

SENATE FINANCE COMMITTEE
February 10, 2021
9:01 a.m.

9:01:28 AM

CALL TO ORDER

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

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator David Wilson

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget, Office of the Governor; Paloma Harbour, Fiscal Management Practices Analyst, Office of Management and Budget, Office of the Governor.

PRESENT VIA TELECONFERENCE

Lacey Sanders, Administrative Services Director, Department of Education and Early Development, Office of Management and Budget, Office of the Governor; Rob Carpenter, Deputy Commissioner, Department of Transportation and Public Facilities, Juneau; John Binder, Deputy Commissioner, Department of Transportation and Public Facilities, Juneau.

Co-Chair Stedman reviewed the agenda for the meeting. The committee would continue the presentation from the previous day regarding Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. He invited the Office of Management and Budget (OMB) director to the table.

^CARES ACT FUNDING UPDATE (CONTINUED)

9:02:46 AM

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, continued to address the presentation "Senate Finance COVID-19 funding Overview" from the previous day (copy on file). He corrected some items on slide 8 which related to the Unemployment Insurance (UI) Trust. The projected balance listed at the bottom of \$441.7 million was inclusive of federal funds that passed through the trust for federal benefits. After the prior day's presentation had a conversation with the economist at the Department of Labor and Workforce Development (DOL) who explained that a more accurate and pertinent number to use was \$294 million. He indicated that Director DeBartolo and Lennon Weller, economist, from DOL were online and available for questions regarding the balances.

Senator von Imhof asked whether the new number was sufficient. She wondered if the number was too low and needed to be recapitalized. She asked for the liquidity of the number.

Mr. Steininger replied that the number was still within the range of sufficiency. The number was considered healthy even though it was not at the high end of the range.

Mr. Steininger recalled a question from Senator Olson about the amount of money available through the CARES Act for tribal entities. He received clarification that the money had not been reallocated to other entities. The funds were still held by the federal government.

Senator Olson wondered whether there was an amount that had not been distributed. He asked what portion had not been distributed. He recalled a figure of \$525,000.

9:05:12 AM

PALOMA HARBOUR, FISCAL MANAGEMENT PRACTICES ANALYST, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, replied that \$533 million was set aside pending litigation.

Mr. Steininger reported that slides 9 and 10 went through funding available for education through the CARES Act and Coronavirus Response and Relief Supplemental Appropriations

Act (CRRSAA). Slide 9 reflected funding through the CARES Act, most of which was received in the prior summer:

- Higher Education Emergency Relief Funds
 - University of Alaska (UA) \$7.9 million - Students \$3.9 million
 - Alaska Vocational Technical Center (AVTEC) \$71.4 thousand - Students \$35.6 thousand
- Minority Serving Institution Funds to UA \$2.6 million
- Elementary and Secondary School Emergency Relief (ESSER) \$38.4 million
 - Local Education Agencies \$34.6 million
 - State Education Agency \$3.8 million - max for administration \$192 thousand
- Governor's Emergency Education Relief (GEER) \$6.5 million
 - Grants to School Districts (35) \$3.7 million
 - University of Alaska \$1.5 million
 - Competitive Grant Awards to Education-related Entities \$1.03 million
 - Alaska Native Science and Engineering Program 200 thousand

Mr. Steininger reported that most of the funding had been distributed. He noted that half of the \$7.9 million for the University of Alaska was reserved for students. The Alaska Vocational and Education Center received \$71,400 of which half went to students as well. The University of Alaska also received an additional \$2.6 million for the Minority Serving Institution Funds. He continued that the Department of Education and Early Development (DEED) received several different grants directed to a variety of entities but flowed through DEED. The largest of the grants was the Elementary and Secondary School Emergency Relief (ESSER) fund in the amount of \$38.4 million of which \$34.6 million was specifically directed to local education agencies (primarily school districts). He indicated that \$3.8 million was to be used by the state education agency which would be DEED. The maximum amount allowable to be used for administrative purposes was \$192,000. The money was primarily used to assist in the delivery of education.

Mr. Steininger explained that the Governor's Emergency Education Relief (GEER) fund was more open-ended in the way it could be used for educational relief. However, there was more discretion in how the funds were distributed. He conveyed that \$3.7 million of the \$6.5 million were sent

out as grants to school districts. The University of Alaska received \$1.5 million. The state issued some competitive grants for education-related entities in the approximate amount of \$1 million, and the Alaska Native Science and Engineering Program received \$200,000.

Senator von Imhof wondered if any money would be given for broadband or other data communication. She asked if it was a big need, in Mr. Steininger's opinion.

Mr. Steininger replied that there was broadband-related relief in CRRSAA funding. He could not speak to whether the funds were dispersed as pass-through funding via the state or if grants were awarded directly to broadband providers. He deferred to Ms. Sanders with DEED who could respond with detail and was available online.

Co-Chair Stedman asked Ms. Sanders to comment.

[9:09:30 AM](#)

LACEY SANDERS, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR (via teleconference), wanted to address Senator von Imhof's question about broadband. The money Mr. Steininger was speaking to in the CRRSAA bill was funding that would go directly to providers. It did not flow through DEED. However, the money that school districts were receiving through both the CARES Act and CRRSAA was available to be used for things like broadband infrastructure or devices - technology that provided connectivity.

Senator von Imhof asked how much money went directly to providers for broadband.

Ms. Sanders did not know the information. She could research the issue. She noted that because the funding did not come to DEED, she did not have specific information. There was an earlier comment made about broadband. There was broadband through a bill that was passed in the prior year expanding broadband access. It was referred to as the BAG (Broadband Access Grants) Program through the Library, Archives, and Museums. They had done extensive work over the previous year to ensure school districts had available grant funding to also address the issue of connectivity.

The department could follow-up with additional information provided in CRRSAA.

Co-Chair Stedman would appreciate the information. It would be helpful for the committee when it looked at funding and capital projects. It was a significant issue.

Ms. Sanders continued that the second part of Senator von Imhof's question related to the \$3.7 million awarded to school districts from the GEER funding.

Co-Chair Stedman agreed.

Ms. Sanders explained that there were several school districts that were ineligible for the Title 1(a) distribution in the original allocation under the CARES Act. Additionally, the governor was reviewing the amount of money that would be necessary to provide school districts with the minimum of their allocation under the \$30 million of additional funding that was removed from the budget. The governor chose to allocate \$3.7 million to school districts to ensure that they received funding to address Covid needs.

Co-Chair Bishop wondered when each of the listed funding was received by the state. Dates would make things easier to track. It would also be helpful to know which funds were approved by the Legislative Budget and Audit Committee.

Co-Chair Stedman asked for the department to help provide clarity on the issue.

Mr. Steininger replied that the ESSER and GEER funds were approved through the Legislative Budget and Audit Committee in the prior summer. Everything listed on the slide came in through the original CARES Act in early spring of the prior year. The distribution of funds to districts took time to understand the rules and further approve them following the approval of the Legislative Budget and Audit Committee.

Co-Chair Bishop wanted to relay the timeline.

[9:14:48 AM](#)

Senator Wielechowski asked if the funding going to the school districts was predicated on the base student allocation (BSA) formula.

Mr. Steininger replied that the \$34.6 million for local education entities was distributed per federal title formulas. Director Sanders could provide additional details. He noted that \$3.7 million was distributed to fill the gaps of districts ineligible for the \$34.6 million to ensure that they received sufficient relief.

Senator Wielechowski asked for a list of the education related entities that received \$1.03 million.

Mr. Steininger deferred to Ms. Sanders.

Ms. Sanders replied that the GEER funding was awarded through a federal grant process. The department had a list of entities that she could provide to the committee. She could read the list or provide a written response to the committee.

Senator Wielechowski asked how many entities were on the list. If the list was short, he was interested in Ms. Sanders reading it.

Ms. Sanders responded that there were approximately 15 entities. The list included the Igiugig Tribal Library, Little Angel Childcare Academy, Star, Juneau Alaska Music Matters, Sea Alaska Heritage Foundation, Rural Cap, Big Brothers - Big Sisters of Alaska, Sea Stories, Anchorage Public Library, Discovery Southeast, Childcare Connection, SEARHC.

Co-Chair Stedman interrupted Ms. Sanders and asked her to include the list and corresponding dollar amounts on a slide for the following day's presentation addressing K-12 education.

Ms. Sanders responded in the affirmative.

Co-Chair Stedman also requested the inclusion of information regarding the grants to school districts for the following day's presentation.

Ms. Sanders responded positively.

Senator Wielechowski had inquiries from constituents about the entities and dollar amounts. He wondered if the information could be found online.

Ms. Sanders replied that DEED had an area on its website that specifically focused on the funding the state received in ESSER and GEER funding. All the details were available on the department's website. She reiterated she could provide documentation at the next meeting.

Senator Wielechowski asked if all the information could be found in the state's checkbook posted online.

Mr. Steininger relayed that the information regarding expenditures was reported monthly to the legislature. Not all the information was posted on the state's website. As individual departments made grants, they posted reports about grant distributions.

[9:19:32 AM](#)

Senator Hoffman asked about the ESSER funds of \$38.4 million. He wondered how the dollars had been distributed to school districts and how they were being spent. He wondered if most of the funds had already been expended. He also asked Ms. Sanders to provide a report to the committee regarding AVTEC funds for students and how the money was spent.

Ms. Sanders responded that she would provide reports to the committee. She noted that while the funding was awarded and available to school districts, districts had an extended period to spend the funds. For example, under the CARES Act, they had until September 30, 2022. She indicated that with CRRSAA, the funding was available until September 30, 2023. The money was available to school districts who had an extended period to spend the monies.

Ms. Sanders continued that the CRRSAA money that was recently appropriated by the federal government and approved by the Legislative Budget and Audit Committee had not yet been dispensed to school districts. The application was being prepared. The department had to do some work in the grants management system to have the application ready. It should be ready shortly. The focus had been getting the CARES Act money to school districts, as they requested the funds to be reimbursed.

Mr. Steininger reviewed slide 10, "Education Relief Details (CRRSAA)":

- Higher Education Emergency Relief II Funds
 - University of Alaska (UA) \$17.4 million - Students \$3.9 million
 - Alaska Vocational Technical Center (AVTEC) \$252 thousand - Students \$35.7 thousand
- Minority Serving Institution Funds to UA to be determined
- Elementary and Secondary School Emergency Relief (ESSER) II \$159.7 million
 - Local Education Agencies \$143.7 million
 - State Education Agency \$15.2 million - max for administration \$789.6 thousand
- Governor's Emergency Education Relief (GEER) II
 - Governor's Supplemental allocation \$2.8 million
 - Emergency Assistance for Non-Public Schools allocation \$5.4 million - max for administration \$200 thousand

Mr. Steininger indicated the slide was similar to the previous slide but showed the funding levels for programs through the most recent federal relief bill, CRRSAA, from late December. He reported that the Higher Education Emergency Relief Funds were increased. The University of Alaska received \$17.4 million. One difference between CRRSAA and CARES funding was that half of the money in the CARES Act funding was shared directly to students through the mandate of the CARES Act. He relayed that with CRRSAA funding, most of it went to the institutions with \$3.9 million to be distributed to students. He reported that AVTEC received \$252,000 of which \$35,700 was directed to students. He brought up that in a previous presentation he reported AVTEC had a supplemental need to replace lost revenues. The request followed accounting for the pots of funding. The Alaska Technical and Vocational Education Center's loss of tuition was significantly in excess of federal relief dollars.

Mr. Steininger continued that the University of Alaska would also receive funding through the Minority Serving Institution Funds. The amount was yet to be determined. He reported that ESSER funding also increased by \$159.7 million. School districts would receive an allocation of \$143.7 million. He relayed that DEED would receive about \$15.2 million. The funds were granted via a Legislative

Budget and Audit Committee meeting that occurred shortly before the start of session to allow the department to begin working with districts on the grants.

Mr. Steininger reported that state received additional GEER II from the federal government in the amount of \$2.8 million. There was also funding for emergency assistance for non-public schools in the amount of \$5.4 million of which \$200,000 could be used for the grant distribution administrative costs.

[9:25:10 AM](#)

Senator Wielechowski requested a list of spending for the \$5.4 million allocation.

Co-Chair Stedman asked Ms. Sanders to provide a breakdown of the slide being discussed [slide 10] in her presentation for the following day. He thought it would be useful when looking at the BSA. He thought the committee would discuss student achievement as well.

Ms. Sanders commented that the \$5.4 million was a new allocation referred to as emergency assistance for non-public schools. Non-public schools would have to apply for the funding. She reported that because DEED did not require non-public schools to submit their information, the department would be positing an application and reaching out to the non-public schools DEED was aware of based on the department doing a diligent search through websites and statewide databases. She offered to provide a list of schools the department had already identified. She did not know if they would apply. Therefore, she could not provide the committee with an allocation of the \$5.4 million. She could only provide a list of schools.

Co-Chair Stedman asked Ms. Sanders to lay out the slide so that it could be updated easily. He would like to be able to look back to see how the funds were spent.

Senator Hoffman asked what was included in the category of local education agencies. He wondered where school districts fit in.

Ms. Sanders responded that local education agencies were what the State of Alaska referred to as school districts.

The State Education Agency was the State Department of Education.

Senator Hoffman suggested there were no other entities under the agency category that received funds except for the school districts.

Ms. Sanders concurred.

[9:28:28 AM](#)

Mr. Steininger spoke to slide 11, "Transportation Relief Details":

- CARES Act
 - Federal Aviation Administration \$82.5 million
 - Alaska International Airport System \$33.1 million - personal services and debt
 - Rural Airport System \$49.4 million - operating and maintenance, revenue shortfalls...
 - Federal Transit Administration \$28.8 million
 - Alaska Marine Highway System \$10 million - operating assistance, COVID-19 mitigation
 - Non-urbanized Areas - Transit \$18.8 million - rural and intercity operating assistance
- CRRSAA
 - Federal Transit Administration \$55.8 million
 - Community Grants - \$77 thousand to Fairbanks
 - Rural Area Transit \$55.7 million - operating and maintenance, revenue shortfalls...
 - Federal Highway Administration Surface Transportation Funds \$124.4 million
 - Re-opening of Silvertip, Chitina and Birch Lake Maintenance Stations \$2.1 million
 - Not allocated for a specific purpose \$122.3 million - Urbanized Areas \$11.3 million

Mr. Steininger indicated slide 11 addressed relief funds received directly by the Department of Transportation and Public Facilities (DOT) or other transportation-related entities around the state. In the CARES Act there was funding through the Federal Aviation Administration. He

reported that the State of Alaska received \$82.5 million in funding. The Alaska International Airport System received \$33.1 million which could be applied to several different areas within the airport system. It was being utilized primarily between the international airports in Anchorage and Fairbanks.

Mr. Steininger continued that Alaska managed and owned several airports throughout the state. The State of Alaska received \$49.4 million that could be spent on operations and maintenance of the airports and could also cover revenue shortfalls. However, the CARES Act had some explicit restrictions about using the monies for revenue replacement. There were some CARES Act monies that could be used to replace revenue shortfalls in certain areas creating some confusion. The Rural Airport System was one of the areas. He highlighted that in the FY 22 budget the Rural Airport System funding had a longer time horizon in which it could be used. The state was using some of the funds to cover ongoing maintenance costs at the rural airports to lessen general fund needs but was a short-term fix in offsetting costs in the system.

Mr. Steininger continued that there was also Federal Transit Administration funding of \$28 million. He reported that \$10 million went to the Alaska Marine Highway System (AMHS) for operating assistance and Covid-19 mitigation. There was also Non-urbanized Transit Funding in the amount of \$18.8 million for rural and inter-city operating assistance.

Mr. Steininger moved to the CRRSAA funding. The state received \$55.8 million in Federal Transit Administration grants. Fairbanks received \$77,000 for community grants and \$55.7 went to rural area transit for operating and maintenance costs and to supplement revenue shortfalls. The Federal Highway Administration provided \$124.4 million for surface transportation funds. The administration introduced a revised program legislative (RPL) before session to utilize some of the funds to re-open a handful of maintenance stations including Silvertip, Chitina, and Birch Lake Maintenance Stations in the amount of \$2.1 million. The remainder of the funds, \$122.3 million, had not been specifically allocated but had to be used in transportation areas.

Senator von Imhof suggested that some of the community grants could technically go to a private company doing work on roads or at airports.

Mr. Steininger reported that if there was a private company contracted with DOT to do maintenance work, some of the money might be used to pay contractors.

Senator von Imhof wanted to highlight that \$5.8 billion of CARES Act funding had come to the state and was distributed in several areas. Much of it went to public entities as well as private entities including individuals, private businesses, and non-profits. There had been questions about which agencies had received funding.

[9:34:01 AM](#)

Senator Hoffman pointed to the last bullet point on the slide and the unallocated amount of \$122.3 million. He asked about the process for allocating those dollars from the administration's viewpoint. He wondered what involvement the legislature would have in the allocation process.

Mr. Steininger replied that the allocation of the money would come through appropriations of federal receipts to DOT whether through the operating or capital budgets. The governor would propose how the funds would be used through budget amendments for consideration by the legislature.

Co-Chair Stedman asked if Mr. Steininger was referring to the Statewide Transportation Improvement Program (STIP).

Mr. Steininger relayed that the Federal Highway Administration funds could be used for capital projects that would otherwise be in the STIP. However, it could also be used for operations. If the committee wanted more detailed information regarding the various categories in which the funding could be used, he could contact DOT and provide the committee with some more information on its potential uses.

Co-Chair Stedman thought it would be advisable.

Senator Hoffman noted that Mr. Steininger had stated that the guidelines for the utilization of the \$122 million was

slightly more flexible. He wondered if any of the funding could be used for capital projects.

Mr. Steininger replied that the funding could be used for capital projects as well as for operating and maintenance costs. The funding did not have to be directly tied to COVID-19 mitigation which provided additional flexibility.

Co-Chair Bishop returned to the \$18 million from the Federal Transit Administration for rural and intercity operating assistance. He requested a list specifying where the funds were distributed in rural Alaska.

Co-Chair Stedman would have DOT provide a breakdown as part of the subcommittee process. He would make sure the full committee received the lists.

Senator Olson noted \$49 million for the rural airport system and wondered whether some of the funds could be used for purchasing certain needed equipment. He had tried to get a snow blower to one of the airports outside of Nome for several years without success. He asked if the funds could be used for capital investments.

Mr. Steininger deferred to DOT to respond to Senator Olson's question.

Co-Chair Stedman invited Mr. Carpenter to respond to Senator Olson's question.

[9:38:12 AM](#)

ROB CARPENTER, DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, JUNEAU (via teleconference), deferred to Mr. Binder.

JOHN BINDER, DEPUTY COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, JUNEAU (via teleconference), stated that the way the funds were distributed did not include capital improvements. The monies were specifically for maintenance and operations for the airport.

Senator Olson asked if there was any available funding through the CARES Act for the snow blower for one of the Nome airports.

Mr. Binder replied that presently, the restrictions on the funds had been limited and did not include capital improvements to airports. The funds were to be used for relief including revenue backfill for day-to-day items.

Senator Olson wanted to know if there were any other funding that could satisfy the need for a snow blower in the area of Nome. He noted the challenges that accompanied the airports having to be shut down for extended periods in the winter months. He had been working on the issue for several years. He asked if there was any available funding to purchase the equipment.

Mr. Binder replied that he had been working on the issue and realized the challenge of not having a snow blower. Presently, there were no available funds to purchase an additional snow blower for the Nome area. He would continue to assess the issue and make sure the department was allocating the equipment it had across the state. He certainly understood the desire to have a snow blower at the Nome location.

Co-Chair Stedman was aware of Senator Olson's concerns about rural airports and that he sat on the DOT subcommittee. He would assign the senator to the airport section of the DOT subcommittee so that he could address the issue.

Senator Olson remarked that his preference would be responsible for the AMHS section while Senator Stedman worked on the airport section. He would make sure that if Senator Stedman did not make it happen, he would take it from the AMHS budget.

Senator von Imhof thought Senator Olson had highlighted some of the challenges the state faced with COVID-19 monies coming in. It was her understanding that CARES Act funding could be used for COVID-19 related operating expenses incurred in the current year that was not already funded in the budget. In most cases the funding could not be used to replace revenue either. There were several challenges to spending the money in the correct way and avoiding violating any federal provisions. She suggested that when CARES Act money could be used for operating expenses, some operating funds could be used for capital projects. She was not necessarily suggesting it was what entities should do but wanted to make the comment.

Senator Olson thought CARES Act funding could be used in the case of an airport being shut down and individuals with COVID-19 not being able to leave their communities or have vaccines flown in because of the lack of proper equipment or the maintenance of equipment.

[9:43:04 AM](#)

Co-Chair Stedman indicated Senator Bishop would be working on the subcommittee.

Co-Chair Bishop relayed that he had been working on the issue for 3 years for Senator Olson and thought the issue was close to being resolved. The legislature increased the budget which was later vetoed leaving the snow blower unfunded. He commented that there was significant money floating around. He suggested that if the legislature could get funding to replace an engine on a King Air, it could get a snow blower for Golovin, Alaska. It would facilitate the King Air being able to land to transport people and vaccines.

Senator Olson was not only looking for equipment for Golovin, but he was also looking to satisfy other rural airport needs.

Co-Chair Stedman indicated there had been a substantial depletion in the AMHS fund. He noted there was \$10 million for operating assistance. He wondered whether consideration had been given to backfilling AMHS.

Mr. Steininger replied that within CRRSAA there was the ability to use some of the money for AMHS. The administration had not allocated all the dollars yet.

Co-Chair Stedman would address the issue through the budgetary process. The Senate would be having subcommittee hearings specific to AMHS as well as other items. The legislature would work with the administration to keep expenditures down in the operating budget while addressing the state's priorities.

Mr. Steininger relayed that Ms. Harbour would discuss some of the community relief sent to Department of Commerce, Community and Economic Development (DCCED).

Ms. Harbour turned to slide 12: "Community Relief Grants." She reported that of the state's \$1.25 billion in Coronavirus relief funds, 45 percent was distributed to communities through community relief grants for a total of \$568.6 million. The grants were to assist local governments in being able to meet unique needs in their communities for their residents and businesses. As of January 29, 2021, only 27 communities had not yet entered into an agreement with the state for \$2.5 million. There were 51 payments still pending for a total of \$33 million. She reported that 44 communities had spent all their funding. Twenty-one communities originally rejected funding because of the limited timeframe, the unknown restrictions on the funding, and uncertainty. A majority of the 21 communities were reconsidering accepting the funding with the extended timeline through December 31, 2021.

Co-Chair Stedman asked if the committee could have a breakdown of the communities and the corresponding data on the slide for backup purposes.

Ms. Harbour responded affirmatively.

[9:47:18 AM](#)

Ms. Harbour turned to slide 13: "Community Spending by Category." She relayed that as of their January reports, which included spending through December, communities reported spending \$464.6 million, 35 percent of which had been used on payroll for public health and safety. She continued that 22 percent of the funding had been used for small business assistance; 16 percent had been used for other economic support; 9 percent was used to provide housing support; and 7.5 percent had been used for public health expenses. Several communities had used their funding to help offset costs to individuals including for utility expenses, heating expenses, or stove oil expenses. Most of the funds went into housing or economic support.

Co-Chair Stedman understood that the monies were not for the purpose of replacing other budget items under the normal course of business. He asked Ms. Harbour to provide an overview of the concerns by communities regarding misinterpreting or not following federal guidelines. He also asked her to discuss any potential implications.

Ms. Harbour replied that there was one key exception to the budgeted expenditures rule. Public health and safety employee payroll could be entirely offset with Coronavirus relief funds even if payroll funds were originally in the budget. Many public health and safety employees were being used for a substantively different use in the mitigation and response to COVID-19. There were a couple of similar exceptions including in the area of education. She indicated that education expenses were being shifted to distance learning and were being paid for with Coronavirus relief funds even though they might have been covered in the operating budget. She added that, for the most part, Coronavirus relief dollars could not be used to cover general administrative expenses or anything else that was not being substantially diverted.

Co-Chair Stedman spoke generally that if the state was in receipt of federal funds, it fell within the compliance of definitions.

Ms. Harbour remarked that it was especially difficult for communities as the federal guidance continued to change and were delayed.

Ms. Harbour looked at slide 14: "State Agency COVID-19 Expenditures by Type," which provided information on the state's response to COVID-19 expenditures. Most of the expenditures had been supported with federal funds many of which had been distributed as grants, approximately \$1.1 billion.

Ms. Harbour mentioned that there were state expenditures related to COVID-19. A federal act required COVID leave and expanded the Family Medical Leave Act to include COVID-19 leave. The state had incurred about \$6.8 million in expenses related to COVID-19 leave, another \$71 million in other COVID payroll costs, and \$753,000 in travel expenses. It also incurred \$47.8 million in services and \$21.5 million in laboratory supplies. She reported that costs of \$32.3 million for other supplies included funding for laptops for telework and other telework equipment and \$3.1 million in capital and outlay equipment primarily supporting telework and a secure telework environment.

Co-Chair Bishop asked if Ms. Harbour had reported \$32 million for other supplies including laptops. He wondered

if the money went towards the purchase of 4,300 laptops by the Department of Administration.

Ms. Harbour replied in the affirmative. She noted there were other equipment purchases to support teleworking.

[9:52:11 AM](#)

Ms. Harbour turned to slide 15 and reported that the information on the slide had been reported to the legislature monthly along with the state's COVID expenditures. There was a significant impact to revenues to the state as a result of COVID-19. She reminded members that lost revenues could not be offset with Coronavirus relief funds. In FY 20, the state lost about \$582 million in projected revenues based on a comparison of the state's full forecast for FY 20 compared to actual October revenue estimates. Lost revenues in FY 21 totaled \$785 million and \$687 million in FY 22.

Ms. Harbour continued that the impact by program varied significantly. The University estimated losses of \$36.5 million as a result of COVID-19. The Alaska Marine Highway System estimated a revenue loss of \$22 million. The Fish and Game Fund projected losses of \$15.1 million in Sportfish and \$3 million in Wildlife Conservation. She explained that because there was not a cruise ship season there was a loss of \$7.6 million in commercial passenger vessel fees. The Department of Natural Resources had a variety of programs that lost \$2.6 million. The Technical Vocational Education Program lost \$1.9 million in revenues, and the State Training and Employment Program lost \$1.2 million. The Alaska Vocational and Technical Center also lost revenues of approximately \$1.2 million, the most of which resulted in a supplemental request for AVTEC.

Co-Chair Stedman asked Mr. Harbour to provide a breakdown based on fiscal years. The committee had been working on extracting the COVID impact around the state and was trying to get to the underlying structural deficit number. The information would be helpful.

Ms. Harbour mentioned that for the program revenue loss estimates, they were just for FY 20 and FY 21. The administration had not projected losses for FY 22. The Department of Revenue did a statewide estimate.

Co-Chair Stedman hoped she would provide FY 22 estimates He understood guesstimated for FY 22 could change. He noted that cruise ships were unpredictable.

[9:56:10 AM](#)

Co-Chair Bishop would be diving deeper into the estimated revenue losses at the subcommittee level. He noted that for leases within DNR there was the option of a year of deferment. Therefore, a loss might show in the current year, but would show up as revenue in the following year. He also noted hearing that the use of the next round of federal funding would be more flexible.

Mr. Steininger commented that all the numbers were fluid in terms of funding from the federal government. The numbers OMB had presented over the previous couple of days, particularly the revenue numbers, were subject to change as more information came in. Future changes could greatly impact the numbers. Also, he noted there had been significant complexity and change at the federal level in terms of guidance and rules surrounding the use of the funds. He noted the value of the assistance the administration had received over the prior year from entities such as the Legislative Finance Division (LFD) and the Division of Legislative Budget and Audit. Everyone had worked together to ensure that the most current information was available. There had been a substantial team effort made to understand the best deployment of federal funds to provide the best response to and recovery from the pandemic.

Co-Chair Stedman stressed that it was a team effort to try to unwind the COVID money placing it in multiple tranches and integrating it into the legislative budget process. The Office of Management and Budget had been very helpful in clarifying the different pots of money and working with LFD.

Co-Chair Stedman discussed the following day's agenda.

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ADJOURNMENT

[10:00:56 AM](#)

The meeting was adjourned at 10:00 a.m.