

SENATE FINANCE COMMITTEE
January 26, 2023
9:00 a.m.

9:00:41 AM

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:00 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Donny Olson, Co-Chair
Senator Click Bishop
Senator Jesse Kiehl
Senator Kelly Merrick
Senator David Wilson

MEMBERS ABSENT

Senator Bert Stedman, Co-Chair

ALSO PRESENT

Neil Steininger, Director, Office of Management and Budget, Office of the Governor; Senator Cathy Giessel.

PRESENT VIA TELECONFERENCE

Theresa Cross, Administrative Service Director, Department of Natural Resources, Office of Management and Budget, Office of the Governor.

SUMMARY

SB 41 APPROP: CAPITAL/SUPPLEMENTAL

SB 41 was HEARD and HELD in committee for further consideration.

#sb41

SENATE BILL NO. 41

"An Act making appropriations, including capital appropriations and other appropriations; making

supplemental appropriations; making appropriations to capitalize funds; and providing for an effective date."

[9:01:08 AM](#)

Co-Chair Hoffman explained that the committee would do a high-level overview of SB 41 and would get into further detail at a later stage.

[9:01:43 AM](#)

NEIL STEININGER, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, addressed a presentation entitled "Capital Budget SB 41 and SB42, Senate Finance Committee, January 26, 2023" (copy on file). He thanked the committee and noted that there were capital projects in the mental health budget as well (SB 42).

Mr. Steininger looked at slide 2, "FY 2024 Capital Budget Overview":

- Funds match for core federal programs
- Includes federal infrastructure bill match
- Note: House districts listed in bill have not been updated for redistricting

Mr. Steininger addressed the table on slide 2, which showed the breakdown in capital appropriations between SB 41 and SB 42. There was about \$10 million in Unrestricted General Funds (UGF) in the mental health budget and \$266.3 million in the traditional capital budget (SB 41), for a total of \$276 million. Between the roughly \$1.7 billion in federal funds and \$100 million in other funds, there was about \$2.1 billion in overall proposed capital spending between the two bills. He noted that the capital budget included matching funds for core federal programs as well as match for some new programs from the Infrastructure Investment and Jobs Act (IIJA). He included traditional recurring capital projects and a handful of discretionary priority projects for investment in the state.

Mr. Steininger noted that the House districts listed on the Office of Management and Budget (OMB) report still reflected the information before re-districting had taken place. The office had not received an official file from the Division of Elections to update its system.

[9:03:36 AM](#)

Mr. Steininger spoke to slide 3, "Capital Budget Five Year History," which showed a bar graph depicting a five-year history of the capital budget. He pointed out constrained budgets in FY 20 and FY 21, with fairly small amounts of UGF in only the amount necessary to match incoming federal funds. He noted that in FY 22 and FY 23 the federal and Unrestricted General Fund bars were growing. He explained that the state had received a fairly large influx of federal funds in the capital budget through the infrastructure bill as well as some of the other Covid-19 relief bills, which had required additional match. There were also much higher-than-projected revenues in FY 23 as well as at the close-out of FY 22, which resulted in a lot more capital spending in those two years.

Mr. Steininger continued that in the FY 24 budget there was a return back down to a more constrained capital budget, however it was a bit larger than FY 21 and FY 20 capital budgets. He relayed he would go into more detail on another slide as to why there was a larger amount of required General Funds (GF) in order to match federal programs.

Mr. Steininger referenced slide 4, "UGF Capital - Minimum Match":

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

Leverages \$1.5 billion of Federal Revenue

Mr. Steininger explained that the slide and bar graph was intended to illustrate the concept of the minimum amount of GF that was necessary for the state's capital budget to match to core federal programs. He listed the core federal programs listed on the slide. The blue bars for years FY 20 through FY 24 on the graph represented the UGF appropriations required to match the \$1.5 billion in federal revenue. The yellow bars represented more discretionary capital spending, some of which did match to federal dollars but not to the core recurring projects. He pointed out that the blue bar had grown over time, with two

factors that impacted the increased need for GF match for federal programs. He mentioned that under the IIJA, the federal appropriations to programs had increased significantly, which required more GF to match. Additionally, in FY 21 the state had been cleaning up some older capital projects and were able to do reappropriations to satisfy match requirements rather than a GF appropriation.

[9:06:58 AM](#)

Co-Chair Hoffman had heard from the congressional delegation that in the immediate and near future there would be much more construction in areas of water and sewer, in an amount close to \$1 billion. He asked if some of the increase was reflected in the FY 24 matching funds.

Mr. Steininger answered "yes" and noted that the blue bar with the \$167 million including matching funds for the sewer programs for Village Safe Water.

Mr. Steininger turned to slide 5, "Capital UGF Unobligated Appropriations," which showed a bar graph illustrating current outstanding unobligated GF appropriations to capital projects, including how much remained unspent from capital projects appropriated by the legislature in prior years. The data for the slide came from the Capital Appropriations Status Report, which OMB produced every year. The report showed every ongoing current capital project, how much money had been spent to date, and how much money was unspent. He observed there was a fairly large amount of money unspent from FY 23 and FY 22 projects. The primary reason for the unspent funds was that the appropriations had just been made effective July 1, 2022. Additionally, supplemental appropriations from the previous year had only been on the books for a few months.

Mr. Steininger continued to address slide 5. He observed that there were outstanding appropriations from FY 21, FY 22, and FY 19, which departments were still working on. There were some appropriations older than five years that had some unobligated funds, with reasons that varied on a case by case basis. He mentioned obstacles during the construction or planning phase of a project which resulted in delays in the expenditures. Some of the projects might have been identified in the aforementioned status report as having been completed, and any remaining funds would be

available to lapse into the General Fund or reused to fund a new project or matching fund need.

[9:09:50 AM](#)

Mr. Steininger considered slide 6, "FY2024 Capital Highlights":

Commerce, Community, and Economic Development

- Alaska Gasline Development Corporation - Hydrogen Hub: \$10,000.0 Federal (pg. 14)
- Alaska Energy Authority - Statewide Grid Resilience and Reliability - IIJA Formula: \$12,110.5 Federal / \$1,816.6 GF Match (pg. 23)
- Public Engagement and Customer Relationship Management System: \$2,500.0 Other - Bus. Lic. & Corp Filing Fees/Taxes (pg. 25)
- Three-Phase Power Extensions and Upgrades to Delta Farm Region and Co-Op: \$3,000.0 UGF (pg. 27)
- Statewide Marketing and Economic Development Initiative: \$5,000.0 GFPR (pg. 28)

Corrections

- Point Mackenzie Correctional Farm Produce Processing Plant: \$3,080.0 UGF (pg. 29)

Mr. Steininger noted that the list of projects was not comprehensive. He referenced a project review list document (copy on file) that was provided to members and detailed all projects. The slide listed non-recurring projects, new projects, or projects with changes the administration wanted to highlight. He discussed the hydrogen hub project by the Alaska Gasline Development Corporation (AGDC). He highlighted that AGDC was in a competitive process to try and make Alaska one of six to ten hydrogen hubs in the country. The federal receipts would allow AGDC to continue in the competitive application process.

Mr. Steininger continued and discussed an infrastructure formula program from the federal infrastructure bill called the Statewide Grid Resiliency and Reliability Program, which brought in about \$12 million in federal funds and required just under \$2 million in matching funds. He noted that the project from the Division of Corporations, Business, and Professional Licensing would use the receipts from business license fees and corporate license fees to

cover the cost. The modernization project would help streamline operations in the division. He discussed the power upgrades in the Delta farm region, which should help bolster some of the food security initiatives the governor had been working on and help provide for more sustainable farming in the region.

Mr. Steininger discussed the proposed statewide marketing initiative, which was to market Alaska-produced goods and services, as well as to try and attract businesses to the state. He discussed the item listed under the Department of Corrections (DOC), which would establish a produce processing plant at the Point Mackenzie Correctional Farm to provide for the ability to distribute produce throughout the correctional system.

[9:13:33 AM](#)

Senator Kiehl thought the state had a history of correctional system purchases that had degraded over time. He asked if there was a corresponding effort in the operating budget to ensure that there was not a similar problem with the proposed project.

Mr. Steininger relayed that the administration had been working with DOC on its overall strategy of maintenance. He recounted that the previous year the department had received several large appropriations for maintenance for DOC facilities. He mentioned tools to address maintenance and explained that the administration had been working with the department to ensure its operating budget was capable of funding routine maintenance. He explained that DOC ranked high on the list for the deferred maintenance funds that went through the office of the governor and were awarded based on a priority. He summarized that while there was not a specific plan directly related to the capital budget, there was a broader strategy to ensure that there was adequate maintenance funding.

Senator Kiehl sensed that if GF and annual appropriations were only considered, the state would only maintain the security parts of the Department of Transportation and Public Facilities (DOT), which was essential. He reiterated that there had been past problems with items degrading. He thought there could be an opportunity to work with the operating budget chairman to find a way to separate the

project in order to generate revenue separate from security components in DOC.

[9:16:05 AM](#)

Mr. Steininger displayed slide 7, "FY2024 Capital Highlights":

Environmental Conservation

- Ambient Air Monitoring Shelters: \$100.0 UGF (pg. 53)

Fish and Game

- Arctic Fisheries: \$2,000.0 Federal / \$1,000.0 UGF (pg. 66)

Office of the Governor

- Legal, Expertise, and Consultation Services to Support Statehood Defense: \$10,000.0 UGF (pg. 68)

Labor and Workforce Development

- Business Enterprise Program: Facility Development and Equipment Replacement: \$1,339.8 UGF (pg. 78)
- Business Enterprise Program: Child Care Facility: \$620.4 UGF (pg. 79)

Mr. Steininger expanded that the ambient air monitoring shelters item was associated with an operating budget increment with a plan to establish better monitoring to determine which air pollutants were coming from outside the state. He discussed funding for Arctic fisheries research to examine the possibility of potential new viable fisheries associated with regions of waterways experiencing changes in ice melt. The funds for the statehood defense were previously appropriated to the Department of Law, but other aspects of statehood defense (such as research) were proposed to be managed in the office of the governor. He discussed the items for the Business Enterprise Program, which was usually funded with payments from recipients of the program. The payments had been swept into the Constitutional Budget Reserve (CBR), and the proposed appropriation would make the program whole.

Co-Chair Hoffman asked if there was someone online that could address the need for childcare facilities.

Mr. Steininger thought there was someone to speak to the Business Enterprise Program. He thought there might be an individual from the Department of Health that could speak to childcare needs but was not sure that a direct subject matter expert available.

Co-Chair Hoffman pondered that the committee could get a report pertaining to the other needs for childcare facilities throughout the state.

9:19:57 AM

Co-Chair Olson considered the Statehood Defense Fund, and asked if there would be new positions hired or if there were existing personnel.

Mr. Steininger relayed that in the past the Department of Law had attorneys in its civil division that charged to different agencies depending upon the type of statehood defense case. Most of the cases did not have a specific agency to charge to, and the proposed appropriation would provide for a pot of money to charge time to. In addition, the state was utilizing outside counsel and other outside expertise when there was not an attorney on staff that had the expertise needed.

Co-Chair Olson commented that he had been the chair for the budget subcommittee and had been less than impressed with some of the litigation that the state had been involved with. He thought the state had a history of failing to prevail in cases where there were hundreds of thousands of dollars being lost.

Senator Kiehl spoke to items on the slide relating to research, including the legal fund and the increment for Arctic fisheries. He asked if the state was maintaining its research capacity through the governor's proposed budget. He wondered if the state would have the same number of biologists, fish and game vessels, airplanes, and the things needed to do research consistently.

Mr. Steininger answered "yes." He reiterated that the slides showed only highlights, and here were a number of annually recurring Department of Fish and Game (ADFG) projects related to research as well as significant investments in ADFG's operating budget. He continued that

there was no plan within the budget that reduce the number of biologists or reduce the amount of research being done.

Senator Kiehl thought the funding for major maintenance of aircraft and vessels had not changed much and understood some of the things the department had were on the edge of needing maintenance.

[9:22:58 AM](#)

Mr. Steininger highlighted slide 8, "FY2024 Capital Highlights":

Military and Veterans' Affairs

- Construction of a Certified Veterans Cemetery in Fairbanks area: \$6,000.0 Federal / \$1,100.0 UGF (pg. 83)

Natural Resources

- Unlocking Alaska Parks: Construction of New Public Use Cabins: \$2,400.0 UGF (pg. 109)
- Sanitation Upgrades to Parks: \$2,000.0 UGF (pg. 113)
- Bison Range Restoration: \$2,000.0 UGF (pg. 116)

Mr. Steininger detailed that there was an area identified for construction of the veteran's cemetery in Fairbanks, and matching funds were needed to access federal dollars and complete the project. He discussed items under the Department of Natural Resources (DNR), which would include upgrades to restrooms and cabins. He explained that the bison range restoration was a partnership with ADFG to try and establish a region to provide for a bison range that could be used for a food and stock source.

Senator Merrick asked about the veteran's cemetery in Fairbanks, and whether funds for ongoing maintenance and operations would be the responsibility of the state or federal government.

Mr. Steininger affirmed that there would be operating costs associated with the cemetery once it was operational, and the costs should be shared between the state and federal government.

Senator Bishop believed that restoration for the bison herd would also be administered by the Salcha-Delta Water Soil and Conservation District and the Community of Delta.

Mr. Steininger believed there was someone from the DNR Division of Agriculture that could speak to the execution of the funds in more detail.

[9:25:51 AM](#)

THERESA CROSS, ADMINISTRATIVE SERVICE DIRECTOR, DEPARTMENT OF NATURAL RESOURCES, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR (via teleconference), directed the question to an agronomist.

Senator Bishop wanted to add that the funding would pass through to the Salcha-Delta Water Soil and Conservation District.

Mr. Steininger looked at slide 9, "FY2024 Capital Highlights":

Public Safety

- Training Academy Maintenance and Updates: \$750.0 UGF (pg. 122)
- Classroom and Offices in the Department of Public Safety Bethel Hangar: \$750.0 UGF (pg. 124)
- Investigative and Forensic Electronic Equipment Refresh: \$678.8 UGF (pg. 125)
- Fairbanks Post Remodel and Expansion: \$5,650.0 UGF (pg. 127)
- Criminal Justice Information Systems (CJIS) Modernization: \$4,383.2 UGF (pg. 129)

Revenue

- AHFC Rural Professional Housing: \$3,250.0 UGF / \$500.0 SDPR / \$1,750.0 AHFC Dividend (pg. 150)

Mr. Steininger spoke to the Alaska Housing Finance Corporation (AHFC) Rural Professional Housing Program and noted that the proposed funding was to expand the scope of the program to include all rural public professionals and not just those in public safety, health, or teaching.

Co-Chair Hoffman asked if the AHFC expansion would go out to bid and if agencies would not be responsible for the housing with management by private industry.

Mr. Steininger knew that AHFC could provide more detail. He relayed that the program applications had been generally from communities to build housing. He thought there was an option that a department could potentially apply to build housing themselves or by some other entity within the community, after which the department could focus on its own mission.

Co-Chair Hoffman recalled that about ten years previously there was a project to construct a facility for Alaska State Troopers in Bethel. The project went out to bid, and the awardee was responsible for maintenance of the facility and the Department of Public Safety was not involved. He relayed he would address the matter with AHFC at a later time.

[9:29:47 AM](#)

Mr. Steininger addressed slide 10, "FY2024 Capital Highlights":

Transportation and Public Facilities

- Alaska Land Mobile Radio (ALMR) In Vehicle Radio Replacements: \$1,700.0 UGF (pg. 202)
- Dalton Highway Delineators Improvements: \$2,143.4 UGF (pg. 203)

University of Alaska

- UAA Health Workforce Diversity Expansion Project Phase 2 (WWAMI): \$2,000.0 UGF (pg. 207)
- UA Drones: \$10,000.0 UGF (pg. 212)

Judiciary

- Justice Technology Upgrades and Courtroom Modernization: \$2,378.3 UGF (pg. 214)
- Court Security Projects: \$3,125.0 UGF (pg. 216)

Mr. Steininger explained that the vehicle replacements for DOT were due to the Alaska Land Mobile Radio System (ALMR) transitioning to a new transmission system. The \$1.7 million signified about a third of the replacement cost. He continued that the delineator improvements required state funds for colored reflectors which were not eligible for federal reimbursement. He addressed the proposed expansion of the Washington, Wyoming, Alaska, Montana, and Idaho (WWAMI) Program, which would provide for an additional 10

spaces in the program. He explained that the proposed funding for the UA drone program would continue the program in its research on commercial and other application of drones in the state.

Senator Merrick asked Mr. Steininger to address the topic of deferred maintenance, and knew the state had a significant backlog, particularly at the University of Alaska.

Mr. Steininger explained that there was about \$30 million from the Alaska Capital Income Fund in the capital budget for deferred maintenance. He had chosen not to highlight the deferred maintenance on the slides as he was scheduled to present on the topic in more depth the following day.

[9:32:53 AM](#)

Mr. Steininger noted that remaining slides were high-level tables. He advanced to slide 11, "FY2024 Capital Budget Snapshot," which showed a table illustrating a distribution of the capital budget by department. He highlighted that it was possible to see that there was a few departments with large amounts of General Fund: Department of Transportation and Public Facilities, that leveraged a significant amount of federal funds; Department of Environmental Conservation, also leveraging a large amount of federal funds; and the Department of Commerce, Community and Economic Development, which was where all the AEA energy programs were housed and where the bulk of the GF dollars went. The other agencies had smaller amounts distributed between them.

Mr. Steininger looked at slide 12, "FY2024 Capital Budget by House District," which showed a table. He reiterated that the table showed old House districts and was not updated to the recent redistricting. He relayed that much of the capital budget fit into the statewide category. He mentioned that in the budget proposed on December 15, the surface transportation program in DOT was a single line item. After working through the amendment process for DOT and working through the Statewide Transportation Improvement Program (STIP) proposal with the federal government, the administration would be able to break down where the surface transportation dollars were going by district and region.

Mr. Steininger showed slide 13, "Capital Budget History FY2014 - FY2024," which showed a bar graph illustrating capital budgets for the previous ten years. He commented that the slide highlighted the constrained capital budgets in the period between FY 16 to FY 21, which were limited mostly just to matching the federal dollars coming into the state.

Senator Bishop referenced potential funds for the Alaska Marine Highway announced the previous day by United States Senator Lisa Murkowski. He wondered if the administration anticipated any UGF matching funds yet to be announced.

Mr. Steininger relayed that he had received brief information on the matter earlier in the morning and knew that there were a couple of projects that the state had appropriated for already, including the Tustumena replacement vessel.

Co-Chair Hoffman discussed the agenda for the following day.

SB 41 was HEARD and HELD in committee for further consideration.

ADJOURNMENT
9:36:26 AM

The meeting was adjourned at 9:36 a.m.