

SENATE FINANCE COMMITTEE
April 13, 2022
9:03 a.m.

9:03:09 AM

CALL TO ORDER

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

MEMBERS PRESENT

Senator Click Bishop, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lyman Hoffman
Senator Donny Olson (via teleconference)
Senator Bill Wielechowski
Senator David Wilson

MEMBERS ABSENT

Senator Natasha von Imhof

ALSO PRESENT

Dan Robinson, Chief Researcher, Department of Labor and Workforce Development; Briel Glanville, Student, Palmer; Jack Cain, Student, Palmer; Miles Baker, Infrastructure Investment Coordinator, Office of the Governor; Neil Steininger, Director, Office of Management and Budget, Office of the Governor.

PRESENT VIA TELECONFERENCE

Curtis Thayer, Executive Director, Alaska Energy Authority, Anchorage; Stacy Barnes, Alaska Housing Finance Corporation, Anchorage; James Wiedle, Alaska Housing Finance Corporation, Anchorage.

SUMMARY

SB 241 APPROP: SUPPLEMENTAL; CAPITAL

SB 241 was HEARD and HELD in committee for further consideration.

PRESENTATION: ALASKA EMPLOYMENT WAGES AND POPULATION TRENDS

Co-Chair Bishop reviewed the meeting agenda.

^ALASKA EMPLOYMENT WAGES AND POPULATION TRENDS

9:04:16 AM

DAN ROBINSON, CHIEF RESEARCHER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, discussed the presentation, "Alaska Economic Update" (copy on file). He looked at slide 2, "What We'll Cover Today":

1. Job numbers and what they tell us about how Alaska is recovering from COVID (and other shocks) so far.
2. Brief look at GDP and personal income data (because job numbers can't tell us everything about an economy).
3. A few special topics: update on actuarial health of unemployment insurance trust fund, housing market, and population/migration trends.

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Mr. Robinson addressed slide 3, "Job Picture Before and After COVID." The slide showed a graph depicting sharp job losses in May of 2020. He noted that the jobs were seasonally adjusted and most jobs in the state were year-round.

Mr. Robinson pointed to slide 4, "How Much Resemblance to U.S.?" He relayed that the slide indexed the numbers comparing Alaska's economy with the nationwide economy. He stated that Alaska's economy was better overall than the U.S. economy during the 1980s, 1990s, and 2000s, but it had fallen behind over the last twenty years.

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Co-Chair Bishop recalled that there had been a time when the state had averaged a 1 percent growth rate.

Mr. Robinson replied that there had been an extended period of time when the state experienced no job losses - from after the recession in the 1980s until the Great Recession,

which had not hit the state very hard. He said that the state had fared well through the two nationwide recessions.

Co-Chair Bishop remarked that during that time the state had enjoyed robust capital budgets.

Mr. Robinson replied that it would be complicated to deconstruct the factors. He noted that at the time, oil was relatively stable, and the state savings accounts were flush, which was no longer the case.

Co-Chair Stedman remembered the time of the Great Recession and discussions at the table that had led to taking effective action to insulate the state from economic downfall. He stressed the importance of building up savings to shield the state from future downturns.

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Mr. Robinson replied that the debate surrounding how much the government should spend when the economy was weak had been happening for a long time. He added that the numbers on the slides reflected policy choices, which made it hard to isolate individual factors.

Co-Chair Stedman remarked that there had been substantial disagreements with the administration at the time of the Great Recession but that the committee at that time had taken effective action to deal with the state's financial security. He stressed that the state had the strength to manage its assets to prepare for future financial crisis.

Mr. Robinson turned to slide 5, "Which States Have Fared Best?" The slide showed the percentages of COVID-19 related job losses that states had recovered as of July 2021. He noted that Alaska had recovered less than other states, at less than 50 percent. He shared that Utah, Idaho, Arizona, and Montana had recovered well. Alaska and Hawaii had suffered due to loss of tourism and the price of oil.

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Co-Chair Bishop asked why Montana, Idaho, Utah, Arizona, and North Carolina had recovered so quickly.

Mr. Robinson replied that all states took a big initial loss from COVID-19. He said that Utah and Idaho went into the pandemic with a lower cost of living than other states, as well as strong tech and university centers.

Co-Chair Bishop asked whether there were any lessons learned from the more successful states that could be applicable to Alaska.

Mr. Robinson replied that the data had been gathered and studied to find solutions.

Co-Chair Stedman asked how Alaska would look relative to the other states if tourism were not a factor.

Mr. Robinson replied that Alaska would be roughly in the bottom third, due to the oil factor.

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Co-Chair Bishop asked if there had been any conversations about what the secretary of state may be seeking for J-1 visas in the current year. He recalled in the past the department had signed waivers because there were not enough seasonal workers. He wondered if it would be allowed in the current year.

Mr. Robinson replied, "The short answer is no." He explained the department had always had a difficult time getting detailed data from the federal agency. He detailed there was a process where an employer made a request and DLWD had a request validation process. He relayed that seafood processing companies that had been able to hire Alaskans or Americans could not in the current summer. The demand for the [J-1] visa had increased distinctly. He stated the labor shortage issue was real and would continue.

Mr. Robinson looked at slide 7, "How Are We Doing With GDP?" He defined gross domestic product (GDP) as the value of all goods and services produced in Alaska. The value did not necessarily stay in Alaska. He highlighted oil as an example. He noted the Bureau of Economic Analysis produced the data, which was adjusted for inflation. The slide showed the loss of \$10 billion to \$15 billion of oil production. He elaborated that in 2013, oil accounted for about one-third of the state's GDP; the number had

decreased to about 10 percent at present. He noted oil was being reduced as a share of the state's overall economy. He added that Russia and Ukraine had raised some new questions. He relayed that without oil, the state's GDP had been flat over the period shown on the slide [between 2010 and 2021].

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Co-Chair Bishop remarked that oil was the state's most valuable export commodity.

Mr. Robinson agreed and stated it had been true for a long time. He remarked there could be a future where alternatives, mining, and other things began to rival oil; however, it was still in the future.

Co-Chair Stedman asked for an explanation of the term "chained dollars" on slide 7.

Mr. Robinson answered it was a Bureau of Economic Analysis term that meant adjusted for inflation.

Co-Chair Bishop surmised it was the method of adjusting real dollar amounts for inflation over time.

Co-Chair Stedman suggested adding several states to the chart on slide 7 for comparison. He was interested in seeing the compounded effects of the GDP growth. He had seen other recent charts showing other states slowly moving forward, while Alaska was going sideways or down slightly. He remarked that over several years the gap was substantial. He requested the information from the department.

Mr. Robinson replied affirmatively. He suggested including some oil states and non-oil states in the comparison. He shared he had initially shown the data compared to the U.S. to show there was a different pattern for the U.S. economy compared to the Alaskan economy.

Co-Chair Stedman agreed and asked for a compounded rate with states starting off at the same point. He remarked that the scale was hugely different between Alaska, Idaho, and California.

Mr. Robinson replied that the information would be indexed to make it comparable.

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Co-Chair Stedman did not want to lose sight of the fact that many states were slowly moving ahead of Alaska in terms of GDP, but over a longer timeframe the difference was substantial. He did not want Alaska getting way behind while thinking it was treading water.

Co-Chair Bishop asked if there would be merit in isolating the information in two different categories with one showing energy producing states and the other showing all other states.

Mr. Robinson agreed and noted the U.S. would also be a good comparison. He thought it was especially important to compare Alaska to small resource based states such as North Dakota, Wyoming, and New Mexico. He added that Texas would also be an interesting comparison because of its important oil industry in addition to enough other revenue sources to absorb shock. He added that it was a hugely different population base.

Mr. Robinson highlighted slide 8, "How About Personal Income?" He explained the chart reflected the amount of income Alaskans receive. The chart included payments from three primary sources, the largest of which was work, accounting for approximately two-thirds of the personal income typically coming into a state. The second source was from dividends, interest, and rent (e.g., income from rent or day trading). The third source was called personal current transfer receipts, which were payments from government for which a recipient did no current work (e.g., social security, unemployment insurance, and the Permanent Fund Dividend). He pointed out that a massive economic shock had occurred, yet personal income substantially increased [in 2021], which was not how it normally worked.

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Mr. Robinson continued to address slide 8. He explained that typically personal income went down during a recession due to lost wages. He elaborated that the federal government had made the policy call to spend a lot of money to avoid making things worse. He highlighted foreclosures,

evictions, student loan default, job loss, and population displacement as examples. He noted the slide reflected the total and not the per capita. He added that the data was annualized reflecting a quarter of personal income. He would further explain the origin of the large increases on a subsequent slide.

Senator Wielechowski asked what sort of jobs would grow and need filling over the next 20 to 30 years.

Mr. Robinson replied, "In the short-term, all of them." He explained there was a labor shortage issue. The department did occupational and industry projections every two years, with the next round coming out in the fall. He noted that occupations were evolving quickly, but occupations tended to stick around but with modifications. For example, lawyers would continue to do legal work, but it was different legal work in terms of technology. He stated the fundamentals did not tend to change rapidly. He added that technology had sped up some existing changes such as alternative energy technologies.

Senator Wielechowski mentioned incoming federal dollars and wondered where Alaskans should focus on looking in terms of good paying jobs with benefits for the next 10 to 30 years.

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Mr. Robinson responded that the wages, required education, and projected growth were all important; however, he stated that people should follow their passions. He stated that someone who was very good at almost anything could make good money. He referenced the current labor shortage and underscored that employers would need to do a better job making employees feel valued. He stressed that people wanted to do work they cared about.

Co-Chair Bishop invited visiting students to approach the table to testify on what they wanted to do when they were older.

BRIEL GLANVILLE, STUDENT, PALMER, testified that she wanted to go to college and get her art degree. She wanted to become a college art teacher.

JACK CAIN, STUDENT, PALMER, testified that he wanted to go to trade school and learn to become a welder.

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Co-Chair Bishop remarked that many adults falsely believed that kids did not know what they wanted to do. He stressed that the two students who had testified already knew what they wanted to do when they graduated.

Mr. Robinson shared that he had attended a recent infrastructure event in Anchorage. He relayed the labor shortage was real. He suggested starting to talk to kids in elementary school about what they wanted to do and providing some exposure to work places when they were a little older. He stated that most of what people chose for careers was based on what they were familiar with or who they knew. He highlighted the idea of helping kids and adults see there were always more possibilities than we know.

Co-Chair Bishop remarked that the current presentation would dovetail nicely with the afternoon presentation on workforce development.

Mr. Robinson discussed slide 9, "The Driver of Personal Income Change." The chart showed the extent that mostly federal funding flowed to Alaskans during the COVID-19 pandemic. He underscored that \$5 billion had come in the form of payroll protection, childcare credit, unemployment insurance benefits, social security, and other in order to keep the economy from spinning downwards. He added that Alaskans received more money in income during COVID-19 and were still receiving more money than they did pre-COVID. He stated it was odd and important to understand in terms of how much Alaskans in aggregate had lost. He stressed they had gained, not lost during the specified period.

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Mr. Robinson discussed the actuarial health of the unemployment trust fund on slide 10. He stated that the unemployment trust fund system had been used heavily during the pandemic and in some new ways including getting unemployment insurance benefits to gig workers and related things. He stated that work search requirements had been temporarily suspended. He explained that in order to get unemployment insurance a person had to be actively seeking work, but during the pandemic the work searches had been

suspended. He clarified the department was not involved in the important policy questions about unemployment insurance related to who received it, how much they received, and for how long. He shared that the department was responsible for performing the actuarial function. He relayed all states performed the work a bit differently. He shared that Alaska could be very proud of how actuarially sound the system was and had been since the 1980s. He expounded that most states went bankrupt during the Great Recession and had to borrow money from the federal government, whereas Alaska had not been anywhere near bankrupt. He stated that similarly there had been a big deduction from the system during this period. He pointed to the green lines representing the solvency target range. He noted it did not matter that the unemployment insurance fund balance moved outside of the target range occasionally, especially on the low side; the system was designed that way. He stated that the system was actuarially very healthy.

Co-Chair Bishop referenced an article published by Mr. Robinson. He highlighted that approximately 75,000 people had exited the Alaska workforce during COVID-19. He thought approximately one-third of the individuals did not draw unemployment insurance benefits during that time.

Mr. Robinson answered affirmatively. He characterized the situation as one of the red herrings. He referenced the idea that people could not hire was because there were many people staying home collecting unemployment insurance. He stated it had not been an irrational idea when the federal government was adding \$600 to the weekly benefit amount. He elaborated that plenty of people had been making more briefly (\$970 plus some supplemental options per week) than they had at work. He relayed that normally Alaska's maximum weekly benefit amount was \$370. He addressed the study conducted by DLWD referenced by Co-Chair Bishop. The study had found that of the 75,000 workers who were not working in the third quarter of 2021, only about one-third filed for unemployment insurance ever. The results indicated it was not the major factor in missing workers.

[9:44:31 AM](#)

Mr. Robinson displayed slide 11, "Housing Market is in Flux":

Prices are way up, inventories are down, interest rates are still low, but likely headed up.

A few examples from work we do for AHFC:

Average loan for single family home in Juneau
2019 Q4: \$345K
2021 Q4: \$414K

Mr. Robinson shared that the housing market in the state was not sustainable. He continued that at some point people could no longer afford houses; as interest rates increase, housing becomes less affordable. He referenced an affordability index that compared wages and average mortgage prices. He noted that Alaska housing remained fairly affordable.

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Mr. Robinson looked at slide 12, "Housing Market is in Flux":

Prices are way up, inventories are down, interest rates are still low, but likely headed up.

A few examples from work we do for AHFC:

Average loan for single family home in Anchorage
2019 Q4: \$328K
2021 Q4: \$374K

Mr. Robinson discussed slide 13, "Housing Market is in Flux":

Prices are way up, inventories are down, interest rates are still low, but likely headed up.

A few examples from work we do for AHFC:

Average loan for single family home Mat-Su
2019 Q4: \$255K
2021 Q4: \$321K

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Senator Wilson asked how working from home affected the housing market.

Mr. Robinson answered that the answer was not yet known. He relayed that in some cities there were issues with commercial real estate because people were working from home. He stated that people were now seeing that some of that expectation of change was overblown. There had been a surge of many people working from home and a return to work of many people. He noted that some people would continue to work from home. He did not believe the situation would be a major disruptive factor [to the housing market].

Co-Chair Stedman looked at slides 11 and 13 related to the housing market in Juneau and Mat-Su. He observed that housing in Juneau was about \$100,000 more than Mat-Su and even though prices grew 26 percent in Mat-Su, the cost difference continued to be about \$100,000. He highlighted that Mat-Su was the growth area of the state. He stated there was a lack of housing across the entire state. He stated the legislature would likely be grappling with ways to implement strategies to alleviate the problem. He highlighted a \$350 million hospital expansion in the small town of Sitka. He believed there would be 80 to 100 housing units added to keep the pressure off housing price increases. He asked if Mr. Robinson could provide housing data for Ketchikan, Sitka, and a few other communities around the state to look at the housing affordability index in association with the homelessness issue in Alaska. He expected fewer people could afford a home based on the price movements [shown on slides 11 through 13]. He had noticed in his district there seemed to be more people doubling up in housing over the past decade.

[9:51:36 AM](#)

Co-Chair Bishop asked Mr. Robinson to pick a hub community from census areas throughout the state for Co-Chair Stedman's request.

Mr. Robinson responded that the department had recently finished its spring rental survey. He stated that rental costs were increasing, and vacancy rates were decreasing. He relayed that at some point it was not possible to buy a house or rent. He elaborated that the housing shortage was

a real problem. He referenced the hospital example provided by Co-Chair Stedman and highlighted the military expansion in Fairbanks as another example. He detailed the expansions reflected an economic boon for the state; however, workers could not find places to live. He noted it had long been a problem in rural Alaska, specifically for teachers. He explained that it was not possible to bring workers to a place where they could not afford to buy or rent a house. The reasons were complicated and not entirely known. He highlighted supply chain issues as a new factor and inflation would get worse before improving.

Co-Chair Stedman believed the rental issue was as significant as the housing shortage. He had met with numerous employers over the past nine months who were trying to expand their business or service their workload around the coast and other areas. Those employers had a challenging time finding housing for their workers. He explained that some companies had actually bought housing in communities to house employees. He noted the problem was occurring across the state, particularly along the coastal regions.

Mr. Robinson added that Alaska had some additional challenges associated with the seasonality of workers; housing was needed temporarily for workers. Additionally, there were areas where housing prices were increasing because people from out of state or elsewhere in Alaska were buying up the existing housing.

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Co-Chair Bishop stated that housing and rental issues were real. He looked at the 2021 average loan for a single family home in Juneau of \$414,000. He asked for the amount of the associated mortgage payment. He asked who was making \$2,500 a week to make the first payment. He stated his father's rule had been to buy a house with what a person could afford with their first paycheck out of the month. He stressed there were many state workers at a salary range 14 and 15 who were working at least two jobs in Juneau to make ends meet.

Senator Hoffman highlighted the underlying problem of availability of land. He used Anchorage as an example and noted there was very little land available for development, which increased the cost [of housing]. He suggested that

DLWD should look at the availability of developable land in areas with housing shortages.

Mr. Robinson replied that the reason Mat-Su had grown as much as it had was due to inexpensive housing and land availability in addition to Anchorage's lack of land availability and Mat-Su's proximity to Anchorage where the jobs were located. No other major location in Alaska had more affordable housing than the Mat-Su worker with an Anchorage job. He stated it would generate growth for decades in Mat-Su primarily because of housing.

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Mr. Robinson briefly highlighted slide 14, "Lots of Demographics Action Too":

- 2020 Census completed, but it was unusually challenging
- 733,391 AK population (710,231 in 2010 Census)
- Population projections out to 2050 will be released in the next few weeks
- Overall, state's population trend is flat/stable (Mat-Su remains a distinct standout, but growth has slowed there, too)

Mr. Robinson shared that for nine years in a row more people had left Alaska than had moved to Alaska. He stated that natural increase (the number of people born less the number of people who died) had generally compensated for the migration losses; therefore, Alaska's population had been generally flat to stable during the period. He noted that Mat-Su was the distinct outlier. He elaborated that growth had slowed over the period where the state's economy had not done terribly well and over the past decade.

Senator Wilson wondered whether the state should put additional resources and development into the recent growth in Mat-Su.

Mr. Robinson replied it was entirely the legislature's call and had little to do with the work done by DLWD.

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Co-Chair Bishop remarked that in his past work at the department they had used a hands-off approach when it came to politics and policy.

Mr. Robinson believed it was part of the department's value. He remarked that [the department's magazine Alaska Economic] Trends did not change from administration to administration and neither did the numbers. The department did not talk about things that were not theirs to talk about.

Mr. Robinson discussed slide 15 titled "Migration Trends, 2000-2021." When considering whether Alaska was a desirable place to live compared to other states, the chart indicated Alaska was not doing very well based on migration trends. He elaborated that for nine consecutive years, more people had left Alaska than had come to Alaska. He noted it was primarily because fewer people were coming. He added the issue was associated with oil and other instability challenges addressed by the committee (e.g., capital budget).

Co-Chair Bishop stated the analogy he had made earlier about housing affordability got back to workers' wages. He remarked that Alaska was no longer the premier state in the nation for wages. He believed people were moving because they could go as close as Washington to make \$10 more per hour in his trade. He pointed out that electricity was much cheaper in Washington than Fairbanks. He thanked Mr. Robinson for the presentation.

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#sb241

SENATE BILL NO. 241

"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."

[10:08:32 AM](#)

MILES BAKER, INFRASTRUCTURE INVESTMENT COORDINATOR, OFFICE OF THE GOVERNOR, introduced himself.

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, introduced himself.

Mr. Baker discussed the presentation, "State of Alaska, Office of the Governor, Infrastructure Appropriation Bill SB241, Senate Finance Committee, April 6, 2022" (copy on file). He started with slide 7 titled "SB 241 Infrastructure Overview by Category" [see Senate Finance Committee meeting dated April 6, 1:00 p.m. for slides 1 through 6]. The slide showed a table depicting spending categories ranging from the least discretionary to most discretionary. The bulk of the bill spending was \$950 million in federal funds and undesignated general fund (UGF) match (70 percent) for reauthorized and new federal programs. The second spending category was UGF funding for additional state support of federal programs. He cited critical minerals mapping as an example. The third category was Congressional earmarks. He elaborated there had been a number for Alaska and only two required additional authority. The governor wanted to match the public safety housing program operated by Alaska Housing Finance Corporation (AHFC) dollar for dollar.

Mr. Baker addressed the fourth category on slide 7: infrastructure coordination and implementation. He relayed it was an ongoing effort coordinating with local governments and tribes. The category included money for the governor's office, a grant for the Alaska Federation of Natives (AFN) navigator program, and a grant to the Alaska Municipal League (AML). He characterized the last spending category as the most policy subjective. The administration had identified four large areas in the Department of Energy where Alaska should be competitive that were worth putting some UGF into exploring and pursuing.

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Co-Chair Bishop reminded committee members there were numerous agencies available online for questions.

Mr. Baker displayed slide 8 titled "Federal Programs and Match":

Commerce, Community and Economic Development

- Alaska Broadband Office \$6,513.0 (\$6,000.0 Fed, \$513.0 CIP); 3 PFT
- Rural Utility Business Advisor (RUBA) \$666.7 (\$500 Fed, \$166.7 GF Match); 2 PFT

Alaska Oil and Gas Conservation Commission (AOGCC)

- Orphaned Well Plugging, Remediation and Restoration \$32,341.0 Fed

Mr. Baker elaborated that broadband was one of the biggest game changing new investments in the infrastructure bill and all states would be required to have a broadband office to coordinate the planning effort. He reported that every state would receive a minimum of \$100 million and 5 percent of the funding received could be used on administration. The state expected to receive another \$1 million in federal planning money for a second program [under the Department of Commerce, Community and Economic Development (DCCED)]. The broadband increment also included capital improvement project (CIP) funding for three proposed positions to staff the broadband office. There was also a tremendous amount of money coming in through the Environmental Protection Agency (EPA) water programs. He noted the Rural Utility Business Advisor (RUBA) program provided outreach to support the water programs.

Mr. Baker highlighted a large new initiative for the plugging of oil and gas wells through the Department of Interior. There were three different programs for state and private land, federal land, and tribal land. The bulk of the federal funding was for the state and private land program. He detailed that AOGCC was the required lead; all of the national equivalents of AOGCC had been working on the topic for quite some time. The administration had put in the request for information (RFI) and had received the notice. He relayed there were 12 known oil and gas wells on state land and the funding was the first tranche of funding the administration expected to receive. He expounded that AOGCC would contract the work out and would work with the Department of Environmental Conservation (DEC, Department of Natural Resources (DNR), RSA, and private contractors.

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Co-Chair Bishop asked Mr. Baker to specify the operating and capital funding in the requests as he continued the presentation. He looked at the federal funding of \$32,341,000 for AOGCC. He asked if it was funding for one year, five years, or other. He asked for the information going forward.

Senator Wielechowski asked if companies responsible for drilling wells were required to plug, remediate, and restore wells they had abandoned.

Mr. Baker answered there were requirements for companies and requirements had changed to become more rigid over the years. He stated that wells were from various time periods; therefore, some had been plugged, but not to the current standard. Some of the wells were plugged long enough ago that some of the adjacent lands were not properly remediated. He stated it was all over the map.

Senator Wielechowski requested a list of wells that were proposed to be plugged, remediated, and restored. He wondered why the state was assuming the responsibility with the federal dollars instead of the group that drilled the wells.

Co-Chair Bishop asked if the funds would "clear the deck" on the abandoned wells. He asked if it would bring closure to all of the abandoned wells.

Mr. Baker replied that when the notice came out for the funding, AOGCC put in a response including the estimated cost to plug the wells on state land. The cost was \$32 million. He clarified the funding reflected the first tranche; if the costs increased the state could potentially receive additional money to fill the work. The allocation was based on the administration's best cost estimate. He noted the funding was an FY 22 supplemental because the well sites needed to be looked at in the spring before alders came up in order to get the best cost estimate.

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Senator Wielechowski asked if the work would be bid out via a competitive bid process.

Mr. Baker replied in the affirmative. He elaborated that AOGCC was the official receipt entity for the state. The

national organization working on the issue was comprised of all of the AOGCC equivalents. He explained that AOGCC would be contracting out and working with DNR and DEC on their portions of the work.

Senator Wielechowski referenced the \$6.5 million and three permanent full-time employees for the broadband office. He assumed the positions accounted for several hundred thousand dollars. He asked where the remaining money would go.

Mr. Baker replied that the administration was asking for federal receipt authority of what it expected to get in the first tranche of available planning funding. The \$513,000 was the CIP to pay for the positions. He explained that a tremendous amount of work would be required. In order to receive the initial planning funding, the state had to file a notice of intent to participate in the program. He furthered that the document was fairly technical and would include the type of plan and work required. Once the state received the initial planning funding, which should be fairly quick after filing the NOI, the administration would develop a five-year plan that would include setting up regional advisory groups, getting public input and working with national agencies. The money would be used for funding positions, possibly bringing in technical expertise, holding planning events, and putting together the needed information.

Senator Wielechowski relayed it would be helpful if Mr. Baker could reference the page number of the appropriation request.

Mr. Baker offered to provide the project numbers and would do his best to provide the requested information.

Co-Chair Bishop stated that no one from DCCED was available online to answer any questions. He wanted to know the current number of RUBA employees. He referenced the request for two additional positions. He wanted to ensure RUBA was connecting with the United States Department of Agriculture (USDA). He highlighted another \$2 billion pot of funding for rural utility electrification, water, and broadband. He wanted to ensure the state accessed every federal dollar possible to get running water in rural Alaska.

[10:24:04 AM](#)

Mr. Baker continued with slide 8, reading as follows:

Alaska Energy Authority (AEA)

- Alternative Energy and Energy Efficiency Programs
\$3,655.6 Fed
 - o Energy Efficiency Conservation Block Grants
 - o State Energy Program (SEP)
 - o Energy Efficiency Revolving Loan Fund Capitalization Program (New)
 - o Energy Auditor Training Program (New) Alaska

Housing Finance Corporation (AHFC)

- Weatherization Assistance Program \$35,000.0 Fed
- Energy Efficiency Research and Training \$2,000.0 Fed

Senator Hoffman commented that \$3.6 million was not a large sum of money. He recalled that the weatherization program was initiated the last time there was a spike in oil prices. He had learned from AHFC that there were thousands of homes in the state that still needed weatherization. He was aware that there was a \$1,300 energy rebate proposed by the other body and the governor had said he was supportive of the rebate; however, there was no way to ensure that individuals would actually spend the rebate money on energy costs, particularly in rural areas. A significant benefit of the weatherization program was that it saved individuals from \$200 to \$500 per month on energy costs, which equated to millions of dollars saved on energy over the lifetime of a home.

Senator Hoffman wondered if the administration had looked into offering financial assistance to Alaskans for home weatherization. He thought that of all the programs in the state, the weatherization program made the most significant strides for Alaskans in reducing energy costs. He noted that there had been out-migration in the state for the last eight years, and he believed that the high cost of living was one of the most significant contributing factors. He thought that the notion that the proposed sum of \$3.6 million was large was laughable. He asked what the administration thought about the weatherization program and the benefits it could offer.

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Mr. Baker agreed that the term "large" was an inappropriate descriptor for the sum and apologized if he gave the wrong impression. He believed that the weatherization program to which Senator Hoffman was referring was managed by AHFC and supported by general funds (GF). The federal bill [Infrastructure Investment and Jobs Act (IIJA)] had around a \$3.5 billion supplemental for weatherization and it was previously estimated that Alaska's portion would be \$35 million, but the estimate was reduced to \$18 million in the prior week. He relayed that the governor wanted to keep the spending of GF down and limit the amount of discretionary GF spending. The only exception was a \$2 million federal earmark for AHFC's rural housing program for teachers' health and public safety. The governor wanted to match the amount with \$2 million of UGF for public safety housing.

Senator Hoffman stated that he had a comment on the topic.

Mr. Baker wondered if representatives from AHFC were available to comment.

Senator Hoffman asked if the legislature should use the additional revenue to try to make Alaska a more affordable place to live. He understood the reasoning behind wanting to keep GF spending to a minimum but wondered how it would impact Alaskans. He asked if it would be wiser to help Alaskans reduce their energy costs directly or to give Alaskans a check for \$1,300 and hope that individuals use the money for energy costs. He thought the question should be debated by policymakers. He indicated that Alaskans were struggling due to the high cost of fuel, and he did not think a one-time check would be enough to make a change. After the check was spent, the needs would still be pressing because the root cause was not addressed.

Co-Chair Bishop asked Mr. Curtis Thayer to comment. He referred to the last bullet under the AEA section on slide 8 regarding the Energy Auditor Training Program. He asked how many more auditors Mr. Thayer was hoping to hire.

[10:34:49 AM](#)

CURTIS THAYER, EXECUTIVE DIRECTOR, ALASKA ENERGY AUTHORITY, ANCHORAGE, (via teleconference) replied that the initial request was \$63,000 for a partial auditor and he anticipated that additional funding for commercial auditors would come in later years.

Co-Chair Bishop asked if Mr. Thayer was referring to commercial property.

Mr. Thayer agreed.

Co-Chair Bishop wondered whether AEA had interfaced with the Cold Climate Housing Research Center (CCHRC) in Fairbanks.

Mr. Thayer replied in the affirmative. He furthered that AEA had a working relationship with AHFC and some of the auditor training would be shared between the two agencies.

Co-Chair Bishop thought it would be helpful if AEA could leverage its assets.

Mr. Baker replied to Senator Hoffman's earlier comments. He explained that the new estimate was \$18.4 million for the weatherization program, which had been reduced from \$35 million. He added that there were some other opportunities in the bill that AHFC wanted to pursue in the area of energy efficiency research, which was a \$2 million federal receipt authority.

[10:36:43 AM](#)

STACY BARNES, ALASKA HOUSING FINANCE CORPORATION, ANCHORAGE, (via teleconference) introduced herself.

Co-Chair Bishop noted that the estimate had been reduced from \$35 million to \$18.4 million over the course of a week. He asked if the \$18.4 million estimate was for the current fiscal year and whether AHFC expected similar funding to continue in the future.

JAMES WIEDLE, ALASKA HOUSING FINANCE CORPORATION, ANCHORAGE, (via teleconference) responded that the money was expected to be available for the next five years.

Co-Chair Bishop asked if Mr. Wiedle meant \$18 million per year or \$35 million per year.

Mr. Wiedle replied \$18 million in total.

Co-Chair Bishop asked for more information on the way the money would be used for the energy efficiency research and training program.

Mr. Wiedle responded that he did not yet have specific details about what the program would look like; however, he would follow up with the information when it came out.

Co-Chair Bishop asked if Mr. Wiedle meant he did not yet have guidance from the federal government.

Mr. Wiedle answered in the affirmative.

[10:38:14 AM](#)

Mr. Baker looked at slide 9, "Federal Programs and Match":

Fish and Game

- Wildlife Restoration (Pittman-Robertson)
\$24,000.0 (\$18,000.0 Fed, \$6,000.0 F and G Fund)

Mr. Baker indicated that the Pittman-Robertson funds had increased substantially, and the \$18 million federal funds required a match that would come out of the Department of Fish and Game fund.

Senator Hoffman remarked that restoration of Chinook salmon in the Yukon-Kuskokwim Delta (YKD) was of great importance to him. He added that devastation of Chinook salmon was happening throughout the state, and it was important for the legislature to try to reverse the trends as Alaskans living in the YKD area were already experiencing significant lifestyle changes due to the devastation. He asked if it was possible to look into restoring Chinook salmon in YKD and throughout the state. He did not mean to suggest that salmon populations should be restored to commercial levels, but simply that salmon should be available for personal use and food security purposes. He asked if the administration could help Alaskans achieve food security in other ways if the funds could not be used to help restore Chinook populations.

Mr. Baker replied that he believed the money was intended to be used for game and was therefore non-fish related. He referred to pages 24 through 26 of the capital backup, reference number 60594, which showed a list of the types of projects that qualified. He thought there were other

programs that might have more flexibility and would follow up with more information on whether salmon restoration would qualify.

Senator Hoffman remarked that he was not only interested in learning if salmon restoration would qualify, but if the legislature was interested in recognizing the problem and taking steps to reverse the trends to ensure that the lifestyle of Alaskans on the YKD would not vanish.

[10:43:37 AM](#)

Mr. Steininger responded to Senator Bishop's earlier question regarding the difference between operating and capital in the presentation. He explained that on slide 8, the RUBA program and the broadband programs were both operating items and the rest of the items were part of the capital budget. On slide 9, the Low Income Home Energy Assistance Program (LIHEAP) was within the Department of Health and Social Services (DHSS) operating budget and all other items were part of the capital budget.

Mr. Baker continued with slide 9:

Health and Social Services

- Low Income Home Energy Assistance Program (LIHEAP) \$314.0 Fed

Mr. Baker commented that the money was a small supplemental compared to current funding for LIHEAP, which was around \$10 million. There were also some significant tribal awards for the same purpose that did not come through the state.

Senator Hoffman asked if Mr. Baker had done any analysis on what energy costs would be in rural Alaska through LIHEAP. He wondered if the funding would be enough to help Alaskans facing increased energy costs.

Mr. Baker replied that he would follow up with the information.

Senator Hoffman was looking forward to it.

[10:45:50 AM](#)

Mr. Baker continued with slide 9:

Military and Veterans' Affairs

- State and Local Cybersecurity Grants \$2,404.4
(\$2,164.0 Fed, 240.4 UGF)

Natural Resources

- National Geological and Geophysical Data Preservation Program (NGGDPP) \$3,290.0
(\$2,290.0 Fed, \$1,000.0 UGF)
- Critical Minerals Mapping - Earth Mapping Resources Initiative (MRI) \$7,500.0 Fed
- Abandoned Mine Lands Reclamation Program \$1,333.0 Fed
- Community Wildfire Defense Grants (NEW) \$3,000.0 Fed

Mr. Baker added that the cybersecurity grant was a four-year program, and that 80 percent of the funds would be sub-granted out to local and tribal governments. He highlighted that the program was one of the few four-year programs in the bill and that most of the programs were five-year programs. The match requirement changed from year to year, beginning with a 10 percent match and increasing by 10 percent each year.

Co-Chair Stedman recalled that slide 8 indicated there would be \$24 million of Pittman-Robertson funds coming into the state. There were three major shooting ranges around the state that were subsidized in the budget every year, and the increase in Pittman-Robertson funding was due to the volume of ammunition being sold around the country. He thought the legislature should consider dedicating more funds to shooting ranges outside of the three major ranges in the state. He thought it was beneficial for youth to learn how to handle firearms. He did not think the funding was sufficient and suggested implementing a match.

[10:49:09 AM](#)

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[10:53:22 AM](#)

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Senator Wielechowski wondered whether there were any federal funds that were available that the state did not accept.

Mr. Baker replied in the negative.

Senator Wilson wondered why there was not more federal funds for railroad related infrastructure projects. He asked how many full-time equivalents (FTE) would be needed and whether the positions would be permanent. He guessed the number would be around 25.

Mr. Steininger replied that there were 27 full-time positions and five non-permanent positions represented in the bill. He stated that the full-time positions would exist within DEC to help manage the significant increase in DEC programs. He noted that many of the programs would experience a five-year increase, however some of the programs could continue for a decade which was why the decision was made to add permanent positions. Additionally, the bill represented the federal dollars that the state was certain would be incoming. There may be other opportunities in the future to address other areas such as the railroad.

Mr. Baker furthered that generally, there was no federal money for the purpose of building new rail, particularly not freight rail. There was money for Amtrak and inner-city passenger rails, but there was no new money for capacity building of rails. The Federal Transit Administration's (FTA) transit formula programs could elicit an increase in money for railroads in the state based on passenger traffic. There were some existing grant programs for which the Alaska railroad was eligible and regularly applied for, but there were no new funding sources for the railroad.

Senator Wilson asked if the administration had considered a passenger rail from the Mat-Su area to Anchorage.

Mr. Baker responded that the administration had not considered a passenger rail.

[10:57:54 AM](#)

Senator Wielechowski asked if there were federal commuter dollars that the state could utilize.

Mr. Baker responded that there were competitive grant programs. The largest driver of whether a rail received an award was based on whether the rail would assist in moving passenger traffic off roads and onto centralized transit. He thought a new capacity rail such as a passenger rail

from Mat-Su to Anchorage would be challenged in the opportunities in the bill. However, it might be worth looking into if the municipalities and the rail were interested.

Mr. Steininger furthered that if there was money that was coming into the state for the railroad that did not pass through the Department of Transportation and Public Facilities, it would not be included in the bill because the railroad was not subject to the Alaska Budget Act. He explained that if the Alaska railroad received a direct grant, it would not be included in an appropriation bill coming from OMB because the railroad was exempt from the process.

Co-Chair Bishop noted that the committee would discuss the bill again in the future. He wanted to ensure that the appropriate agencies would be present at future meetings to answer questions.

SB 241 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

11:00:51 AM

The meeting was adjourned at 11:00 a.m.