

HOUSE FINANCE COMMITTEE  
January 30, 2023  
1:34 p.m.

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CALL TO ORDER

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

MEMBERS PRESENT

Representative Bryce Edgmon, Co-Chair  
Representative Bryce Edgmon, Co-Chair  
Representative Neal Foster, Co-Chair  
Representative DeLena Johnson, Co-Chair  
Representative Julie Coulombe  
Representative Mike Cronk  
Representative Alyse Galvin  
Representative Sara Hannan  
Representative Andy Josephson  
Representative Dan Ortiz  
Representative Will Stapp  
Representative Frank Tomaszewski

MEMBERS ABSENT

None

ALSO PRESENT

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

PRESENT VIA TELECONFERENCE

Hannah Lager, Administrative Services Director, Department of Commerce, Community and Economic Development, Office of the Governor; Teri West, Administrative Services Director, Department of Corrections; Melissa Hill, Acting Administrative Services Director, Department of Fish and Game, Office of the Governor.

SUMMARY

HB 40            APPROP: CAPITAL/SUPPLEMENTAL

HB 40 was HEARD and HELD in committee for further consideration.

OVERVIEW: CAPITAL BUDGET BY THE OFFICE OF MANAGEMENT and BUDGET

Co-Chair Edgmon reviewed the meeting agenda. He introduced his staff working on the capital budget.

#hb40

HOUSE BILL NO. 40

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

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^OVERVIEW: CAPITAL BUDGET BY THE OFFICE OF MANAGEMENT and BUDGET

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NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, provided a PowerPoint presentation titled "State of Alaska Office of Management and Budget: Capital Budget HB40 and HB41" dated January 30, 2023 (copy on file). He relayed the capital budget had been released on December 15 and was split between the primary capital budget bill, HB 40, and the mental health budget, HB 41. He began with a table on slide 2 reflecting that the vast majority of the funding was in HB 40. Additionally, HB 41 included \$10 million in mental health related unrestricted general fund (UGF) capital projects. The total proposed general fund capital was \$276.4 million, which leveraged about \$1.7 billion in federal funds for a total of \$2.1 billion in overall capital spending. The budget included funding to match core federal programs and certain infrastructure bill projects resulting from Infrastructure Investment and Jobs Act (IIJA). He noted the house districts listed in the bills reflected districts prior to redistricting. He explained that the official file that

came from the Division of Elections had not yet been finalized and incorporated into the budget system.

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Mr. Steininger moved to a bar chart illustrating a capital budget five-year history on slide 3. He highlighted there had been fairly constrained UGF funding in the FY 20 and FY 21 capital budgets and much smaller amounts of federal funding (reflected in light blue). The growth in the light blue portions of the bars in FY 22 and FY 23 represented appropriations of IIIJA funding. He highlighted a significant increase in the state's receipts through the Village Safe Water Program, the Aviation Improvement Programs, and the Department of Transportation and Public Facilities (DOT) Surface Transportation Program. He remarked that the state funding had increased federal funding.

Mr. Steininger pointed out that UGF funding was fairly low in FY 21 because there had only been a partial capital budget appropriated. He explained that the legislature was mid-session when the COVID-19 pandemic hit, and the capital budget had been left uncompleted. He relayed that much of the funding was made up in the FY 22 budget for core programs.

Co-Chair Edgmon stated there had been many unknowns the previous year when the legislature had been going through debate on the federal infrastructure bill. He noted it had taken until mid-session or later to get a good handle on the funds. He recalled that the \$1.2 trillion included \$600 million [billion] or less for formula programs with the remainder for competitive grant programs. He asked if the governor had hired someone to take Mr. Miles Baker's position as the coordinator of the infrastructure program.

Mr. Steininger answered there was more information known about the infrastructure program since the previous year. The state had learned that many of the opportunities were competitive. He stated there were a couple of new items for the Alaska Energy Authority (AEA) added into the capital budget; however, there were not as many items as the initial optimistic estimates had indicated the state would receive. There had been appropriations the previous year to enable some of the agencies to chase the federal rewards. He highlighted the Alaska Marine Highway System (AMHS) as

an example of an agency seeing a recent release of rewards. He noted the news was very recent and was not included in the current capital budget. The governor's office had an acting infrastructure coordinator who may not be the permanent coordinator.

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Mr. Steininger continued to review slide 3 and noted that the dark blue bars reflecting UGF were much larger in FY 22 and FY 23 than in other years. He expounded there were substantial surpluses when the FY 23 budget had been developed. He explained that much of the surplus funding had gone to discretionary capital budget items with pent up demand over a long time period of fairly constrained capital budgets. The FY 24 capital budget decreased because there had not been room for a discretionary capital budget of the size seen in FY 23.

Mr. Steininger advanced to slide 4 titled "UGF Capital - Minimum Match." The slide addressed the amount of money necessary in order to match to core federal programs and how it had changed over the past couple of years. He highlighted the increase in federal rewards coming in due to IIJA. The dark blue portion of the bars represented the base capital budget (the base match for core federal programs). The light yellow bars reflected matching funds leveraging federal funding and discretionary funds for state funded programs. He remarked there had been a significant increase in the general funds needed to fund and leverage federal dollars. The FY 24 proposed budget included about \$167.4 million for core recurring projects listed on slide 4:

Baseline/Minimum match projects include:

- Community Block Grants
- Alaska Energy Authority -Energy Projects
- Village Safe Water and Wastewater
- AHFC Housing Programs
- Surface Transportation and Aviation State Match

Mr. Steininger elaborated that the Village Safe Water and Surface Transportation and Aviation Programs saw significant increase from IIJA, which drove a corresponding increase in the need for matching funds in the capital budget. He highlighted the match amount was roughly double what it had been in FY 20 and FY 21. He noted it was not an entirely fair comparison because the state had used other mechanisms in FY 20 and FY 21 to cobble the matching funds together. He explained that money had been reallocated from older completed projects with funding remaining.

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Mr. Steininger turned to slide 5 titled "Capital UGF Unobligated Appropriations." He reported that per statute, capital projects had a five-year time horizon before the funding lapsed. The projects could be administratively extended annually if there was activity on a project within the course of the year. He used a hypothetical road project as an example and explained that if the construction process was taking longer than the five-year timeframe, the project could be extended as long as there was active work taking place. Slide 5 showed the amount of funding left on aged projects.

Mr. Steininger remarked that as expected, there was significant funding remaining for FY 23 projects because they had just become active on July 1, 2022. He noted that many of the projects for FY 22 had only become effective at the end of June of 2022. He pointed out there was still unspent money on projects that went back greater than ten years. He explained that some of the projects had been completed under budget and had unobligated money remaining. He detailed that the Office of Management and Budget (OMB) produced an annual capital appropriation status report detailing every project reflected on slide 5, the remaining funding, whether a project had been extended and the reason for the extension, or if the money was unspent and available for reappropriation or lapse back into the General Fund.

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Representative Hannan observed the graph on slide 5 did not distinguish money still needed to complete projects that had taken longer than five years from money that was available for reappropriation because a project had been

completed and had funding remaining. She asked if the information would be presented to the committee. She was particularly interested in the information for the projects in the six to ten-year range.

Mr. Steininger replied that the capital appropriation status report included many of the different data points to get a better idea on which of the projects were still moving forward and which projects may have funding available for reappropriation. The report also included the project location and details.

Representative Hannan asked for clarification on whether she needed to dig through the report to determine whether there was \$1 million laying around in a project that had not been noticed or whether \$1 million was needed to complete a project. She reasoned that if the state had already invested the vast majority of the funding for a project, most people would conclude the funding would be used to complete a project. She thought there should be a pretty good handle on whether there was funding available that went back ten years. She pointed out that a few million dollars here and there made a difference for new projects. She asked if committee members should look for the funding or if that was up to OMB.

Mr. Steininger answered that part of OMB's development process for the amended and supplemental budgets often involved looking at old projects to identify which ones could be reappropriated for different uses or to fund state match for federal programs. He elaborated that OMB identified some of the old projects [with remaining funding] that the administration felt could be moved to a different use. He relayed there was the opportunity for the legislature to review the [capital appropriation status] report and locate projects to propose for an alternative use.

Co-Chair Edgmon asked if any of the two bars on the far right of the slide 5 were affiliated with COVID-19 capital funds that were still on the books.

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Mr. Steininger answered the chart should filter out any of the Coronavirus Relief Fund (CRF) or American Rescue Plan

Act (ARPA) dollars that had been appropriated directly to a capital project. He would confirm and follow up.

Mr. Steininger reviewed FY 24 capital project highlights [by department] beginning on slide 6 [through slide 10]. He noted the slides did not cover every project included in the capital budget. The slides included projects that were either new, had a unique quality, or were a priority of the administration. He began with the Department of Commerce, Community and Economic Development (DCCED). He relayed the Alaska Gasline Development Corporation (AGDC) had been pursuing a project to make Alaska a hydrogen hub. He detailed that \$10 million in federal receipts would be available in case the pursuit was successful. There was still a question on whether the project would be viable, and he was anticipating additional information from the agency in the future. The second project was \$1.8 million for AEA pertaining to a statewide grid resilience and reliability. The item was new and was \$12 million in federal receipts from IIJA.

Representative Stapp asked if a state match had been identified for the \$10 million in federal funds for the hydrogen hub.

Mr. Steininger answered it was too early in the planning stages to know.

Mr. Steininger continued to review DCCED projects on slide 6. The third project was \$2.5 million of business licensing corporate filing fees to build a public engagement and customer relationship management system for the Division of Corporations, Business and Professional Licensing (CBPL). The budget also included \$3 million in a named recipient grant to build out three-phase power extensions and upgrades in the Delta Farm Region. The item worked towards the governor's Food Security Initiative. The last DCCED item was \$5 million for statewide marketing and economic development to market Alaska as a place to do business and market items made in Alaska to those outside of Alaska. He moved to the Department of Corrections (DOC) and highlighted a \$3 million UGF increment for the Point Mackenzie Correctional Farm Produce Processing Plant. The goal was to provide food to the entire correctional system by processing the food grown at the plant.

Co-Chair Edgmon remarked it had been just a couple of years ago when the last two economic development staff had been transferred from DCCED to the governor's office. He asked if the staff were returning to DCCED to administer the \$5 million [for statewide marketing and economic development]. Alternatively, he asked if the increment anticipated the creation of new staff.

Mr. Steininger answered that the appropriation was for new activities at DCCED. He was uncertain whether the incumbent staff would be transferred back to DCCED. He would follow up on the question. The idea behind the increment was to restart some of the activity that had been tapered down and eliminated over the years of budget cuts. He stated the transfer of positions had occurred during a different economic time for the state. He remarked that things had changed considerably in two years.

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Representative Josephson asked about the program receipts of \$5 million for the statewide marketing and economic development initiative under DCCED. He wondered what made them program receipts.

Mr. Steininger replied that the \$5 million came from business licensing fees, which were classified as program receipts and designated general funds (DGF). He explained that CBPL was responsible for collecting the fees.

Representative Josephson asked what the receipts had been used for in previous years.

Mr. Steininger answered that the business licensing receipts had been suspended during COVID-19 for a period of time. The fees could be utilized for the proposed activity as the need to have the fees suspended began to go away.

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Representative Tomaszewski looked at the three-phase power extensions and upgrades to Delta Farm region. He asked if any other farm regions had applied for grants for that purpose.

Mr. Steininger answered that he was not aware of any other regions that had applied for the funding. He relayed the

project had been identified as a specific need through community engagement.

Co-Chair Johnson stated she had recently heard about additional federal funding for AMHS. She asked for detail.

Mr. Steininger replied that the state had received notice the previous week that it was being awarded a significant amount of capital funding for AMHS. The current capital budget did not include matching funds. The administration believed a couple of the appropriations could be applied to the match for some of the projects. He explained that OMB was still working through how much additional match the state would need. He noted the committee could anticipate seeing amendments related to the funds.

Co-Chair Johnson asked for verification the state did not know the matching requirement for the federal funds.

Mr. Steininger believed the dollar amount was known, but he did not have it on hand. He relayed that OMB did not yet know how much additional appropriation would be needed to cover the incoming funds.

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Co-Chair Edgmon believed it illustrated the "gargantuan" infrastructure act was still unfolding before the state's eyes. He believed there would likely be additional instances where the arrival of things like the ferry funding came unexpectedly and would require budget amendments.

Representative Hannan looked at the funding for the statewide marketing and economic development initiative under DCCED coming in the form of program receipts. She asked how to anticipate the program receipts for the license fees that had been waived for two years and reinstated. She highlighted that most business licensures were on a two-year cycle. She considered a scenario where license holders had to pay their fees in the current year and it brought in \$10 million. She noted that the proposed increment was \$5 million. She asked if the funding was to be spent over a period of five years or one year only. She asked for the total anticipated program receipts for the current and next fiscal years. She stated that one issue had been ensuring the program receipt funding was available

for a two-year cycle of investigation of boards receipts malfeasance. She explained that program receipts had to cover operations. She remarked that when the fees had been waived for two years the state dropped out of sync of knowing what the incoming funding would be in the next fiscal year. She wondered if \$5 million in one year represented 50 percent of anticipated program receipts or 1 percent.

Mr. Steininger deferred to DCCED for detail.

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HANNAH LAGER, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, OFFICE OF THE GOVERNOR (via teleconference), replied that the license receipts were collected every year for corporations and businesses. They were slightly different than fees that were collected every two years. The most recent revenue projections were just over \$5 million for a full fiscal year. The increment [on slide 6] was a one-time capital appropriation with a five-year collection period.

Representative Hannan asked what the department would anticipate in terms of any restraints for the department to do its job if the \$5 million in fees were diverted entirely from operation to capital.

Ms. Lager answered that corporations filing receipts had been collected during the COVID-19 pandemic and had been sufficient to fund ongoing operations.

Representative Ortiz asked if the legislature could expect an amended capital budget from the governor's office.

Mr. Steininger answered that per statute the governor's office had until the 30th day of session to release amendments to any of the budgets (operating, capital, and mental health). The deadline was February 15 in the current session.

Representative Ortiz asked if the legislature could expect to know the state matching requirement in order to receive the \$285 million for AMHS. He asked for verification the request would come from the administration the amended budget.

Mr. Steininger replied affirmatively.

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Representative Coulombe looked at the increment for the Point Mackenzie Correctional Farm Produce Processing Plant under DOC. She remarked that DOC had already received \$1.5 million for the plant and the request was for an additional \$3 million. She asked if the additional funding was due to building cost increases.

Mr. Steininger confirmed the increment was in addition to the [previously funded] \$1.5 million to complete the processing plant. He deferred to the department for additional detail.

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TERI WEST, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF CORRECTIONS, OFFICE OF THE GOVERNOR (via teleconference), replied that DOC had solicited and negotiated a contract with an engineer to complete a bid-ready design. She explained that additional costs had been identified during the process. Additionally, the cost of construction and equipment had risen since the original review.

Representative Coulombe asked if the initial ask for \$1.5 million was only for planning and design. She asked if anything had been built yet.

Ms. West replied that she would follow up with the information.

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RECONVENED

Co-Chair Edgmon asked the previous speaker to identify herself for the record.

Ms. West complied.

Mr. Steininger turned to slide 7 and continued to review capital highlights. He reviewed an increment of \$100,000 to build out ambient air monitoring shelters within the

Department of Environmental Conservation (DEC) budget. The item was associated with an operating budget request to increase the ability to monitor pollutants coming into the state from outside sources. Under the Department of Fish and Game (DFG), the budget included \$1 million UGF and \$2 million in federal funds for Arctic fisheries. He elaborated that as the Arctic waterways opened up more, there may be opportunity for commercial fisheries in the region. The increment would fund associated research.

Mr. Steininger reviewed a \$10 million increment for the Office of the Governor for legal, expertise, and consultation services to support statehood defense.

Co-Chair Foster referenced the DFG budget. He stated his understanding the governor had included money for the collapse of the salmon fisheries on the Yukon. He asked if the increment was perhaps located in the operating budget.

Mr. Steininger replied that there were other capital projects for DFG. The [Arctic fisheries] item had been selected for the slide because it was a new initiative. The budget did include appropriations related to research for other fisheries around the state. He noted there were capital and operating appropriations to look at the particular region. He deferred to DFG for further detail.

Co-Chair Foster requested additional detail.

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MELISSA HILL, ACTING ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF FISH AND GAME, OFFICE OF THE GOVERNOR (via teleconference), asked to for the question to be restated.

Co-Chair Foster restated his question. He asked if the capital budget included an increment related to the salmon collapse on the Yukon.

Ms. Hill replied that she would follow up. She noted there were some capital projects regarding Yukon research. The department was also utilizing some food security monies received during COVID for research as well.

Representative Josephson referenced the legal and expertise dollars for the Office of the Governor on slide 7. He remarked that the project summary on page 68 [of the

capital budget backup information] clearly indicated the funding was for human capacity and personnel. He asked if it would be more appropriate to include the funding in the Department of Law's (DOL) operating budget for transparency.

Mr. Steininger answered that the location of the appropriation had been discussed during the development of the budget. The prior two appropriations for statehood defense went to DOL directly. The administration had included the increment under the Office of the Governor because some of the activities fell outside of DOL's purview. For example, a case requiring research, science, or data collection would be better done by the Department of Natural Resources (DNR) and the Office of the Governor could use a reimbursable services agreement (RSA) to transfer some of the funding to DNR to support the work. He stated DOL was probably the largest piece of the activity because it was primarily litigation or hiring outside counsel. He noted that if the appropriation was made to DOL it could be managed the same way. He stated that including the money under the Office of the Governor provided for the slightly expanded scope of what the money could be used for.

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Representative Josephson was interested in DOL's batting average in prevailing in the cases. The legislature was seeing a steady increase in the item every year and he wanted to know more about it.

Representative Stapp referenced the increment for Arctic fisheries and read the backup information specifying the funding was for potential study of commercial fishing for Arctic fin fish. He had never heard about the concept of commercial fishing in the Chukchi Sea or other. He asked if there was a contact his office could reach out to for more information on the need for the study.

Mr. Steininger answered that the commissioner of DFG [Commissioner Doug Vincent-Lang] was interested in the idea as an opportunity for the state. He indicated the commissioner would be a good person to speak to. He clarified the fisheries did not currently exist; the commissioner saw the fisheries on the horizon as a result of waterways opening up.

Co-Chair Edgmon believed it was broader than just the opening of waterways. He pointed out it included warming ocean trends moving fish farther north along the coast. The state was seeing certain species that had not been seen in areas before and salmon being caught in the northern part of the state where they had not previously been.

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Representative Hannan referenced the statehood defense funding under the Office of the Governor. She asked if the \$10 million was for new or ongoing litigation. She referred to a court ruling impacting Southeast trollers targeted in the multistate treaty related to salmon harvest. She asked if there was potential for the state to intervene in the case with some of the funding.

Mr. Steininger answered there was a report of current litigation and where DOL saw the next steps for litigation. The overall list was far greater in estimated costs than \$6.5 million appropriated in the prior two years could support. Part of the increment pertained to continued litigation and part pertained to new litigation as issues arose. He deferred to DOL for discussion of specific cases or issues. He stated OMB could provide reports on current ongoing cases. He referred to Representative Josephson's earlier question about the success rate of prior initiatives and relayed the information could be provided to the committee.

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Mr. Steininger reviewed the increments for the Department of Labor and Workforce Development (DLWD) at the bottom of slide 7. The budget included \$1.3 million UGF for the Business Enterprise Program, which provided startup capital to blind and disabled businesses. He explained that the fund that funded the program was part of the sweep. He elaborated funding was generated through payments back from income earned by the blind and disabled businesses. The administration included the funding in addition to another \$620,000 for a childcare facility pilot program at the Mat-Su Regional Hospital to look at expanding childcare. He explained the total funding was equal to the amount swept from the program into the Constitutional Budget Reserve (CBR).

Representative Josephson asked for verification the increments were replacing dollars in an account that had been swept.

Mr. Steininger replied affirmatively.

Representative Josephson asked if the funds had been swept seven months back at midnight on June 30, 2022.

Mr. Steininger answered affirmatively. He detailed the increments reflected an appropriation of UGF to a capital project, which would be considered obligated and not subject to the sweep at the end of the current fiscal year.

Representative Josephson asked if the funds were part of tens of millions of dollars like the Higher Education Fund (that disappeared into the CBR) or relatively small accounts.

Mr. Steininger would provide the committee with the list from the state's financial report. He noted only the unaudited list was available at present. The list would include the amounts swept from individual funds, which were primarily smaller funds. The prior budget had replaced the use of the funds with UGF where they supported state agency operations to account for the sweep. The issue pertaining to the funding for DLWD had not been resolved in the prior budget and had come to the administration's attention over the summer. He stated it was different solution to a problem caused from the same action.

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Representative Josephson asked if the funds would not have needed to be backfilled if the House had voted in favor of the CBR draw.

Mr. Steininger replied that if the CBR sweep had been reversed, the Business Enterprise Program would have retained the \$2 million and could have continued program operations.

Co-Chair Edgmon recalled that the three-quarter vote that happened on the last day of session [in 2022] pertained solely to the additional funding for the Permanent Fund Dividend; it had not been the traditional three-quarter

vote that would have reversed the annual sweep of the plethora of smaller funds. He asked if it was Mr. Steininger's recollection as well.

Mr. Steininger replied that he would have to follow up to determine whether there had been sweep language.

Co-Chair Edgmon stated to his knowledge there had not.

Representative Galvin asked about the \$10 million increment for legal expertise under the Office of the Governor on slide 7. She looked at the backup documents and indicated the increment was almost entirely for the purpose of legal counsel. She thought it appeared the work that would be beyond DOL also pertained to people. She asked why it had been included in the capital budget.

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Mr. Steininger believed the question came down to what was classified as a capital project versus an operating project. He stated there were a couple reasons the administration had proposed the increment as a capital project. He detailed that some of the cases took an indeterminate amount of time; the court system did not operate on the same timelines as the fiscal year structure. He explained that capital appropriations lapsed after five years rather than one year, which provided more flexibility.

Representative Galvin asked if it was out of the realm of possibility to come back if more was needed in the following year if the increment was included in the operating budget. She noted that when she looked at many of the numbers, she saw numerous unused funds. She reasoned that when looking for unused funds it seemed to be good practice to tighten up a bit to reduce the number of "hanging loose funds." She was trying to draw a balance between allowing for the extended time to spend the funds for what appeared to be a general statement about how the funds would be spent and helping the public appreciate capital versus operating needs. She was struggling to understand why the funds needed the coming year would not be included in the operating budget. She suggested that if there were extended legal battles, the funding could be requested in a future operating budget or from other unspent funds.

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Mr. Steininger understood the question and the desire to take the situation year by year. He stated that function in operating budgets for the state was a year-over-year decision. He explained that the specific situation was a bit unique because of the need to enter into long-term contracts for professional services. The administration had proposed the item as capital to make the operational function easier and would avoid running the risk of having a single year appropriation for a project that may take multiple years. The goal was to provide resourcing to DOL, DEC, DFG, and DNR in order to defend the state's right to develop its lands. The budget proposal was one mechanism to get to that goal.

Co-Chair Edgmon noted they were about halfway through the slides. He suggested picking up the pace.

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Mr. Steininger moved to slide 8 and continued to review FY 24 capital budget highlights. There was a \$1 million UGF increment with \$6 million in federal match for construction completion of a certified veterans cemetery in Fairbanks within the Department of Military and Veterans Affairs (DMVA) budget. The DNR budget included \$2.4 million for construction of new public use cabins, \$2 million for sanitation upgrades to parks (i.e., providing for newer, cleaner bathrooms and sanitation systems), and \$2 million for bison range restoration to clean up and clear out space for a heard of bison to work towards food security initiatives looking to provide for feed stock for other farmers.

Mr. Steininger moved to slide 9 and continued to review FY 24 capital budget highlights beginning with a handful of increments for the Department of Public Safety (DPS). There were numerous projects throughout DPS to maintain and upgrade some of the facilities. There was funding for training academy maintenance and updates; classroom and offices in the DPS Bethel hangar; forensic equipment in the State Crime Lab; Fairbanks Post remodel and expansion including the evidence, storage, and impound lot; and Criminal Justice Information System modernization. Under the Department of Revenue (DOR) there was an increment for

the Alaska Housing Finance Corporation (AHFC) Rural Professional Housing Program. He elaborated that the program had previously been limited to health professionals, teachers, and public safety professionals and had been funded at the \$1.75 million level from the AHFC dividend. The increment added another \$3.25 million UGF and had expanded it to cover all rural public professionals.

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Mr. Steininger turned to slide 10 and continued to review FY 24 capital highlights for the departments. The budget included \$1.7 million for Alaska Land Mobile Radio System (ALMR) in-vehicle radio replacements under the Department of Transportation and Public Facilities (DOT). The amount reflected approximately one-third of the cost of replacing all vehicle radios. The replacement was necessary because ALMR was moving to a more modern technology; the system could not switch to the modern technology until all of the radios were compatible. The DOT budget also included \$2 million for Dalton Highway delineators. He explained that delineators are reflectors on the side of the road. Federal code required the delineators to be white in color, but during a snowstorm on the Dalton Highway white reflectors were challenging for truck drivers to see. The increment was funded with state funds because the new reflectors were not covered by the federal program.

Mr. Steininger reviewed two increments for the University of Alaska on slide 10. The budget included \$2 million for a capital buildout for a Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) Program health facility, which helped add ten additional seats in the program.

Co-Chair Johnson asked about the reflectors for DOT. She asked it meant there would be white reflectors in addition to reflectors in another color. She wondered if the state would be taking over the installation and maintenance of the reflectors in general.

Mr. Steininger deferred the question to DOT [there was no one from DOT available online].

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Mr. Steininger would follow up with the information.

Co-Chair Johnson would like to know more about the issue. She suggested adding the new color to the white reflector in order to prevent the state from bearing the entire cost of the project.

Representative Hannan remarked there were other areas in Alaska that would have the same snow issue as on the Dalton Highway. She asked for follow up.

Mr. Steininger continued to review capital highlights for the University on slide 10. The budget included \$10 million for the drone program. He stated the funding was in addition to \$10 million provided to the program the previous year.

Representative Galvin looked at the WWAMI Program shown on slide 10. She stated her understanding the increment would allow space for 10 additional positions. She noted the item was identified as phase 2. She asked if it was phase 2 of 2.

Mr. Steininger replied that he would follow up. The item allowed for the addition of 10 new seats.

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Mr. Steininger highlighted increments for the Judiciary at the bottom of slide 10. The budget included \$2.4 million item for justice technology upgrades and courtroom modernization, in addition to \$3 million for court security projects.

Representative Josephson speculated that the administration could ask for and receive more in the area of rural housing. He did not see funding for school major maintenance/construction and deferred maintenance listed in the presentation. He noted the legislature had been eager to do work on school major maintenance. He surmised the governor had been less eager because he had vetoed a fair amount of the funding. He asked for the administration's position on the items.

Mr. Steininger answered that it was not reflected on the slides, but the budget included some funding for deferred maintenance on state facilities including the Office of the Governor, in coordination with DOT. The budget did not

include funding for school major maintenance. He explained that in light of facing a multiple hundred million dollar deficit, it had not been included.

Representative Galvin asked if the deferred maintenance funding in the DOT budget included K-12 and the University.

Mr. Steininger answered the funding was for state owned facilities. He stated the University was included in the distribution in most years. He elaborated that in some years the University had received a direct appropriation for a specific project or a more general need. If appropriated as had been proposed, the administration would likely distribute a portion of the funding to the University for its highest priority projects.

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Co-Chair Edgmon looked at a chart showing capital UGF unobligated appropriations on slide 5. He asked if some of it pertained to deferred maintenance.

Mr. Steininger assumed there was some. He relayed that appropriations for statewide deferred maintenance through the Office of the Governor were classified as DGF and were not reflected in the slide. There was a bit left that had not been distributed to projects and some projects had received funding but had not been completed. A small portion was generally withheld in case some projects went over budget. The unobligated balances would be two years old, not five to ten years old.

Co-Chair Edgmon stated that the previous year the legislature passed \$100 million in statewide deferred maintenance, \$100 million in school construction maintenance, and \$50 million in University maintenance. He explained that the governor had pared the funds back considerably. He believed the statewide maintenance had been reduced to around \$27 million.

[2:42:17 PM](#)

Mr. Steininger turned to slide 12 showing a snapshot of the capital budget split out by agency. He relayed that agencies with a larger number of facilities tended to have more funding in the capital budget. Additionally,

departments with larger federal match programs like DOT and DEC accounted for the bulk of the capital budget.

Representative Stapp asked for the current total deferred maintenance liability for all state facilities.

Mr. Steininger believed the figure was around \$700 million. He would follow up with the precise number.

Mr. Steininger turned to a table showing the FY 24 capital budget broken out by House district. He noted the information was based on legacy House districts, not the new district after redistricting. He pointed to the bottom row showing statewide districts and explained that some of the funding would be distributed across districts once a determination had been made about how the DOT Statewide Transportation Improvement Program (STIP) would be distributed. The slide showed a preliminary view of the distribution.

[2:44:28 PM](#)

Mr. Steininger turned to a 10-year lookback of the capital budget on slide 14. The slide showed a time period from FY 16 to FY 21 where UGF capital budgets (shown in dark blue) were fairly constrained due to lack of revenue.

Co-Chair Foster looked at slide 9 and a DOR increment for AHFC rural professional housing. He asked if it was also referred to as the teacher health aide in DPS. He asked Mr. Steininger to elaborate on the project. He thought the Office of Children's Services (OCS) may have been included.

Mr. Steininger confirmed it was traditionally the teacher health professional public safety housing. The expansion came back to the recruitment and retention of state employees. He elaborated that one of the greatest impediments to recruitment and retention was a lack in available housing for any agency with a presence in rural Alaska. He listed OCS, DFG, and DNR as examples with a large presence in rural Alaska. He explained that the agencies had not been covered under the previous program. He elaborated that when determining how to solve the problem, expanding an existing program made sense. The administration was working with AHFC to determine if the existing grant program rules made sense for the new structure. The administration was looking to expand beyond

the traditional group, but it wanted to ensure the original users such as DPS and nursing were not crowded out as the scope was expanded.

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Co-Chair Foster thought it sounded like the program would be expanding to include professionals working for the State of Alaska in rural Alaska.

Co-Chair Edgmon reviewed the schedule for the following day.

#

ADJOURNMENT

[2:48:05 PM](#)

The meeting was adjourned at 2:48 p.m.