

HOUSE FINANCE COMMITTEE

April 17, 2024

1:54 p.m.

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CALL TO ORDER

Co-Chair Edgmon called the House Finance Committee meeting to order at 1:54 p.m.

MEMBERS PRESENT

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

Lacey Sanders, Director, Office of Management and Budget, Office of the Governor; Dom Pannone, Administrative Services Director, Department of Transportation and Public Facilities.

PRESENT VIA TELECONFERENCE

Curtis Thayer, Executive Director, Alaska Energy Authority, Department of Commerce, Community and Economic Development; Sean Holland, Director, Central Region, Department of Transportation and Public Facilities.

SUMMARY

HB 269 APPROP: CAP; REAPPROP

HB 269 was HEARD and HELD in committee for further consideration.

CSSB 187(FIN) am APPROP: CAP; REAPPROP CSSB

187(FIN) am was HEARD and HELD in committee for further consideration.

PRESENTATION: GRID RESILIENCE and INNOVATION PARTNERSHIP FEDERAL FUNDING and MATCH REQUIREMENT BY THE ALASKA ENERGY AUTHORITY (AEA)

PRESENTATION: GOVERNOR'S BUDGET AMENDMENTS BY THE OFFICE OF MANAGEMENT AND Budget - STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM (STIP) UPDATE BY THE DEPARTMENT OF TRANSPORTATION and PUBLIC FACILITIES

#hb269

#sb187

HOUSE BILL NO. 269

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

CS FOR SENATE BILL NO. 187(FIN) am

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

Co-Chair Edgmon reviewed the meeting agenda.

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^PRESENTATION: GRID RESILIENCE and INNOVATION PARTNERSHIP FEDERAL FUNDING and MATCH REQUIREMENT BY THE ALASKA ENERGY AUTHORITY (AEA)

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RECONVENED

CURTIS THAYER, EXECUTIVE DIRECTOR, ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

(via teleconference), provided a PowerPoint Presentation titled "GRIP Federal Funding and Match Requirement," dated April 17, 2024 (copy on file). He turned to slide 2 titled "Grid Resilience and Innovation Partnerships:"

On October 18, 2023, the U.S. Department of Energy (DOE) announced up to \$3.5 billion in Grid Resilience and Innovation Partnerships (GRIP) Program investments for 58 projects across 44 states to strengthen electric grid resilience and reliability across America.

In the fall of 2023, AEA was awarded \$206.5 million by DOE to advance the Railbelt Innovation Resiliency (RIR) project, which aims to enhance the resiliency and transfer capability along Alaska's Railbelt.

To utilize the funds, there must be a commitment to match 100 percent or \$206.5 million bringing the project's total cost to \$413 million.

These federal funds were the result of a successful collaboration between AEA and Railbelt utilities:

Chugach Electric Association

Golden Valley Electric Association

Homer Electric Association

Matanuska Electric Association, and

Seward Electric.

With this DOE funding, Alaska can leverage dollar for dollar matching federal investment to expand on transmission upgrades already underway and modernize the transmission system for the benefit of all of the Railbelt communities, while at the same time improve resilience and energy security, diversify its energy portfolio, and accelerate the effective future integration of renewable and clean power.

Mr. Thayer reported that the goal of the collaboration was to implement the following project. He moved to slide 3

titled "Railbelt Innovation Resiliency Project: HVDC Submarine Cable:"

The Railbelt Innovation Resiliency (RIR) project will construct a high-voltage direct current (HVDC) submarine cable to serve as a parallel transmission route from the Kenai Peninsula to Anchorage, creating a much-needed redundant system in case of disruptive events.

Anticipated outcomes and benefits include:

Increases transfer capacity between regions that enables higher renewable energy integration into the electricity system.

Improves resilience and reliability for tribal and disadvantaged communities in the Railbelt region, and a reduction in reliance on fossil fuel generation and associated emissions.

Supports the retention of high-quality jobs in the region, including 650 highly paid jobs with competitive employer-sponsored benefits.

Creates apprenticeship and internship programs to train a new generation of line workers and wireworkers to reinvigorate Alaska's energy workforce.

Mr. Thayer highlighted that the project would increase electrical transmission, which was the largest constraint to renewable energy development. The project enabled increased power transfer from Bradley Lake and planned wind and solar project on the Kenai Peninsula that would be transmitted to Southcentral Alaska to Fairbanks. He pointed to a map with a yellow dotted line on the right of the slide showing the route of the cable. He detailed that it was 67 miles long.

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Mr. Thayer turned to slide 4 titled "HVDC Submarine Cable from Kenai to Beluga:"

The RIR project encompasses several projects – one of them being the installation of a new submarine high-

voltage direct current (HVDC) transmission line from the Kenai Peninsula across Cook Inlet to the existing Beluga Power Plant – and, if feasible, one or two battery energy storage systems (BESS) in the Central (Anchorage) and Northern (Fairbanks) regions.

Project highlights:

Location: The project involves connecting the Railbelt's Southern region (Kenai Peninsula) to the Central region (Anchorage, Matanuska-Susitna Valley) via Beluga with an HVDC submarine circuit.

Cable length: Approximately 65 miles total length, 37.5 mile subsea cable/2.5 miles from the landing to Beluga, and 25 miles from the Southern landing to Soldotna.

Cable size: The cable is approximately 8" in diameter with roughly 250 megawatt transfer capability.

Cable depth to be buried in the seabed: About 4-6 feet deep. Landings may be installed using horizontal directional drilling.

Mr. Thayer proceeded to slide 5 titled "BESS in Central Anchorage) and Northern(Fairbanks) Regions:

At its most basic level a BESS consists of one or more batteries that store electrical energy for use at a later time. This stored energy can then be drawn upon when needed to meet various demands for power across different applications.

BESS provides advantages over other energy storage systems: greater efficiency and flexibility, faster response times when powering equipment or devices, and lower costs overall.

Coordinated interregional control and operations of the BESSs and HVDC line will tie all the individual systems together to maximize stability and limit congestion.

Mr. Thayer explained that BESS was a Battery Energy Storage System (BESS). The GRIP award was for the HVDC system, any remaining funding could be used for BESS in Southcentral

Alaska and in the northern region, but only for new BESS construction. The storage system could store power for 2 to 4 hours at a time. He discussed slide 6 titled "Schedule:

The statutory period for the project is eight (8) years and the construction schedule below is based on a design-bid-build process –a traditional project delivery method that consists of three distinct phases in sequence:

- Second Quarter 2024 -Award
- Summer 2024 -Preliminary Engineering
- December 2024 -Complete Preliminary Design
- July 2027 -Complete National Environmental Policy Act (NEPA) Process
- December 2027 -Contractor Selection
- January 2028 to December 2029 -Long Lead Items
- January 2030 to December 2031 -Construction

Mr. Thayer delineated that it would take an act of Congress to extend the project after 8 years and supply logistics was a significant issue.

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Mr. Thayer turned to slide 7 titled "Why are Transmission Upgrades Needed?"

Many of the transmission lines and associated equipment serving Alaska were constructed more than 40 years ago. Transmission upgrades are needed to improve Alaska's resilience and energy security, diversify its energy portfolio, and accelerate the effective future integration of renewable and clean power.

Energy Security

Reliable transmission infrastructure ensures that those projects will be able to connect to the grid and provide energy anywhere it is needed along the Railbelt.

Energy Diversity Redundant Energy

As Cook Inlet natural gas supplies decline, new energy projects, including renewable energy, will become increasingly become increasingly important to our energy security.

Redundant Energy

A second transmission line from the Southern region (Kenai Peninsula) of the Railbelt to the Central region (Anchorage) will ensure power in the event of an emergency shutdown along existing lines.

Mr. Thayer elaborated that currently there is only one transmission line from Bradley Lake to Healy where it split into two lines. He mentioned the Swan Lake Fire four years prior that affected transmission. In addition, there were 5 military bases in the Railbelt. He emphasized the need for transmission lines to enable energy diversity.

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Mr. Thayer turned to slide 9 titled "Benefits and Opportunities:"

Alaska has a once in a generation opportunity to expand on upgrades underway by leveraging federal funding to modernize the transmission system for all Railbelt communities. Transmission line upgrades and BESS acquisition will provide consumers with multiple benefits, including:

Decreased line loss: Upgraded line will substantially reduce energy losses from resistance, contributing to lower energy prices.

Grid redundancy and stability: Adds redundancy and stability on the Railbelt by creating an alternate path for generation to flow north and

Better cost alignment: Align the allocation of resources with traditional utility methodology, i.e. cost causer/cost payer.

Rural benefits: Upgrades will benefit rural communities; when energy costs decrease on the Railbelt, residential rates are reduced for communities that receive Power Cost Equalization.

Increased resilience and reliability: BESS increases grid resilience and reduces outage risk by supporting load for several hours.

New renewable energy: Allows for development of new renewable energy projects on the Kenai Peninsula for consumers.

Increased stability: Regardless of fuel supply diversity and decarbonization solutions, these improvements are needed for increased stability.

Mr. Thayer advanced to slide 9 titled "Fiscal Year 2025 GRIP Match." He related that the match amount was \$206.5 million. The Department of Energy (DOE) did not require the full amount up front. However, DOE wanted an accounting of the flow of match funding over the 8 years and would only fund up to the matched amount. The Grip match in 2025 would be \$12.7 million from the Alaska Industrial Development and Export Authority (AIDEA) dividends. An additional \$20 million would be used from unallocated bond funds from an AEA bond issuance of \$166 million for transmission upgrades two years prior. The total match would be \$32.7 million and matched by the federal government. He pointed to the cashflow analysis chart on the slide and indicated that state fund sources would need to be identified in the years 2029 until completion in 2031.

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Co-Chair Edgmon requested an explanation of the interplay between phase 1 and phase 2 of the project.

Mr. Thayer replied that he would substitute the word "round" for phase because they were different projects. The current project was round 1 that would provide transmission from the Kenai Peninsula to Beluga or across Cook Inlet. Round 2 would place an HDVC overhead line from Beluga to Healy totaling 250 miles. The authority had already filed the application. The project cost \$730 million and would take a match of \$365 million. The utilities would bear the match expenses and it was not assured that the state would receive any funding for round 2. There were 50 applications for the funding, and it would be a challenge to obtain the second award. He understood that DOE would decide by August 2024.

Co-Chair Edgmon inquired whether the \$32.7 million match in the current budget had any impact or "any bearing" on the round 2 application. Mr. Thayer answered in the negative. He did not know who would be grading the second round. He

had not received any indication from DOE that the round 2 funding was predicated on round 1 funding. Co-Chair Edgmon shared that there was "some sense" that funding the entire match amount in FY 25 would make the state more competitive for the round 2 match; however, Mr. Thayers' answer dispelled the idea.

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Representative Stapp read an excerpt from a letter from all of the utilities on the Railbelt as follows:

"Additional funding would inform the DOE that the state of Alaska was fully committed to the Railbelt Innovation Resilience Project and would reinforce our delegation's advocacy for phase 2. Both phase 1 and phase 2 are required to truly achieve a modern integrated regional system in a GRID."

Representative Stapp interpreted the letter to imply that based on the minimalistic level of funding allocated toward the project that "it was a bad look" from DOE's standpoint. He asked why Mr. Thayer thought the current level of funding was adequate to receive a second GRIP award. Mr. Thayer answered that he had not implied that the utilities were wrong. He explicated that AEA worked in collaboration with the utilities on both grants and was the primary applicant on both applications. He understood the utilities' view that more funding was beneficial to advocate for the project. However, he observed that the governor provided adequate funding for round 1 and had not even addressed round 2. He thought the matter was a policy call between the governor and legislature regarding the current funding level for the match.

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Representative Stapp wanted to be clear and direct. He declared that he was a Fairbanks legislator and all he cared about was getting the money to upgrade the grid. He did not believe that they needed to match the entire amount in FY 25. He asked whether the amount of match funding potentially jeopardized the ability to obtain a second GRIP award. Mr. Thayer answered in the negative. Representative Stapp asked if the first tranche of funding for phase 1 would be paid by the state and the second award would come directly from utilities in the amount of \$365 million. Mr.

Thayer responded affirmatively. He delineated that included an AEA resolution indicating there was no presumption of match from the state for the second application. The board wanted to ensure they were not committing the state to hundreds of millions without involvement by the governor or legislature.

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Representative Stapp asked if Mr. Thayer had stated AEA had submitted the application for round 2 with the statement that the funding would come from the utilities and not from the state. Mr. Thayer replied that the application requested AEA identify where the funding would come from, and it did not make a definitive statement. He restated that there was a reference that the funding would come from utilities and other sources. Representative Stapp asked who would pay if the funding was taken from the utilities. He asked if it would be the consumer. Mr. Thayer answered that the ratepayers would likely pay, subject to the approval. He added that if awarded round 2, it would add another level of discussions regarding the details lacking the assumption that the state would come up with \$365 million. He emphasized that the decision was a policy call for the legislature and governor.

Co-Chair Edgmon stated there were about two weeks to work on the capital budget in committee. He voiced that it was incumbent on the committee to come up with a "firmer response" from DOE relative to phase 2. He noted that Representative Stapp was not the only legislator with the same concerns regarding match funding and what was needed in the capital budget for the project.

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Representative Josephson surmised that the application reflected the state's responsibility for the difference between \$206.5 million, and the \$32.7 million. He asked whether he was correct. Mr. Thayer replied that AEA identified multiple sources of match funding and indicated that it would be state, utilities, or other to be identified funding. The application specifically identified the \$12.7 million from the state and the \$20 million from the utilities paying the debt service on the bonds. Representative Josephson asked for verification there was nothing in the scoring rubric that benefitted the state

from providing the \$206 million. Mr. Thayer answered in the affirmative. He furthered that there was nothing in the second application other than acknowledging a need for the match. Representative Josephson wondered whether there was any scenario where the state should commence finding funding for the second GRIP award. Mr. Thayer asked if Representative Josephson's question was that currently should money be obligated and set aside for the phase 2, Beluga to Healy, portion of the project. Representative Josephson responded in the affirmative. Mr. Thayer replied in the negative. He elaborated that the application had been submitted but the outcome was unknown and identifying funding was not a criterion for round 2.

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Representative Galvin asked if the application deadline for round 2 was the current day. Mr. Thayer answered in the affirmative. Representative Galvin asked whether applications could be updated if there was a larger investment in the capital budget. Mr. Thayer responded in the negative. He added that there was not an ability to change or update an application once submitted. Representative Galvin looked at slide 9 and asked for clarification regarding the \$32.7 million. Mr. Thayer answered that the match would be doubled by the federal government match amounting to \$65.4 million.

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Representative Galvin referenced the 50 applications for round two that totaled \$3 billion. She asked if the amount was correct. Mr. Thayer answered in the affirmative. He indicated that the pool of invitees was 50 and he did not know how many states had applied.

Co-Chair Edgmon asked about the timeline for a response to the round two application. Mr. Thayer answered that an answer was expected in late summer.

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^PRESENTATION: GOVERNOR'S BUDGET AMENDMENTS BY THE OFFICE OF MANAGEMENT AND Budget - STATEWIDE TRANSPORTATION IMPROVEMENT PROGRAM (STIP) UPDATE BY THE DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

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Co-Chair Edgmon directed attention to the second presentation.

LACEY SANDERS, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, provided a high level overview of the governor's capital request. She introduced a PowerPoint presentation titled "Office of Management and Budget: Overview of the Governor's Capital Budget," dated April 17, 2024 (copy on file). She began on slide 2 titled "Capital Budget Five-Year History." The graph depicted the total budget by fund group from FY 2021 through FY 2024 that included capital supplemental budgets and the FY 2025 proposed capital budget request. She pointed to the federal funding depicted in blue and noted the increases to the state due to the Infrastructure Investment and Jobs Act (IIJA), Inflation Reduction Act, broadband, and the Grip award that represented a significant investment in federal funds in the state.

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Ms. Sanders turned to slide 3 titled "Governor's Capital Requests." She pointed to the top chart showing FY 2024 Supplemental Capital requests and drew attention to the April 9, 2024, supplemental amendments request. She indicated that the total FY 24 Unrestricted General Funds (UGF) supplemental request was \$27,772 million and a total of \$290 million in all fund sources. She addressed the FY 2025 Governor's Capital Budget requests on the bottom chart and noted the amended requests, the most recent on April 9, 2024. The capital budget included \$297.4 million UGF and totaled \$3.5 billion including all budget sources.

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Ms. Sanders reviewed the supplemental requests beginning on slide 4 titled "FY 2024 Capital Supplemental Requests by Department" and turned to the details on slide 5 titled "FY 2024 Capital Supplemental Significant Highlights:"

Department of Commerce, Community, and Economic
Development:

\$5,000.0 UGF Wrangell Dam Safety and
Stabilization Improvements

\$213,452.0 (\$6,952.0 UGF; \$206,500.0 Federal) for
Alaska Energy Authority - Grid Resilience and
Innovation Partnership Grant

Department of Corrections:

\$3,000.0 UGF for Lemon Creek Correctional Center
Extended Renovation and Repair

Department of Family and Community Services:

\$1,444.3 UGF Reappropriate Alaska Pioneer Homes
Payment Assistance Program

Department of Fish and Game:

\$3,000.0 UGF for Retrofit of Vessel for Gulf and
Bering Sea Research

Office of the Governor:

\$1,250.0 Other for Elections Security under the
Help America Vote Act

Department of Military and Veterans' Affairs:

Net Zero (\$375.8 UGF; (\$375.8) DFG) for State and
Local Cybersecurity Grant Fund Change

Department of Natural Resources:

\$2,220.0 Federal for Resilient Food System
Infrastructure Grants

Department of Transportation and Public Facilities:

\$3,300.0 DGF for Alaska Marine Highway System
Vessel Overhaul, Annual Certification and
Shoreside Facilities Rehabilitation

\$8,000.0 UGF for Dalton Highway Heavy
Maintenance

Ms. Sanders indicated that the Department of Commerce,
Community and Economic Development's (DCCED) \$5 million
request was in response to a landslide in Wrangell in
November 2023. She reiterated the information regarding the

GRIP grant presented by Executive Director Thayer. She pointed to the \$3 million for the Department of Corrections (DOC) for the Lemon Creek Correctional Center and noted that the costs had increased due to unknown damage and the discovery of hazardous materials.

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Ms. Sanders addressed the \$1.4 million request in the Department of Family and Community Services (DFCS) that was reappropriated from unspent payment assistance grant funds from the Operating Budget. She explained that the \$3 million for the Department of Fish and Game (DFG) would be used to retrofit a vessel that was transferred to the state from Trident Seafoods. Thus, eliminating the \$7.5 million request that was in the governor's original capital budget to replace the prior research vessel deemed unseaworthy. The Office of the Governor (GOV) request included \$1 million in federal receipt authority from the federal grant, \$200 thousand in state match, and \$50 thousand from interest earned.

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Ms. Sanders moved to the Department of Military and Veterans Affairs (DMVA) that was a fund source change from program receipts to UGF. She pointed out that \$3.3 million for the Alaska Marine Highway System (AMHS) was for the many unanticipated needs that occurred during vessel operation and resulted in unplanned projects. She provided examples of issues that arose with the Kennecott and Tustumena. The \$8 million for Dalton Highway Heavy Maintenance was due to significant road deterioration.

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Representative Hannan asked why some of the supplementals were not FY 25 requests. She determined that some were new projects. Ms. Sanders answered that for some FY 2025 projects there already was work currently being done and a supplemental appropriation allowed work to continue or begin immediately rather than on July 1. The Office of Management and Budget (OMB) evaluated when the work needed to be done to determine if it was a supplemental need. Representative Hannan asked if the Grip award should be presented over the span of 7 fiscal years. She deduced that it was appropriated as an FY 25 match, but it was actually

an FY 24 expenditure. She wondered if it was off by a year. Ms. Sanders responded that the way the \$6.5 million was appropriated provided a match for AEA to start the work. She reminded the committee that capital projects had a 5 year life expectancy allowing for flexibility to begin work immediately and transitioning funds into the next year. The majority of the work under the \$37.5 million would happen in FY 25.

Co-Chair Edgmon interjected that the timing seemed appropriate.

Representative Hannan offered that there was internal debate on whether the entire \$206 million was needed upfront. She surmised that the supplemental amount in FY 24 "threw her off," but she understood it would count in the total match funding.

Ms. Sanders reviewed the Capital Budget requests beginning on slide 6 titled "FY 2025 Capital Requests by Department" and turned to the details on slides 7 through 9 titled "FY 2024 Capital Budget Significant Highlights:"

- Department of Administration
 - \$9,000.0 Other for the Benefits and Retirement Systems (BEARS) Enhancement
 - \$1,000.0 UGF to Replace Aging Infrastructure
 - \$2,050.0 UGF to Expand and Complete Digitization of Payroll Services and Recruitment
- Department of Commerce, Community, and Economic Development
 - \$1,012,139.6 Federal for Broadband Equity Access and Development Program
 - \$3,453.9 UGF for AEA - Grid Resilience and Innovation Partnership Topic 3 - Railbelt Utilities
 - \$5,000.0 DGF for continued investment in Renewable Energy Project Grants
 - \$2,500.0 UGF for a grant to Alaska Travel Industry Association
- Department of Corrections
 - \$10,904.3 UGF for Statewide Institution Improvements
 - Perimeter Fences and Gates

- Security Doors and Windows
- Backup Power System Upgrades
- Statewide Closed Circuit Television (CCTV) Systems
- Department of Education and Early Development
 - \$3,986.5 UGF for School Construction Grant Funds
 - \$4,270.2 UGF for Major Maintenance Grant Funds

Slide 8:

- Department of Fish and Game
 - \$2,000.0 UGF for Stock Identification of Salmon Harvested in South Peninsula Fisheries
 - \$1,300.0 UGF for continued funding for the Alaska Marine Salmon Program
- Office of the Governor
 - \$28,222.5 DFG for Statewide Deferred Maintenance, Renovation, and Repair
 - \$250.0 UGF for Elections Voting Booths
- Department of Natural Resources
 - \$3,575.0 UGF for Silviculture Treatments and Precommercial Thinning
- Department of Public Safety
 - \$9,500.0 UGF for Patrol Vessel Enforcer Replacement
 - \$6,200.0 UGF for Pilatus PC-12NG Aircraft Acquisition
 - \$4,675.0 UGF for Aircraft and Marine Vessel (M/V) Maintenance and Repair

Slide 9:

- Department of Revenue
 - \$25,000.0 UGF for Alaska Housing Finance Corporation Down Payment Assistance Grants
 - \$62,720.0 (\$26,700.0 UGF; \$14,420.0 Other; \$21,600.0 Federal) for Alaska Housing Finance Corporation Annual Housing Programs

- \$7,500.0 Other for Dividend Application Information System Replacement - Phase 1
- Department of Transportation and Public Facilities
 - \$822,393.0 Federal for Surface Transportation Program
 - \$115,983.0 Federal Receipts for Rural Ferry Grants
 - \$23,196.6 Toll Credits for Match
 - \$92,786.4 for M/V Tustumena Replacement Vessel
 - \$4,250.0 UGF for Copper River Highway Wood Canyon Bridges and Trails
 - \$2,666.6 UGF for Williamsport Iliamna Intermodal Connector
 - \$2,533.3 UGF for Statewide Per- and Polyfluoroalkyl Substances (PFAS): Fleetwide Foam Replacement
- University of Alaska
 - \$1,000.0 UGF for Alaska Center for Energy and Power - Energy Data Storage and Access Revitalization Project
 - \$10,000.0 (\$5,000.0 UGF; \$5,000.0 DGF) for University of Alaska Drones Program - Year Three
 - \$11,100.0 (\$2,220.0 UGF; \$8,880.0 Federal) for University of Alaska Fairbanks Alaska Railbelt Carbon Capture and Sequestration Project
- \$20,000.0 (\$10,000.0 UGF; \$10,000.0 DGF) for University of Fairbanks to Achieve Research 1 Status

Co-Chair Edgmon inquired whether Ms. Sanders would delineate the difference between items that were originally in the budget and items that were removed by the Senate.

Ms. Sanders answered that she had included a backup handout titled "Attachment C" (copy on file) that compared items in the governor's original request, were modified, or removed by the Senate. It did not account for items added by the Senate. She described the significant changes beginning on slide 7. She reported that the Department of Administration's (DOA) \$9 million was in retirement receipts (Other fund category) for modifications and Information Technology (IT) enhancements for the BEARS system; a new retirement and benefits calculation system. The \$1 million request was for the Office of Information

Technology. The \$2 million to expand and complete digitization of payroll services was a continuation of a phased project that began in the previous year.

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Ms. Sanders highlighted items for DCCED. The \$1 billion for the federal Broadband Equity Access and Development (BEAD) program was in federal receipt authority. She delineated that the \$5 million for the Renewable Energy Project Grants was capitalized in the Operating Budget's Renewable Energy Grant Fund and was appropriated in the capital budget. However, the Senate reduced the amount by \$1 million and currently totaled \$4 million. The \$2.5 million grant to the Alaska Travel Industry Association (ATIA) was removed from the Senate's Capital Budget. She briefly described the Department of Corrections (DOC) requests. She remarked that the funding for the perimeter fences and gates and security doors and windows was removed by the Senate. In addition, the project requests took a phased approach spread out over a three year time period.

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Representative Galvin referenced the funding for AEA and determined that \$2 million was lacking from the total match. She asked where the remaining amount was located. Ms. Sanders responded that \$2.3 million was a reappropriation from a prior AEA power transmission project.

Representative Coulombe asked about the \$9 million for the BEARS enhancement. She thought that the project was almost completed. Ms. Sanders answered that it was a new system. She explained that the department needed additional funding for modifications that were mandated by a court ruling. She agreed that the amount sounded high, but the costs for Information Technology systems were significant. She exemplified that an IT project for Department of Revenue (DOR) cost about \$20 million. She could follow up with additional information.

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Ms. Sanders highlighted funding for the Department of Education and Early Development (DEED). She noted that the Senate version added funding for Minto K-12 School

Renovation/Addition and the Mount Edgecumbe High School for \$8 million. The Senate also added the Nelson Island School Replacement - Phase 1 at roughly \$21.6 million and the Newtok K-12 School Relocation/Replacement for approximately \$4 million.

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Ms. Sanders moved to slide 8 and continued with capital budget highlights beginning with DFG. The funding for both projects enabled continuing research. She pointed to the funding for the Office of the Governor for \$28.2 million for statewide deferred maintenance, renovation, and repair from the Alaska Capital Income Fund for all state agencies. She mentioned that a single appropriation allowed OMB flexibility if emergencies arrive that need immediate attention and in project ranking to accommodate emergencies. In addition, the funding for elections voting booths was for a pilot project where inmates would construct about 1,000 plastic voting booths according to specific statutory requirements for use. The plastic prototypes were lighter and easier to ship.

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Ms. Sanders addressed the \$3.7 million UGF for the Department of Natural Resources (DNR) and explained that the project provided funding to purchase and plant conifer seeds where timber had been harvested and tree thinning in advance of future timber harvests. She reviewed the three requests for the Department of Public Safety (DPS).

Representative Galvin referred to the DNR increment for precommercial thinning asked if it was also related to fire suppression. Ms. Sanders deferred the answer to DNR. She offered to follow up. She noted that the DNR item was removed from the Senate's version of the budget.

Ms. Sanders resumed her review of funding for DPS. She pointed to the \$6.2 million for the acquisition of the Pilatus Aircraft and elaborated that the aircraft was able to land in 96 percent of the 215 maintained airports in the state allowing DPS to rapidly respond to incidents. She commented that the \$4.7 million request was for the overhaul, repair, and replacement of components when they reached the end of their useful life. It was a recurring capital item.

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Ms. Sanders turned to slide 9 and addressed items for DOR including the Alaska Housing Finance Corporation (AHFC) Down Payment Assistance Grants for \$25 million UGF. She elucidated that the grant program was eligible for college educated or trade school certificated individuals. The grant would provide approximately 1,250 households with \$20 thousand in assistance for down payments. She listed some of the housing programs the AHFC offered under the second bullet point. She shared that the \$7.5 million for Dividend Application Information System replacement was necessary due to the current system reaching the end of its life. There would be an additional phase 2 request in the following fiscal year.

Ms. Sander addressed the Department of Transportation and Public Facilities (DOT) items and cited that backup Attachments D and E (copies on file). She explained that all of the Surface Transportation Improvement Program's (STIP) items from the original budget were replaced with the approved projects by the US Department of Transportation. She noted that the attachments included the approval letter (Attachment D) and the new STIP list(Attachment E)(copies on file).

Representative Stapp asked whether the state ever told the federal government that state matching highway funds may not be available. Ms. Sanders deferred the question to DOT.

DOM PANNONE, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, answered that the state was required to demonstrate fiscal constraint and the availability of matching funds. He added that in the STIP document DOT demonstrated that the state would put up matching funds for the federal revenues. Representative Stapp wanted to make it clear that when the state asked for federal matching dollars the state guaranteed it would provide the match funds.

[3:13:54 PM](#)

Representative Galvin asked for a general update on what had taken place since DOT had last presented to the committee. [February 28, 2024]

Co-Chair Edgmon asked for a general update.

Mr. Pannone stated that he along with the Commissioner (Commissioner Ryan Anderson) presented a STIP update on February 28, 2024, which was 2 days prior to submitting the final version on March 1, 2024. The STIP approval arrived on March 27, 2024. He delineated that the original Federal Planning Finding (FPF) from the Federal Highway Administration (FHWA) was divided into three tiers. The Tier 1 items were required for the state to get STIP approval. Therefore, DOT addressed all the Tier 1 findings. A few items were noted as partially solved and moved to Tier 2. The tier 2 items would be worked on in the next six months and were required to be addressed before the STIP was amended. He added that the Tier 3 findings were largely notational and commentary, but the federal government did not have time to review them. The department considered the Tier 3 items resolved.

Representative Josephson cited the West Susitna Access Road and noted it was on the STIP list. He wondered whether the STIP reflected the items the federal government approved and what the total cost was. Mr. Pannone answered that the West Susitna project STIP was for a public road. The amount requested was for \$20 million for a 24 foot wide road. He deferred further answer to a colleague.

SEAN HOLLAND, DIRECTOR, CENTRAL REGION, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (via teleconference), replied that there were two items for the West Susitna Access Road; the one mentioned and another line item for \$58 million. He furthered that the plan was to phase the project with construction beginning the following summer [2025].

[3:18:24 PM](#)

In response to a question by Representative Josephson, Mr. Holland responded that the terminus was on the other side of the Susitna River.

[3:19:12 PM](#)

AT EASE

[3:19:38 PM](#)

RECONVENED

Co-Chair Edgmon noted there was one additional page remaining of the presentation.

Ms. Sanders briefly reviewed the remaining DOT capital projects and turned to the remaining items for the University of Alaska (UA). She indicated that the \$2.2 million UGF for the carbon capture and storage project reflected the required 20 percent match.

[3:23:15 PM](#)

Representative Cronk asked if the committee would receive an updated presentation showing what the Senate removed. Ms. Sanders reiterated that the committee members refer to Attachment C, which contained the information.

Co-Chair Edgmon noted there would be a staff presentation on Monday.

HB 269 was HEARD and HELD in committee for further consideration.

CSSB 187(FIN) am was HEARD and HELD in committee for further consideration.

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

ADJOURNMENT

[3:24:39 PM](#)

The meeting was adjourned at 3:24 p.m.