

SENATE FINANCE COMMITTEE  
February 19, 2018  
9:02 a.m.

9:02:07 AM

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Anna MacKinnon, Co-Chair  
Senator Click Bishop, Vice-Chair  
Senator Peter Micciche  
Senator Donny Olson  
Senator Gary Stevens  
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Pat Pitney, Director, Office of Management and Budget, Office of the Governor; Neil Steininger, Chief Budget Analyst, Office of Management and Budget; Shawnda O'Brien, Assistant Commissioner, Finance and Management Services, Department of Health and Social Services.

PRESENT VIA TELECONFERENCE

Andy Mack, Commissioner, Department of Natural Resources, Anchorage.

SUMMARY

SB 142      APPROP: CAPITAL BUDGET

SB 142 was HEARD and HELD in committee for further consideration.

SB 144      APPROP: OPERATING BUDGET/LOANS/FUNDS

SB 144 was HEARD and HELD in committee for further consideration.

SB 168 APPROP: SUPPLEMENTAL OP.; FUND; AMENDING

SB 168 was HEARD and HELD in committee for further consideration.

#sb142

#sb144

#sb168

SENATE BILL NO. 142

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

SENATE BILL NO. 144

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making supplemental appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

SENATE BILL NO. 168

"An Act making supplemental appropriations and other appropriations; making an appropriation to capitalize a fund; amending appropriations; and providing for an effective date."

[9:03:29 AM](#)

PAT PITNEY, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, introduced herself.

[9:03:47 AM](#)

NEIL STEININGER, CHIEF BUDGET ANALYST, OFFICE OF MANAGEMENT AND BUDGET, discussed the "FY 2019 Governor Amended Summary" (copy on file). He relayed that amendments totaled

\$2.6 million in undesignated general funds (UGF); \$250 thousand in designated general funds (DGF); and \$2.3 million in federal funds. He said that fund transfers represented the deposit of various funds back into the general fund (GF) and was a negative number. He stated that there was \$10 million UGF, and \$14.2 million in federal funds in the Capital Budget request, which would be discussed in detail further in the meeting.

[9:04:59 AM](#)

Ms. Pitney directed committee attention to the spreadsheet, "FY2019 Amendments to HB 286 / SB 144 / HB 284 / SB 142 / HB 321 / SB 168."

[9:05:20 AM](#)

AT EASE

[9:05:45 AM](#)

RECONVENED

[9:06:11 AM](#)

Mr. Steininger looked at Line 2 of the spreadsheet.

**UGF:** (\$7,014.0)

**Department:** Health and Social Services

**Component:** Health Care Medicaid Services

**Description:** **CHIP Reauthorization** The United States Congress re-authorized the Children's Health Insurance Program (CHIP) and the reauthorization was signed into law on January 25, 2018. CHIP reauthorization maintains the 88% enhanced federal match rate through federal fiscal year 2019, starting in federal fiscal year 2020 the enhance match rate will be stepped down over two years until it reaches 65% in federal fiscal year 2021.

Mr. Steininger shared that as of December 2017, the federal government had not reauthorized the Children's Health Insurance Program. A supplemental request had been included for the cost difference in anticipated loss of federal revenue. The program had been subsequently reauthorized, which reduced the need for UGF for the program. The federal match was built into the FY 18 budget request.

[9:07:18 AM](#)

Mr. Steininger looked at Lines 5 and 6, which were reappropriations from the remaining balance from the Susitna-Watana project. The first was \$960 thousand for Newtok-Mertarvik Community Development to assist in relocation efforts and march to Denali Commission funding. He said that Line 6 reflected the estimated \$899,711 for enhanced rural safety. Both were FY 2018 Capital Supplemental Amendments.

[9:07:55 AM](#)

Mr. Steininger highlighted Line 10. Lines 10 through 16 reflected FY 2019 Operating Budget amendments. Line 10 was a technical correction to align the fund source for the Office of Information Technology.

[9:08:28 AM](#)

Mr. Steininger discussed Line 11:

**UGF:** \$97.8

**Department:** Education and Early Development

**Component:** Student and School Achievement

**Description: Additional Support for Data Collection, Analysis, and Reporting** The one new Research Analyst I/II/III flex (Range 13/16/18) position will serve as a liaison to school districts by providing technical assistance and support for the additional data that will be collected. In addition, this position will provide more longitudinal and comparability data analysis using existing and new datasets. This position will work across divisions within the department and increase the reporting capacity of the data management team.

[9:09:15 AM](#)

Mr. Steininger highlighted Line 12:

**DGF:** \$250.0

**Department:** Education and Early Development

**Component:** MEHS Facilities Maintenance

**Description: Add General Fund Program Receipt Authorization for the Mt. Edgecumbe Aquatic Center** In order for the state to accept entrance fees, and other event fees, at the new Mt. Edgecumbe High School (MEHS) Aquatic Center, general fund program receipt

(GF/PR) authorization must be added to the MEHS Facility Maintenance budget structure.

[9:09:40 AM](#)

Mr. Steininger addressed Line 13:

**UGF:** \$111.0

**Federal Funds:** \$47.6

**Department:** Health and Social Services

**Component:** Children's Services Management

**Description:** **Establish Children's Services Safety Officer** The primary duties of the Safety Officer would include safety policy development, workplace inspections, accident investigations, training and coaching, regulatory compliance, safety data management and reporting, and workspace modification.

Co-Chair Hoffman asked where the position would be located and whether additional travel funds would be requested.

Ms. Pitney deferred to Ms. O'Brien.

[9:11:18 AM](#)

SHAWNDA O'BRIEN, ASSISTANT COMMISSIONER, FINANCE AND MANAGEMENT SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, relayed that the position would be located in the state office; significant travel expenses were not anticipated for the position. He believed that training for the program could be worked online.

[9:11:43 AM](#)

Co-Chair Hoffman wondered whether the 52 districts in the state all had requested the increased safety coordination.

Ms. O'Brien responded that the position had been created as the result of several discoveries made by the division. The division was in receipt of several penalties, in addition to a lawsuit, resulting from the assault of a former employee.

[9:12:29 AM](#)

Co-Chair MacKinnon asked whether the position would be based in Juneau.

Ms. O'Brien believed that the position would be located in Juneau or Anchorage. The exact location was undecided.

[9:12:59 AM](#)

Senator Stevens clarified that the position was being created for the safety of employees.

Ms. O'Brien replied in the affirmative.

[9:13:35 AM](#)

Mr. Steininger addressed Line 14:

**UGF:** \$129.0

**Federal Funds:** \$72.0

**Department:** Health and Social Services

**Component:** Front Line Social Workers

**Description: Security Guards for Kenai and Fairbanks**

Recent threats and incidents has led to a growing concern for workers safety. Security guards will be used to prevent crime, maintain security, assist clients and employees, and lead safety meetings and drills.

[9:14:09 AM](#)

Mr. Steininger looked at Line 15:

**UGF:** \$2,214.3

**Federal Funds:** \$2,214.4

**Department:** Health and Social Services

**Component:** Public Assistance Field Services

**Description: New Positions to Address Increased**

**Caseloads** During FY2013 the average monthly caseload for an eligibility technician was 569 while FY2017 is estimated at 676. This is an increase of 18.80 percent. 41 additional positions would allow the division to reduce the average monthly caseload per technician and address the growing backlog.

[9:14:41 AM](#)

Mr. Steininger highlighted Line 16:

**UGF:** \$100.0

**Federal Funds:** \$100.0

**Department:** Natural Resources

**Component:** Project Management and Permitting

**Description:** **Alaska Geospatial Council** The Alaska Geospatial Council has been funded by a capital project that will exhaust all funds by March 2019. This allows the council and its services to continue through the end of FY2019.

[9:15:20 AM](#)

Ms. Pitney added that the item was an ongoing operation to coordinate state agencies and federal agencies on the mapping priorities for the state. It was anticipated that the function would be ongoing but needed to be examined for efficiency. She said that it should be built into the FY 2020 Operating Budget at the \$400,000 range.

[9:16:07 AM](#)

Mr. Steininger looked at Line 17, the Funding Summary - Operating Numbers Amendments. He relayed that the total of the operating amendments to the FY 19 budget was \$2.6 million UGF, \$250.0 DGF, and \$2.3 million in federal receipts.

[9:16:27 AM](#)

Co-Chair MacKinnon queried the number of new positions requested in the Supplemental Budget.

Ms. Pitney replied that there were 42 positions.

[9:16:43 AM](#)

Co-Chair MacKinnon thought that there were 44 positions.

Ms. Pitney replied that the security guard positions were contract jobs and not positions. She said that the Safety Officer and the position to address increased caseloads were actual positions.

[9:17:06 AM](#)

Co-Chair MacKinnon referred to Line 15. She wondered whether expediting eligibility would increase matching costs for the state.

Ms. Pitney replied that the cost was indeterminate. She said that currently people were waiting months to become eligible for food stamps. She said that the line item would address the backlog for those Alaskans in need of services.

[9:18:13 AM](#)

Co-Chair MacKinnon thought that it was difficult to hear requests for new positions while the state faced significant financial challenges. She asked whether the positions had been filled.

Ms. Pitney replied in the negative

[9:18:39 AM](#)

Co-Chair Hoffman wondered how long it would take for the division to address the backlog and whether the positions would be necessary once the backlog was reconciled.

Ms. Pitney believed that the current backlog would take 3 to 5 years to completely address. She added that the impact of the recession had increased applications and it was possible that if the recession eased there could be fewer applicants.

[9:19:48 AM](#)

Co-Chair MacKinnon recalled a similar request to address the backlog in the previous year or the year before that had led to a double digit increase in positions. She lamented that the Department of Health and Social Services had not been able to control spending, and she found that unfortunate.

[9:20:18 AM](#)

Senator Micciche asked whether the request had been made before the memorandum of understanding (MOU) had been signed with certain entities to begin handling their own Office of Children's Services (OCS) responsibilities. He wondered whether all of the positions were necessary.

Ms. Pitney responded that the request had been made in approximately the same timeframe as the signing of the MOU. She said that the request took into account the anticipated effort to be able to coordinate with those entities.

[9:21:13 AM](#)

Senator Micciche thought that the increase was related to OCS, and not Public Assistance field services. He understood that this was a new request.

Ms. Pitney said yes. She explained that the OCS request was 31 positions but that the funding that was provided had not covered the 31 positions, which was why they were in the December budget request. She stated that the positions included eligibility technicians that addressed senior benefits, food stamps, Medicaid, heating assistance, and other public assistance programs.

[9:22:27 AM](#)

Senator von Imhof asked whether an analysis had been done about what the downstream affects will be on the state budget once the backlog was reconciled.

Ms. Pitney reiterated that the number was indeterminate.

[9:23:41 AM](#)

Senator von Imhof asked whether there was a way to outsource the work to a private contractor.

Ms. Pitney replied that the department had looked into contract work but was currently updating its technology, once the technological updates were complete the administration intended to explore outsourcing options.

[9:24:42 AM](#)

Co-Chair MacKinnon spoke of the MOU with Tribal Health.

Senator Micciche said that the state had a signed MOU with tribal organizations in the state to localize the handling of a portion of the OCS cases.

[9:25:30 AM](#)

Co-Chair MacKinnon relayed that the state had shared services with smaller communities in the state that had taken over healthcare responsibilities, but when those communities could not get increased for the state government they had relinquished responsibility to the

state. She asserted these same individuals had been rehired at a higher rate as the state took on the healthcare cost. She asked whether any of the 41 positions had a similar history. She asked whether the department was supporting the MOUs that were being signed with state workers.

Ms. Pitney responded that the 41 positions were not currently eligibility technicians in any organization.

[9:26:34 AM](#)

Co-Chair MacKinnon restated her question.

Ms. Pitney deferred to Ms. O'Brien.

[9:27:14 AM](#)

Ms. O'Brien restated her understanding of the question.

[9:27:27 AM](#)

Co-Chair MacKinnon clarified her question.

Ms. O'Brien explained that the compact agreement with OCS was with certain tribal organizations and Tribes to take on certain aspects of work from OCS. She said that the state was not intending to backfill any of the costs but was intending to offset state dollar costs with the support that would be received from the tribes. She said that the positions for public assistance was not going to be outsourced; the type of work that the positions accomplished required that they remain state employees as federal regulation prohibited the state from outsourcing or using other entities to do this particular work.

[9:29:26 AM](#)

Co-Chair Hoffman asked whether there was an estimation of how many people were backlogged, which category they fell into, and where they resided in the state.

Ms. O'Brien replied that there were approximately 15 thousand application in the backlog, the majority of those were for Medicaid. She said that exact numbers could be provided to the committee.

[9:29:54 AM](#)

Co-Chair Hoffman asked whether applicant locations could be given as well.

Ms. O'Brien thought that the data could be compiled for the committee.

[9:30:11 AM](#)

Senator Olson said that he had received calls from elderly constituents that had not received their food stamps in a timely manner. He wondered whether once a person was eligible if benefits could be applied retroactively.

Ms. O'Brien replied that Medicaid applications were retroactive from the date of application, before the date of application in some cases. She was not sure if food stamp applications could be applied retroactively.

[9:31:26 AM](#)

Senator Olson thought that because of the retroactivity, there was no additional significant cost but there was faster service.

Ms. O'Brien said that instances where applications were worked because of emergent need or because a call was received that raised concern, the application could be processed faster. She said that the other work that existed would then be put off for another day and that it was a constant shuffle of priorities from moment to moment. She relayed that the number of vacancies that the division currently had was 73, which was significant in a workforce that was only several hundred people, approximately one-third. She shared the 144 positions had turned over in the past year. She stated that the average length of vacancy was approximately 5 months. She concluded that there were workforce challenges in addition to addressing crisis public assistance needs.

[9:33:00 AM](#)

Co-Chair Hoffman queried the number of employees that were processing the applications. He wondered how the size of the backlog was able to grow to 15,000 people.

Ms. O'Brien replied that there were currently 260 positions that processed eligibility paperwork, with additional

support staff. She shared that the backlog was due to a number of factors; the increase in the number applications (11,000 received monthly), recertification for existing eligible persons, and the technological change over that was underway. She stressed that the volume of applications and the federally facilitated marketplace added to the backlog.

[9:34:56 AM](#)

Vice-Chair Bishop queried the additional cost to the state of the backlog and not hitting targets in a timely fashion.

Ms. O'Brien replied that the department did not had the staff support to research the issue.

[9:36:34 AM](#)

Vice-Chair Bishop thought that a cost benefit analysis would be helpful.

[9:36:59 AM](#)

Senator von Imhof thought that an analysis of a departmentwide impact on the state budget would be possible if it were made a priority. She believed this would help to predict what the department's monetary needs were going to be in the future. She asked what the department had planned in order to meet the state obligation cashflow for the next few years.

Ms. O'Brien clarified that she had been speaking to the Division of Public Assistance, specifically. She stated that the department employed analysts to analyze the budget and the effects of the programs that it administered and managed. She related that this work was constantly underway and efficiencies were regularly being sought.

[9:39:24 AM](#)

Senator von Imhof queried the department's plan to meet the increase in applications for public assistance.

Ms. O'Brien responded that the plan to meet the increase for the overall department was to contain the costs that it had control over. She said that the cost drivers that had been discussed in recent hearings were things that the

department had not been able to control. The increase to Medicaid services was due to the number of people receiving benefits under that program, which was out of the hands of the department.

[9:40:22 AM](#)

Senator von Imhof surmised that requesting new revenue for the expansion of Medicaid numbers was cost containment and the department had no ideas for new revenue at this point other than searching for new federal fund or changing Medicaid eligibility standards.

Ms. O'Brien responded that the Medicaid expansion revenues for the state were largely federal. Many of the department's programs were established nationwide and the funds for some of those programs (food stamps, for example) were 100 percent federally funded and were not a part of the department's budget. She said that to the extent that program authority could be increased, the department was researching areas where people could pay for services provided. She said that the department was at its limit for fund sources, with the exception of increased federal claiming potential.

[9:41:43 AM](#)

Co-Chair Hoffman asked how much of a priority to the department was addressing eligibility requirements for Medicaid.

Ms. O'Brien said that the conversation was new. She assured that committee that the discussion was underway about how changes would be made and how they would impact the state.

[9:42:32 AM](#)

Co-Chair Hoffman asked whether the department would compare Alaska's requirements to those of other states.

Ms. O'Brien replied in the affirmative. She said that the department regularly looked at how services were being provided in other states.

[9:43:07 AM](#)

Senator Micciche spoke to the Public Assistance Field Service position. He asked whether the position shared any responsibilities for processing Medicaid application or providing Medicaid services.

Ms. O'Brien replied that the positions requested in public assistance were the positions that determined eligibility for Medicaid services, food stamps, senior benefits, heating assistance, general relief, and adult public assistance.

[9:43:47 AM](#)

Senator Micciche thought that the 31 categories for eligibility needed to be evaluated. He said that the Legislature determined eligibility; the department delivered the services.

[9:45:46 AM](#)

Co-Chair MacKinnon understood that the department had a significant vacancy factor.

Ms. O'Brien said that the actual vacancies in the division were significant.

[9:47:40 AM](#)

Co-Chair MacKinnon wondered why the department was not looking to fill the vacant positions before asking for 41 additional positions.

Ms. O'Brien related that the recruitment efforts for the department were continually underway. She said that retention was a challenge because people promoted out of positions. She said that the infusion of the new positions would allow for more positions to be filled at a given period in time. Currently, one-third of the eligibility technician positions were vacant.

[9:48:23 AM](#)

Co-Chair MacKinnon questioned that reasoning. She felt that from a financial perspective all positions should be full before a request was made for more. She understood that 260 positions were managing 11,000 new eligibility requests per month. She surmised that the increase in total caseload

would be 240,000 for FY 19, which resulted in a large number of cases per position.

Ms. O'Brien agreed.

[9:49:14 AM](#)

Co-Chair MacKinnon understood that each position would handle approximately 42 cases.

Ms. O'Brien pointed out to the committee that ongoing casework was another body of work that was taking place on a regular basis.

[9:49:21 AM](#)

Co-Chair MacKinnon asked whether the ongoing work was included in the 11,000 number of caseloads.

Ms. O'Brien replied that the ongoing work was in addition to processing applications for eligibility.

[9:50:07 AM](#)

Co-Chair MacKinnon spoke of the processing of Indian Health System (IHS) clients. She asked whether those applicants had to be recertified in the process.

Ms. O'Brien clarified that Co-Chair MacKinnon was talking about Medicaid recipients that were covered under IHS.

[9:51:00 AM](#)

Co-Chair MacKinnon said yes. She added that those recipients had been migrated into the state system, which had created available dollars to spend through IHS. She wondered whether the migration was contributing to the backlog.

Ms. O'Brien did not believe that the IHS recipients were different from other recipients; if IHS recipients applied for services then they were included in the Medicaid application process. She said that the department was not serving IHS recipients outside of the Medicaid process. She said that the increase in application was not attributable to IHS recipients.

[9:51:58 AM](#)

Co-Chair Hoffman interjected that IHS recipients were considered Alaskan citizens and were entitled to all rights and benefits allotted to residents. He thought that recipients classified under IHS were reducing state expenditures because of the 100 percent federal recovery waivers.

[9:53:00 AM](#)

Co-Chair MacKinnon agreed with Co-Chair Hoffman's statements but still wondered whether some of the need for the new positions was being driven by the migration.

[9:53:54 AM](#)

Ms. Pitney stated that the next category of items on the spreadsheet addressed "fund clean-up."

[9:54:05 AM](#)

Mr. Steininger discussed lines 19 through 24, which were clean-ups of dormant funds that had not been used for a period of time. He said that the total amount of authority that would be deposited back into the General Fund was approximately \$6.4 million. He spoke to Line 19:

**UGF:** (\$200.9)  
**Federal Funds:** (\$200.9)  
**Department:** Fund Transfers  
**Component:** Mining Revolving Loan Fund  
**Description:** **FY2019 Transfer Balance of the Mining Loan Fund** No new loans have been made from the mining loan fund since 1986 and no appropriations have been made from the fund since FY2004. As such, the balance of this fund is available to be transferred to the general fund.

Mr. Steininger discussed Line 20:

**UGF:** (\$2,755.4)  
**Federal Funds:** (\$2,755.4)  
**Department:** Fund Transfers  
**Component:** Alternative Energy Conservation  
**Description:** **FY2019 Transfer Balance of the Alternative Energy Conservation Revolving Loan Fund** No

new loans are being made from the alternative energy conservation revolving loan fund and no appropriations have been made from the fund since FY2004. As such, the balance of this fund is available to be transferred to the general fund.

Mr. Steininger continued to Line 21:

**Department:** Fund Transfers  
**Component:** Misc. General Fund Transfers  
**Description:** **FY2019 Transfer Balance of the Investment Loss Trust Fund (Shows as Revenue)** The balance of the investment loss trust fund (AS 27.09.010) as of June 30, 2019, estimated to be \$2,298,862, is appropriated to the general fund.

[9:55:23 AM](#)

Ms. Pitney interjected that the line was the amount of revenue available in the fund that was not required in the fund for the purpose of the fund.

[9:56:00 AM](#)

Mr. Steininger highlighted Line 22:

**Department:** Fund Transfers  
**Component:** Misc. General Fund Transfers  
**Description:** **FY2019 Transfer Investment Earnings on Bond Proceeds of the Northern Tobacco Securitization Corp (Shows as Revenue)** The amount of investment earnings on the bond proceeds of the Northern Tobacco Securitization Corporation as of June 30, 2019, estimated to be \$231,773, is appropriated to the general fund.

Mr. Steininger continued to Lines 23 and 24:

**Department:** Fund Transfers  
**Component:** Misc. General Fund Transfers  
**Description:** **FY2019 Transfer Balance of The Municipal Capital Project Matching Grant Fund (Shows as Revenue)** The balance of the Municipal Capital Project Matching Grant Fund (AS 37.06.010) as of June 30, 2019, estimated to be \$253,500, is appropriated to the general fund.

**Department:** Fund Transfers  
**Component:** Misc. General Fund Transfers  
**Description:** **FY2019 Transfer Balance of The Unincorporated Community Capital Project Matching Grant Fund (Shows as Revenue)** The balance of the Unincorporated Community Capital Project Matching Grant Fund (AS 37.06.020) as of June 30, 2019, estimated to be \$646,200, is appropriated to the general fund.

[9:57:01 AM](#)

Ms. Pitney added that the funds could be closed out when the balances were taken out and would no longer be reflected on the books.

[9:57:12 AM](#)

Mr. Steininger continued to Pages 3 through 6, which contained the amendments to the Capital Budget.

[9:57:27 AM](#)

Senator Micciche wondered where the resulting funds would be allocated.

Mr. Steininger replied that the fill \$6.4 million would be deposited into the General Fund.

[9:58:40 AM](#)

Ms. Pitney furthered that the Lines 19 and 20 showed up as a negative expenditure in the budgeting system. Lines 21 through 24 counted a positive revenue.

[9:59:06 AM](#)

Senator Micciche hoped to understand better how the funds were accounted for in the revenue outlook.

[9:59:08 AM](#)

Co-Chair Hoffman explained that funds from one account were transferred into another.

[9:59:11 AM](#)

Co-Chair MacKinnon looked at Line 22. She wondered why those funds were not applied toward the bond debt that the state owed, rather than to the General Fund.

Ms. Pitney said that a certain amount was already applied to the bonds. The amount on the line reflected the amount in excess. She said that the legislature could choose to use the excess against the bond debt.

[10:00:07 AM](#)

Co-Chair MacKinnon suggested that the legislature make the choice to use the excess toward the bond debt. Her projections had revealed that the money was going to run out before the debt was repaid.

[10:00:26 AM](#)

Mr. Steininger looked at Line 28:

**Federal Funds:** \$4,000.0  
**Department:** Environmental Conservation  
**Component:** Appropriation  
**Description:** **Fairbanks PM2.5 Nonattainment Area Voluntary Heating Device Change Out Program** This project continues a voluntary heating device change-out program for residents in the Fairbanks North Star Borough's fine particulate matter (PM2.5) serious nonattainment area. The program is aimed at minimizing particulate matter emissions and improving air quality in the Borough. The Borough has the highest recorded levels of PM2.5 in the nation. Federal grant funds have been applied for from EPA through the Targeted Air Shed Program.

[10:01:02 AM](#)

Mr. Steininger looked at Line 29:

**UGF:** \$10,000.0  
**Federal Funds:** \$10,000.0  
**Department:** Natural Resources  
**Component:** Appropriation  
**Description:** **Seismic Data Collection** Recent federal government actions opened the 1002 area of the Arctic National Wildlife Refuge (ANWR) to oil and gas leasing, exploration and development. Availability of

seismic data will improve interest in exploring for oil and gas within the 1002 area. This funding allows the state to work with other interested parties to provide seismic data which will enhance state revenue from lease sales and decrease time to drilling and production.

[10:01:32 AM](#)

Senator von Imhof understood that the state would sell the data to potential investors.

Ms. Pitney agreed.

[10:02:03 AM](#)

Senator von Imhof queried the amount of interest for investors in ANWAR. She wondered whether the state could wait and see if there were interested investors that would be willing to take on the risk of gathering the data on their own.

Ms. Pitney stated that \$10 million would not go very far in for seismic data collection; the state would partner with other entities to fund the gathering of seismic data. She said that 50 percent of the revenue from the leasing and royalty went to the state. She said that if there were additional interest, which it was believed that the seismic data information could provide, more people would be interested in the lease sale.

[10:03:36 AM](#)

Senator von Imhof agreed that putting money into an investment that could yield future revenue was a good idea; however, she was concerned about prioritization of spending across all state departments. She queried the spending priorities of the administration.

Ms. Pitney responded that there were spending priorities to meet current needs and priorities to position the state for a positive fiscal future. She believed that the \$10 million would position the state for a more positive fiscal future.

[10:04:50 AM](#)

Co-Chair MacKinnon asked whether the state would partner in shooting for seismic data or would buy someone else's data.

Ms. Pitney replied that the interest was twofold; one, to have experts to analyze currently available information and two, to gather data to increase interest in lease sales.

[10:05:51 AM](#)

Co-Chair MacKinnon requested to direct a question to Andy Mack from the Department of Natural Resources.

Co-Chair Hoffman replied in the affirmative.

[10:06:03 AM](#)

Co-Chair MacKinnon recalled that the state owed tax credits for seismic data that had already been completed. She wondered whether the state was paying for the data that the tax credits were being applied to.

[10:06:40 AM](#)

ANDY MACK, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, ANCHORAGE (via teleconference), replied that the existing program where tax credits were paid for data would not be a part of the proposal on Line 29. He said that there was a schedule to pay back existing tax credits, but this was a new proposal to partner with entities interested in shooting data. He shared that it was estimated that \$2.2 million in bonus bids could be generated by the first two lease sales, half of the proceeds from those sales would go to the state. He said that the department had learned through the tax credit program how valuable and interesting the information is to people. He said that many people visited the Geological Materials Center and that the existing tax credit data was at the center. He believed that this would be a powerful tool for generating the interest necessary for the proposed lease sale.

[10:08:48 AM](#)

Co-Chair MacKinnon hoped that the state would not be offering tax credits for seismic data that it was funding.

Commissioner Mack assured the committee that this would not happen.

[10:08:53 AM](#)

Senator von Imhof understood that there was \$1 billion to \$2 billion in lease revenue expected from the release of the seismic data.

Commissioner Mack replied that this was his understanding.

[10:10:26 AM](#)

Senator von Imhof understood that the first lease sale could generate \$1 billion to \$2 billion for the state, which could come with or without the \$10 million investment in seismic data.

Commissioner Mack believed that the impact of the initial seismic data as hard to gage, much of the end result would be driven by opportunity and price. He said that every company would examine the lease sale, the terms, and the opportunity. He said that the department felt strongly that the seismic data would be useful and important for promoting the 1002 area in ANWAR.

[10:12:59 AM](#)

Vice-Chair Bishop lamented that the state had been trying to develop ANWAR for 40 years. He thought that money had already been spent to lobby congress to develop ANWAR. He wondered whether \$10 million would be enough money to be successful in developing ANWAR. He thought that good data could help in moving the possibility of development forward.

[10:14:34 AM](#)

Commissioner Mack agreed that it was a "one-shot" deal. He believed that a majority of the area would be leased in the first lease sale.

[10:15:01 AM](#)

Senator Micciche said that investing in an analysis that favored one area over another could result in discounting viable acreage. He thought that developers would take risks if they believed that all areas had potential. He felt that the state owned a substantial amount of data for other areas that had not been analyzed. He asserted that advanced

seismic data could support efforts in the ANWAR area but could also narrow the scope of available leases.

[10:16:39 AM](#)

Ms. Pitney highlighted Line 30:

**Federal Funds:** \$10,233.4

Department: Commerce, Community, and Economic Development

**Component:** Appropriation

**Description: National Petroleum Reserve - Alaska Impact Grant Program** This request amends the original Governor's FY2019 capital budget request by adding \$10,233,376 for a new requested total of \$11,611,722. This change is due to updated revenue estimates for FY2019, which results in FY2019 National Petroleum Reserve - Alaska (NPR-A) recommended awards to communities being higher than the estimate provided in the original Governor's FY2019 capital request. The 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.

Co-Chair Hoffman requested a list of affected communities.

[10:17:45 AM](#)

Co-Chair MacKinnon looked at Lines 38 and 42. She said that she saw a 25 percent administrative cost and wondered whether the same cost applied to all of the grants that were being provided.

Ms. Pitney agreed to provide the information about rules that applied to grants to the committee.

[10:18:26 AM](#)

Co-Chair MacKinnon asked whether the grants had ever been audited.

Ms. Pitney agreed to provide the information to the committee.

[10:18:42 AM](#)

Ms. Pitney concluded her presentation.

[10:18:56 AM](#)

Senator Stevens looked at Line 5, and requested information on the population of Newtok, the amount of housing needed, and whether people were willing to move to the new community. He wanted to know the age of the barracks and whether it made sense to refurbish rather than build new.

Ms. Pitney agreed to provide the information.

[10:19:54 AM](#)

Co-Chair Hoffman discussed housekeeping.

SB 142 was HEARD and HELD in committee for further consideration.

SB 144 was HEARD and HELD in committee for further consideration.

SB 168 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[10:20:22 AM](#)

The meeting was adjourned at 10:20 a.m.