

SENATE FINANCE COMMITTEE

March 5, 2020

9:01 a.m.

9:01:21 AM

CALL TO ORDER

Co-Chair von Imhof called the Senate Finance Committee meeting to order at 9:01 a.m.

MEMBERS PRESENT

Senator Natasha von Imhof, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Click Bishop
Senator Lyman Hoffman
Senator Donny Olson
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Senator Cathy Giessel; Neil Steininger, Director, Office of Management and Budget, Office of the Governor; Shelly Willhoite, Capital Coordinator, Office of Management and Budget, Office of the Governor; Kim Mahoney, Associate Vice Chancellor of Facilities, University of Alaska Anchorage.

PRESENT VIA TELECONFERENCE

Christopher Hodgin, Senior Project Manager, Division of Facilities Services, Department of Transportation and Public Facilities, Anchorage.

SUMMARY

SB 154 APPROP: CAPITAL; SUPP; OTHER APPROP.

SB 154 was HEARD and HELD in committee for further consideration.

#sb154

SENATE BILL NO. 154

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

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Co-Chair von Imhof directed members' attention to SB 154.

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, stated he would review the governor's proposed capital budget; both the amounts included in SB 154 as well as capital projects included in the mental health bill and the supplemental budget bill. He discussed the presentation "FY2021 Capital Budget Overview," (copy on file).

Mr. Steininger looked at slide 2, "FY2021 Capital Budget and Supplemental Overview - SB 153, 154 and 174," which showed a table that gave a high-level overview of the major fund categories used to fund capital projects across the three bills. He highlighted that the FY 21 amount for capital projects totaled \$140.3 million in Unrestricted General Funds (UGF). When all other funds were added in, the total was about \$1.3 billion in capital spending. There were projects intended to start in the current fiscal year and were included in the FY 20 supplemental budget. The total for the FY 20 supplemental budget was \$25.5 million UGF, and with all funds it was \$81.9 million. The total of all proposed capital projects being proposed during the current legislative session was about \$1.4 billion in total spending.

Mr. Steininger showed slide 3, "FY2021 Capital Budget."

Mr. Steininger referenced slide 4, "FY2021 Capital Budget - SB 153 and 154":

FY2021 Capital Project Priorities

- Prioritize life, health, and safety issues
- Leverage Federal receipts
- Address deferred maintenance

- Strategic investment in future efficiencies

Mr. Steininger addressed the table on slide 4, which showed a high-level overview of funding for the projects. He pointed out the difference between FY 20's capital proposed (inclusive of supplementals) and the FY 21 proposal. There was a decrease of about \$32.4 million, \$29.6 million of which was UGF. He noted that the following pages would cover all the projects included in the FY 21 capital budget, some of which he would highlight.

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Mr. Steininger turned to slide 5, "Capital Budget Five Year Overview FY2017 - FY2021," which showed a five-year lookback of capital spending. He pointed out the yellow bar, which showed federal receipts. A significant amount of capital spending had come from federally funded projects. The blue at the bottom showed the General Fund (GF) projects as well as the match for the federal projects.

Co-Chair von Imhof noted that there was about \$286,000 less in federal dollars from 2017 to 2021. She asked if the state was maximizing federal funding each year. She asked about a chunk of money the state received for five years.

Mr. Steininger explained that when trying to maximize federal receipts, the state primarily looked at things like federal highways receipts where there was a 90/10 match. He noted that in the current year there was \$65 million in GF spending to match \$650 million in federal funding. He relayed that departments could leverage federal receipts through using state funds solely for projects, and the amount of available funds varied year to year. He noted that there were a handful of recurring yearly projects with a fairly advantageous federal match.

Co-Chair von Imhof had seen the Statewide Transportation Improvement Program (STIP) list and thought there was well more federal dollars than were shown on the slide. She wanted to make sure the state was maximizing federal funding. She anticipated that Co-Chair Stedman would discuss the Alaska Marine Highway System (AMHS). She knew that there was maintenance needed on the system and wanted the state to maximize the available funding.

Co-Chair Stedman wanted to wait to make his comments on the AMHS for the Department of Transportation and Public Facilities (DOT) portion of the presentation. He explained that Alaska was normally prepared to secure other states' federal monies for shovel-ready projects if the other states did not have the ability to absorb all the federal monies. He asked if the state had picked up any additional federal funds that from other states' allocations. He wanted to clarify whether any federal funds had been left on the table.

Mr. Steininger did not know whether or how much the state had picked up in federal receipts that were left on the table by other states. He offered to get back to the committee with a response to the question.

Co-Chair von Imhof asked about federal funds left on the table by the state.

Mr. Steininger stated he would look at historical capital spending and get back to the committee with the answer.

Senator Bishop assumed that the information provided by Mr. Steininger would be comprehensive across all departments. He wanted to ensure no funds were left on the table.

Co-Chair von Imhof thought it was smart to hold questions for DOT, but wanted to discuss AMHS. She saw there was money in the STIP list for the ferries. She wanted to see what type of matching funds were available, that could be used to amend the capital budget and get the ferries back online within the year to the extent that it was possible.

Mr. Steininger considered slide 6, "Capital Budget History FY2010 - FY2021," which showed a bar graph looking at capital budget funding going back to FY 10 to provide more context for the current capital budget.

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Co-Chair Stedman asked for a definition of "Other" Funds.

Mr. Steininger explained that Other Funds were generally non-General Fund, non-federal receipts that came from outside sources. Many of the funds in the capital budget came from outside sources. He detailed that Statutory Designated Program Receipts funded a handful of the

project; and were monies received as a gift, grant, or bequest used for a specific purpose. There was also Alaska Mental Health Trust Authority Authorized Receipts (MHTAAR) that funded projects in the AMHTA budget that were given for a specific purpose by the trust. He noted that the sources described were the two primary sources of Other Funds within the capital budget, and there could be a handful of other smaller sources as well.

Co-Chair von Imhof thought the bar graph was interesting in that there was a wide variation of spending over the years shown. She pondered what amount of spending was right. She observed that 2013 had saturated the market, particularly with the workforce. She mentioned the 2021 deferred maintenance list of 270 pages. She mused about the correct level of funding for the total capital budget to fund deferred maintenance projects in a timely manner, and to create infrastructure projects to attract new investment in the state. She stated that ideally, the legislature wanted a recommendation from the administration of more than \$140 million.

Mr. Steininger displayed slide 7, "FY2021 Capital Budget Snapshot," which showed a table depicting an overview of the FY 21 capital budget broken out by department to see the relative allocation of capital spending across each department. Further slides would go into more detail for each agency.

Mr. Steininger highlighted slide 8, "FY2021 Projects by Department":

Administration

1. Automated Performance Evaluations and Onboarding System Setup \$320.0 UGF
2. Electronic Timekeeping \$1,000.0 UGF
3. Integrated Resource Information System (IRIS) Upgrade \$7,100.0 UGF
4. OIT Upgrade to Cloud Servers - Phase I \$1,250.0 UGF
5. Public Building Fund Deferred Maintenance, Renovation, Repair and Equipment \$5,946.0 Other (Public Building Fund)
6. Retirement System Server Replacement \$230.4 Other (\$162.0 Public Employees Retirement, \$67.0 Teachers Retirement, \$1.4 Judicial Retirement)
7. Software for the Shared Services Initiatives \$1,800.0 UGF

8. Service Management System \$1,000.0 UGF

Commerce, Community & Economic Development

1. National Petroleum Reserve - Alaska Impact Grant Program \$11,300.0 Fed

2. Alaska Energy Authority - Bulk Fuel Upgrades \$13,000.0 (\$5,500.0 DGF (Power Cost Equalization Endowment), \$7,500.0 Fed)

Mr. Steininger referenced a spreadsheet that gave a one to two sentence explanation of each project (copy on file). The two projects listed under the Department of Commerce, Community and Economic Development (DCCED) were annual recurring projects.

Co-Chair von Imhof asked about the project funded by the Power Cost Equalization (PCE) Endowment. She asked if the fund was sweepable.

Mr. Steininger answered "yes."

Co-Chair von Imhof noted that the governor proposed to fund \$5.5 million and then wanted to sweep the fund.

Mr. Steininger stated that the proposed budget in December included language to reverse the impact of the sweep so that money would be available in the fund for the appropriation.

Co-Chair von Imhof asked if the administration supported reversing the sweep.

Mr. Steininger answered "yes" and that the administration had included the reverse sweep in the budget it had presented in December.

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Senator Wielechowski asked if any of the projects listed were for transfer of the payroll system from bi-monthly to bi-weekly.

Mr. Steininger explained that within in the Integrated Resource Information System (IRIS) project, there was activity that would affect the payroll systems. The cost of the project would go up if there was not a transition to the bi-weekly payroll system. He stated that maintaining

two payroll systems required a modification within the software, which would increase the cost.

Co-Chair von Imhof thought that various administrations had been looking at going to electronic timekeeping. She thought the bi-weekly payroll was a different issue. She asked for a description of item 8 under the Department of Administration (DOA) projects.

Mr. Steininger explained that the Service Management System was initially called the ticketing system for the Office of Information Technology. The idea had expanded and the new system would coordinate the efforts and get the information to the right person. The system would be used for more global management. The name had shifted since the original proposal.

Senator Hoffman referenced Mr. Steininger's comment that the PCE Fund was sweepable. He had not been able to get an opinion from the administration, including the attorney general, that indicated the fund was sweepable. He asked for Mr. Steininger to provide a document from the Attorney General's Office that asserted the PCE Fund was sweepable. He did not believe the fund was sweepable, and recalled that no other administration had claimed that the fund was sweepable. He thought once the opinion was presented, there could be legal challenges regarding the position of the administration. He did not believe the administration would come forward with a written opinion to back up its statement regarding sweeping the fund.

Mr. Steininger agreed to respond in writing.

Senator Wielechowski asked about item 4 for DOA on slide 8. He asked if Mr. Steininger anticipated a loss of Alaskan jobs because of the project. He asked if the item was subject to collective bargaining issues.

Mr. Steininger did not think there was an intention to lay off people related to moving to cloud servers. He explained that as the state looked at centralizing information technology (IT), it looked at modernizing the way the services were provided to departments to make the delivery and all back-office functions more efficient. He pondered that there would be a benefit to the state if the delivery of services could be done while expending less resources. He thought using cloud services could result in better

reliability and a more efficient IT infrastructure for the state. He could not comment as to whether there would be a collective bargaining impact.

[9:22:18 AM](#)

Mr. Steininger spoke to slide 9, "FY2021 Projects by Department":

- Commerce, Community & Economic Development, continued
3. Alaska Energy Authority - Electrical Emergencies Program \$200.0 UGF
 4. Alaska Energy Authority - Rural Power System Upgrades \$17,500.0 (\$5,000.0 DGF (Power Cost Equalization Endowment), \$12,500.0 Fed)
 5. Alaska Energy Authority - Statewide Railbelt Energy Plan \$3,000.0 UGF (Railbelt Energy Fund)
 6. Alaska Railroad: Seward Dock Replacement \$3,100.0 Other (Commercial Passenger Vessel Tax)
 7. Blood Bank of Alaska \$2.3 UGF
 8. Community Block Grants \$6,060.0 (\$60.0 UGF, \$6,000.0 Fed)
 9. Alaska Travel Industry Association \$5,000.0 DGF (Vehicle Rental Tax)
 10. Hope Community Resources, Inc. - Upgrades to Housing to Meet State & Federal Licensing Requirements \$78.0 UGF
 11. Inter-Island Ferry Authority \$250.0 UGF

Co-Chair von Imhof asked about the \$250 thousand listed for the Inter-Island Ferry Authority (IFA).

Mr. Steininger explained that the \$250 grant to IFA would support running a handful of routes in Southeast Alaska. If IFA were to step away from the routes, the Alaska Marine Highway System (AMHS) would have to step in and pick up the routes.

Co-Chair Stedman recalled that several years ago the state was subsidizing IFA for about \$500 thousand per year. He recalled that IFA submitted financial documents for review by the Office of Management and Budget (OMB). He thought the \$250,000 proposed on the slide was significantly less than it would cost for AMHS to operate the run from Ketchikan to Prince of Wales Island.

Co-Chair Stedman addressed item 6. He understood that the railroad was exempt through the Executive Budget Act, and thought it was capable of financing its own project through

revenues. He asked if the commercial passenger vessel tax funds could be redirected to help with COVID issues faced by the state. He suggested that there were shoreside facilities that might need to be upgraded. He thought the matter should be given consideration.

Co-Chair von Imhof had visited the Seward dock the previous summer. She had looked closely at the dock and reviewed the project expansion ideas. She noted that the dock was also used by the military. There were several fund sources being considered, including cruise ship passenger taxes. She thought the project could be considered a strategic investment for alternative ports in Southcentral Alaska. She thought each time money was pulled away from strategic investments, the cost became higher for the consumer and Alaskan users. She was hesitant to take the funds away from a project that was already underway and could provide a much-needed port for distribution of goods and services. She understood that the Covid-19 virus was growing in seriousness, and she thought that the committee should look at all expense and needs with a holistic viewpoint.

[9:27:49 AM](#)

Senator Hoffman supported item 5. He thought there should be a Railbelt energy plan but pointed out that rural Alaska probably had twice the energy costs than the Railbelt. He asked what the plan was to address the tremendously high cost for energy in rural Alaska, or if the administration believed there did not need to be a plan. He questioned why there was not investment in some of the poorest areas of the state.

Mr. Steininger stated that item 4 on the sheet addressed power system upgrades in rural areas of the state with \$5 million in DGF with matching funds to \$12.5 million.

Senator Hoffman thought it was ridiculous to say that rural Alaska received upgrades for 5 percent of the area, and the rest of the cost would be ignored. He strongly objected to Mr. Steininger's response. He asked what the administration was doing for people in Shishmaref and other rural areas. He asked what was being done towards a statewide plan for rural Alaska.

Co-Chair von Imhof thought Senator Hoffman had provided a good idea for a future presentation on rural energy needs.

She thought the Alaska Energy Authority (AEA) and other stakeholders could be invited to work towards a plan for rural Alaska.

Co-Chair Stedman recalled that several years previously there had been a document produced that showed cost comparisons of energy across the state for oil, electricity, natural gas, and others. He thought AEA had produced a chart. He noted that there were disparities in access. He pointed out that there was a big difference in costs and other factors and the matter was not as simple as comparing electricity prices around the state. He asked that there be a request to have AEA update the chart.

Co-Chair von Imhof thought the request was a good idea and affirmed that the committee would follow up on the topic of rural energy needs.

[9:31:58 AM](#)

Mr. Steininger addressed slide 10, "FY2021 Projects by Department":

Corrections

1. Facility Body Scanners \$1,310.0 UGF

Education & Early Development

1. Pitka's Point K-12 Site Restoration \$6,200.0 UGF

Environmental Conservation

1. Clean Water Capitalization Grant \$1,000.0 Other (Clean Water Loan Fund)
2. Develop Application to Meet EPA eReporting Rule \$1,000.0 Fed
3. Drinking Water Capitalization Grant \$2,500.0 Other (Alaska Drinking Water Fund)
4. Fairbanks PM2.5 Nonattainment Area Voluntary Heating Device Change Out Program \$5,000.0 Fed
5. Village Safe Water and Wastewater Infrastructure Projects \$64,830.0 (\$12,080.0 UGF, \$500.0 Other (Statutory Designated Program Receipts), \$52,250.0 Fed)
 - a. Existing Service Projects \$25,932.0 (\$4,832.0 UGF, \$200.0 Other, \$20,090.0 Fed)
 - b. First Time Service Projects \$38,898.0 (\$7,248.0 UGF, \$300.0 Other, \$31,350.0 Fed)

Senator Wilson asked what facilities had body scanners. He had visited three correctional facilities and had heard that the body scanners were not being used because of a conflict with federal regulations.

Mr. Steininger stated that Goose Creek, Spring Creek, Highland Mountain and Wildwood correctional centers would be getting the equipment. He stated he would look into the use of body scanners and get back to the committee with additional information.

Co-Chair von Imhof asked about item 1 for the Department of Education and Early Development (DEED). She noted that the Capital Improvement Project (CIP) list for educational facilities was for hundreds of millions of dollars. She asked if the administration had a plan to address the matter.

Mr. Steininger stated there were funds in the operating budget going towards the Regional Education Attendance Areas (REAA) that could address some of the projects on the list that were for schools within REAAs. There were no additional funds in the FY 21 capital budget that may not be in REAAs.

Co-Chair von Imhof emphasized that there were approximately 40 projects listed for hundreds of millions of dollars that were waiting to be funded. Some were major maintenance projects, and some were for new schools.

Co-Chair Stedman had a question about item 5 for Village Safe Water and Wastewater Infrastructure Projects in the Department of Environmental Conservation. He asked for a list of the projects and wanted to see the previous year's list as well. He wanted to understand how extensive the village safe water infrastructure challenge was.

Co-Chair von Imhof reiterated the request for a list of the Village Safe Water and Wastewater Infrastructure Projects for FY 20, and a list what had been funded; to compare with the list from FY 21 and what was funded or not.

Senator Hoffman referenced Co-Chair von Imhof's comments about deferred maintenance on rural schools and reported that he had a meeting with the commissioner of DEED and the administration. Major maintenance items were being addressed. He commended efforts towards construction and

maintenance of rural schools. He thought tremendous headway was being made.

[9:37:18 AM](#)

Mr. Steininger advanced to slide 11, "FY2021 Projects by Department - Fish and Game":

1. Copper River Boat Launch Facilities Improvements \$140.0 Other (Fish and Game Fund)
2. Endangered Species Act - Protect State Right to Manage \$4,000.0 (\$1,000.0 UGF, \$3,000.0 Fed)
3. Facilities, Vessels and Aircraft Maintenance, Repair and Upgrades \$500.0 DGF (Capital Income Fund)
4. Pacific Coastal Salmon Recovery Fund \$4,000.0 Fed
5. Sport Fish Recreational Boating and Angler Access \$3,000.0 (\$750.0 Other (Fish and Game Fund), \$2,250.0 Fed)
6. Wildlife Management, Research and Hunting Access \$15,000.0 (\$3,750.0 Other (Fish and Game Fund), \$11,250.0 Fed)

Governor 1. Elections Redistricting \$95.0 UGF 2. Statewide Deferred Maintenance, Renovation, and Repair \$30,000.0 DGF (Capital Income Fund)

Mr. Steininger explained that there would be a presentation later in the morning that would address deferred maintenance in greater detail.

Senator Wielechowski looked at the detail on item 2 for the Department of Fish and Game (DFG). He thought it seemed like the item funded the Department of Law to cooperate with DGF, which he thought would be more appropriate for the operating budget.

Mr. Steininger noted that the item was a multi-year item that was in the capital project. He noted that the department did other research-type projects that had traditionally been funded through the capital budget. The item was similar to the past projects and was therefore was in the capital budget.

Senator Wielechowski reiterated that the item looked like an operating budget item.

Co-Chair Stedman referenced slide 11 and asked about item 5 for DFG, and the funding for boat ramps and other items. He wanted to see a list of what the funds were being spent on, a list of items for the last five years, and whether all the funds had been used. He recalled committee discussion the previous year that indicated some of the funds would not be spent.

Co-Chair von Imhof thought the matter could also be funneled through the DFG subcommittee as well.

Co-Chair Stedman agreed that the subcommittee should receive the information in addition to having the documents being submitted to the co-chairs office and disseminated.

Senator Wielechowski asked if any of the funds would be used to purchase any of the parcel for Eagle Rock boat launch access.

Mr. Steininger asked to get back to Senator Wielechowski on the matter.

Senator Wielechowski requested that if there was a land purchase for any of the projects, there was information on the purchase price and assessed value.

Mr. Steininger stated that a future slide listed a project that related to the parcel purchase within the Department of Natural Resources.

[9:42:36 AM](#)

Mr. Steininger looked at slide 12, "FY2021 Projects by Department - Health and Social Services":

1. Alaska Psychiatric Institute Projects to Comply with Corrective Action Plan \$1,619.3 DGF (Capital Income Fund)
2. Anchorage Pioneer Home Renovation \$2,080.0 DGF (Capital Income Fund)
3. Emergency Medical Services Match for Code Blue Project \$500.0 UGF
4. Mental Health Assistive Technology \$500.0 UGF (General Fund/Mental Health)
5. Mental Health Deferred Maintenance and Accessibility Improvements \$500.0 (\$250.0 DGF

(Capital Income Fund), \$250 Other (Mental Health Trust Authority Authorized Receipts))

6. Mental Health Essential Program Equipment \$600.0 (\$300.0 UGF (General Fund/Mental Health), \$300.0 Other (Mental Health Trust Authority Authorized Receipts))

7. Mental Health Home Modification and Upgrades to Retain Housing \$1,050.0 (\$750.0 UGF (General Fund/Mental Health), \$300.0 Other (Mental Health Trust Authority Authorized Receipts))

Co-Chair von Imhof pointed out that the Capital Income Fund was swept the previous year, and the governor's budget was utilizing DGF for strategic projects.

Co-Chair Stedman referenced the statewide deferred maintenance listed on slide 11. He respectfully suggested that the committee receive a list of what the money would be spent on.

Co-Chair von Imhof asked if Mr. Steininger made note of the co-chair's request.

Mr. Steininger stated that there was another presentation that would give more detail on the distribution of prior deferred maintenance projects to the Office of the Governor as well as the plans going forward for deferred maintenance. He stated he would provide the information requested.

Senator Wilson looked at slide 10 and considered the Pitka's Point K-12 site restoration. He thought the project sounded more like a deconstruction rather than restoration. He was not certain the project was a deferred maintenance issue.

Mr. Steininger stated that the project referred to restoring the site to the condition prior to when the building was present, which would include removal of the building, clean-up of the soil, and returning the site to a usable condition.

[9:45:56 AM](#)

Mr. Steininger showed slide 13, "FY2021 Projects by Department":

Labor and Workforce Development

1. Vocational Rehabilitation Business Enterprise Program Facility Development and Equipment Replacement \$632.4 (\$447.4 UGF, \$185.0 DGF (Vocational Rehabilitation Small Business Enterprise Revolving Fund))

Military and Veterans Affairs

1. Alaska Land Mobile Radio and State of Alaska Telecommunications System \$5,000.0 (\$520.5 UGF, \$4,479.5 DGF (Capital Income Fund))
2. Bethel Readiness Center Security Upgrades \$140.0 (\$70.0 DGF (Capital Income Fund), \$70.0 Fed)
3. Bethel Readiness Center Water System Sustainment \$300.0 (\$150.0 DGF (Capital Income Fund), \$150.0 Fed)
4. Kotzebue Readiness Center HVAC Life-Cycle Replacement \$500.0 (\$250.0 DGF (Capital Income Fund), \$250.0 Fed)

Mr. Steininger noted that there was also a \$24 million project listed later in the supplemental budget related to the Alaska Land Mobile Radio (ALMR) system for replacement of equipment on towers.

Co-Chair Stedman asked about item 1 for the Department of Military and Veterans Affairs. He was curious if any of the money for ALMR would be directed towards consolidation of dispatch centers for Kenai, Mat-Su, Ketchikan, and Anchorage.

Mr. Steininger relayed that the funds were not necessarily related to consolidation of 911 dispatch, but the system was used by first responders and emergency response personnel while in the field.

Senator Wilson asked about the administration's position on the consolidated dispatch plan. He asked if the project was still going forth or if the request for funding had been removed.

Mr. Steininger believed the administration's current position was that whatever system design the state ended up with needed to meet the needs for 911 dispatch.

Senator Wilson did not feel his question had been answered and offered to follow up with the department. He assumed

that the total request for the ALMR system was about \$31.7 million, with \$24 million to be spent by July 1, 2020.

Mr. Steininger stated that the \$24 million would not all be spent by July 1; however, a majority of the funds would be obligated to begin work as soon as possible to upgrade the towers in a timely manner.

Co-Chair von Imhof asked why the funds were not requested the previous year, why was the request in the supplemental budget, and why there was a rush.

Mr. Steininger was not sure why the funds had not been requested the previous year. He explained that there was a rush because federal partners had indicated that they would back out of the program, leaving the state to operate the program on its own, if the work was not done in a timely manner.

Senator Bishop thought there were other areas in the budget that were vetoed the previous year that shared similarities regarding the possibility of losing federal funds. He mentioned cold climate housing as an example.

Senator Hoffman referenced the revision of item 1 for ALMR. The proposal was a request for \$520 thousand in GF, but the original request was for \$3,181,000. He asked what was not being funded as a result of the \$2.6 million reduction in the funding request.

Mr. Steininger stated that as the department looked at the maintenance needs, it realized the work could be done for less funds and came back with a reduced request.

[9:50:53 AM](#)

Mr. Steininger referenced slide 14, "FY2021 Projects by Department":

Military and Veterans Affairs, continued

5. Mass Notification System - Joint Base Elmendorf Richardson \$1,600.0 (\$800.0 UGF, \$800.0 Fed)
6. State Homeland Security Grant Programs \$4,500.0 Fed
7. Statewide Roof, Envelope, and Fall Protection \$1,700.0 (\$850.0 DGF (Capital Income Fund), \$850.0 Fed)

Natural Resources

1. Abandoned Mine Lands Reclamation Federal Program \$3,200.0 Fed
2. Agriculture Grant Programs Funding \$4,536.8 Fed
3. Arctic Strategic Transportation and Resources (ASTAR) - Phase 2, \$2,900.0 UGF
4. Cooperative Water Resource Program Pass-through to USGS for Stream Gaging Projects \$500.0 Other (Statutory Designated Program Receipts)

Co-Chair von Imhof asked if there was any opportunity to leverage federal matching funds for the ASTAR project. She noted that Alaska was the arctic state, with much focus and research on arctic conditions, climate change, strategic military positions, and other factors. She wondered if there was an opportunity to leverage federal funds from the United States Department of Defense or a federal environmental agency to match the state's \$2.9 million.

Mr. Steininger was not aware of any federal matching funds for the program. He offered to work with the department to ensure it had looked into all avenues of funding.

Senator Olson asked if there were any other entities that were helping to pay for the ASTAR project. He noted that some of the roads would be used by industry for furthering exploration.

Mr. Steininger knew the department worked with other entities in the region as it considered the project and strategic transportation in the area. He offered to get back to the committee with more information regarding what efforts had been put into transportation in the region by other entities.

Senator Olson asked if the North Slope Borough was involved.

Mr. Steininger stated he would have to get back to the committee with the information at a later time.

Co-Chair von Imhof thought more attention could be given to the project to determine the long-term vision and the goals for phase two and additional phases. She pointed out that there were lots of projects around the state that needed money, and questioned what made the ASTAR project a

priority considering that the governor had vetoed money the previous year.

[9:54:21 AM](#)

Mr. Steininger turned to slide 15, " FY2021 Projects by Department":

Natural Resources, continued

5. Critical Minerals Mapping - Earth MRI (formerly 3DEEP) \$2,450.0 (\$750.0 UGF, \$200.0 Other (Statutory Designated Program Receipts), \$1,500.0 Fed)
6. Exxon Valdez Oil Spill Kenai River Bookey Parcel Purchase \$2,300.0 Other (Exxon Valdez Oil Spill Settlement)
7. Exxon Valdez Oil Spill Parks Habitat Restoration and Protection \$3,155.6 Other (Exxon Valdez Oil Spill Settlement)
8. Federal and Local Government Funded Forest Resource and Fire Program \$7,000.0 Fed
9. Geological Mapping for Energy Development (USGS STATEMAP) \$600.0 (\$300.0 UGF, \$300.0 Fed)
10. Geologic Materials Center Multispectral Scanning Equipment \$1,290.0 (\$865.0 UGF, \$275.0 DGF (General Fund/Program Receipts), \$150.0 Other (Statutory Designated Program Receipts))
11. Land and Water Conservation Fund Federal Grant Program \$2,075.0 (\$75.0 DGF (General Fund/Program Receipts), \$2,000.0 Fed)

Mr. Steininger considered slide 16, "FY2021 Projects by Department":

Natural Resources, continued

12. Land Sales - New Subdivision Development \$750.0 DGF (State Land Disposal Income Fund)
13. National Historic Preservation Fund \$650.9 (\$70.9 UGF, \$80.0 DGF (General Fund/Program Receipts), \$500.0 Fed)
14. National Recreational Trails Federal Grant Program \$1,600.0 (\$100.0 DGF (General Fund/Program Receipts), \$1,500.0 Fed)
15. State Park Electronic Fee Stations \$220.0 DGF (General Fund/Program Receipts)

Public Safety

1. Alaska Wildlife Troopers Marine Enforcement Repair and Replacement \$1,000.0 UGF
2. Crime Laboratory Equipment Replacement \$290.0 UGF
3. Marine Fisheries Patrol Improvements \$1,100.0 Fed

Co-Chair Stedman asked about item 15. He recalled that two years previously there were fees added for boat ramps. He wanted a status report for the electronic fee station. He wanted to ensure that the ramp fees were being collected. He found it appalling that during a fiscal crisis the department was not collecting fees from the cash boxes. He thought the funds were to help with deferred maintenance.

Co-Chair von Imhof thought ideally the fee stations were accessible to credit cards. She had seen a sign at a boat ramp that indicated the day use fee cash box had been removed due to excessive vandalism. She thought there were many issues with the fee boxes.

[9:57:41 AM](#)

Senator Hoffman considered item 11 regarding the Land and Water Conservation Fund. He thought many of the projects were worthwhile. He wondered how the lists of projects were constructed and who made the decisions. He considered what had been spent in the past and what was proposed, and did not think the list had a statewide perspective. He requested a list of projects in order to determine that all the people of Alaska were benefitting from the federal grant fund, which was matched on a 50/50 basis. He thought there was a blind eye to Western Alaska.

Senator Wielechowski referenced number 15 on slide 16. He was curious about how much revenue was generated from the state parks electronic fee stations. He guessed there was not much revenue gained. He expressed concern about the vandalism of the fee boxes and thought money would be wasted.

Mr. Steininger understood that electronic fee stations helped with revenue collections and made it less burdensome. He acknowledged the cash boxes saw a lot of vandalism. He was not certain about the susceptibility of the electronic fee stations to vandalism.

Senator Wilson requested a list of the projects, specifically of public use cabins.

Co-Chair von Imhof stated that she loved the public use cabins. She agreed that a list would be helpful.

Senator Bishop mentioned that there was high demand for public use cabins and that there was not enough.

Co-Chair Stedman remarked that the subcommittee would examine the cabins, and the related revenue and expenditures.

[10:02:02 AM](#)

Mr. Steininger displayed slide 17, "FY2021 Projects by Department":

Revenue

1. Alaska Housing Finance Corporation (AHFC) Competitive Grants for Public Housing \$1,100.0 (\$350.0 UGF (AHFC Dividend), \$750.0 Fed)
2. AHFC Federal and Other Competitive Grants \$7,500.0 (\$1,500.0 UGF (AHFC Dividend), \$6,000.0 Fed)
3. AHFC Housing and Urban Development Capital Fund Program \$2,500.0 Fed
4. AHFC Housing and Urban Development Federal HOME Grant \$4,750.0 (\$750.0 UGF (AHFC Dividend), \$4,000.0 Fed)
5. AHFC Rental Assistance for Persons Displaced Due to Domestic Violence - Empowering Choice Housing Program (ECHP) \$1,500.0 UGF (AHFC Dividend)
6. AHFC Senior Citizens Housing Development Program \$1,750.0 UGF (AHFC Dividend)
7. AHFC Supplemental Housing Development Program \$1,500.0 UGF (AHFC Dividend)
8. AHFC Teacher, Health and Public Safety Professionals Housing \$2,250.0 (\$1,750.0 UGF (AHFC Dividend), \$500.0 Other (Statutory Designated Program Receipts))

Senator Bishop spoke to item 8 on the slide and cited a 38 percent teacher turnover in some parts of the state. He felt that there should be a focus on rural teacher housing. He stressed that there should be good living conditions available for the teachers. He felt that the education of students and teacher retention were linked.

Senator Hoffman agreed with Senator Bishop. He asked for a list of unmet needs for teacher housing in the state.

Co-Chair von Imhof referenced Senator Bishop's comments and Senator Hoffman's previous comments about Village Public Safety Officers (VPSOs). She noted that item 8 referenced "teacher, health, and public safety." She felt that the Housing Finance Corporation (AHFC) should present to the committee. She thought it would be good see a map and consider where there might be resource deficiencies, as well as a plan to address the deficiencies. She agreed that housing was key to making teaching and the VPSO program successful.

[10:05:14 AM](#)

Mr. Steininger highlighted slide 18, "FY2021 Projects by Department":

Revenue, continued

9. Mental Health: AHFC Beneficiary and Special Needs Housing \$1,750.0 (\$1,500.0 UGF (AHFC Dividend), \$200.0 Other (Mental Health Trust Authority Authorized Receipts))
10. Mental Health: AHFC Homeless Assistance Project \$7,300.0 (\$6,350.0 UGF (AHFC Dividend), \$950.0 Other (Mental Health Trust Authority Authorized Receipts))
11. Mental Health: Housing - Grant 604 Department of Corrections Discharge Incentive Grants \$100.0 Other (Mental Health Trust Authority Authorized Receipts))

Mr. Steininger looked at slide 19, "FY2021 Projects by Department":

Transportation and Public Facilities

1. Joe Parent Vocational Education Center Demolition and Clean-up \$1,000.0 UGF
2. Alaska International Airport System \$74,400.0 (\$26,700.0 Other (International Airport Revenue Fund), \$47,700.0 Fed)
3. Rural Airport Improvement Program \$140,000.0 Fed
4. Alaska Marine Highway System Vessel Overhaul, Annual Certification and Shoreside Facilities Rehabilitation \$15,000.0 DGF (Marine Highway System Fund)
5. Decommissioning and Remediation of Class V Injection Wells \$1,700.0 UGF

6. Federal-Aid Highway Project Match Credits \$6,775.2 (\$1,500.0 DGF (General Fund/Program Receipts), \$5,275.2 Fed)
7. Federal-Aid Aviation State Match \$8,853.4 UGF (remaining \$1.9M funded with a FY2020 reappropriation for total match of \$10.9M)
8. Federal-Aid Highway State Match \$54,141.7 UGF (remaining \$10,858.3 funded with a FY2020 reappropriation for total match of \$65,000.0)
9. Surface Transportation Program \$650,000.0 Fed

Mr. Steininger detailed that the building in item 1 was on the grounds of the Aniak airport and had been designated an air hazard by the Federal Aviation Administration. He noted that the decommission of wells in item 5 was in the final phase and the wells had been identified by the Environmental Protection Agency.

Co-Chair Stedman looked at item 4. He wondered whether it pertained to the federal ferry boat program funding.

Mr. Steininger replied that funds in item 4 were for annual vessel overhaul and certification, as well as some shoreside rehabilitation.

Co-Chair Stedman wondered whether the item related to the federal ferry boat program.

Mr. Steininger answered in the negative.

[10:07:50 AM](#)

Co-Chair Stedman stated that there was a federal program for the Alaska Marine Highway System (AMHS). He discussed declining funding for the AMHS and wondered if the administration would be proposing a "catch-up provision."

Co-Chair von Imhof wondered if it made sense to invite DOT to speak to the capital funding aspects of AMHS.

Co-Chair Stedman thought Co-Chair von Imhof had a good idea, and that there should be a supplemental hearing on the AMHS for the operating and capital budget. He referenced the deferred maintenance list assembled by Co-Chair von Imhof's office (copy on file) and observed numerous pages of AHMS projects. He recalled \$3 million in funding to keep up with small maintenance projects outside

bigger appropriations, but the funding had been terminated. He thought the lack of funding had resulted in a large amount of deferred maintenance. He had requested a breakdown of regional appropriations since 2010. He thought AMHS funding was a significant issue that affected the Railbelt and coastal Alaska.

Co-Chair von Imhof felt that it was good to combine discussion of operating and capital funding for AMHS. She thought the committee could do a follow-up with DOT, and mentioned a ferry system advisory group.

Senator Hoffman looked at item 8, which was a requested state match of \$54 million. He wondered how much in federal funds was matched. He thought it would be prudent for the committee to dig into the item further to examine what projects were being funded throughout the state. He wanted more information.

[10:11:44 AM](#)

Co-Chair von Imhof requested a project list of the federal aid highway program, and some explanation of why those projects were chosen.

Senator Bishop commented that historically the information had been in the capital budget materials.

Senator Wilson looked at the federal funding for the Rural Airport Improvement Program. He referenced the Bethel airport and lack of efficiencies with tower communications. He asked if any of the funds would go towards tower upgrades in the area.

Mr. Steininger stated that he did not know every project on the state or federal aviation list. He offered to provide further information on the Bethel tower.

Mr. Steininger addressed slide 20, "FY2021 Projects by Department":

Transportation and Public Facilities, continued
10. Other Federal Program Match \$1,300.0 UGF
11. Mental Health Coordinated Transportation and Vehicles \$1,300.0 Other (Mental Health Trust Authority Authorized Receipts)

12. State Equipment Fleet Replacement \$15,000.0 Other (Highways/Equipment Working Capital Fund)
13. Cooperative Reimbursable Projects \$15,000.0 (\$10,000.0 Other (Statutory Designated Program Receipts), \$5,000.0 Fed)
14. Federal Emergency Projects \$10,000.0 Fed
15. Federal Transit Administration Grants \$10,000.0 Fed
16. Highway Safety Grants Program \$8,037.7 (\$37.7 UGF, \$8,000.0 Fed)
17. Municipal Harbor Facility Grant Fund Projects \$5,500.0 UGF

Mr. Steininger detailed that item 10 related to matching funds for projects that did not come from the Federal Highways Administration, or funds for costs that were matched by federal funds but ended up not being allowable costs.

Co-Chair von Imhof wondered whether Co-Chair Stedman had a comment on the harbors.

Co-Chair Stedman stated that he would like a list of the harbors involved in item 17. He noted that the state put up 50 percent for the Municipal Harbor Matching Grant Fund, which must be run as an enterprise fund.

[10:15:05 AM](#)

Mr. Steininger advanced to slide 21, "FY2021 Projects by Department":

University

1. UAF US Array Earthquake Monitoring Network \$19,000.0 (\$2,500.0 UGF, \$16,500.0 Fed)

Courts

1. Court Security Improvements \$1,551.1 UGF
2. Statewide Deferred Maintenance \$1,551.2 DGF (Capital Income Fund)

Mr. Steininger looked at slide 22, "FY 2020 Supplemental." He stated that the following slides addressed projects that were in the FY 20 Supplemental Budget, and either had a supplemental effective date or were sufficiently urgent as to need to start them in the current fiscal year.

Mr. Steininger spoke to slide 23, "FY2020 Supplemental Projects - SB 154 and 174." The table summarized the list of projects by department. He pointed out that some departments had negative UGF, which reflected that there were some completed projects with no work remaining but some UGF was being repealed and returned to the general fund. The total of the supplemental projects was roughly \$25.5 million in UGF, and \$81.9 million total inclusive of federal match.

[10:16:46 AM](#)

Mr. Steininger referenced slide 24, "FY2020 Supplemental Projects":

Commerce, Community & Economic Development

1. Deposit Unexpended Balances of Completed Projects Totaling \$1,066.3 UGF to the General Fund
2. Housing and Urban Development (HUD) Community Development Block Grant to Support Earthquake Recovery Efforts \$35,856.0 Fed
3. National Petroleum Reserve - Alaska Impact Grant Program Addition of \$6,670.2 Fed for a Total of \$13,098.9 Fed

Governor

1. Help America Vote Act \$3,700.0 Other (Election Fund)
2. Redistricting Board \$2,500.0 UGF

Military and Veterans Affairs

1. Reappropriation for the Mass Notification System \$900.0 (\$450.0 UGF, \$450.0 Fed)
2. Alaska Land Mobile Radio Site Refresh \$24,000.0 UGF

Co-Chair von Imhof requested a breakdown of the budget for the Redistricting Board. She questioned if the board would have any sole-source contracts, if the \$2.5 million request would go towards lawyer fees, and when the funds would be spent.

Co-Chair Stedman looked at the Alaska Impact Grant Program and requested a list of the grants. He thought some requests came late in the budgetary process and wanted to better understand what the funds were being used for.

Senator Bishop queried the shelf life on the system of item 2 of the Department of Military and Veterans Affairs (DMVA). He wondered if annual maintenance of the system would go down after the equipment refresh was funded.

Mr. Steininger agreed to provide the information.

Senator Olson asked for Mr. Steininger's report on the Redistricting Board to include details about elections redistricting in the amount of \$95,000.

[10:20:51 AM](#)

Mr. Steininger turned to slide 25, "FY2020 Supplemental Projects":

Public Safety

1. Automatic Dependent Surveillance Broadcast System for DPS Aircraft Federal Mandate
\$398.4 UGF
2. Radio Replacement to Outfit Incoming New Troopers
\$500.0 UGF

Revenue

1. Deposit Unexpended Balances of Completed Projects Totaling \$331.9 UGF to the General Fund
2. Reappropriation from Revenue for Tax Analysis and Refresh \$454.4 UGF

Co-Chair von Imhof asked where the reappropriation listed in item 2 under the Department of Revenue (DOR) would go.

Mr. Steininger stated that the funds would be reappropriated back to DOR for tax analysis.

Co-Chair von Imhof asked what taxes would be analyzed.

Mr. Steininger replied that DOR anticipated that they would need to analyze various tax proposals in the near future.

Co-Chair Stedman wanted a more specific answer regarding the tax analysis.

Co-Chair von Imhof stated that there were several bills and an initiative on the topic of taxes in the following months. She asked if the department would still need the

funds if none of the bills materialized and the initiative failed.

Mr. Steininger stressed that the department would need to analyze the impacts of the initiatives regardless of the outcome.

[10:23:12 AM](#)

Co-Chair Stedman noted that both the legislature and the administration hired many consultants and thought that the reappropriation sounded like a lot of money. He requested that the chairman take a hard look at the expense.

Co-Chair von Imhof wondered when the \$450,000 would be paid to an out-of-state consultant.

Mr. Steininger replied that the department intended to seek subject matter experts for some of the items.

Senator Olson looked at the request for DPS and observed that there was no money requested for the VPSO Program, and that all the funds would go to the Alaska State Troopers.

Mr. Steininger affirmed that there were no funds requested for the VPSO Program in the supplemental capital budget.

Mr. Steininger considered slide 26, "FY2020 Supplemental Projects":

Transportation and Public Facilities

1. Scope Change: Knik Goose Bay Road \$2,000.0 UGF
2. Earthquake Relief - Federal Ineligible Costs \$3,000.0 UGF
3. Deposit Unexpended Balances of Completed Projects Totaling \$3,000.5 UGF to the General Fund
4. Federal-Aid Aviation State Match for Rural Airports \$1,964.6 DGF (Capstone Avionics Revolving Fund) for a total FY2021 state match of \$10.8M
5. Reappropriation from Transportation for Federal-Aid Highway State Match \$10,858.3 UGF for a total FY2021 state match of \$65M
6. Alaska Marine Highway System Vessel Overhaul Additional Needs \$5,000.0 DGF (Marine Highway System Fund)

7. State Equipment Fleet - 32 Vehicles to Support New Troopers \$3,155.0 Other (Highways/Equipment Working Capital Fund)

Senator Wilson asked about item 4. He mentioned the sunset of the Capstone Avionics Revolving Fund. He asked if the fund would be wiped out to match the project and recalled only 15 loans had been given out from the fund.

Mr. Steininger replied that through the governor's proposed budget, there were uses of the fund including state match for rural airports.

Senator Wilson wondered what would occur should someone want to reinstate that fund.

Mr. Steininger relayed that if the fund were not to sunset, the state would have to find a new way to fund the projects.

[10:26:55 AM](#)

Co-Chair von Imhof asked about the scope change for item 1, and understood that it was not a new project, rather it was a change to the appropriation of existing funds.

Mr. Steininger agreed. He qualified that the existing project had been specific to a certain section of the road, and there was another section which more urgently needed repairs for safety reasons. He stated that the money had not been expended. The scope had been expanded in order to use the funds across the entire road to address the most critical needs.

Co-Chair von Imhof asked if the \$2 million in UGF was new funds or existing funds that had been previously allocated.

Mr. Steininger stated the funds were existing funds appropriated in the past, and the total appropriation was \$2 million.

Senator Wilson thought he could explain the history of the funding. He recalled that in 2017, during the operating budget process, a \$4 million amendment was added for the Knik Goose Bay Road project. In the other body, \$2 million was put toward the project. The current proposal would address miles 1 through 7 of the road.

Co-Chair von Imhof asked if \$2 million UGF would be the total amount needed from the current year and add to the deficit.

Mr. Steininger explained that the \$2 million was appropriated in a prior year and would not add to the 2020 deficit. The reappropriation simply allowed previously appropriated funds to be used for an extended purpose. He stated that the funds were not new money, and it was not clear on the slide.

Senator Bishop requested that DOT address the road item when the agency came to committee. He had heard reference of rut repair. He referenced the proposed Motor Fuels Tax legislation that was moving through the legislature. He wanted to ensure that capital dollars were not used for maintenance. He supported fixing the road.

[10:30:44 AM](#)

Co-Chair von Imhof asked if school construction and major maintenance was usually funded. She asked if the proposed budget had any AHFC weatherization components.

Mr. Steininger answered "no."

Co-Chair von Imhof thought the budget had included the funds the past. She asked for further details and a reason why the item was not included.

Mr. Steininger agreed to provide more information.

Co-Chair von Imhof asked about snow machine trail development that was typically funded with snow machine receipts, which was DGF. She asked why the item was not in the budget.

Mr. Steininger stated that the item had not made it into the budget and the prioritization of projects was shown in the proposed budget.

Senator Bishop commented that if the funds would not be used as prescribed by the user group or used for trails, the law should be changed.

Co-Chair Stedman referenced a comprehensive spreadsheet of "Statewide DM Backlog" (copy on file) and major maintenance of the state's schools. He thought the schools were well dispersed throughout the state.

Co-Chair von Imhof affirmed that schools needing major maintenance were all over the state. She estimated there was \$193 million in major maintenance and about a \$7 million request.

[10:33:31 AM](#)

Senator Wielechowski thought his community had the Port of Anchorage as a priority. He mentioned that 90 percent of all the goods came in through the port. He thought the military had identified the port as a top priority. He asked if the administration thought it was important to make sure the port was funded and repaired.

Mr. Steininger did not know enough on the issue to provide a comment.

Senator Wielechowski asked if the administration believed the Port of Alaska needed to be repaired and funded. He thought the state had just received federal funds, and the project had worked to reduce costs. He asked if the topic was on the administration's radar.

Mr. Steininger stated he would get back to the committee with more information.

Senator Hoffman commented that throughout the proposed budget there were funds being proposed to be expended under the Capital Income Fund. He asked for a list of the projects being funded. He requested a list of criteria the administration used to access the funds.

Co-Chair Stedman added to Senator Hoffman's request to ask for information on the sources of funds in the Capital Income Fund as compared to where the money was going. He suggested that the information should go back several years. He explained that the Capital Income Fund was a holding account where small appropriations were moved. The fund had built up over the years. He thought it was important to look at the source of the funds, where the funds were directed, and the criteria for use.

Mr. Steininger addressed the use of the Capital Income Fund, and stated that the administration tried to direct the fund towards projects related to maintenance of state assets and facilities. He used the example of the renovation of the Anchorage Pioneer's Home, and deferred maintenance funds that would be spread to small facilities. He noted there was an annual distribution of Amerada Hess Funds that came from the Permanent Fund, which was different every year but was about \$27 million. He noted that cruise ship gaming taxes were often directed into the fund to supplement deferred maintenance funding. The fund did not cover the total expense of deferred maintenance but did offset some of the costs.

[10:38:16 AM](#)

Co-Chair von Imhof thought the question was how much of the funding went to the governor to use at his discretion rather than to the appropriating body.

Mr. Steininger stated that the \$30 million that was in the Office of the Governor was a way that the administration had been trying to address deferred maintenance on a wholistic basis across all state facilities, rather than on a facility by facility appropriation. The method allowed more flexibility to respond to emergent needs and to prioritize. He mentioned condition indexes and standard criteria across facilities as a means of evaluating facilities. He thought some departments might have more savvy in evaluating needs than other departments. He suggested that working with the Division of Facilities Services within DOT provided more ability to apply objective rigor as to how the funds were applied.

Mr. Steininger offered to provide a list of projects that funds had been distributed to over the last several years that the funds had been centrally managed. He acknowledged that there was a learning process to centralize the function as the division came online. He stated that the fund was not a slush fund but rather a way to manage the work on a statewide basis with more fairness to those departments with only a few facilities.

Co-Chair Stedman thought that there should be a request for a five-year charter of accounts for incoming and outgoing funds to the Capital Income Fund, in consideration of the capital budget. He thought there would be better

understanding of the fairness around the state if the committee examined the record. He thought the requested items for expenditure in the current budget might meet the top of the list for the legislature, or they might not.

10:41:29 AM

Senator Wielechowski considered the "Statewide Deferred Maintenance Backlog" document and was curious about the prioritization of items. He asked if there was auditing or assurance that the requested costs were reasonable. He used the example of repainting the second floor of the governor's house for a cost of \$180,000. He assumed that state workers were doing the labor. He was curious about the oversight that was present to keep costs in line.

Co-Chair von Imhof wanted to allow the conversation to not be rushed. She suggested the committee take a recess and resume in the afternoon.

Co-Chair von Imhof wanted to bring the focus to the capital budget. She brought up the coronavirus and the Port of Alaska as previously mentioned. She thought the project was important to all of Alaska. She mentioned a project for the University of Alaska/Medical (UMed) District expansion and Northern Access Road project, which had been funded and defunded. The previous year Northern Lights Boulevard had a sinkhole and had closed, which was access the multi-billion-dollar UMed District. She suggested that if the virus was a "new normal," a new road was needed to access the area in a timely and safe manner. She wanted the governor's office to comment on the road and connection to medical care and the University for the entire state.

10:46:00 AM

Senator Wielechowski stated that the committee had been through the issue many times. The funds for the project had been appropriated, and the Municipality of Anchorage had said it did not want the road constructed. He cited that all the community councils surrounding the area had not supported the road project. He respectfully disagreed with Co-Chair von Imhof's opinion and thought that the current road system worked fine.

Co-Chair von Imhof agreed to disagree. She thought the whole area continued to be built up and was concerned about

danger to students and delay in travel to the hospital. She discussed potential for travel disruption. She understood that there were some community members did not want the road but suggested the project would be for the greater good for the state.

Senator Olson thought Co-Chair von Imhof had brought up a significant issue of the Covid-19 virus, which he saw as a blossoming need. He considered costs of quarantine and did not see any money being appropriated or considered.

Co-Chair von Imhof noted that there was an amendment for the operating budget for \$4 million with an additional \$9 million in federal funds. She thought there might be a supplemental budget with funds for the virus. She agreed that Alaska had experienced very different funding needs such as earthquakes and wildfires. She referenced the spring revenue forecast and considered that the state had potentially less revenue coming in, which put more pressure on the budget. She emphasized that the state always needed to leave headroom for things that were unknown.

Co-Chair von Imhof recessed the committee until 1:30 p.m.

[10:49:38 AM](#)

RECESSED

[1:33:29 PM](#)

RECONVENED

Co-Chair von Imhof explained that the committee would continue the discussion with the topic of deferred maintenance liability, which must be considered carefully while developing the capital budget. She referenced the long list of projects evidenced in the "Statewide DM Backlog" document.

Mr. Steininger discussed the presentation, "FY2021 Deferred Maintenance Update," (copy on file). He noted that Ms. Willhoite would give an overview of the deferred maintenance backlog as well as historical funding, after which DOT staff would discuss activities within the Division of Facilities Services. Staff would discuss the plan that was being implemented and future plans on how the department was handling facilities maintenance throughout the state.

1:35:26 PM

SHELLY WILLHOITE, CAPITAL COORDINATOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, discussed the presentation.

Ms. Willhoite looked at slide 2, "Deferred Maintenance: Overview":

Deferred maintenance is maintenance or repair projects that have been delayed or postponed due to lack of funds within an entity's normal operating budget cycle. Maintenance and repairs are activities that keep assets in safe, effective, working condition. Postponing needed repairs could lead to asset deterioration and ultimately asset impairment. Generally, a policy of continued deferred maintenance may result in higher costs, asset failure, and in some cases, health and safety implications.

Co-Chair von Imhof asked Ms. Willhoite to read the last sentence on the slide.

Ms. Willhoite showed slide 3, "Deferred Maintenance: State Owned Facilities," which showed a bar graph depicting the number of facilities by agency. There were about 2,400 facilities throughout the state, representing 14 departments in 20 million square feet of space and \$9.7 billion in replacement value. The chart depicted the number of buildings by department.

Ms. Willhoite turned to slide 4, "Deferred Maintenance: Facility Types":

Types of facilities vary by entity

- UA manages classroom, laboratory, research, residential, and office space
- DOA manages general office space
- DOC and DHSS both manage 24 hour facilities
- DMVA manages military and other facilities and statewide armories
- DNR oversees park service cabins, shelters, fire suppression and preparedness shops

Ms. Willhoite noted that the bar graph on slide 4 showed the total square feet in facilities by agency. She pointed

out that the University had over 8 million square feet, while DOT had about 2.5 million square feet. She explained that the University had classrooms and laboratories, with larger buildings. Conversely, DOT had a greater number of smaller buildings, many of them electrical buildings.

Co-Chair von Imhof thought that when the DOT came to committee, she wanted to discuss the composition and function of the agency's 732 buildings.

[1:39:13 PM](#)

Ms. Willhoite spoke to slide 5, "Deferred Maintenance: Statewide Backlog \$1.9 Billion":

Deferred maintenance backlog:

- University of Alaska \$1.3 billion
- Department of Transportation and Public Facilities \$341 million
- All other agencies total \$313 million

Senator Wielechowski thought that some of the projects seemed extremely expensive and unnecessary. He used the example of radar and speed indicator installation in a parking garage for \$26,300. He recalled a cost for the same technology being \$5,000. He mentioned repairs in the governor's house and thought the proposed costs seemed extraordinary. He wondered what sort of vetting was being done for the projects and wondered if there were state employees that could perform the work at a lower price.

Mr. Steininger thought that Senator Wielechowski's concerns were part of the reason all of the departments' deferred maintenance projects needed to be considered together. He thought having consistent cost estimates and standards would hopefully start to address some disparities being pointed out. He thought having experts in the state looking at cost estimates and applying consistent standards would be an improvement. He noted that the current list and prioritization had been submitted by each individual department, and the prioritization reflected the department's perception of priority ranking rather than looking at projects together across departments, which was the goal of the administration.

[1:42:45 PM](#)

Senator Olson thought he had heard Mr. Steininger state there was no oversight on the numbers being proposed. He was appalled at the proposed expense for the projects. He was hearing that no one vetted the numbers before the list was assembled.

Mr. Steininger clarified that the numbers were done on a departmental basis, and each department vetted the items before they were assembled into the list. He explained that some of the projects landed on the deferred maintenance list for the very reason that the project did not involve health-life-safety, as those that did were addressed through the agencies' operating budget.

Senator Wielechowski asked if there were always competitive sealed bids for construction contracts. He asked where allocated funds went if the project ended up being cheaper than expected.

Mr. Steininger stated that whenever there was a project of any nature, bidding would adhere to the procurement code. There were different levels of competition based on the nature and size of the project. If a project bid came back lower than estimated, the remaining funds would be put back in the deferred maintenance pot to be allocated for the next most critical need.

Co-Chair von Imhof considered a list of projects for the University of Alaska Anchorage (UAA) on page 127 of the deferred maintenance backlog list, which showed a cost of \$2 for ten items to replace pumps. She asked if the list should be getting so granular.

Ms. Willhoite thought the amounts might be a typographical error.

[1:45:50 PM](#)

KIM MAHONEY, ASSOCIATE VICE CHANCELLOR OF FACILITIES, UNIVERSITY OF ALASKA ANCHORAGE, thought the amounts might be a typo. She relayed that UAA used a third party to help with the deferred maintenance list, which totaled over \$500 million. She stated that items on the deferred maintenance list were not intended to be individual projects, but rather were done in a project delivery method. The items on the list included contemplation that that item costs would

be part of a biddable job rather than on a standalone basis.

Co-Chair von Imhof acknowledged that she had been incorrect, and the amount was \$2,000 for each item. She suggested the list combine items.

Senator Wilson asked how often the deferred maintenance lists were updated. He saw that departments tracking went back to FY 11. He wondered if completed jobs remained on the list for a period of time.

Ms. Willhoite informed that deferred maintenance lists were updated at least annually, usually after the construction season. She continued that the administration asked for updated maintenance listings and prioritization of projects before deferred maintenance allocation.

[1:49:00 PM](#)

Ms. Willhoite displayed slide 6, "Deferred Maintenance: Backlog \$803,011.1 (excluding University \$1.3 billion)," which showed a bar graph of deferred maintenance backlog amount per department. She noted that the University data had been pulled out after it skewed the graph to a degree that made the graph unusable. The departments were listed in order of deferred maintenance total. She added that DOT's amount included facilities, highways, aviation, harbors, and the AMHS. She noted that the full chart including the University was in the appendix.

Ms. Willhoite discussed slide 7, "Deferred Maintenance: Statewide Facilities Approach":

Centralized Analysis, Recommendation and Approval

- Created the Executive Facilities Maintenance Advisory Committee and the State Facilities Council
- Created the Division of Facilities Services within the Department of Transportation and Public Facilities
- Started Statewide Deferred Maintenance Appropriations

Ms. Willhoite noted that the Executive Facilities Maintenance Advisory Committee (EFMAC) was created to coordinate and increase efficiencies in facilities

maintenance across all departments. Prior to the statewide approach, each department had been putting together its own facilities maintenance.

Co-Chair von Imhof asked if the positions were paid committee appointments. She asked who was on the committee and who was on the State Facilities Council.

Ms. Willhoite informed that the council was implemented the following year and had representatives from the Division of Facilities Services as well as from each department.

Mr. Steininger clarified that the EFMAC was made up of existing state employees that managed facilities as part of the job. The idea was to get together a group of subject matter experts and stakeholders from all departments.

Ms. Willhoite continued to address the slide. She discussed creation of the Division of Facilities Services within DOT for the purpose of increased efficiencies and standardization.

[1:52:45 PM](#)

Senator Wilson asked if the management of facilities had been consolidated, or if the change still in process.

Ms. Willhoite stated that several departments were complete, including DOA, DOT, and DEED. Several departments were in the middle of being transitioned to being coordinated by the new division, including Department of Fish and Game.

Senator Wilson asked improvements had already been seen as a result of the consolidation, such as better prioritization of projects.

Ms. Willhoite stated that the division was implementing a software package that would assist in prioritization, and the project was not yet complete. When complete, the database would give a consolidated overview of deferred maintenance projects.

Ms. Willhoite continued to address slide 7. She detailed that in 2018, the administration started doing statewide deferred maintenance appropriations as a lump sum. The Division of Facilities Services would help prioritize the

funds. She mentioned intent language in a bill passed the previous year that made the process be consolidated across agencies.

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Ms. Willhoite reviewed slide 8, "Deferred Maintenance: Statewide Appropriation Status," which showed a table depicting the amount appropriated for each department for 2018, 2019, and 2020. She explained that before the administration came up with the allocation, the department had been asked to examine if the top ten priorities were still the same. The information was used to make an allocation, and it was the hope that the funds were allocated to the most critical needs in the state.

Ms. Willhoite continued to address slide 8. She noted that the previous year was the first year that the council was used to help allocate funds. The council had met to consider projects and reach consensus on how to make the allocation. The group had identified the need to reserve some funds aside for emergent needs. Several departments had emergency funds in the past. The current fund was about \$2 million, of which \$800,000 had been expended thus far.

Ms. Willhoite looked at slide 9, "Deferred Maintenance: Governor's Proposed Budget":

- FY2021 Deferred Maintenance: \$37.5 million
- Statewide Deferred Maintenance: \$30.0 million DGF (Capital Income Fund)
- Department of Administration: \$5.9 million Other (Public Building Fund)
- Courts: \$1.6 million DGF (Capital Income Fund)

Co-Chair von Imhof asked if there would be a forthcoming breakdown of the \$30 million DGF for statewide deferred maintenance from the Capital Income Fund.

Ms. Willhoite explained that the division director would discuss the process the administration was using for expenditure of the \$30 million. There was not a list of projects assembled yet, but when the list was complete it would be provided to the committee.

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CHRISTOPHER HODGIN, SENIOR PROJECT MANAGER, DIVISION OF FACILITIES SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, ANCHORAGE (via teleconference), showed slide 10, "FY2021 Deferred Maintenance - Division of Facilities Services."

Mr. Hodgin referenced slide 11, "Deferred Maintenance: Statewide Approach":

- Deferred Maintenance moving forward into FY2021 Collaborating with OMB and the State Facilities Council
- Prioritizing deferred maintenance projects across all executive branch agencies, including the University
- Facilities Council deferred maintenance workshops currently in-progress, with goal of submitting Statewide prioritized list to OMB by the end of April 2020
- The Basic Approach - projects are being prioritized based on a combination of relevant factors to create a Project Index Value (PIV)

Mr. Hodgin showed slide 12, "Deferred Maintenance: Statewide Approach - the Basics":

- Project prioritization a combination of the below to create a Project Index Value

(PIV): $PIV = (MAI) \times (\text{System Factor}) \times (\text{Need})$

- MAI-Mission Alignment Index, alignment of facility to an Agency's mission
 - System Factor - Scale related to various building systems and their impact on building
 - Need - The urgency
- If known, other attributes are also shared such as anticipated return on investments, any matching funds, or eligibility as a financed energy savings performance project

Co-Chair von Imhof wanted a description of the scale that would be used to assess things like need. She asked Mr. Hodgin to explain how the scale was developed.

Mr. Hodgin advanced to slide 24 in the index, "Deferred Maintenance: Statewide Approach - Mission Alignment Index Examples":

- Critical:
 - The Agency cannot meet its mission without this facility. There are no viable workarounds
- Important:
 - Would impact the Agency's mission if unavailable. Possible workarounds
- Supportive:
 - Would possibly impact the Agency's mission if unavailable, but other options available
- Other / Non Mission Critical:
 - Would not have an effect on the Agency's mission if unavailable

Mr. Hodgin explained that the mission alignment index scale was a zero to zero-point-nine scale, with a designation of zero-point-nine indicating the most critical facility for the particular agency. He explained that there was a margin above zero-point-nine for other facilities that would have statewide importance as well as agency importance.

Mr. Hodgin furthered that the system factor was also a decimal scale that went from zero to one, with a designation of one signifying the critical life/safety repair needs at a facility. He made note of corresponding scales for projects such as interior renovations, mechanical/electrical upgrades, or building envelope upgrades. He explained that the need scale went from one to five, with a rating of five signifying the most critical need and a rating of 3 signifying projects that needed attention to prevent deterioration of a building. He surmised that items with a need ranking below three would not make the list.

Co-Chair von Imhof thought the example in the index was helpful.

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Mr. Hodgin showed slide 13, "Deferred Maintenance: Statewide Approach - Example," which showed table using an

illustrative example of an electrical system upgrade to an office building. The example showed a critical building for the department. He reviewed the approach for determining the project index value.

Mr. Hodgkin referenced slide 14, "Deferred Maintenance: Statewide Approach - Example," which showed a table with illustrative example values. He posited that when the approach was applied to all projects in the deferred maintenance backlog, one could see that the projects could be ranked. He thought the slide would show that the projects with the highest index value should represent the state's most critical important buildings for the state and respective agencies, where the repairs fixed the most important components of the buildings and the repairs were in the most immediate need.

Co-Chair Stedman referenced the idea of a scatter plot chart, which could be used to show all the data points to see where there might be clusters.

Co-Chair von Imhof was fond of data and charts, and liked Co-Chair Stedman's idea. She used the example of a project that was not prioritized and as a result, systems degraded. She asked who was responsible for looking at systems on an ongoing basis and updating the index values.

Mr. Hodgkin acknowledged that if the condition of a facility deteriorated, the index yearly refresh would change the need metric to a higher value and place the project at a higher priority in the list. If the facility was under the care of the Division of Facilities Services or DOT, typically "maintainers" looked at systems and reported any deficiencies to hub managers or foremen. Other agencies that were not consolidated used maintenance professionals that would report to managers.

Co-Chair von Imhof reiterated the request for a scatter plot to help the committee envision the trends.

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Co-Chair von Imhof questioned the amount of a reasonable deferred maintenance savings account in the event of a sudden occurrence such as extreme cold or an earthquake. She discussed scenarios where property degraded over time

after not receiving maintenance. She asked what options an agency would have.

Mr. Hodgkin deferred the question to Ms. Willhoite.

Ms. Willhoite referenced a chart that showed a percentage that was recommended to set aside for deferred maintenance, but the amount had been well outside the realm of the budget. She thought that with facilities maintenance consolidation, it would be possible to get a better scope of what a good percentage for savings would be.

Mr. Hodgkin did not have the number. He referenced a recommendation of the National Science Foundation that suggested one to four percent of the gross asset value per year for deferred maintenance. He estimated that the asset value of the state was \$8 billion.

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Co-Chair von Imhof asked if the states asset value was \$8 billion, was the \$30 million in reserve one to four percent of the total.

Mr. Hodgkin answered "no."

Co-Chair von Imhof asked what the amount would be at one percent. She thought the amount would be about \$800 million.

Senator Wielechowski referenced page 49 of the Statewide Deferred Maintenance Backlog, which showed a number of projects to replace signage and rehabilitate trails for what he thought looked to be about \$1 million. He was curious if there was any sort of process for soliciting volunteers or school groups to do the work.

Mr. Hodgkin was not aware of such a process.

Co-Chair von Imhof was wondering if Senator Wielechowski was referencing something like a GoFundMe page for public work.

Senator Wielechowski referenced the rehabilitation of the Mt. Baldy trail in Anchorage for \$75,000. He thought it would not be difficult to find a non-profit group in Anchorage to take on the project. He mentioned a project

his daughter did painting electrical boxes. He thought that the idea was worth pursuing.

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Co-Chair von Imhof asked about the large backlog of deferred maintenance. She asked if the project index value would be seen in small items or large buildings.

Mr. Hodgkin stated that the division had started the index process building by building on the Deferred Maintenance Backlog spreadsheet. The backlog would be the start of the process. He did not anticipate that the result of the work would show each component, but rather building by building.

Mr. Hodgkin showed slide 15, "Property Disposal Directive."

Mr. Hodgkin considered slide 16, "Property Disposal Directive: Update":

- February 12, 2019 Property Disposal Directive
 - Directed Executive Branch to investigate options available for reducing the State's assets by identifying properties that could be divested
- A multi-departmental workgroup was formed, inclusive of State Facility Council members and project managers from the DOT&PF Division of Facilities Services
- Methodology involved departments categorizing their facilities into 'Consider' or 'Non Consider' categories
 - Consider: These buildings were identified by departments as candidates for divesting. Candidate buildings may be appropriate for demolition, space consolidation, or selling.
 - Non-Consider: Identified by departments as non-candidates. Departments were asked to provide justifications for each non-consider building.

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Mr. Hodgkin displayed slide 17, "Property Disposal Directive: Consider Candidate Example From Property Disposal Report":

Maintenance Shop & Warehouse Ketchikan, AK 99901 4,430
Square Feet State Owned

Concept: Southcoast Region currently occupies two locations for three components within the region which includes M&O, Construction and SEF. The Construction office has been a trailer which has deteriorated beyond repair and it is not in an acceptable condition employees should be working in. Co-locating all three within vacant space located at the AMHS Engineering building will reduce costs for both Southcoast Region and AMHS and will provide staff adequate working conditions

Advantages: 1. Reduced operating costs by sharing facility operations across three areas 2. Improved efficiencies having M&O, Construction and SEF in one location 3. Improved working conditions for staff

Disadvantages: 1. Unknown start up costs 2. Disposal of previous location could contain Hazmat or asbestos

Expected benefit: Unknown operating savings will be realized, however there is the assumption a savings will occur. Utilizing existing space and reducing the building inventory.

Mr. Hodgin highlighted slide 18, "Property Disposal Directive: Consider Candidates & Next Steps":

Next Steps

- OMB discussions with individual Departments on the Consider candidates, any further cost benefit analyses, and approvals of selected Consider candidates
- Determining proper resources and project management to implement approved selected property disposals
- Resourcing and implementing the disposal of the approved properties

Co-Chair Stedman referenced the Mt. Edgecombe Aquatic Center and asked if it had removed from the liquidation list.

Mr. Hodgin answered in the affirmative.

Co-Chair Stedman asked about the Stratton Library in Sitka.

Mr. Hodgin believed the library was still on the liquidation list.

Co-Chair Stedman asked that Mr. Hodgkin re-review the item. He expanded that the building went along with the state-owned Sheldon Jackson Museum, and enhanced the viability of the museum by providing a larger area for the museum collection. He thought the library allowed for more visitors and thereby less subsidy for the museum. He explained that there would most likely be language forthcoming in legislation that would restrict the agency's ability to collect funds if the building was sold.

Co-Chair Stedman thought the division should consider the National Guard Amory in Sitka. He wanted to know what benefit the asset gave to the state. He noted that DEED was in consideration of liquidating or leasing four properties in Sitka to monetize the value of the property not needed for Mt. Edgecumbe High School. The funds would help fund the school and provide funds for maintenance for facilities. He did not think the parcels of real estate were included in the list but were under discussion. He thought there were some challenges with how the asset list was being composed. He wanted the department to get back to his office regarding the armory and the library in Sitka.

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Mr. Hodgkin affirmed that he would get more information from the departments to answer Co-Chair Stedman's questions.

Co-Chair Stedman stated that there had been a repair in the previous year's budget that had been vetoed. He wanted Mr. Hodgkin and the division to provide a solution rather than provide a standard response.

Co-Chair von Imhof observed there was an executive summary and property disposal directive dated February 12, 2019, that directed all commissioners to investigate options available for reducing the state's assets by identifying properties that could be sold or sold and leased back to the state in order to realize savings. She thought it would be helpful to have a list of how many buildings had been identified and sold in the almost-year since the directive.

Mr. Hodgkin agreed to provide the information.

Co-Chair Stedman understood Co-Chair von Imhof's request but was concerned that the state would be in a liquidation

mindset. He discussed the Stratton Library, and noted the library had a third of the archives of the State Library and Archives in Juneau. He reiterated that if the library was liquidated, it would hinder the survival of the Sheldon Jackson Museum. He wanted an expansion of the analysis of the proposed liquidation.

Mr. Hodgkin answered "yes."

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Mr. Hodgkin looked at slide 19, "Property Disposal Directive: The Divestment Process":

- Executive Branch to follow an established process for divesting excess buildings managed by the Department of Administration (Appendix C), with exception of:
 - Buildings on airport land under DOT&PF authority (AS 02.15.060.070)
 - Buildings acquired by DOT&PF from the acquisition of land for highway projects (AS 19.05.070)
 - Education buildings (AS14.07.030)
 - DNR buildings which improve state lands (AS 38.05.035)
 - Federally funded buildings, in which each federal agency has its own rules and may require federal funds to be refunded. For example, DMVA federal use or funded armories, in which DMVA is following federal guidelines in their current facilities divestment program.

- For those facilities with little value or unlikeliness to sell, other factors for consideration include suspension of all maintenance and repair costs, liability associated with vacant structures and demolition costs.

Co-Chair von Imhof asked if buildings the state divested of would be sold on the open market to the highest bidder, or if the state would engage with a third party to sell the properties.

Mr. Hodgkin thought the first step was to see if any other agency had a need for the facility. He was not familiar with the rest of the process. He offered to provide a copy of the guidance paper that outlined the process.

Co-Chair von Imhof commented that it made sense to consolidate buildings but questioned the efficacy of shuffling buildings between agencies, which would not lower the overall deferred maintenance backlog. She asked to get more information about executive branch's established process. She reiterated her request for more information about what properties had been divested in the previous year.

Mr. Hodgkin agreed to provide the information.

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Mr. Hodgkin showed slide 20, "Questions?"

Co-Chair von Imhof noted that there was an appendix starting on slide 21. She asked if Mr. Hodgkin wanted to highlight any more topics on the previous slides.

Mr. Hodgkin answered "no."

Co-Chair von Imhof asked to go to slide 26, "Deferred Maintenance: Replacement Value of our Facilities," which showed a table with data on the number of facilities in each agency, including the square footage and replacement value. She asked about Mr. Hodgkin's earlier comments regarding NSF's recommendations for deferred maintenance savings at one to four percent of the replacement value annually.

Co-Chair von Imhof thought 1 to 4 percent of the state's total replacement value was about \$97 million to \$360 million, while the proposal being considered was for \$30 million. She referenced slide 8, which showed the statewide appropriation a status by agency for 2018, 2019, and 2020. She thought there was a better amount to arrive at than the proposed \$30 million. She hoped the committee would contemplate what amount made sense. She recalled the previous day that the Legislative Finance Division had discussed a potential for \$100 million to \$200 million less in revenue for 2020, and potentially another \$100 to \$200 million less revenue for 2021. She mentioned increased cash

needs and a dwindling balance in the Constitutional Budget Reserve.

SB 154 was HEARD and HELD in committee for further consideration.

Co-Chair von Imhof discussed the agenda for the following day.

#

ADJOURNMENT

2:31:46 PM

The meeting was adjourned at 2:31 p.m.