essential renewal, replacement, renovation, remodeling and repair of electrical, mechanical, roofing, walls, fire and life safety, security, structural, food services, pavement and site drainage systems at all correctional

facilities as needed. This work is required to enable continued safe, secure and efficient operation of the 24-hour incarceration facilities.

Department Total: \$2,800,000

Vice-Chair Micciche looked at slide 8, and wondered whether the investments in emerging energy should be suspended. Ms. Pitney replied that prior investments in emerging energy had been significant. She stated that continuing to fund the effective programs would help to match the federal funds.

[9:32:51 AM](#)

Co-Chair MacKinnon wondered whether the federal government required for additional dollars, or a one-to-one match to leverage. Ms. Pitney replied that the funding was not a direct match, but rather a leverage capacity.

Co-Chair MacKinnon surmised that GF was unnecessary. Ms. Pitney replied that without GF, it was unlikely to attract the federal funds.

Co-Chair MacKinnon shared that she and Senator Hoffman had some conversations about AEA and emerging energy technologies, and may have a different solution for the committee to consider.

Ms. Pitney displayed slide 10, "FY2017 Capital: Education and Early Development":

Project Title: FY2017 Capital: Education and Early Development

Amount: \$11,283,533

Fund Source: General Fund 1004

Prior Funding:

FY2016 -\$2,623.7

FY2015 -\$10,867.5

The FY2017 Major Maintenance Capital Improvement Projects funding will support projects 1 through

3 on the November 5th, 2015 Major Maintenance Capital Improvement priority list.

1 -\$185,944 Kake Schools Boiler Replacement

2 -\$49,135 Petersburg Middle/High School Primary Boiler Replacement

3 -\$11,048,454 Bristol Bay School Energy Upgrades and Renovations

Project Title: School Construction Grants (AS 14.11.005

Amount: \$18,105,925

Fund Source: General Fund 1004

Prior Funding: FY2016 -\$43,237.4 (Kivalina)

Two School Construction appropriations will fund project #1 on the November 5th School Construction Capital Improvement Project priority list, and complete the funding for the Kivalina replacement school according to the FY2016 Department of Education and Early Development Final School Construction List Eligible Amount.

-\$10,867,503 Kachemak Selo New K-12 School Construction

-\$7,238,422 Kivalina K-12 Replacement School - Kasayulie

Senator Dunleavy queried more information about why Bristol Bay would receive direct help from the state, as it is not an attempt to skirt the bonding moratorium.

Co-Chair MacKinnon asked for Senator Dunleavy to restate his question.

Senator Dunleavy felt that the project was an attempt for a municipality to skirt the bonding moratorium.

Co-Chair MacKinnon shared that suspending the school capital debt reimbursement was at a time when Bristol Bay was in the process of moving forward a bond proposition, which wanted to request the state to match.

Ms. Pitney agreed to provide information. She stated that the projects were rated on the school major maintenance list, that much meet criteria. They were rated through a

strict scoring system, and these were the first three on the criteria list.

Co-Chair MacKinnon hoped that the administration would provide further funding of an additional \$7.2 million for Kivalina.

[9:38:26 AM](#)

Senator Hoffman shared that the funds were not for school construction. He remarked that rural Alaska had two lists: school construction and maintenance. He stated that the project was from the major maintenance list, but did not apply to the school construction moratorium.

Co-Chair MacKinnon stressed that it was the committee's responsibility to not engage in individual geographic "fights" to advocate constituents in an effort to make decisions to positively impact all of Alaska. She hoped that communities that were able to meet their needs could provide for their own needs.

Senator Dunleavy remarked that his questions reflected the questions from his constituents.

Vice-Chair Micciche felt that it was important to examine whether the communities could cover the costs of those projects.

Senator Bishop remarked that school construction major maintenance required boiler and heating upgrades. He encouraged the administration to utilize standardized systems. He remarked that there could be a universal training to develop continuity within all of the schools.

Co-Chair MacKinnon shared that Legislative Budget and Audit managed a contract in the year prior to examine standardization. The contractor recommended that it would not work for Alaska in the building design. She felt that standardization would save money and would allow people to maintain the units, because one state employee could maintain units at a greater level of efficiency.

Ms. Pitney noted that there was \$221 million request on the school major maintenance list for 96 projects across the state. She stressed that the budget addressed the top three of 96 projects.

9:45:46 AM

Ms. Pitney discussed slide 11, "FY2017 Capital: Education and Early Development":

Project Title: Mt. Edgecumbe High School Deferred Maintenance

Amount: \$1,000,000

Fund Source: \$1,000,000

Prior Funding:

FY2016 -N/A

FY2015 -\$1,700.0

This project partially funds the next project on the Mt. Edgecumbe High School deferred maintenance list: Emergency Generator and Switch Gear Installation. The Mt. Edgecumbe High School deferred maintenance backlog contains 11 projects totaling \$16,451,000.

Department Total: \$30,389,458

Co-Chair MacKinnon wondered how the request would affect the new swimming pool. She also queried the operating costs of Mt. Edgecumbe. Ms. Pitney replied that the annual operating costs for Mt. Edgecumbe would be approximately \$750,000. She explained that Sitka was working to draft a plan that would take some responsibility from the state.

Co-Chair MacKinnon queried the possibility of suspending the project, to eliminate the ongoing operating expense, because of the possibility of emergencies in the future. Ms. Pitney replied that the project was funded general obligation bonds, as was moving forward.

Co-Chair MacKinnon wondered if the other pool in Sitka would be closing. Ms. Pitney replied that she did not believe the other pool would be closing. She stated that the pools were in different locations serving different customer bases.

Co-Chair MacKinnon queried the size of Sitka. Ms. Pitney replied that Sitka was a small community, but she did not know the exact size.

Co-Chair MacKinnon understood that the current administration did not participate in the appropriation for the second swimming pool in Sitka nor the bond project to move that project forward. She stressed that the state was in a difficult time, and she was attempting to explore options to save money. She remarked that swimming pools were valuable in communities for safety reasons.

Senator Dunleavy commented that the residents may be concerned about paying taxes, because of a brand new swimming pool.

Co-Chair MacKinnon remarked that she supported the bond package, because there was a highway project in her community. She stressed that Alaska was in a much different budget situation than it was at the time of the bond package adoption.

[9:50:41 AM](#)

Ms. Pitney looked at slide 12, "FY2017 Capital: Environmental Conservation":

Project Title: Village Safe Water and Wastewater Infrastructure Projects

Amount: \$51,500,000

Fund Source:

\$42,250,000 Fed 1002

\$8,750,000 GF/M 1003

\$500,000 SDPR1108

Prior Funding: Annual

This project provides financial and technical assistance to rural communities to plan, design, and construct water and sewer system improvements. 60 percent of the funding will provide first-time service to communities while 40 percent will be used for expansion, upgrade, and replacement of existing service.

Project Title: Reapprop for Municipal Water, Sewage,  
and Solid Waste Facilities Grants  
(AS 43.03.030)

Amount: \$4,187,601

Fund Source: General Fund 100

Prior Funding:

FY2016 -\$9,988.6

FY2015 -\$14,558.2

This project provides funding for grants to larger communities to plan, design, and construct drinking water and sanitation facilities and the associated operating costs of the Facility Construction component within the Division of Water. FY2017 grants will be funded through reappropriations of the remaining balances of completed projects.

Co-Chair MacKinnon queried the required match, versus what was represented on slide 12. Ms. Pitney clarified that the municipal water and sewage was community based grants, which appropriated completed projects back into the same program to pick up the next highest priority. She explained that, unlike the Village Safe Water Act, the project did not have the match.

Co-Chair MacKinnon wondered if the project used Spill Prevention and Response (SPAR) funds. Ms. Pitney responded that that the funds were statutory designated program receipts.

Co-Chair MacKinnon queried the source of the receipts. Ms. Pitney deferred to Mr. Bryan

[9:52:34 AM](#)

AT EASE

[9:56:48 AM](#)

RECONVENED

[9:56:55 AM](#)

Ms. Pitney explained that the Village Safe Water infrastructure projects were prioritized and rated similar to the school major maintenance projects. She agreed to provide that list and to identify the projects that had designated program receipts.

Co-Chair MacKinnon wondered if a community "can" match rather than "shall" match, so the state provided the statutory receipts so the community "can" contribute. Ms. Pitney replied that it was project-dependent. She stated that it was more likely project-specific, rather than a requirement for every project.

Vice-Chair Micciche wondered how the village safe water and waste water infrastructure project fits with the drinking water capitalization grant. He asked whether both were attempting to meet an Environmental Protection Agency (EPA) directive, or were they not related. Ms. Pitney replied that there were two different programs with different requirements.

Co-Chair MacKinnon noted the great need for the programs in rural Alaska. She queried an audit to examine whether or not the state was repeating itself by going back into communities to reinvest in the same types of projects. Ms. Pitney deferred to the Department of Environmental Conservation (DEC).

Vice-Chair Micciche noted that there was a 0.95 cent tax into the SPAR fund, per gallon of motor fuel. He shared that he would be researching the possibility of covering the cost with the extra \$75 million that was raised with that recent tax on contaminated sites. He shared that the intention of growing the fund was for the department and to cover some of the orphan sites.

Ms. Pitney highlighted slide 13, "FY2017 Capital: Environmental Conservation":

Project Title: Drinking Water Capitalization Grant - Subsidy Funding

Amount: \$2,526,300

Fund Source: Alaska Drinking Water Fund 1100 (Other)

Prior Funding: Annual

This project provides federal funding for the Alaska Drinking Water Fund (ADWF) loan program to meet an Environmental Protection Agency requirement. The federal capitalization grant for the ADWF program requires the department to issue subsidies (a loan forgiveness process) in addition to traditional low-interest loans. The ADWF program functioned strictly as a loan program until FY2011 when the subsidy provision was added to the federal budget. In order to implement this provision, an appropriation is necessary to properly record the loan forgiveness payment as an expense in ADWF.

Project Title: Statewide Contaminated Sites Cleanup

Amount: \$1,000,000

Fund Source: General Fund 1004

Prior Funding:

FY2014-\$3,000.0

FY2013 -\$2,000.0

Contaminated sites owned by the State and contaminated sites without any known or capable responsible party ("orphan" sites) can only be addressed with State general fund resources. These contaminated sites pose a public health risk, and cannot be redeveloped without appropriate cleanup of the known contaminants. For many local communities, state-owned and "orphan" contaminated sites may present barriers to business development and economic growth

Department Total: \$59,213,901

\$13,937,60 1UGF

\$3,026,300 Other

\$42,250,000 Fed

Senator Bishop queried a list of the targeted orphan sites targeted for the \$1 million. Ms. Pitney agreed to provide that information.

10:01:49 AM

Ms. Pitney looked at slide 14, "FY2017 Capital: Fish and Game":

Project Title: Fairbanks Regional Office Electrical, Telephone System, and Repairs

Amount: \$350,000

Fund Source: General Fund 1004

Prior Funding: None

The Fairbanks Regional Office compound is the largest owned facility within Fish and Game. This project includes replacement, repair, and upgrades to existing electrical system and critical upgrades to existing telephone system

Project Title: Facilities, Vessels and Aircraft Maintenance, Repair and Upgrades

Amount: \$1,000,000

Fund Source: General Fund 1004

Prior Funding:

FY2016-N/A

FY2015 -\$500.0

This annual project funds repair, maintenance and renovation of department facilities statewide as well as vessel and aircraft repair and maintenance.

Project Title: Sport Fish Recreational Boating and Angler Access

Amount: \$3,000,000

Fund Source:

\$2,250,000 Fed 1002

\$750,000 GF/M 1003

Prior Funding: Annual

This project allows the Division of Sport Fish to continue to construct and upgrade recreational power boating and sport fish angler access facilities statewide using Sport Fish Restoration apportionment funds comprised of 75 percent federal assistance and 25 percent non-federal match. Projects include boat launches, mooring floats, parking lots, restrooms, fish cleaning facilities, and other services

Department Total: \$4,350,000

\$2,100,000 UGF  
\$2,250,000 Fed

Co-Chair MacKinnon wondered if DFG could provide a list of the date of purchase for the aircrafts and vessels. Ms. Pitney agreed to provide that information.

Vice-Chair Micciche queried further detail about the \$3 million with \$750,000 in GF. He wondered if it was for the Kasilof parking lot. He felt that parking lot would be nice, but did not know if the state could afford the lot at the current time. Ms. Pitney agreed to provide that information.

Ms. Pitney looked at slide 15, "FY2017 Capital: Office of the Governor":

Project Title: Primary and General Elections

Amount: \$3,814,000

Fund Source:

\$3,694,000 GF 1004  
\$120,000 Election Fund 1185 (Other)

Prior Funding:

FY2015 -\$3,693.8  
FY2013 -\$3,693.8  
(Prev. Operating)

This project will cover the cost of the 2016 primary and general elections. General and primary elections occur every two years. This project also includes \$120,000 in Help America Vote Act funding that is held in the Election Fund to cover the election year costs of the Toyukak settlement. This project will pay for language translation services to provide voter information in audio and written form in six additional Native language dialects.

Project Title: Criminal Justice Reform and Reinvestment -Placeholder

Amount: \$5,000,000

Fund Source: General Fund 1004

Prior Funding: None

Placeholder for reform and reinvestment recommendations yet to be decided but likely to be proposed via reports from the Alaska Criminal Justice Commission.

Department Total: \$8,814,000

\$8,694,000 UGF  
\$120,000 Other

Co-Chair MacKinnon suggested that the project be included in the operating budget. She felt that there should be clarity about where the projects should be assigned.

[10:07:37 AM](#)

Ms. Pitney discussed slide 16, "FY2017 Capital: Health and Social Services":

Project Title: Deferred Maintenance -Pioneer Homes and Non-Pioneer Homes

Amount: \$2,834,345

Fund Source: General Fund 1004

Prior Funding:

FY2016 -N/A  
FY2015 -\$6,857.6

Deferred maintenance projects for Pioneer Homes statewide, and the non-Pioneer Homes facilities maintained by the department. The department is responsible for operating and maintaining the six Pioneer Homes throughout the state, and 34 other facilities including public health centers, laboratories, youth facilities and the Alaska Psychiatric Institute. Pioneer Homes deferred maintenance backlog contain 89 projects for a total of \$13,030.3. Non-Pioneer Homes backlog contain 171 projects for a total of \$11,120.7.  
-\$1,417,500 Pioneer Homes  
-\$1,416,845 Non-Pioneer Homes

Project Title: Emergency Medical Services Match for Code Blue Project

Amount: \$500,000

Fund Source: GF Match 1003

Prior Funding: Annual

This project supports communities' purchase of essential emergency medical response equipment. The Code Blue Steering Committee was formed to identify and purchase critical Emergency Medical Services (EMS) equipment and ambulances for agencies around the state, particularly in rural locations. For FY2017, \$500,000 is required to match federal, local and private funds to be allocated for all seven regional offices for needs such as: ambulances, heart monitors, training equipment, and communications equipment. One dollar of state general funds leverages greater than four dollars in other fund sources.

Ms. Pitney discussed slide 17, "FY2017 Capital: Health and Social Services":

Project Title: Office of Civil Rights Remediation Completion

Amount: \$2,773,980

Fund Source:

\$554,796 Fed 1002  
\$2,219,184 GF/M1003

Prior Funding:

FY2012 -\$1,000.0  
FY2010 -\$1,337.4

The Office of Civil Rights was directed to have a comprehensive Risk Assessment of the Department completed by an independent third party. As part of the settlement, the Department is required to address the findings that were identified in the Risk Assessment. This project will fund the addressing of the findings.

Project Title: MH Essential Program Equipment

Amount: \$500,000

Fund Source:

\$250,000 GF/MH 1037  
\$250,000 MHTAAR 1092 (Other)

Prior Funding:

FY2015 -\$500.0  
FY2013 -\$475.0

This is a periodic competitive capital grant project administered by the Department of Health and Social Services. Funds allow grantees to purchase durable goods: snow blowers, kitchen equipment, therapeutic equipment, etc., that are essential to the core services and programs offered to clients. This capital project is offered every other year, and applications for grant funds consistently exceed funds available.

Ms. Pitney displayed slide 18, "FY2017 Capital: Health and Social Services":

Project Title: MH Home Modification and Upgrades to Retain Housing

Amount: \$1,050,000

Fund Source:

\$250,000 GF 1004  
\$500,000 GF/MH 1037  
\$300,000 MHTAAR 1092 (Other)

Prior Funding: Annual

This competitive capital grant program provides housing modifications for persons with special needs. People are able to remain in their homes, thereby avoiding the greater cost of supported housing or institutional housing.

Department Total: \$7,658,325

\$6,553,529 UGF  
\$550,000 Other  
\$554,796 Fed

Vice-Chair Micciche looked at slide 17, and queried the findings for the Comprehensive Risk Assessment for the Office of Civil Rights. He wondered if there was a rule of law that required action. He queried the initiation of the Comprehensive Risk Assessment. Ms. Pitney agreed to provide that information. She shared that the issue was a follow up to an issue that occurred six or seven years prior.

Ms. Pitney highlighted slide 19, "FY2017 Capital: Military and Veterans Affairs":

Project Title: Bethel Scout Battalion -Phase 1 of 5

Amount: \$1,000,000

Fund Source: General Fund 1004

Prior Funding: None

This project allows the Department of Military and Veterans Affairs to initiate purchase of equipment to support for a new Scout Battalion of

the Alaska State Defense Force, to be stationed in Bethel, Alaska, to conduct their mission.

Project Title: National Guard Counterdrug Support

Amount: \$100,000

Fund Source: Federal 1002

Prior Funding: Annual

The National Guard Counterdrug Support Program (CDSP) supports law enforcement agencies in drug enforcement operations, assists in training Law Enforcement Officers, and provides community-based drug awareness programs. The primary purpose of the U.S. Department of Justice Asset Forfeiture Program is to deter crime by depriving criminals of profits and proceeds from their illegal activities. The CDSP program is needed to provide citizen protection and life safety measures.

Project Title: State Homeland Security Grant Programs

Amount: \$4,500,000

Fund Source: Federal 1002

Prior Funding: Annual

The State of Alaska receives State Homeland Security grants from the U.S. Department of Homeland Security. The grants provide for programs across the state for homeland security planning, equipment, and emergency training exercises. In support of the department's mission, these programs address issues of life, safety, and protection of infrastructure, and are necessary for effective citizen preparedness, local first response, and statewide emergency preparedness

Department Total: \$5,600,000

\$1,000,000 UGF

\$4,600,000 Fed

Vice-Chair Micciche looked at the funding for the Bethel Scout Battalion. He wondered if that was an appropriate project.

Senator Hoffman shared the funding for the Bethel Scout Battalion was a five year commitment, so there should be additional discussion on all the phases of the project. He requested further information on the project.

[10:13:04 AM](#)

Senator Dunleavy stressed that the state could not fund new programs, and pointed out that the request was for a new program.

Co-Chair MacKinnon agreed

Senator Dunleavy shared that he was not sure what newspapers the administration was reading.

Senator Olson wondered if the private donations were significant for recreation projects. Ms. Pitney replied that she did not know about the private donations for the specific project, but furthered that there were other programs that utilized private donations to attract the federal match.

Senator Bishop understood that the individual departments would present their individual projects. He shared that the goals of the Bethel Scout Battalion was a valuable project. He felt that there may be a possibility to utilize federal money to eliminate the use of GF funding.

Vice-Chair Micciche stressed that committee supported most of the programs, but each program must be strictly evaluated.

Co-Chair MacKinnon restated that it was difficult to demand that Alaskans fund state government during the expansion of programs.

[10:18:10 AM](#)

Ms. Pitney addressed slide 20, "FY2017 Capital: Natural Resources":

Project Title: Federal and Local Government Funded  
Forest Resource and Fire Program Receipts

Amount: \$1,800,000

Fund Source:

\$1,400,000 Fed 1002  
\$400,000 SDPR1108 (Other)

Prior Funding: Annual

This project provides receipt authority for federal and local government funded projects including competitive grant awards for hazardous fuels reduction, Firewise and prevention education, special forest disease surveys, forest restoration projects, biomass inventories, towns and cities targeted for community forestry projects and tree plantings, forest stewardship plans, and agreements for one time local government funded field projects.

Project Title: USGS State map Grant to Spur Mineral  
Investment and Exploration

Amount: \$600,000

Fund Source:

\$300,000 Fed 1002  
\$300,000 GF Match 1003

Prior Funding: None

This project will leverage federal funds, existing airborne geophysical surveys, on-going U.S Geological Survey (USGS) and academic geologic research on regional mineral trends, and a potential FY2016 USGS hyperspectral survey to produce 1:63 scale, 360 geologic maps, mineral deposit assessments and geochemical data in the Tok area. This will spur mineral investment and new exploration expenditures.

Ms. Pitney addressed slide 21, "FY2017 Capital: Natural Resources"

Project Title: National Recreational Trails Federal Grant Program

Amount: \$1,700,000

Fund Source:

\$1,500,000 Fed 1002  
\$200,000 GF Match 1003

Prior Funding: Annual

Alaskans rely on trails for recreation, subsistence and transportation. Trails need maintenance to ensure safe passage, and that they remain open and available for use. Funds are distributed as 80/20 matching reimbursable grants for trail and trailhead development, maintenance, and education programs for safe and responsible trail use. Grants are awarded to organizations, agencies, and local governments, resulting in trails that are safe, high-quality, have year-round access, and include motorized, non-motorized, and diversified trails.

Project Title: Abandoned Mine Lands Reclamation Federal Program

Amount: \$3,200,000

Fund Source: Federal 1002

Prior Funding: Annual

The Legislature enacted the Alaska Surface Coal Mining Control and Reclamation Act in 1983 (AS 27.21). The main purpose of the act was to promote the reclamation of areas mined before enactment of the federal Surface Mining Control and Reclamation Act of 1977. Conditions on some of these mined areas could endanger public health and safety, have environmental implications, and prevent the beneficial use of or cause damage to land and water resources.

Ms. Pitney looked at slide 22, "FY2017 Capital: Natural Resources"

Project Title: National Historic Preservation Fund

Amount: \$800,000

Fund Source:

\$650,000 Fed 1002  
\$150,000 GF Match 1003

Prior Funding: Annual

The National Historic Preservation Fund (NHPF) is a federal program to assist states with their statewide historic preservation programs. The NHPF fund is used for grants to local governments, agencies, organizations and individuals for restoration or stabilization of historic properties, and grants for survey, inventory, education, planning and training projects. Included in this capital project are cooperative historic preservation projects executed through cooperative or assistance agreements or grants with federal agencies. Cooperative historic preservation projects with federal agencies help meet mutual cultural resource management goals.

Project Title: Snowmobile Trail Development Program and Grants

Amount: \$250,000

Fund Source: Special Vehicle Registration Receipts 1195 (DGF) AS 28.39.020

Prior Funding: Annual

Snowmobiling is one of Alaska's fastest growing outdoor activities and a very important transportation resource for rural communities. There is a growing demand to develop and maintain trails and trailheads to provide for safe riding opportunities and transportation routes, and to

educate riders about safe riding practices. Funds for this program are provided by snowmobile registration fees paid by Alaskans. Funds are distributed in the form of matching grants for trail development and maintenance, trail marking and signing, safety education, and to establish legal trail easements.

Department Total: \$8,350,000

\$650,000 UGF  
\$250,000 DGF  
\$400,000 Other  
\$7,050,000 Fed

Senator Hoffman wondered if the grants were required to spend the fees. Ms. Pitney believed that the grants were directed toward trail development. She agreed to provide further information.

Ms. Pitney discusses slide 23, "FY2017 Capital: Public Safety":

Project Title: Marine Fisheries Patrol Improvements

Amount: \$1,200,000

Fund Source: Federal 1002

Prior Funding: Annual

This annual project is part of a joint enforcement agreement (JEA) with the National Marine Fisheries Service. The project is for federal fiscal year 2016 JEA. The JEA federal funding has historically been part of the capital budget since it primarily funds equipment, but it also currently funds four positions. Federally regulated marine fisheries occur on a year-round basis in the coastal and offshore waters of Alaska. Both the federal and state governments share an interest in ensuring these fisheries are protected. This project will help the department achieve its mission to ensure public safety and enforce fish and wildlife laws and protecting wildlife resources.

Project Title: Reapprop for Aircraft and Vessel  
Repair, and Deferred Maintenance

Amount: \$3,619,500

Fund Source:

2,319,500 GF 1004  
\$1,300,000 Alaska Capital Income Fund 1197  
(DGF) AS 37.05.565

Prior Funding:

FY2016 -None  
FY2015 -\$2,150.0

This project allows for the annual repair and maintenance of aircraft and vessels that must be completed in order to ensure safe operating conditions. The project also allows for maintenance and repairs on its existing aircraft hangar facilities which are in need of structural, siding, electrical, and heating repairs. These hangars are a main support hub for the state to provide many mandated and essential public safety functions, primarily in rural Alaska.

-\$2,269,500 Aircraft and Vessel Repair and  
Maintenance  
-\$1,350,000 Deferred Maintenance

Department Total: \$4,819,500

Co-Chair MacKinnon noted that there were four funded operating budget positions in the first appropriation. She stressed that the capital budget currently contained some operating budget money from the federal grant. She understood that the state had grounded an aircraft, and wondered if that aircraft had been sold. Ms. Pitney replied that the aircraft had not been sold, but it was currently in storage. There was a hope to reinstate that aircraft into the fleet.

[10:23:08 AM](#)

Co-Chair MacKinnon queried the reason for not selling the aircraft. Ms. Pitney replied that the difference was that

the retiring vessel was old, and the helicopter was fairly new to the fleet.

Co-Chair MacKinnon wondered why the proceeds from selling the aircraft would not be used to pay for the project. Ms. Pitney restated that the helicopter was fairly new, so there was a hope that there was hope to use it in the future.

Ms. Pitney displayed slide 24, "FY2017 Capital: Revenue." She shared that, with the exception of the first item, all of the remaining items were Alaska Housing Finance Corporation (AHFC) programs:

AHFC Facility Maintenance Program: \$1 million

AHFC Cold Climate Housing Research Center (CCHRC)

AHFC Rental Assistance for Victims -Empowering Choice Housing Program (ECHP)

AHFC Teacher, Health and Public Safety Professionals Housing

AHFC Senior Citizens Housing Development Program (UGF through Reapprop)

AHFC Housing and Urban Development Federal HOME Grant

AHFC Housing and Urban Development Capital Fund Program

AHFC Housing and Urban Development Capital Fund Program

AHFC Competitive Grants for Public Housing

AHFC Supplemental Housing Development Program

AHFC Weatherization Program (UGF through Reapprop)

MH: AHFC Homeless Assistance Program

MH: AHFC Beneficiary and Special Needs Housing

Department Total: \$52.2 million

10:27:44 AM

Co-Chair MacKinnon queried further detail on the \$3 million DGF for supplemental housing. Ms. Pitney replied that the funding correlated with a federal program that filtered through regional housing authorities. The supplemental amount was intended for items outside the housing units, such as providing the infrastructure for attaching the unit to a utility line.

Co-Chair MacKinnon wondered what was paid the previous year for the project. Ms. Pitney responded that the appropriation was consistently \$3 million.

Senator Hoffman requested all the requests from prior years.

Co-Chair MacKinnon shared that the departments would present the prior years' funding for the projects.

Co-Chair MacKinnon shared that the supplemental budget portion of the presentation would be rescheduled.

10:30:35 AM

Ms. Pitney discussed slide 25, "FY2017 Capital: Transportation and Public Facilities." She stated that there were six GF components. She remarked that the Airport Improvement Program; and the Surface Transportation and Statewide Federal Programs had federal matching funds. She stated that the other funds for those programs were capital receipts through the federal program. She stated that the Airport and Transportation Match for the federal funding was \$62 million. She noted the Public and Community Transportation Match of \$1 million. The State Equipment Fleet Replacement was \$24 million of other funds; and the operating funds were used to rent the equipment for the fleet.

Senator Hoffman queried the list of equipment replacement, and the year of the replacement, and their location. Ms. Pitney shared that the information was available.

Co-Chair MacKinnon shared that Senator Bishop had conducted a review, and expected a perspective on some of the issues of maintenance in the fleet.

Vice-Chair Micciche shared that he had many questions for the Department of Transportation and Public Facilities (DOT/PF). He wanted to understand the detail of all the categories.

Co-Chair MacKinnon shared that there was a plan for each department to justify their requests to the committee. She queried how the fleet was exiting the state.

[10:35:43 AM](#)

Senator Dunleavy wondered if the purchases were conducted solely by DOT/PF. Ms. Pitney replied that the projects were across the board.

Senator Dunleavy queried whether each department selected their own criteria for purchasing vehicles. Ms. Pitney responded that there was a movement on the standardizations.

Co-Chair MacKinnon wondered whether commissioners were given vehicles. Ms. Pitney responded that some commissioners were given vehicles. There were some departments with shared vehicles depending on their requirements.

Co-Chair MacKinnon asked whether an audit would be possible to see whether the vehicles were utilized. Ms. Pitney replied that the audit was a part of the standards.

Co-Chair MacKinnon wondered if the committee would like to hear more about the function and utilization of the fleet.

Vice-Chair Micciche would like to hear more information about the unmatched UGF.

[10:40:35 AM](#)

Co-Chair MacKinnon wondered if Vice-Chair Micciche was the subcommittee chairman for DOT/PF. Vice-Chair Micciche replied in the affirmative.

Senator Olson remarked that he would like to hear more about the unused helicopter in DPS.

Co-Chair MacKinnon felt that all departments should present the costs and requests for their fleet.

Ms. Pitney continued to discuss slide 25.

Vice-Chair Micciche wondered why there was not more potential for potential match in the AMHS.

Co-Chair MacKinnon remarked that she committee wanted to understand how the current fleet was utilized, and how to invest the fleet to keep it operational for Alaska.

Ms. Pitney concluded slide 25.

[10:45:15 AM](#)

Ms. Pitney highlighted slide 26, "FY2017 Capital: University of Alaska":

Project Title: Deferred Maintenance

Amount: \$10 million

Fund Source: General Fund 1004

Prior Funding: FY 16, \$3 million; FY 15, \$12 million

Ms. Pitney looked at slide 27, "FY2017 Capital: Judiciary":

Project Title: Deferred Maintenance

Amount: \$2.382 million

Fund Source: General Fund 1004

Prior Funding: FY 16, \$2.5 million; FY 15 \$2.42 million

This is an annual project to address repairs to building components that have not been sufficiently maintained and whose condition now threatens longevity of the buildings.

Project Title: Court Security Projects

Amount: \$1.351 million

Fund Source: General Fund 1004

Prior Funding: FY 14, \$1 million; FY 13 \$1.7 million

This request is for funding an on-going multi-year project to provide for physical security for the public, judges, staff, jurors, and other users in court facilities statewide.

Department Total: \$3.733 million

SB 138 was HEARD and HELD in committee for further consideration.

#sb167

SENATE BILL NO. 167

"An Act making supplemental appropriations, capital appropriations, and other appropriations; making reappropriations; amending appropriations; repealing appropriations; and providing for an effective date."

10:46:34 AM

PAT PITNEY, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR looked at slide 28. She stated that there were more children in foster care and subsidized adoption than was originally budgeted, which accounted for most of the supplemental request. She noted that the negative \$1.4 million was because of a misdating of the dividends, per the LFD recommendation to correct that error.

Senator Bishop felt that the summaries seemed smaller than in the past. He did not feel comfortable making accurate determinations based on the limited information.

Co-Chair MacKinnon restated that the state was in a difficult budget time.

Senator Dunleavy surmised that the request was approximately \$195 million. He stressed that it was an addition request for the current year's budget. Ms. Pitney agreed.

Senator Dunleavy remarked that the supplemental request would be an additional \$252 million to the current year's budget. Ms. Pitney explained that there were previous actions for the TransCanada buyout and the continuation of the pipeline, she agreed that there would be an additional \$252 million.

Co-Chair Kelly shared that the committee would have a press availability following the meeting.

Co-Chair MacKinnon discussed housekeeping.

SB 167 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[10:50:36 AM](#)

The meeting was adjourned at 10:50 a.m.