

HOUSE FINANCE COMMITTEE  
January 28, 2022  
1:34 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:34 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair  
Representative Kelly Merrick, Co-Chair via teleconference  
Representative Dan Ortiz, Vice-Chair  
Representative Ben Carpenter  
Representative Bryce Edgmon  
Representative DeLena Johnson  
Representative Andy Josephson  
Representative Bart LeBon  
Representative Sara Rasmussen via teleconference  
Representative Steve Thompson  
Representative Adam Wool

MEMBERS ABSENT

None

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget, Office of the Governor.

PRESENT VIA TELECONFERENCE

Theresa Cross, Administrative Service Director, Department of Natural Resources, Office of Management and Budget, Office of the Governor; Bob Ernisse, Administrative Service Director, Department of Military and Veterans Affairs, Office of Management and Budget, Office of the Governor; Deven Mitchell, Executive Director, Alaska Municipal Bond Bank Authority, Department of Revenue.

SUMMARY

HB 283      APPROP: CAP; REAPPROP; SUPP

HB 283 was HEARD and HELD in committee for further consideration.

HB 285 G.O. BONDS FOR INFRASTRUCTURE PROJECTS

HB 285 was HEARD and HELD in committee for further consideration.

OVERVIEW: HB 282, HB 283, HB 284 CAPITAL BUDGET BY OFFICE OF MANAGEMENT AND BUDGET

OVERVIEW: HB 285 G.O. BONDS FOR INFRASTRUCTURE BY OFFICE OF MANAGEMENT AND BUDGET

Co-Chair Foster reviewed the agenda for the day.

#HB283

HOUSE BILL NO. 283

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

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^OVERVIEW: HB 282, HB 283, HB 284 CAPITAL BUDGET BY OFFICE OF MANAGEMENT AND BUDGET

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NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, introduced the PowerPoint Presentation: "HB 282, HB 283, HB 284 Capital Budget." He focused on the FY 2023 Capital Budget request and included capital projects in the Mental Health Budget, [HB 283] Supplemental Budget and the [HB 284] Fast Track Supplemental budget. He turned to Slide 2 titled "Capital Budget History FY 2013 - FY 2023." He pointed to 2013 denoted on the graph and explained that it was the last year significant capital spending occurred prior to the decline in oil revenues. He delineated that FY 2016 and FY 2017 experienced very low Unrestricted General Fund (UGF) spending offset by use of reappropriations, which created an artificially lower capital budget in terms of investment into state infrastructure. Between 2016 and the prior year's capital budget most of the capital spending was for

state matching funds for federal programs like Village Safe Water (VSW) and the Statewide Transportation Improvement Program (STIP). A larger capital proposal was introduced in FY 22. In FY 23, the administration was proposing an even larger capital budget to help address the built-up backlog.

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Mr. Steininger continued to Slide 3 titled "Capital Budget Five Year Overview FY 2018 - FY 2022." The bar graph showed additional fund source detail including COVID relief funding over a 5 year perspective. He pointed to the grey box which depicted traditional federal funding versus the light blue areas depicting federal COVID relief funding, which was \$135.9 million in FY 23. The larger gray bar in FY 23 represented the proposed use of General Obligation (GO) bonds for capital projects.

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Co-Chair Foster confirmed Co-Chair Merrick was online.

Vice-Chair Ortiz referred to the FY 21 Covid spending. He wondered if the light blue areas represented all of the federal phases of Covid funding. Mr. Steininger replied in the affirmative but added that it represented only the amount directly applied to capital projects.

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Mr. Steininger advanced to slide 4 titled "Federal Infrastructure Bill (IIJA):

- Enacted November 15, 2021 - 5-year authorization of both established and new federal programs
- No broad discretionary funding - not a relief bill
- New program details still pending
- Federal infrastructure spending and priorities primarily established by federal agencies, not by Alaska
- Funding is about 60% formula and 40% grants (competitive and discretionary)

- Congress currently under FFY21 Continuing Resolution
  - Some program funding appropriated in the bill, others pending

Mr. Steininger elaborated that the Infrastructure Investment and Jobs Act (IIJA) bill had a 5-year authorization of established and new federal programs. The state would have to compete for some of the federal funding that added to uncertainty regarding how much funding the state would receive.

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Representative Edgmon asked how much of the money would flow through the Department of Transportation and Public Facilities (DOT). He understood that a significant amount would go through the one agency. He asked if the influx of federal funding created a need for additional operating funding. Mr. Steininger responded that a large portion of IIJA would go towards surface funding. He would provide additional information about the federal infrastructure bill in the future as more information was known. He confirmed that additional adjustments to DOT's capital budget would be necessary. Representative Edgmon asked if additional adjustments to the operating budget for DOT would be necessary. Mr. Steininger replied that the design work was paid through the surface transportation program via interagency receipts that also paid into the operating budget. Currently, the state's highway maintenance was being paid with some available discretionary relief funding. He informed the committee that as the relief funding was spent down, to expect adjustments in the DOT operating budget replacing relief funding with UGF. Representative Edgmon discussed that with the Coronavirus Aid, Relief, and Economic Security (CARES) Act funding there was a 60-day window for federal guidelines. He asked why the guidelines for IIJA were taking so long to be published. Mr. Steininger deduced that IIJA was a 5-year program, and the expediency of relief funding did not apply. He thought that the federal government was being more thoughtful about the guidelines regarding infrastructure investment .

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Representative Josephson asked what the amount of state match would be for IIJA projects. Mr. Steininger replied that the state match would be 10 percent for surface infrastructure. However, not every program would require a 10 percent match. For some programs the matching amount was still undisclosed and for items such as VSW the state match was 25 percent. Representative Josephson asked if the administration was building the state match into the budget. Mr. Steininger indicated that the administration was keeping the state match component in mind. He would come back to the committee with more information as it was known.

Representative Carpenter understood that much was still unknown about IIJA. He asked if there was additional information for what projects were certain and if Mr. Steininger could provide a list. Mr. Steininger agreed to provide the list.

Representative Thompson inquired whether the amount of IIJA funding the state would receive was known. Mr. Steininger ascertained that the amount would be in the billions over 5 years. There was a wide range of funding the state might receive because some of the funding was offered through competitive grants.

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Mr. Steininger moved to Slide 5 titled "FY 2023 Capital Budget and Supplemental Overview." He drew attention to the UGF total for mental health and regular capital spending of \$154.7 million and \$93 million UGF for all supplemental capital spending. The proposed total between all of the different funding sources amounted to \$2.1 billion. He furthered that the administration took a more conservative baseline budgeting approach to the FY 23 Capital Budget and based on available cash and the Fall Revenue Forecast built out the budget to make investments in capital infrastructure. He noted that there was a significant FY 22 surplus. He mentioned that the GO Bond package was predicated on addressing communities needs and took advantage of available financing.

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Representative Carpenter asked about the asterisk after HB 285 GO Bond column on the chart. Mr. Steininger explained

that it denoted a late addition to the GO Bond package for the Kodiak Fire Station that was not included in the capital budget bill but would be added as an amendment. The item was added to the GO Bond bill prior to its introduction.

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Mr. Steininger advanced to slide 6 titled "FY 2023 Capital Budget Snapshot" that broke down capital spending by budget sources per department. He highlighted that the chart showed the departments that received the bulk of UGF also received significant federal funding.

Co-Chair Foster indicated that Representative Rasmussen joined the meeting.

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Mr. Steininger turned Slide 7 titled "FY 2023 Projects by Department:"

Commerce, Community & Economic Development

1. Alaska Energy Authority - Electrical Emergencies Program \$200.0 UGF
2. Community Block Grants \$6,315.0 (\$6,250.0 Fed, \$65.0 GF Match)
3. National Petroleum Reserve - Alaska Impact Grant Program \$13,800.0 Fed
4. Inter-Island Ferry Authority \$250.0 UGF
4. Alaska Energy Authority - Bulk Fuel Upgrades \$13,000.0 (\$7,500.0 Fed, \$5,500.0 GF Match)
5. Alaska Energy Authority - Rural Power Systems Upgrades \$20,000.0 (\$10,000 Fed, \$10,000.0 PCE)
6. Alaska Energy Authority - Round XIV Renewable Energy Project Grants (AS 42.45.045) \$15,000.0 Renewable Energy Grant Fund
7. Alaska Travel Industry Association \$5,000.0 Fed - CSLFRF

8. Alaska Energy Authority - Volkswagen Settlement  
\$400.0 SDPR

9. Named Recipient Grant - Voice of the Arctic  
Inupiat \$1,000.0 UGF

Mr. Steininger highlighted that the Power Cost Equalization (PCE) fund experienced substantial earnings, therefore, the entirety of the waterfall programs was funded, displayed on items 6 and 7. He pointed to the \$5 million from the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) for the Alaska Travel Industry Association.

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Co-Chair Foster spoke to the Power Cost Equalization Funding and the waterfall spending. He pointed to the Rural Power Systems Upgrades and asked if it was part of the Renewable Energy Grant fund. Mr. Steininger replied that the waterfall was allowed for Community Assistance and for deposit into the Renewable Energy Grant and other projects specifically related to the purpose of PCE for decreasing power costs. He elucidated that the rural power system upgrades fell under the statutory framework of the type of project allowed.

Mr. Steininger turned to slide 8 to continue to discuss projects for Department of Commerce, Community and Economic Development (DCCED) and projects for the Department of Environmental Conservation (DEC).

Commerce, Community & Economic Development

City of Palmer Wastewater Treatment Plant  
Improvements -Phase II \$6,900.0 Fed -CSLFRF

Economic Recovery Mariculture Incentive Grant  
Program \$25,000.0 Fed -CSLFRF

Environmental Conservation

Drinking Water Capitalization Grant Subsidy  
\$2,900.0 DWF

Clean Water Capitalization Grant Subsidy \$1,000.0  
CWF

Village Safe Water and Wastewater Infrastructure  
Projects: First Time Service Projects \$43,350.0  
(\$11,700.0 GF Match, \$300.0 SDPR, \$31,350.0 Fed)

Village Safe Water and Wastewater Infrastructure  
Projects: Expansion, Upgrade, placement of Existing  
Service \$28,900.0 (\$7,800.0 UGF, \$200.0 SDPR,  
\$20,900.0 Fed)

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Mr. Steininger continued to slide 9:

Environmental Conservation

Fairbanks PM2.5 Nonattainment Area Voluntary Heating  
Device Change Out Program \$5,684.8 Fed

EVOS Impaired Beaches Project \$658.4 Other - EVOSS

Family and Community Services

MH: Deferred Maintenance and Accessibility  
Improvements \$500.0 (\$250.0 GF/MH, \$250.0 MHTAAR)

Mr. Steininger advanced to slide 10:

Fish and Game

1. Sport Fish Recreational Boating and Angler Access  
\$3,000.0 (\$2,250.0 Fed, \$750.0 Fish & Game Fund)

2. Pacific Coastal Salmon Recovery Fund \$4,400.0 Fed

3. Facilities, Vessels, and Aircraft Maintenance,  
Repair, and Upgrades \$500.0 UGF

4. Endangered Species Act \$4,000.0 (\$1,750 Fed,  
\$2,000.0 UGF, \$250.0 SDPR)

5. Pacific Salmon Treaty Chinook Fishery Mitigation  
\$6,400.0 Fed

6. EVOS Kenai Peninsula Cost Share \$400.0 EVOSS

7. EVOS Prince William Sound Pollock and Herring  
Interaction \$4,129.3 EVOSS

8. EVOS Mariculture - Marine Mammals \$1,660.0 EVOSS
9. Proceeds of Sale of State-owned Vessels and Aircrafts \$150.0 DGF
10. EVOS Gulf Watch Alaska Herring Research and Monitoring \$1,908.3 EVOSS

Mr. Steininger identified item 9 and explained that the item was a new concept and allowed the department to use the proceeds from the sale of a vessel or aircraft for maintenance or replacement costs. He noted that there were a number of projects using Exxon Valdez Oil Spill funding.

Representative Josephson asked for further detail concerning item 4. Mr. Steininger explained that the funding was used to help the state ensure the determination of an endangered species was done accurately and to help with a response to a determination. He thought the commissioner could offer further detail. Representative Josephson asked if the appropriation would be tied to funding in the Department of Law (DOL). Mr. Steininger answered in the negative and reiterated that the money was being used to research the determination of an endangered species. The Department of Law could be involved if the determination was disputed.

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Mr. Steininger moved to the Office of the Governor and Department of Health and Social Services (DHSS) on Slide 11.:

Governor

1. Statewide Deferred Maintenance, Renovation, and Repair \$23,880.0 DGF (ACIF)

Health

1. MH: Home Modification and Upgrades to Retain Housing \$1,150.0 (\$1,050.0 UGF, \$100.0 MHTAAR)
2. MH: Essential Program Equipment \$600.0 (\$300.0 UGF, \$300.0 MHTAAR)

3. Emergency Medical Services Match for Code Blue  
Project \$500.0 GF Match

4. MH: Assistive Technology \$500.0 UGF

Mr. Steininger reported that the appropriation in the governor's office budget was to respond to statewide needs for deferred maintenance.

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Mr. Steininger continued to report on projects for DHSS and projects for Department of Military and Veterans Affairs (DMVA) on Slide 12:

Health - continued

7. Division of Public Assistance E-forms and  
Online Noticing \$8,000.0 (\$4,000.0 Fed, \$4,000.0  
CSLFRF)

8. Division of Public Assistance Eligibility  
System Replacement \$23,500.0 (\$18,800.0 Fed,  
\$4,700.0 CSLFRF)

9. Health Record Infrastructure Improvements -  
\$30,000.0 Fed - Coronavirus Capital Projects Fund

Military and Veterans Affairs

1. State Homeland Security Grant Programs  
\$9,000.0 Fed

2. DMVA Deferred Maintenance, Replacement, and  
Renewal \$12,000.0 Fed

Mr. Steininger discussed item 9. He elaborated that the total pot of money in the listed Coronavirus fund was \$112 million. The appropriation would help to respond to events and needs that became apparent during the pandemic and to assist with distance education related to health. The project was responding to the need for access to medical records and medical information.

Representative LeBon returned to slide 7 and asked about item 2 listed as Community Block Grants and wondered what

communities benefited. Mr. Steininger would provide a list to the committee.

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Mr. Steininger continued to slide 13 regarding projects for Department of Natural Resources (DNR):

Natural Resources

1. National Recreational Trails Federal Grant Program \$1,650.0 (\$150.0 UGF, \$1,500.0 Fed)
2. Abandoned Mine Lands Reclamation Federal Program \$3,200.0 Fed
3. National Historic Preservation Fund \$800.0 (\$200.0 SDPR, \$600.0 Fed)
4. Land and Water Conservation Fund Federal Grant Program \$4,200.0 (\$1,600.0 UGF, \$2,600.0 Fed)
5. Federal and Local Government Funded Forest Resource and Fire Program \$7,000.0 Fed
6. Geological Mapping for Energy Development (USGS STATEMAP) \$1,200.0 (\$600.0 UGF, \$600.0 Fed)
7. State Park Electronic Fee Stations \$650.0 UGF
8. Arctic Strategic Transportation and Resource Project \$2,500.0 UGF
9. Land Sales - New Subdivision Development \$500.0 DGF - State Land Disposal Income

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Mr. Steininger moved to slide 14 to continue discussing projects for DNR and the Department of Public Safety(DPS):

Natural Resources - continued

10. RS2477 Access Development - Advancing State's Rights in Navigability and Revised Statute 2477 \$2,500.0 UGF

11. Potter Marsh Watershed Conservation Project  
Phase I \$1,000.0 Fed

12.Statewide Park Sanitation Deferred Maintenance  
and Facility Upgrades \$1,418.0 Fed - CSLFRF

13.Eagle River Fire Crew Facility \$13,856.4 Fed -  
Coronavirus Capital Projects Fund

14.Big Eddy EVOS Restoration and Improvements  
\$4,329.6 EVOSS

15.Food Security Agriculture Incentive Grant  
Program \$25,000.0 CSLFRF

#### Public Safety

1. Law Enforcement Off Highway Vehicle Replacement  
\$750.0 UGF

2. Marine Fisheries Patrol Improvements \$1,200.0  
Fed

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Co-Chair Foster cited item 10 and indicated that a related board was previously moth-balled. He wondered if the board was being reconstituted.

Mr. Steininger deferred to DNR for the answer.

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THERESA CROSS, ADMINISTRATIVE SERVICE DIRECTOR, DEPARTMENT OF NATURAL RESOURCES, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR (via teleconference), would provide the information to the committee in writing.

Co-Chair Foster recalled that the board was the Citizens' Advisory Commission on Federal Areas (CACFA).

Representative Josephson confirmed the board's name.

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Mr. Steininger advanced to slide 15 listing the Capital projects for the Department of Revenue (DOR):

Revenue

1. AHFC Supplemental Housing Development Program \$2,750.0 UGF - AHFC Div
2. AHFC Housing and Urban Development Capital Fund Program \$3,200.0 Fed
3. AHFC Housing and Urban Development Federal HOME Grant \$4,750.0 (\$750.0 UGF - AHFC Div, \$4,000.0 Fed)
4. AHFC Federal and Other Competitive Grants \$7,500.0 (\$1,500.0 UGF - AHFC Div, \$6,000.0 Fed)
5. AHFC Competitive Grants for Public Housing \$1,350.0 (\$350.0 UGF - AHFC Div, \$1,000.0 Fed)
6. AHFC Energy Efficiency Research \$500.0 UGF - AHFC Div
7. MH: AHFC Beneficiary and Special Needs Housing \$3,450.0 (\$1,750.0 GF/MF, \$200.0 MHTAAR, \$1,500.0 UGF - AHFC Div)
8. MH: AHFC Homeless Assistance Program \$8,100.0 (\$850.0 GF/MH, \$6,300.0 UGF - AHFC Div, \$950.0 MHTAAR)

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Mr. Steininger moved to slide 16 showing additional Alaska Housing Finance Corporation (AHFC) projects under DOR and capital projects for the Department of Transportation and Public Facilities (DOT):

Revenue - continued

- 9 AHFC Teacher, Health and Public Safety Professionals Housing \$2,250.0 (\$1,750.0 UGF - AHFC Div, \$500.0 SDPR)
- 10 AHFC Energy Programs Weatherization \$4,800.0 (\$3,000.0 Fed, \$1,800.0 UGF - AHFC Div)

11. AHFC Rental Assistance for Persons Displaced Due to Domestic Violence - Empowering Choice Housing Program (ECHP) \$1,500.0 UGF - AHFC Div

11. MH: AHFC Senior Citizens Housing Predevelopment Program \$500.0 UGF - AHFC Div

12.

13. AHFC Senior Citizens Housing Development Program \$1,000.0 UGF - AHFC Div

#### Transportation and Public Facilities

1. Federal-Aid Aviation State Match \$17,600.0 UGF

2. Alaska Marine Highway System (AMHS) Vessel Overhaul, Annual Certification and Shoreside Facilities Rehabilitation \$20,000.0 AMHS Fund

3. State Equipment Fleet Replacement \$25,000.0 Other - Highways/Equipment Working Capital Fund

Vice-Chair Ortiz asked if the funding for AMHS was GF appropriation versus federal infrastructure money. Mr. Steininger replied that the \$20 million was DGF from the Marine Highway System Fund. He understood that there would be IIJA federal funding for AMHS, but details were unknown.

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Mr. Steininger continued to report on projects for DOT on slide 17:

#### Transportation and Public Facilities - continued

1. Federal Transit Administration Grants \$26,670.0 Fed

2. MH: Coordinated Transportation and Vehicles \$1,300.0 (\$1,000.0 MH GF, \$300.0 MHTAAR)

5. Cooperative Reimbursable Projects \$15,000.0 (\$5,000.0 Fed, \$10,000 DGF - SDPR)

6. Alaska International Airport System \$68,722.1 (\$722.1 Other - International Airport Construction Fund, \$20,800.0 Other - Int. Airport Revenue Fund, \$47,200.0 Fed)

7. Surface Transportation Program \$669,500.0 Fed
8. Highway Safety Grants Program \$8,033.9 (\$130.6 UGF, \$8,000.0 Fed)
9. Federal Emergency Projects \$10,000.0 Fed
10. Other Federal Program Match \$1,300.0 GF Match
11. Alaska International Airport System \$81,700.3 (\$9,561.0 Other - Int. Airport Revenue Fund, \$72,139.2 Fed)
12. Rural Airport Improvement Program \$200,000.0 Fed
13. Federal-Aid Highway State Match \$70,200.0 UGF

Mr. Steininger highlighted Slide 18 including capital projects for the University of Alaska (UA) and Judiciary on Slide 18:

#### University

1. Student Information Technology Systems \$20,000.0 Fed - Coronavirus Capital Projects Fund
2. Seward Marine Center Research Vessel Infrastructure \$94,400.0 Fed

#### Courts

1. Court Security Projects \$1,130.0 UGF
2. Courts Statewide Deferred Maintenance \$2,300.0 UGF

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Mr. Steininger moved to Slide 18 [Title Page] the second portion of his presentation regarding the FY 2022 Capital Supplemental, HB 283 Supplemental in FY 2023 Governor's Budget, and HB 284 Fast Track Supplemental capital items.

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Co-Chair Merrick asked who made the request for the Eagle River Fire facility. Mr. Steininger responded that the

request was made through the department. Co-Chair Merrick reported that a request for a community center was not something she was aware of and wondered who made the request for the community center. Mr. Steininger indicated that it was an idea that was borne out of tailoring the project to meet the needs of the Coronavirus Capital Project funds, which required that the facility was more multi-use.

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Mr. Steininger addressed Slide 20 titled "FY2022 Supplemental Projects." The chart showed the total Supplemental Capital spending by department broken down by funding source.

Mr. Steininger continued to slide 21 Titled "FY 2022 Supplemental Projects" showing both regular and fast track supplemental projects:

#### Administration

1. \*Alaska Rural Communications Service (ARCS)  
FCC License Surrenders and Renewals Update  
\$1,650.0 (\$,500.0 UGF, \$1,130.0 Fed)
2. \*\*Azure Adoption to Assist with Cloud  
Migration \$23,116.0 UGF

#### Commerce, Community & Economic Development

1. \*Replace Alcohol Licensing Database \$750.0  
UGF
2. \*Alaska Energy Authority - Electrical  
Vehicle Infrastructure Plan \$1,150.0 UGF
3. \*Alaska Energy Authority - Strategic Plan  
for Railbelt Assets \$2,500.0 UGF

#### Corrections

1. \*Hiland Mountain Intake Administration  
Project \$4,500.0 UGF
2. \*Yukon Kuskokwim Correctional Center  
Recreational Area Renovations \$3,170.0 UGF

3. \*Statewide Backup Power System Evaluation and Upgrade Program \$350.0 UGF

4. \*\*Suicide Prevention Barriers \$750.0 UGF  
\*HB 283 Supplemental in 2023 Governor \*\* HB 284  
Fast Track Supplemental

Mr. Steininger indicated that the fast track supplemental was introduced to address more urgent needs. Other projects included would benefit from earlier funding but were not as urgent and there would be distinct benefits from advanced funding. The second item was more urgent because of security issues. The amount would be used for an analysis of what would need to be done to move data securely into the internet Cloud.

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Representative Josephson had not seen a \$750,000 request in the capital budget. He asked if it was a normal practice. Mr. Steininger explained that the administration had identified available revenues to address the backlog of capital demand. He noted that it was not the first time replacing an aging licensing database had been discussed but could not be prioritized in a decade of austere capital budgets. He reiterated that FY 22 had experienced a substantial surplus. Representative Josephson asked whether the \$27 million surplus in the Operating Budget was for FY 23. Mr. Steininger replied in the affirmative. Representative Josephson referred to the cost of Cloud migration assistance and noted that it was a greater amount than what was spent on DEC. Mr. Steininger answered that Cloud migration was complicated, required the involvement of several entities, and was expensive.

Vice-Chair Ortiz asked about item 2 under DCCED. He asked what the program entailed. Mr. Steininger replied that the appropriation was for development of a plan for where to place the infrastructure and would be used as a roadmap to build it. He deferred to Alaska Energy Authority (AEA) to provide further information. Vice-Chair Ortiz did not think it was necessary.

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Representative Carpenter asked whether the wind damage at the Homer prison needed supplemental funding. Mr.

Steininger understood that insurance would cover the damages.

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Mr. Steininger moved to slide 22 to discuss supplemental capital projects within the DEED, DHSS, and DFG:

1.\*\*William N. Miller K-12 Memorial School Replacement, Napakiak \$54,895.5 (\$22,111.5 UGF, \$32,784 Other - REAA)

Family and Community Services

1.\*Alaska Psychiatric Institute Wireless Infrastructure Upgrade \$500.0 UGF

Fish and Game

1.\*Stock Identification of Salmon Harvested in South Peninsula Fisheries \$2,000.0 UGF

2.\*Alaska Marine Salmon Program \$1,150.0 UGF

3.\*Arctic Fisheries \$1,000.0 UGF, \$2,000 Fed

4.\*Proceeds of Sale of State-owned Vessels and Aircrafts \$150.0 DGF

\*HB 283 Supplemental in 2023 Governor \*\* HB 284 Fast Track Supplemental

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Representative Josephson asked if the Regional Educational Attendance Area (REAA) fund was not sweepable. Mr. Steininger replied in the negative and confirmed that it was not sweepable. He delineated that the REAA fund was considered a "capitalized fund" and monies could be spent without further appropriation by the department. It was earmarked to show that the entire project was funded. Representative Josephson asked for verification that no further appropriation action was necessary. Mr. Steininger answered in the affirmative; no further action was needed for the department to spend money out of the specific fund.

Mr. Steininger moved to slide 23 and discussed the FY 22 capital supplemental projects for DHSS and DMVA:

#### Health

- 1.\*Office of Children's Services Lease Expansion or Relocation \$960.0 (\$640.0 UGF, \$320.0 Fed
- 2.\*\*Information Technology Security Program Assessment \$1,900.0 UGF

#### Military and Veterans Affairs

- 1.\*Construction of a Certified Veterans Cemetery in Fairbanks area \$3,270.0 (\$2,270.0 UGF, \$1,000.0 Fed)
- 2.\*Alaska Military Youth Academy (AMYA) Construction, Contingency, and Planning \$750.0 (\$150.0 UGF, \$600 Fed)

\*HB 283 Supplemental in 2023 Governor \*\* HB 284 Fast Track Supplemental

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Representative LeBon asked for more detail about the veteran's cemetery in Fairbanks. He believed the site needed environmental cleanup. He asked if the amount was for purchase and cleanup. Mr. Steininger deferred to the department for further answer.

BOB ERNISSE, ADMINISTRATIVE SERVICE DIRECTOR, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR (via teleconference), answered that the additional funding would cover the cost of lead abatement, purchase the site, and begin construction. Representative LeBon asked if the location was off of the Parks Highway. Mr. Ernisse believed so, but he would follow up with detail. Representative LeBon stated Fairbanks had been waiting quite some time for the project. He asked when the cleanup would begin. Mr. Ernisse replied that he would follow up with the information.

Co-Chair Merrick asked for the ongoing operational cost of the cemetery in Fairbanks.

Mr. Steininger deferred to Mr. Ernisse.

Mr. Ernisse replied that the ongoing operational cost was \$1 million GF and 2 full-time positions.

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Mr. Steininger advanced to slide 24 and highlighted increments for the Department of Natural Resources, Department of Public Safety, and Judiciary:

Natural Resources

- 1.\*Fire Crew Vehicle Replacement \$750.0 UGF

Public Safety

- 1.\*Body Worn Camera Initiative \$4,524.3  
(\$3,586.3 UGF, \$938.0 Fed)
- 2.\*Mobile and Handheld Radio Replacement  
\$3,728.3 UGF
- 3.\*AWT Medium-Class Vessel Replacement \$1,800.0  
UGF
- 4.\*VPSO Law Enforcement Program Support \$2,980.0  
UGF
- 5.\*Aircraft Purchase and Replacement \$6,000.0 UGF
- 6.\*AST Unmanned Aerial System \$450.0 UGF

Judiciary

- 1.Justice Technology Upgrades and Courtroom  
Modernization \$3,917.3 UGF
- 2.Planning and Design for Court Facilities -  
Bethel and Palmer \$980.0 UGF

\*HB 283 Supplemental in 2023 Governor \*\* HB 284 Fast  
Track Supplemental

Co-Chair Foster asked for follow up detail on item 5  
regarding the aircraft fleet.

Representative LeBon referenced additional troopers designated for the Mat-Su area. He asked if additional vehicles would be necessary. He asked if the dollars for the sold vehicles would be retained by the department to go toward the purchase of new vehicles. Mr. Steininger answered that he would follow up with more detailed information regarding the vehicles. He detailed that when the department purchased vehicles it paid into a depreciation rate to the state equipment fleet and the credits built up over time. The amount of credit should cover the cost of the new vehicle when combined with the sale of the old vehicles. However, if there were not sufficient credits it would require an appropriation. He pointed to item 1 under DNR and noted that the department did not have enough credits to replace all of the vehicles needed.

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Mr. Steininger replied to Co-Chair Foster's question about the aircrafts. He would follow up with further detail. However, he knew that 3 were helicopters, 3 were smaller Cessnas, and he could not recall the one last type of aircraft.

Representative Edgmon noted that some capital project details were missing in the law enforcement program in the capital detail book. Mr. Steininger answered that all of the projects should be included in the book, but it might be organized differently than his presentation.

Representative Carpenter noted a specific appropriation for school replacement for Napakiak in the supplemental budget. He asked why there were no appropriations listed in the FY 23 capital budget for DEED. Mr. Steininger answered that REAA funding was spent without further appropriation. He furthered that the department went through its facility list each fall there was money in the budget to fund maintenance through the REAA fund and were not discrete capital budget appropriations.

[2:46:33 PM](#)

Vice-Chair Ortiz asked how non-REAA schools' maintenance was funded. Mr. Steininger cited school bond debt reimbursement funding and the ability for school districts

to shift K-12 foundation formula funding to school districts' capital improvement accounts for maintenance.

Representative Josephson referenced the previous point. He highlighted that school districts had not received an increase to the Base Student Allocation (BSA) in the past five years. He asked if schools were expected to have extra funding for maintenance. Mr. Steininger answered that there was some flexibility in school districts budgets to carry forward balances. He offered to provide the information.

Representative Carpenter asked if there was a list of the available money for school districts regarding COVID funding that was discretionary and may be able to be spent on maintenance. Mr. Steininger answered in the affirmative.

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Co-Chair Foster noted that Representative Johnson had joined the meeting.

Vice-Chair Ortiz asked where the DEED list of projects fell into the process. He asked if it was included in an area previously discussed. Mr. Steininger answered that the school major maintenance list maintained by DEED informed distributions for REAA schools and non-REAA schools. Some years there were deposits to the school major maintenance fund that could be used without further appropriation. He offered that it was an objectively ranked list of school projects within the department. Vice-Chair Ortiz asked for verification that there was not an appropriation to the fund in the governor's proposed budgets. Mr. Steininger answered that the resources had been put toward the school replacement in Napakiak due to the immense need. The entire school maintenance fund of \$22 million would go toward the school replacement.

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Representative LeBon asked for verification that if a school was a non-REAA school it was eligible for major maintenance funding from the state according to the list. He asked for detail on the list. Mr. Steininger answered that he would follow up with the DEED list. He reiterated that there was not a deposit into the school major maintenance fund in the proposed budget, but monies were deposited into the REAA fund. The UGF was used for the

largest facility need, Napakiak School, in the state that also happened to be an REAA school. Representative LeBon understood that if a school had a major maintenance need it had to raise the money on its own through a local bond sale and relying on a state match was not possible because the program had been discontinued. Mr. Steininger answered that the program had not been discontinued, but there was no funding for it in the current budget. Currently, the funds were going toward Napakiak due to the magnitude of the school's replacement need.

Co-Chair Foster remarked that when there was a big ticket item once it was funded it cleared the way for future funds for other projects on the list.

Mr. Steininger remarked that DFG Commissioner Vincent-Lang was on the line if there were any questions.

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Co-Chair Foster explained the presentation had pertained to HB 283. He noted that GO bonds had to be approved by a vote of the citizenry.

#hb285

HOUSE BILL NO. 285

"An Act providing for and relating to the issuance of general obligation bonds for the purpose of paying the cost of state infrastructure projects, including construction, major maintenance, and port and transportation projects; and providing for an effective date."

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^OVERVIEW: HB 285 G.O. BONDS FOR INFRASTRUCTURE BY OFFICE OF MANAGEMENT AND BUDGET

[2:55:09 PM](#)

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, introduced the PowerPoint Presentation: "HB 285 G.O. Bonds for Infrastructure." He began on Slide 2 titled "HB 285 GO bond Issuance:"

- \$325.2m for 14 projects spread with statewide impact

- Current 20-year interest rate is 2.5% for tax-exempt bonds
- Debt service costs estimated at \$20.7 million
- The State's debt capacity is \$1.3 billion

Mr. Steininger commented that the bond package represented a responsible level of debt compared to the capacity of debt the state was able to accrue. He noted that the state earned more than the 2.5 percent interest rate.

Representative LeBon asked how the state's debt capacity was calculated.

[2:57:22 PM](#)

DEVEN MITCHELL, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL BOND BANK AUTHORITY, DEPARTMENT OF REVENUE (via teleconference), indicated that there was a publication published annually by DOR called "The Debt Affordability Analysis," which fully described the process to determine the state's debt capacity. He characterized the analysis as simple relative to the state's revenues versus its modest population. He explained how the debt capacity was calculated, which determined the percentage of UGF revenue the debt payments represented. The difference between those percentages and the percentages for debt service determined the capacity on a 10-year horizon. The state had a bonding capacity of approximately \$1.3 billion.

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Representative Edgmon calculated that 64 percent of the debt capacity went towards Mat-Susitna (Mat-Su) projects. He did not see the Anchorage Port. He asked for an explanation. Mr. Steininger thought he had a misinterpretation of the project. He offered that the Knik Arm Port Infrastructure \$175,000.0 project was for Port McKenzie and the Port of Alaska. The project was intended to serve the region. Representative Edgmon asked whether some of the \$175 million for the Knik Arm Port was intended for the Port of Alaska. Mr. Steininger responded in the affirmative. The funding would go towards the two ports, and it would be up to the ports to determine the percentage distribution.

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Representative Edgmon observed that there was nothing for his district in the bill. He maintained that the GO Bond was directed to South Central and there was nothing for Southwest Alaska. He was determined to include statewide projects if the bill moves forward.

[3:02:22 PM](#)

Representative Josephson had never heard of a Knik Arm Port. He asked why the administration did not want to engage in the discussion between the two ports. Mr. Steininger clarified that the administration wanted to engage but wanted both ports to look at the project as a statewide project and view the project through a regional scope. He indicated that was why it was called the Knik Arm Port Infrastructure. Representative Josephson pointed to Slide 3 titled "HB285 GO Bond Projects" items 9 and 11 of the presentation:

- 9. Palmer Municipal Airport Taxiway \$6,500.0
- 10. Wasilla Airport Runway and Terminal \$14,100.0

Representative Josephson asked if the Palmer or Wasilla Airports received any Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Mr. Steininger was unsure of the amount. He could get back to the committee as to how much each airport received.

[3:04:19 PM](#)

Representative Rasmussen noted that the Port of Alaska supported 90 percent of Alaska providing critical infrastructure for the entire state. She would appreciate any additional information from the administration. Mr. Steininger agreed with her assessment of the port.

[3:05:46 PM](#)

Representative Josephson indicated that the project summary referred to the project as being managed by a shared regional authority. He asked if it was one that existed currently. Mr. Steininger replied that the intention was there would be cooperative between the two entities whether or not that was borne out of a formal organization not yet established. Representative Josephson thought the situation seemed combustible.

Representative Thompson cited Slide 3, item 2 that listed bond projects for DOT:

2.Northern Access to University Medical District  
\$22,000.0

Mr. Steininger answered that the project installed an intersection to connect two main roads.

Representative LeBon asked about the status of the Juneau Access Road listed as item 1 under DOT projects:

Juneau Access \$25,000.0

Mr. Steininger replied that it was for Northern Lynn Canal access. Representative LeBon asked if the project related to extending the road system to Skagway and Haines. Mr. Steininger reported that it was funding to restart the project. However, additional funding would be needed to complete the project. Representative LeBon asked for clarification. Mr. Steininger answered that the project was put on hold at the federal level and the appropriation would reactivate the project. He deferred to DOT for details.

[3:09:31 PM](#)

Representative LeBon referred to item 1 on slide 3:

UAF -Bartlett Hall and Moore Hall Modernization and  
Renewal \$18,650.0

Representative LeBon asked why the project for the University was not a GF request. He wondered why it was being included in the bond package. Mr. Steininger replied that it was included in an attempt to address the backlog and the project was eligible for bonding. Representative LeBon asked if the bond package did not pass, would the administration come forward with a capital request for GF dollars. He inquired if the bond package would be voted on in November 2022. Mr. Steininger responded in the affirmative. The administration was supportive of including the project in the bond package. Representative LeBon reminded Mr. Steininger of the importance of the University project even without bonding.

Representative Edgmon was concerned about hearing that the administration had reached out to Representative Rasmussen about the bond package but possibly not all members of the committee, like himself who represented significant commercial fishing districts. He asked if he was correct. Mr. Steininger responded that he was unsure of the question. He indicated that the administration had reached out to legislators regarding capital projects. Representative Edgmon was disappointed that no one from the administration had contacted him. He offered that he represented Bristol Bay and the fishery contributed significantly to the salmon industry. He wondered why the area was not considered for port and harbor improvements. He understood Anchorage was seeking more funding for its port than the amount included in the capital requests, and he would support additional funding for the Alaska Port in Anchorage. The term that was used derisively was "Christmas Treeing" in bond packages. However, he liked the concept of bond packages and wanted it to be more inclusive. He would like the opportunity to discuss the possibility to add to the bond package and would advocate strenuously for his district. He asked Mr. Steininger for further remarks.

[3:15:03 PM](#)

Mr. Steininger offered that the bond package was a starting point. The administration was willing to discuss the bond package and would be open to additional conversations.

Representative Rasmussen clarified that she had approached the administration to discuss the budget and the bond package. She appreciated that they took the time to meet with her to answer questions. She hoped the bond package would encompass the entirety of the state.

[3:15:45 PM](#)

Vice-Chair Ortiz asked about the timing of putting together the G.O. Bond proposal. He asked if it occurred prior to the passage of the federal infrastructure bill. Mr. Steininger responded in the affirmative and added that the administration had prepared a package in the prior year and the work had continued. He explained that there was synergy between the infrastructure package and the GO bond package. However, the prioritizations on infrastructure spending in IIJA happened on the federal level. The IIJA bill did not negate the need for some Alaska specific priorities because

of IIJA's project specificity, it lacked flexibility. They worked together in tandem, but one was not dependent on the other. Vice-Chair Ortiz discussed the avoidance of debt and possibility of a direct appropriation of \$300 million on capital projects instead of issuing a GO bond package since recent reporting suggested that market conditions would likely not be favorable for a bonding package by the fall of 2022. Mr. Steininger would defer to Mr. Mitchell regarding speculation on interest rates. He answered that in terms of issuing debt through bonds versus using UGF, the state's money would earn more than the interest paid on a bond debt. Surplus funds could be saved at a higher interest rate than the interest rate on debt.

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Mr. Mitchell responded that it was difficult to predict the future. However, the consensus view of various banks he worked with was that interest rates would likely rise. He discussed the use of arbitrage and the yield curve. He explained that when the Federal Reserve increased the overnight interest rate it did not impact the long end of the yield curve. The short end of the yield curve was expected to increase one percent, but the long end was expected to remain in a low end environment. He concluded that it appeared that it was reasonable to consider borrowing that was carefully considered in recognition of the "financial strengths of having a debt program."

[3:25:41 PM](#)

Representative Carpenter returned to the Port infrastructure of \$175 million. He wondered who had the authority of divvying up the money. Mr. Steininger responded that the authority would be managed by DCCED through named recipient grants. Representative Carpenter suggested that the easiest way to get the G.O. Bond was to divvy up the funding 40 ways. He suggested developing a prioritization list based on objective criteria. He could not see that from the current list. He asked whether that was possible. Mr. Steininger responded that as the list was developed, regionality and the statewide impact was considered. The administration was open to discuss with communities how the prioritization worked and the reasons for the need for certain projects.

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Representative Carpenter suggested that if there was a priority list, he had not received one. He thought a deliberate priority process should be done in conjunction with the legislature; lacking one, the legislature would establish its own priorities and it would be political. Mr. Steininger responded that the list in the legislation was the output of the prioritization that the administration engaged in.

[3:31:08 PM](#)

Co-Chair Merrick thought Representative Carpenter had brought up a good point about the port projects. She referenced a letter from Legislative Legal (copy on file) regarding constitutional issues with the port appropriations since there "was no guarantee how the money would be spent." Mr. Steininger requested a copy of the memo to pass on to the Department of Law.

Representative Rasmussen suggested a presentation regarding the deep ports in the state. She was aware of the Port of Alaska being in poor condition. She wanted a presentation in which each project was discussed for 15 minutes. She discussed issues with the Kodiak Fire Hall.

[3:33:51 PM](#)

Representative LeBon cited the discussion about arbitrage and earning more in savings than paying on debt. He pointed to the Constitutional Budget Reserve (CBR) and Statutory Budget Reserve (SBR) and did not view robust investment. He noted the high earnings of the Permanent Fund and wondered if the administration intended to use the percent of market value (POMV) earnings to repay the bond debts. Mr. Steininger reported the repayment would come from UGF which was significantly filled by the POMV earnings of the PF.

Representative Josephson agreed that he would like to see the objective basis for the projects. He commented on the poor condition of the Port of Anchorage and questioned the proposal to dividing the funding between two ports.

Vice-Chair Ortiz reviewed the agenda for the following meeting.

#  
ADJOURNMENT

3:36:46 PM

The meeting was adjourned at 3:36 p.m.