

HOUSE FINANCE COMMITTEE

April 7, 2022

1:01 p.m.

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CALL TO ORDER

Co-Chair Merrick called the House Finance Committee meeting to order at 1:01 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget, Office of the Governor; Miles Baker, Infrastructure Investment Coordinator, Office of the Governor.

PRESENT VIA TELECONFERENCE

James Wiedle, Budget Director, Alaska Housing Finance Corporation; Rachel Hanke, Legislative Liaison, Department of Fish and Game; Bob Ernisse, Director, Division of Administrative Services, Department of Military and Veterans Affairs; David LePain, Director, Division of Geological and Geophysical Surveys, Department of Natural Resources; Justin Ireys, Engineering Associate, Division of Mining Land and Water, Department of Natural Resources;

Carrie Bohan, Administrative Service Director, Department of Environmental Conservation.

SUMMARY

HB 414        APPROP: SUPPLEMENTAL; CAPITAL

HB 414 was HEARD and HELD in committee for further consideration.

Co-Chair Merrick reviewed the agenda for the meeting.

#hb414

HOUSE BILL NO. 414

"An Act making appropriations for the operating expenses of state government and certain programs; making capital appropriations and supplemental appropriations; capitalizing funds; and providing for an effective date."

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NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, thanked members for hearing HB 414 and introduced the PowerPoint presentation: "Infrastructure Appropriation Bill: HB 414." He would provide a high-level overview of the ways in which the bill would impact the state budget. He began by detailing the table on slide 2 and shared that HB 414 impacted fiscal year (FY) 22 and FY 23 operating and capital budgets. There was a total of \$1.3 billion in HB 414, which came primarily from federal funds. There was a required match in addition to some unrestricted general funds (UGF) that were associated with other opportunities and not necessarily required by the federal Infrastructure Investment and Jobs Act (IIJA). In FY 22 there was a total of \$352 million in funds, which included \$38.5 of UGF. He explained that the other funds reflected on the table were a combination of capital improvement program agency receipts and clean drinking water funds for projects within the Department of Environmental Conservation (DEC).

Mr. Steininger advanced to slide 3 and indicated that the Office of Management and Budget (OMB) had prepared an updated fiscal summary based on IIJA and all amendments put forward by the administration. In FY 23, OMB was projecting

that the total UGF revenue in FY 23 would be just over \$7 billion and total UGF expenditures would be just over \$4.8 billion. The projection for FY 22 was \$6 billion of anticipated revenue. The projected changes were due to the statutory payment of oil and gas tax credits.

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MILES BAKER, INFRASTRUCTURE INVESTMENT COORDINATOR, OFFICE OF THE GOVERNOR, continued to slide 4 to review IIJA. He indicated that OMB had spent the last several months combing through IIJA to better understand it. He clarified that in addition to new spending, the bill reauthorized surface transportation and the Environmental Protection Agency (EPA) programs. Also, much of the money in the federal bill would not go to the state, though some would go to eligible municipalities and tribes. The presentation would outline the monies that would be coming to Alaska. The state would not have discretion on how to spend the money because it would specifically target chosen federal programs. The state would not be receiving significant tranches of money that it could designate as it saw fit. Approximately 60 percent of the funds would come about by formula and 40 percent would come about through grants on a national basis.

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Co-Chair Merrick indicated Representative Thompson and Representative Johnson had joined the meeting.

Vice-Chair Ortiz asked about the funds that would be going to municipalities and tribes rather than the state. He wondered if the funding would be competitive or if the allocation would be based on community population.

Mr. Baker responded that most of the funds would be competitive. He added that there were some that were not, such as money for cybersecurity.

Vice-Chair Ortiz asked for a summary of the types of programs for which the municipalities would be competing.

Mr. Baker replied that transportation would be a large funding source for which there would be competition. There were many available grants, such as energy efficiency conservation block grants and grants to help fund school

busses. There were also water program grants that DEC was involved in that communities applied for each year.

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Mr. Baker discussed transportation and other infrastructure on slide 5 via a graph. He indicated the large blue section showed the total spending of IIJA and the light blue section showed the new spending. The new spending was split between transportation and other infrastructure, which included energy, broadband, water, and environmental remediation. He noted that the federal bill appropriated monies over a five-year time frame from FY 22 to FY 26.

Mr. Baker advanced to slide 6 and reported that in developing the bill, the governor's office used some guiding principles listed on the slide:

- Include identifiable funding coming in FY22 or FY23
- Identify coordination & implementation needs
- Maintain pressure on UGF spending
- Provide Local Government & Tribal Support
- Maintain tight nexus to programs in federal legislation
- Pursue significant competitive opportunities for which Alaska is uniquely positioned

Mr. Baker reviewed the HB 414 infrastructure overview by category on slide 7. He suggested that the chart was listed in decreasing order of flexibility and discretion. The first category was titled "Federal Programs & Match" and included programs such as the rural ferry program, the electric vehicle (EV) program, federal highway programs, and others. There was a UGF match of \$56 million, which represented about 70 percent of the UGF match. The next category was a small amount of UGF that the governor felt was appropriate in order to provide more state spending on federal programs, such as critical mineral mapping and cybersecurity. He noted that the United States Congress recently finished the FY 22 budget cycle which earmarked the state's congressionally designated spending.

Co-Chair Merrick indicated Representative Carpenter and Representative Wool had joined the meeting.

Representative Carpenter noted that Mr. Baker had spoken about the supplementals for FY 22 and FY 23. He asked what the numbers were in reference to and whether the numbers referred to the supplementals, FY 23, or both.

Mr. Baker responded that the numbers were a combination of both. He referred back to slide 2 which delineated the numbers.

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Mr. Baker moved to slide 8 to review the federal programs and match funding. The largest category of investment was in the area of broadband. The Department of Commerce, Community and Economic Development (DCCED) would house the Office of Broadband. There was also significant investment in public water and sewer projects. He indicated that Alaska Oil and Gas Conservation Commission (AOGCC) would be leading three new programs: Orphaned Well Plugging, Remediation, and Restoration. The amount of money to start the programs would be \$32.3 million and would be paid out in contracts.

Mr. Baker indicated that the Alaska Energy Authority (AEA) would also receive monies for its programs, including two new programs. There was a substantial increase to Alaska Housing Finance Corporation (AHFC) funding for the purpose of the weatherization assistance program and for energy efficiency research and training.

Co-Chair Merrick indicated there were about 15 people from various agencies that were online and available for questions.

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Representative Edgmon asked when the money would actually be available to Alaska.

Mr. Baker expected the \$22 million for the programs listed on the slide would be available soon and the additional \$23 million would be available starting October 1, 2022 [the start of the federal fiscal year]. He added that there were some programs for which the final estimates had been announced, but all final details had not been implemented yet. It was possible that there could be some delays and

the money would not be received on precisely October 1, but the money was expected over the course of the year.

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Representative Wool asked whether the \$35 million dedicated to the weatherization assistance program under AHFC was a grant or a revolving loan.

Mr. Baker responded that the weatherization assistance program was a formula program at the federal level. He was unsure of the basis for the formula.

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JAMES WIEDLE, BUDGET DIRECTOR, ALASKA HOUSING FINANCE CORPORATION (AHFC) (via teleconference), responded that the weatherization program funds were administered via a grant through a variety of agencies throughout the state. The funds would be administered in the same way that all other weatherization programs were administered.

Representative Wool asked if an individual would need to apply for a grant if they wanted to improve the weatherization of their house.

Mr. Wiedle responded that Representative Wool was correct.

Vice-Chair Ortiz asked if it was appropriate to ask questions about future slides.

Mr. Baker replied that he was ready to move to slide 9.

Vice-Chair Ortiz asked about the first bullet on slide 9 for the Department of Fish and Game. He wondered what the \$24 million designated for wildlife restoration would specifically involve.

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RACHEL HANKE LEGISLATIVE LIAISON, DEPARTMENT OF FISH AND GAME (via teleconference), replied that the wildlife restoration project was designed to increase the use of Pittman-Robertson (PR) funds which the department expected to dramatically increase in the future.

Vice-Chair Ortiz shared his understanding that the \$24 million in question would be used to better utilize more money that would be coming from PR funds.

Mr. Baker replied that the wildlife restoration program also included the sportfish program. The sportfish access piece was not increased when it was reauthorized by the federal legislation. However, the PR program was based on gun and ammunition sales and the revenue from the program had substantially increased. The \$24 million reflected the increase in federal funds. She explained that wildlife restoration included wildlife research, management, and equipment. It was essentially a supplemental item to the normal line item that was in the budget every year.

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Representative Josephson asked if the funding necessarily related to federal funding and IIJA or if it was added into HB 414.

Mr. Baker confirmed that the funding all fell under the category of federal programs that were increased, changed, or appropriated in IIJA.

Mr. Baker continued on slide 9. He explained that the only program in IIJA that was under the Department of Health and Social Services (DHSS) was a small Low-Income Home Energy Assistance Program (LIHEAP). The Department of Administration would be involved in the allocation of a state and local cybersecurity grant related to military and veteran's affairs. He moved to the Department of Natural Resources (DNR) and explained that there was a substantial focus in IIJA on securing a better domestic supply chain for critical minerals and rare earth elements. There would also be money allocated towards the earth mapping resources initiative, the abandoned mine lands reclamation program, and community wildfire defense grants.

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Representative Carpenter asked whether the cybersecurity grants would be infrastructure focused, equipment focused, or training and personnel focused.

Mr. Baker indicated that it would involve all categories. He noted that Homeland Security and the United States

Department of Energy received money for cybersecurity. The grants would be focused on a combination of equipment, software, and training.

Representative Carpenter shared his understanding that federal dollars would contribute to bringing in cybersecurity experts to the state and the state could continue to fund these positions after the federal dollars were spent. He asked if he was correct.

Mr. Baker deferred the question.

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BOB ERNISSE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS (DMVA) (via teleconference), responded that the grant program would help state, local, and tribal governments improve cybersecurity and address cybersecurity threats and risks. He did not think that the state would be responsible for supporting the cybersecurity experts brought in to implement and improve the programs once the federal dollars had been spent. He would follow up with more information.

Representative Carpenter commented that he was not questioning military and veterans' affairs specifically. He asked if there would be an impact on the state's personnel costs for any of the programs that involved new positions supported by an increase in federal dollars.

Mr. Baker added that it was one of the new programs in the bill that was authorized for four years instead of five. There would be \$1 billion spread over four years and it was slightly different because the match requirement would change over the course of the four-year period. The match would start at 10 percent and would then increase by 10 percent every year.

Mr. Steininger referenced Attachment 5 (copy on file) which showed the permanent full-time, part-time, and non-permanent positions associated with each item. There was a total of 27 full-time positions and five non-permanent positions that the state would expect to continue to support through FY 23 to manage some of the programs.

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Co-Chair Merrick asked if there were further questions on Attachment 5.

Mr. Baker pointed out that the Department of Military and Veterans' Affairs was not expecting to need any further personnel for cybersecurity purposes.

Representative Johnson asked if the abandoned mine lands reclamation program would take place on state lands.

Mr. Baker responded that the allocation was based on the tons of coal historically produced in the state. It was based on an estimate and no state was to receive less than \$20 million over the course of the 15-year program. The \$1.3 million figure on slide 9 represented the \$20 million target divided by the 15-year time frame.

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DAVID LEPAIN, DIRECTOR, DIVISION OF GEOLOGICAL AND GEOPHYSICAL SURVEYS, DEPARTMENT OF NATURAL RESOURCES (via teleconference), could not speak to the issues and deferred to the Division of Mining Land and Water.

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JUSTIN IREYS, ENGINEERING ASSOCIATE, DIVISION OF MINING LAND AND WATER, DEPARTMENT OF NATURAL RESOURCES (via teleconference), responded that the \$1.3 million in question could be applied to any land status around the state. It could be used for state, federal, or private land as long as the landowner had consented.

Representative Johnson was thinking specifically of the Sutton area of the state where there had been a significant amount of coal produced. She thought it was likely that there was overlapping land ownership in the area.

Mr. Ireys responded that there had been a number of abandoned mine reclamation projects in the Sutton area over the life of the program, which dated back to the early 1980s. The program would continue to be working in the area over the coming years.

Vice-Chair Ortiz asked if the number of locations around the state where mines had been abandoned was known. He wondered whether there was a significant number of mines that needed to be mitigated.

Mr. Ireys replied that there were several abandoned mines around the state. The first effort of the program in the early 1980s was to take an inventory of the abandoned mines, particularly coal mines. There was about \$45 million of reclamation projects still in the inventory and \$38 million had been expended to date in the effort to complete reclamation projects. The majority of the outstanding inventory was located in the Healy Valley in the interior of the state and there was also a significant number in the Sutton area. The Healy and Sutton areas were the two largest coal producing regions in the history of Alaska.

Co-Chair Merrick asked Mr. Baker to finish his presentation.

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Mr. Baker continued to review the federal programs and match funding on slide 10. There was a huge investment of federal dollars into water and wastewater projects under DEC. The village safe water program in the state would receive about \$2 billion through the Indian Health Services' sanitation program. He relayed that DEC would play a large administrative and management role in the program.

Mr. Baker continued to review the federal programs and match funding on slide 11. The items on the slide were reflective of the operating budget.

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Representative Carpenter asked why permanent positions would be funded through temporary grants and monies.

Mr. Baker responded that DEC could better answer the question.

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CARRIE BOHAN, ADMINISTRATIVE SERVICE DIRECTOR, DEPARTMENT OF ENVIRONMENTAL CONSERVATION (via teleconference), responded that the majority of the work that would be done was already contracted out. The positions would primarily be engineers responsible for overseeing project implementation. The department had a realistic vision of projects through the funding process, and it was clear which projects would be coming to fruition next. There was concern about the competitive nature of engineering positions and it was unwise to create non-permanent positions where individuals had little incentive to stay in the roles. The projects were often five to ten years in duration and there was a risk of projects slowing down if staffing was frequently changed.

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Representative Carpenter thought it would be possible to compile contracts that included staffing needs for five-year projects without requiring permanent and full-time positions. He did not think it would be difficult to turn permanent positions into contract positions that would not incur additional personnel costs to the state. He did not understand why permanent positions were preferred over contract positions.

Mr. Baker would provide some additional information to the committee.

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Mr. Baker continued to review the federal programs and match funding on slide 12. He had indicated earlier in the presentation that about half of the federal funding would go towards transportation, and that certainly held true at the state level. Baseline spending for transportation costs was expected to increase by about 19 percent over the next year. There were also four new programs which were expected to cost about \$45 million per year.

Mr. Baker discussed additional support of federal initiatives on slide 13. The areas where additional state support would be beneficial were administration, environmental conservation, and natural resources. He

indicated that DEC received significant funding for state brownfield site clean-up in the amount of \$1 million of UGF. It was also important for the state to be able to map and assess its own mineral bases in preparation for the influx of federal funding.

Co-Chair Merrick indicated that the committee would adjourn after slide 14.

Mr. Baker moved to slide 14 and indicated there were two congressional earmarks that needed additional authority: the Alaska Housing Finance Corporation (AHFC) and natural resources. There had been \$2 million appropriated to AHFC's successful housing program for rural professionals. The governor matched the appropriation with \$2 million of UGF. Under the category of natural resources, there was an additional earmark for coastal and nearshore mapping.

Co-Chair Merrick indicated she would have the presenters return at a later date. She reviewed the agenda for the following meeting.

HB 414 was HEARD and HELD in committee for further consideration.

#  
ADJOURNMENT

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The meeting was adjourned at 1:56 p.m.