

SENATE FINANCE COMMITTEE
March 14, 2019
9:03 a.m.

9:03:37 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:03 a.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Peter Micciche
Senator Donny Olson
Senator Mike Shower
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

Senator Lyman Hoffman

ALSO PRESENT

David Teal, Director, Legislative Finance Division; Lacey Sanders, Budget Director, Office of Management and Budget; Pete Ecklund, Staff, Senator Bert Stedman; Senator Cathy Giessel.

PRESENT VIA TELECONFERENCE

Bryan Fisher, Emergency Program Manager, Department of Military and Veterans Affairs, Anchorage.

SUMMARY

SB 20 APPROP: OPERATING BUDGET/LOANS/FUNDS

SB 20 was HEARD and HELD in committee for further consideration.

SB 38 APPROP: SUPP; CAP; DISASTER RELIEF

SB 38 was HEARD and HELD in committee for further consideration.

#sb20

SENATE BILL NO. 20

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending 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."

Co-Chair Stedman discussed housekeeping.

[9:05:25 AM](#)

Co-Chair von Imhof MOVED to ADOPT the committee substitute for SB 20, Work Draft 31-GS1905\S (Bruce, 3/11/19).

Co-Chair Stedman OBJECTED for discussion.

[9:06:01 AM](#)

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, explained the committee substitute. He stated that it was designed to simplify the amendment process by incorporating all the superficial changes to the bill before that process began. He noted that the Office of Management and Budget (OMB) had reviewed the changes to the document and had agreed that the cs retained the original intent of the governor's proposal and that the transactions were identical to version M. He noted that there was a document on the internet that showed the significant language differences between versions M and S.

[9:07:45 AM](#)

Co-Chair Stedman stated that the committee substitute be amending version S and then would craft the committee version of the bill in several weeks.

[9:08:12 AM](#)

Co-Chair Stedman REMOVED the OBJECTION. There being NO OBJECTION, it was so ordered.

SB 20 was HEARD and HELD in committee for further consideration.

[9:08:34 AM](#)

AT EASE

[9:10:10 AM](#)

RECONVENED

#sb38

SENATE BILL NO. 38

"An Act making supplemental appropriations for fire suppression activities and restoration projects relating to earthquake disaster relief; capitalizing funds; and providing for an effective date."

[9:10:59 AM](#)

LACEY SANDERS, BUDGET DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, discussed the presentation, "38 38 - Disaster Relief Supplemental Overview" (copy on file).

[9:11:17 AM](#)

Ms. Sanders looked at Slide 3, "FY2019 Disaster Supplemental Bill":

- 2018 Cook Inlet Earthquake
 - Disaster Relief Fund Capitalization
 - Federal Highway Administration Funding
 - State Facilities Costs Not Covered by Insurance
- FY2019 Fire Suppression Activity

She stressed the urgency of moving the bill forward quickly. The bill requested a total of general and federal funds of \$139,304.0; \$37,301.7 in general funds, \$102,002.3 in federal funds.

[9:12:44 AM](#)

Ms. Sanders highlighted Slide 4, "Disaster Supplemental Historical Comparison." The slide offered a historical

summary of disaster supplemental appropriations from FY14 to FY 19, in general fund and federal funds.

[9:13:12 AM](#)

Ms. Sanders addressed Slide 5, "Disaster Relief FY 2019 Supplemental Request (\$ Thousands)." She listed the requests:

DNR

Fire Suppression Activity (Language)
\$7,900.0 UGF

DOT&PF

Earthquake Response, Repair and Rebuild Multi-Year FY19-FY20 - \$65 million estimate with \$6.5 million match requirement - FHWA (Language)
\$6,500.0 UGF
\$65,000.0 FED

DOT&PF

Earthquake Response, Repair and Rebuild for State Facilities (Language)
\$1,000.0 UGF

Fund Cap

Capitalization of the Disaster Relief Fund (Language)
\$21,901.7 UGF
\$46,002.3 FED

Ms. Sanders that the Alaska Department of Military and Veteran's Affairs (DMVA), which manages the fund, had provided OMB information that reduced the fund cap request to \$12.2 million; however, OMB wanted to move forward with the \$21 million request and use the \$9 million for response to future disasters.

[9:15:56 AM](#)

Co-Chair von Imhof noted the extra \$9 million for fund capitalization and queried the regularity of forward funding for future disasters.

[9:16:17 AM](#)

Ms. Sanders replied that there was not a typical request level. She understood that in FY19, the legislature had

deposited an additional \$10 million into the fund to raise the fund balance to a sustainable amount. She said that amounts in prior years had been low. The extra \$9 million would allow the department to respond to now unknown emergency needs throughout the state.

[9:17:43 AM](#)

Senator Shower asked what happened to the money if it was not used by the end of the fiscal year.

[9:17:45 AM](#)

Ms. Sanders replied that it would stay in the fund until it was utilized for a specific disaster.

Senator Shower asked whether extra funds rolled over from year to year.

Ms. Sanders replied in the affirmative.

[9:18:04 AM](#)

Co-Chair Stedman asked whether the fund was sweepable.

[9:18:07 AM](#)

Ms. Sanders replied no.

[9:18:17 AM](#)

Senator Bishop thought that much of the work that would need to be done would not be seen until after the spring thaw. He wondered whether contingencies had been built in to avoid another disaster supplemental in FY21.

[9:19:06 AM](#)

Ms. Sanders understood that the request from DOT&PF considered what would be needed for roads as the spring thaw occurred. She added that there could be an additional request in FY20. She stated that DMVA was working on what those additional costs could be and would provide OMB with the information.

[9:19:55 AM](#)

Co-Chair Stedman explained that this fast-track supplemental budget had an earlier effective date. The committee still needed to work on the FY Supplemental Budget and could use that as a vehicle to provide extra funds after the spring that.

[9:20:38 AM](#)

Senator Micciche understood that approximately \$140 million of the \$148 million of the fund was dedicated toward response and the capitalization of the fund. He wondered about the total of the \$140 million of fund that would be spent on the earthquake response.

Ms. Sanders asked whether he was referring specifically to the Disaster Relief Fund.

Senator Micciche clarified that there was a request to capitalize on the fund; additionally, there was the request for earthquake response. He assumed that OMB assumed that part of the Disaster Relief Funds would be spend in the response.

[9:21:19 AM](#)

Ms. Sanders replied that the maximum number that she had received that applied to the Disaster Relief Fund was \$60 million in total state cost. She said that the cost was dependent on what would be covered by the federal government. She reiterated the DMVA was working through the analysis to determine what the additional need could be. She noted that there was existing funding in the fund that had been obligated. She repeated that the ask was for \$12 million, with an additional \$9.7 that could be utilized toward the Cook Inlet earthquake if needed. There was an anticipation that there may be the need for more general funds to be deposited into the fund, but that it had not been determined what that need would be.

[9:22:25 AM](#)

Co-Chair von Imhof expressed concern about the possibility that millions of dollars more could be requested. She queried the evaluation process being used to approach repairing buildings damaged by the earthquake.

[9:23:27 AM](#)

Ms. Sanders referred the question to Bryan Fisher from DMVA.

[9:23:55 AM](#)

BRYAN FISHER, EMERGENCY PROGRAM MANAGER, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, ANCHORAGE, (via teleconference), related that schools affected by the earthquake in Eagle River and Anchorage were going to be repaired in-place. He said that cost analysis had been done about whether to shutter or repair them and that the analysis had shown that repairs to the standing buildings would be most cost effective. He said that the department and the school district would work with the Federal Emergency Management Agency (FEMA) to determine the most reasonable and cost-effective method going forward.

[9:25:50 AM](#)

Co-Chair von Imhof thought that the most cost-effective thing to do would be to consolidate schools and capture excess capacity, and not to repair the two schools. She thought that a list of the roads that were going to be repaired with earthquake funds should be compared to the list of roads that were going to be repaired with Capital Budget funds, to assure that there were not any redundancies.

[9:26:17 AM](#)

Co-Chair Stedman said that the list could be provided to the committee. He believed that further conversation should be had about consolidation versus rebuilding.

[9:27:06 AM](#)

Senator Shower asked if the same comparison could be made for Huston.

[9:27:28 AM](#)

Co-Chair Stedman said that the road repairs for the entire earthquake zone could be compared to already existing capital projects in order to weed out redundant repair projects.

[9:27:37 AM](#)

Senator Micciche understood that the money OMB was requesting was not related to school repair but was related to road and state facility repairs.

[9:27:55 AM](#)

Ms. Sanders responded that the Disaster Relief Fund was utilized to respond to disasters, the Cook Inlet earthquake was declared a disaster, schools could apply for the funding.

[9:28:25 AM](#)

Senator Micciche asked whether the fund could be used for residential damage.

[9:28:30 AM](#)

Ms. Sanders deferred to DMVA but believed that private residents could apply for relief through the fund.

[9:28:52 AM](#)

Ms. Sanders looked at Slide 6, "Disaster Relief Fund Snapshot." She shared that the point-in-time snapshot on the slide showed the fund balance history as of July 1st each year.

[9:29:20 AM](#)

Ms. Sanders highlighted Slide 7, "Disaster Relief Fund Snapshot":

- Fund Balance as of March 5, 2019
 - \$362.9 (GF)
- Fund will be full expended by April 1, 2019

[9:29:41 AM](#)

Senator Wielechowski asked who had the discretion to make payouts from the fund. He asked whether the payments were done through request for proposal or were sole source contracts issued.

[9:29:54 AM](#)

Ms. Sanders replied that DMVA administered the disaster relief funds. She deferred to DMVA.

[9:30:36 AM](#)

Ms. Sanders discussed Slide 8, " Disaster Relief FY2019 Supplemental Amendments (\$ Thousands)":

- Department of Transportation and Public Facilities - \$1,000.0 UGF
 - Surface transportation "administrative activities" not covered by the Federal Highway Administration (FHWA) and Federal Emergency Management Agency (FEMA)
- Department of Labor and Workforce Development - \$1,000.0 FED
 - Disaster Unemployment Assistance Program - assistance to individuals whose employment or self-employment has been lost or interrupted as a direct result of a major disaster

[9:32:11 AM](#)

Senator Wielechowski asked whether any of the DOT funds had already been spent, and if so, where had the money been spent.

Ms. Sanders replied that some of the money had been spent on response to disaster needs. She offered to provide information detailing where the expenditures had been made.

[9:33:00 AM](#)

Senator Wielechowski was curious whether the funds had been spent within the agency or on private contractors.

[9:33:10 AM](#)

Ms. Sanders assured the committee that the money had been spent within the agency.

Senator Wielechowski assumed that the positions were already salaried and wondered if the funds were being spent for overtime services.

Ms. Sanders said that the employees of the department were project specific and their time had to be allocated to

individual projects. Those projects could not be used to cover other costs within the agency, so areas were identified where employees were not able to charge their current salaries to a specific project because those projects were covered with general funds and not as a long-term capital project.

[9:33:43 AM](#)

Senator Bishop said that some of the work that would need to be done was going to be a match to federal authority. He asked what the \$1 million in federal dollars could be used for.

[9:34:20 AM](#)

Ms. Sanders understood that the funds would be used to pay for potential wages lost during the disaster.

[9:34:42 AM](#)

Co-Chair von Imhof thought that capital projects had declined as a result of the shrinking Capital Budget and wondered about project specific employees in a department that might not have many projects.

[9:35:10 AM](#)

Ms. Sanders said that the yearly Capital Budget included significant highway funding and funding for inspections for various infrastructure. She said that additional information on the department's position control number (PCN) count.

[9:35:41 AM](#)

Co-Chair Stedman did not think the additional information would be necessary. He said that the Capital Budget had been minimized down to federal match over time. He stated that there had not been an excess revenue stream to add projects to the budget. He understood that DOT&PF had trouble crossing appropriation lines or moving money around in its budget.

[9:36:28 AM](#)

Ms. Sanders explained that there were restrictions on crossing the appropriation lines. She did not know whether those restrictions extended to the \$1 million in questions. She said that the request was to cover costs that were not associated with projects for employees that were doing work related to the Cook Inlet disaster.

[9:36:59 AM](#)

Senator Wilson requested details of where the department was spending money and for a list of disaster projects.

[9:37:28 AM](#)

Co-Chair Stedman said that the information would be provided to the committee.

[9:37:48 AM](#)

Ms. Sanders clarified that DOT&PF may not know the exactly which projects would be completed on the road, as the spring thaw progressed the department would get a better idea of possible projects. She said that additional details for administrative activities could be provided.

[9:38:36 AM](#)

Co-Chair Stedman requested more detail on both Supplemental Amendments on Slide 8 on the presentation.

[9:39:21 AM](#)

Co-Chair von Imhof MOVED to ADOPT the committee substitute for SB 38, Work Draft 31-GS1037\U (Caouette, 3/13/19).

Co-Chair Stedman OBJECTED for discussion.

[9:39:53 AM](#)

PETE ECKLUND, STAFF, SENATOR BERT STEDMAN, explained the committee substitute. He stated that Ms. Sanders had already discussed the two major changes from the previous version. Section 1, page 1 showed the funding for the Disaster Unemployment Assistance Program. Page 2 showed a word change on line 3 that restated the purpose of the \$65 million to DOT&PF for surface transportation disaster repair. Page 2, line 12, showed the amendment for \$1

million to DOT&PF for non-covered service transportation costs. Finally, the last change could be found on Line 22 that showed that all of Section 3 had a capital project lapse date.

[9:41:31 AM](#)

Co-Chair Stedman REMOVED the OBJECTION. There being NO OBJECTION, it was so ordered.

^PUBLIC TESTIMONY

[9:41:52 AM](#)

Co-Chair Stedman OPENED public testimony.

Co-Chair Stedman requested comments from Mr. Fisher.

[9:42:10 AM](#)

Mr. Fisher stated that the agency was responsible to implement the provisions of the Alaska Disaster Act. The agency coordinated and managed funding from the Disaster Relief Fund to other state agencies, local governments, and school districts for repairs to infrastructure damaged due to a declared disaster. He added that the agency managed a program on residential damages included in the damage declaration. For the 2018 earthquake, the governor declared both public and individual assistance. Individual assistance provided support to repair essential areas of a primary residence for homeowners affected by the earthquake and personal property loss. He noted that on January 31, 2018, the President of the United States had declared federal funds be made available for repairs related to the earthquake. He said that the department was in the early stages of determining the cost of all the necessary repairs. He expressed concern about the spring thaw and shared that FEMA had never responded to a "frozen earthquake" before. He related that state and local governments, tribal governments, and certain private non-profits that provided essential government services were eligible for state and federal disaster assistance funds. He furthered that any of the infrastructure damages that were eligible for reimbursement would be reimbursed on a 75 percent federal, 25 percent state, cost share. He shared that the public assistance program was a reimbursable program, applicants were expected to complete projects,

then request a draw down from FEMA and the state to be reimbursed for expenses. He said that the department was required to follow all the federal OMB guidance procurement regulations, trainings were currently happening on how to perform proper procurements. He said that sole source contracts were rare. He spoke to two programs available for individuals seeking reimbursement for damages to essential living areas of a primary home. He stated that temporary housing assistance was also provided housing for individuals who were displaced due to major damages. He said that there were currently, approximately 14,000 applicants for state program and 6,000 for FEMA programs. He related that the state's administrative code mandated that when a federal disaster was declared, residents had to go through FEMA and the U.S Small Business Administration for potential low interest loans before they could avail themselves of the state disaster assistance. He said that the process was currently underway. He said that applicant briefings were beginning for school districts and local governments to develop the scope of work needed to repair facilities to pre-disaster conditions. He said that there was potential to mitigate some of the damaged buildings to prevent further damage from future earthquakes.

[9:49:36 AM](#)

Senator Wilson asked whether there would be a supplemental application process after the spring thaw.

[9:50:04 AM](#)

Mr. Fisher responded that the state application period had ended. The FEMA registration period could be extended to May 31, 2019. He said that damages that were revealed after the spring thaw would be cause for reassessment of the situation.

[9:51:14 AM](#)

Co-Chair von Imhof asked whether school districts had a deadline for submitting formal requests for specific schools.

[9:51:38 AM](#)

Mr. Fisher replied that school districts had submitted their initial requests and were in the program. He said

that the agency would work with districts to make sure that scopes of work and estimates were developed for any of the work that needed to be done to any of the facilities.

[9:52:09 AM](#)

Co-Chair von Imhof understood that, through the applications, the agency had an idea of the scope of funds needed in the districts. She wondered whether districts had been asked to provide both a Plan A and a Plan B. She asked whether any schools would close entirely.

[9:53:00 AM](#)

Mr. Fisher related that the budget presented in the disaster supplemental bill was based on a preliminary damage assessment conducted in December 2018. He said that moving forward, FEMA would bring in engineers to work with districts to look at all damaged buildings to determine the most cost-effective repairs or replacements. He said that the agency's primary role in that process would be to assure that schools districts were being heard and to advocate for those districts.

[9:54:31 AM](#)

Co-Chair von Imhof thought it would be a good idea for all agencies to work together on a true effort to control costs and to investigate systems that might be inefficient.

[9:55:52 AM](#)

Senator Wielechowski declared a potential conflict of interests. He worked during the interim for a labor organization that represented Alaskan workers. He asked how any of the contracts were requests for proposal versus sole source contracts.

[9:56:22 AM](#)

Mr. Fisher replied that the contracts were primarily RFPs. He said that some of the earlier contracts had been sole source, but primarily, the contracts had been put out to bid.

[9:57:21 AM](#)

Senator Wielechowski requested a list of all sole source contracts, who the contracts were awarded to, and the amounts of the contracts.

Co-Chair Stedman asked what information could be made available to the committee.

[9:57:37 AM](#)

Mr. Fisher said that the information would have to be collected; the contracts were done on an applicant by applicant basis and local governments, school districts, and non-profits would have the information. He stated that the information would become available as the permanent repair projects and reimbursement projects were completed.

[9:58:08 AM](#)

Senator Shower asked whether an update on the repairs to the middle school in Huston was available.

[9:58:27 AM](#)

Mr. Fisher did not have specifics on the status of the middle school. He relayed that the damage to the school had been significant. He estimated that if the building needed to be demolished, and rebuilt, funding could be made available to bring the building back to pre-disaster condition. He reported that if the cost to bring the building back to pre-disaster condition in a repair mode was greater than 50 percent of the cost to replace the school, options would be negotiated between the school district and FEMA - the state would be involved in those negotiations.

[9:59:18 AM](#)

Senator Olson requested a copy of the sole source contracts requested by Senator Wielechowski.

[9:59:25 AM](#)

Co-Chair Stedman assured the committee that any information sent to the committee would be distributed to all members.

[9:59:39 AM](#)

Senator Wilson declared a conflict of interest. He was an employee of the Mat-Su school district. He asked whether the state and FEMA had differing standard for what would be determined as a "primary residence."

[10:00:18 AM](#)

Mr. Fisher replied that the state utilized guidelines like FEMA for determining "primary residence." He shared that a "primary residence" was home that was lived in more than half of the year and that the homeowner had to be living in the home at the time of the earthquake. He offered an example of military personnel that might be deployed out-of-state and leasing the home at the time of the disaster; in that case, the homeowner could apply for low-interest disaster loan from the Small Business Administration but would not be eligible for grant funding.

[10:01:18 AM](#)

Co-Chair Stedman understood that if a person was posted overseas, but their primary residence was in the earthquake zone, they would not qualify for disaster relief.

[10:01:33 AM](#)

Mr. Fisher replied in the affirmative.

[10:01:47 AM](#)

Senator Shower asked if the spouse of the deployed military personnel was still living in the residence, would that count on the applications.

[10:02:06 AM](#)

Mr. Fisher replied in the affirmative. If the family of the homeowner was living in the house, they would be eligible for grant assistance.

[10:03:08 AM](#)

Co-Chair Stedman CLOSED public testimony.

[10:03:24 AM](#)

Senator Wilson queried whether the eligibility requirements for the disaster funding created additional hardships for Alaskans. He wondered whether a review of those requirements, and how funds were administered, could be done.

[10:04:04 AM](#)

Co-Chair Stedman replied that there was an expectation that a lot would be learned as the state dealt with the damage caused by the earthquake.

SB 38 was HEARD and HELD in committee for further consideration.

[10:04:54 AM](#)

Co-Chair Stedman discussed the schedule for the following week.

#

ADJOURNMENT

[10:09:04 AM](#)

The meeting was adjourned at 10:09 a.m.