

HOUSE FINANCE COMMITTEE
February 14, 2025
1:33 p.m.

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CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:33 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Andy Josephson, Co-Chair
Representative Jamie Allard
Representative Jeremy Bynum
Representative Alyse Galvin
Representative Sara Hannan
Representative Nellie Unangiq Jimmie
Representative DeLena Johnson
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative Calvin Schrage, Co-Chair

ALSO PRESENT

Craig Christenson, Deputy Commissioner, Department of Military and Veterans' Affairs; Bob Ernisse, Administrative Services Director, Department of Military and Veterans' Affairs; Angela Laflamme, Special Assistant, Department of Military and Veterans Affairs; Megan Kohler, Administrative Services Director, Department of Environmental Conservation; Gene McCabe, Director, Division of Water, Department of Environmental Conservation; Carrie Bohan, Program Manager, Division of Water, Department of Environmental Conservation; Representative Andrew Gray.

PRESENT VIA TELECONFERENCE

Christina Carpenter, Acting Commissioner, Department of Environmental Conservation.

SUMMARY

HB 53 APPROP: OPERATING BUDGET; CAP; SUPP

HB 53 was HEARD and HELD in committee for further consideration.

HB 54 APPROP: CAPITAL/SUPPLEMENTAL/FUNDS

HB 54 was HEARD and HELD in committee for further consideration.

HB 55 APPROP: MENTAL HEALTH BUDGET

HB 55 was HEARD and HELD in committee for further consideration.

OVERVIEW: FY26 DEPARTMENT BUDGET: DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS

OVERVIEW: FY26 DEPARTMENT BUDGET: DEPARTMENT OF ENVIRONMENTAL CONSERVATION

PRESENTATION: VILLAGE SAFE WATER AND SEWER

Co-Chair Foster reviewed the meeting agenda.

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HOUSE BILL NO. 53

"An Act making appropriations for the operating and loan program expenses of state government and for certain programs; capitalizing funds; amending appropriations; making supplemental appropriations; making reappropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HOUSE BILL NO. 54

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

HOUSE BILL NO. 55

"An Act making appropriations for the operating and capital expenses of the state's integrated comprehensive mental health program; and providing for an effective date."

^OVERVIEW: FY26 DEPARTMENT BUDGET: DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS

1:35:00 PM

CRAIG CHRISTENSON, DEPUTY COMMISSIONER, DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS, noted that several of his colleagues were present and available to assist with the presentation. He explained that the budget for Department of Military and Veterans Affairs (DMVA) remained small, which it had been for several years. There were three requests in the budget and only one of the requests required general funds, totaling \$175,000. He introduced the PowerPoint presentation "FY2026 Department Budget Overview" dated February 14, 2025 (copy on file). He advanced to slide 2, which displayed the department's mission statement. He continued to slide 3 and explained that DMVA encompassed the Alaska Air National Guard (AANG), the Army National Guard (ANG), the Division of Homeland Security and Emergency Management (DHSEM), the Alaska Military Youth Academy (AMYA), and the Office of Veterans' Affairs (OVA). He stated that Major General Torrence Saxe served as the Adjutant General and oversaw both AANG and ANG. In addition, Major General Saxe functioned as the commissioner of the department's six divisions.

Mr. Christenson explained that the Alaska Aerospace Corporation (AAC) was administratively housed within the department and but received minimal administrative support. He emphasized that the corporation was a national asset and had not received state funds since 2014. He explained that AAC was one of four vertical launch facilities in the nation, with its funding primarily coming from the United States Army, the Missile Defense Agency, and civilian launch contracts.

Mr. Christenson directed attention to the Alaska Wing of the Civil Air Patrol (CAP), which he described as the official auxiliary of the United States Air Force (USAF).

He noted that the department maintained a close partnership with CAP, but it did not exercise control over the organization. The state administered a pass-through grant of approximately \$250,000 to assist with leasing hangar space, utilities, and other expenses. He explained that while CAP was not technically part of the organized militia, the department considered it to be part of it because CAP was closely integrated with the organized militia and attended militia meetings.

Mr. Christenson relayed that the Alaska Organized Militia (AOM) was represented on the slide by dashed lines. He stated that AOM included ANG, the Alaska State Defense Force (ASDF), and the Alaska Naval Militia (ANM). He relayed that ANG was highly operational compared to national guards in other states. He explained that while guard members in many states typically trained on weekends and during limited summer periods, Alaska maintained a large number of full-time members who supported 24-hour missions. He indicated that combat search and rescue was a primary mission of ANG and members frequently performed civilian rescue operations statewide. Additional missions included air refueling, strategic and tactical airlift, missile warning, space surveillance, and air defense. The personnel stationed at the Clear Space Force Station were responsible for tracking inbound intercontinental ballistic missiles and space objects. Air defense operations focused on monitoring aircraft and objects below the space domain. He stated that AANG consisted of approximately 2,400 to 2,500 aviators and civilian staff members.

Mr. Christenson continued that AANG's primary focus was infantry and aviation. He relayed that aviation crews were stationed in Nome, Juneau, Bethel, Anchorage, and Fairbanks and the geographic spread had strengthened the department's aviation capability. Additional responsibilities included ballistic missile defense at Fort Greely and various support functions such as engineering, medical services, and military police. He reported that AANG contained approximately 1,700 personnel.

Mr. Christenson continued to address ASDF, which was composed entirely of volunteers. He relayed that membership had grown from about 50 members to 225 members over the past six years and the force maintained 25 detachments across the state. He explained that members were compensated when activated to state active duty, but

weekend drills, annual training, and other duties were performed on a volunteer basis. The force had been instrumental in responding to recent disasters, including wildfires, earthquakes, floods, and winter storms. The department's goal was to expand ASDF to approximately 500 members and to place small teams in most villages and smaller communities in the state. He relayed that members would receive training in incident response, communications, community support, and disaster response. He asserted that having trained personnel already present in affected communities was critical, especially when storms or flooding prevented immediate deployment from outside.

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Mr. Christenson explained that ANM rounded out AOM and included approximately 50 members, most of whom were Marine or Navy reservists. Membership also included a few retirees serving to maintain continuity. He clarified that ANM did not operate boats or ships but provided technical and general assistance as needed. He shared that members of ASDF, ANM, and ANG had all responded to the recent floods in Juneau.

Mr. Christenson continued by detailing the department's state divisions, which included OVA, AMYA, DHSEM, the Air Guard Facilities Maintenance, and Army Guard Facilities Maintenance. He explained that the state employed staff who provided maintenance for hangars, armories, and other buildings through a master cooperative agreement. He noted that the funding was typically shared between the state and federal governments, but the positions were fully federally funded in some cases.

Mr. Christenson stated that OVA was a small and effective office with six staff members who connected Alaska's 70,000 veterans to the benefits earned through military service. He noted that the office also provided grants to veteran service organizations. He explained that AMYA was a tuition-free, quasi-military school designed to serve youth aged 15 to 18 who were at risk of not graduating from high school. He emphasized that the academy was neither a juvenile justice facility nor a treatment center, and participation was entirely voluntary. The academy held two residential classes per year at Camp Carroll in Anchorage, each lasting 22 weeks. There was also a 24-month post-

residential phase during which counselors stayed in contact with participants to help the students remain in school, secure employment, or obtain other needed support. He outlined the academy's core focus areas, which included high school studies, responsible citizenship, academic performance, job and life skills, physical fitness, and leadership and followership.

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Mr. Christenson continued to the Division of Administrative Services (DAS), which was considered the "engine room" of the department. He shared that DAS was responsible for IT, procurement, fiscal management, accounting, and administrative functions. The next entity was DHSEM, which housed the State Emergency Operations Center (SEOC) and provided training, preparedness events, and assistance with exercises. He noted that the division had conducted 88 classes and trained approximately 1,500 individuals over the past year and had hosted 22 preparedness events. He added that its most visible function was its administration of the state's disaster program, which provided both individual and public assistance when disasters occurred. He emphasized that the division strongly engaged with communities during disasters.

Co-Chair Foster expressed his appreciation to the department for its responsiveness and dedication during disasters. He was grateful for the speed at which personnel were deployed to Northwest Alaska communities during the recent Merbok storm. There was also a recent aircraft incident that involved the deployment of military aircraft including the C-130, Black Hawk, and Pave Hawk.

Mr. Christenson continued to slide 4 which included a few highlights from 2024. He stated that SEOC had been highly active in 2024 and had responded to 140 incidents. He clarified that while some incidents were minor, departmental assistance was still necessary. He reported that there were 12 state-declared disasters and 3 federally declared disasters in 2024. He continued to AMYA and reiterated that the academy held two classes in 2024 and graduated a total of 244 cadets. He shared that 94 graduates earned a General Education Diploma (GED), eight earned a high school diploma, and 26 had earned both. He explained that some cadets arrived at the academy without sufficient credits to graduate and used the program as an

opportunity to get back on track before returning to their original schools. As a result, many cadets completed their studies elsewhere, which accounted for the lower number of diplomas issued directly by the academy. He shared that the cadets had collectively lost 6,300 pounds over the 22-week program, averaging 25 pounds per cadet, through a regimen of physical fitness and healthy eating. He emphasized that the academy was not only educational but also a comprehensive life development program. He extended an open invitation to any legislator interested in touring the academy.

Mr. Christenson reported that OVA processed 4,160 new disability claims through the U.S. Department of Veterans Affairs during the past year and approximately \$100 million per in disability payments had been distributed to Alaska veterans. He added that the office also assisted veterans with home loans, health care, education, and G.I. Bill benefits. Additionally, the office had sponsored the second annual Honoring Women Veterans event in Anchorage, which had over 100 attendees. He noted that the upcoming year's event would be held in May in Fairbanks. He relayed that the Alaska Veterans Cemetery in Salcha was progressing and that most of the major environmental studies had been completed. He projected that the cemetery could potentially open in FY 28.

Mr. Christenson indicated that the image on the left side of the slide showed the coordinated response in Juneau by approximately 60 members of ANG, ASDF, and ANM. The center photo was of a 103-year-old World War II veteran who had never applied for veteran benefits before. He reported that OVA had learned about the veteran's situation and reached out to offer assistance and he was now receiving benefits. The photo on the right was of a graduation ceremony for AMYA, which he found to be a moving event. The recent ceremonies had been held at venues such as the Alaska Airlines Center in Anchorage and he stressed that all legislators were encouraged to attend.

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Co-Chair Foster remarked that he had been in the legislature for 16 years and he had finally attended one of the academy's graduations the previous year and had been deeply impressed. He encouraged others to attend if possible.

Mr. Christenson continued to slide 5 which contained additional highlights from 2024. He relayed that ANG's Counterdrug Support Program partnered with federal and state agencies to provide analytical and logistical support. The program contributed to the interdiction of fentanyl, methamphetamine, and cocaine, removed approximately \$650,000 in illicit currency from circulation, and supported the distribution of naloxone kits. He indicated that a future slide would provide more detail on the program. Additionally, ANG had conducted 148 missions in 2024 and had been credited with 199 saves. He stated that AANG was prepared to respond at a moment's notice to refuel tankers when foreign aircraft from Russia and China approached Alaska's borders. He emphasized that the mission was ongoing.

Representative Stapp understood that DMVA had been closing some of the armories around the state and he had heard that additional closures were expected. He asked if the current and future closures would impact SEOC's disaster response capabilities.

Mr. Christenson responded that the armory divestiture program had been underway for more than a decade. The program was initiated due to declining Army troop numbers in many areas and the high cost of maintaining armories that no longer had assigned soldiers. He shared that a decision to begin divesting the facilities was made years ago. He explained that the department had identified 18 to 20 armories to retain in strategic locations, primarily in hub communities. The department's model was a "hub-and-spoke" system which meant that as long as robust armory support existed in the designated hubs, the department could effectively project resources outward from the hub locations.

Mr. Christenson reported that four additional armories had been divested in the current year and that 16 remained in the queue for future divestiture. When an armory was divested, ownership was transferred back to the community through an extensive process that varied depending on the party that had originally built or owned the facility. He noted that the U.S. Army Corps of Engineers often played a significant role in that process. The maintenance cost of the unused armories was not justified and the department

could operate more effectively using its refined hub-and-spoke approach.

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Representative Stapp appreciated the explanation but thought it was important to understand that the department was divesting armories. He thought that many of the armories that would likely be divested were located in Western Alaska and he suggested that communities would benefit from knowing if their local facility was affected.

Mr. Christenson responded by listing the remaining divestiture sites: Akiachak, Chefornak, Elim, Kasigluk, Kivalina, Kotlik, Koyukuk, Quinhagak, Newtok, Noatak, Nunapitchuk, Selawik, Saint Michael, Stebbins, Tuluksak, and Tanana. He suggested that the department's legislative liaison could provide a more detailed list in writing after the meeting.

Representative Stapp asked for more information about disability claims processed through the Veteran Service Officers (VSOs). He recalled that the legislature had approved an increase in VSO salaries the previous year and asked whether the increase had resulted in improved retention or efficiency within the program.

Mr. Christenson confirmed that the legislature had approved a salary increase for VSOs the previous year. He explained that the department administered a grant program totaling \$1,260,000, which was distributed among four veteran service organizations. The funding was allocated proportionally based on the number of VSOs employed by each organization. Currently, there were 18 VSOs operating under the grants. He stated that the department would continue monitoring the impact of the salary increase on retention and program effectiveness. The increase approved the previous year amounted to approximately \$7,000 per VSO. He noted that the additional funding enabled the department to establish a new officer position in Ketchikan. He remarked that the funding had been very helpful.

Representative Stapp asked whether the department had successfully filled the VSO position in Ketchikan.

Mr. Christenson responded in the affirmative.

Representative Stapp asked if the department had the appropriate level of authorized receipt authority to secure the necessary federal funding for the Alaska Veterans Cemetery.

Mr. Christenson deferred the question to the department's Administrative Services Director.

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BOB ERNISSE, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS, responded that the department currently had the necessary receipt authority to proceed with construction of the cemetery.

Representative Stapp understood that the legislature must authorize the department to receive federal funding. He asked whether any adjustments were needed to the current authority level to complete the project.

Mr. Ernisse responded that the department had the necessary level of receipt authority.

Representative Hannan asked if the divested armory properties were transferred to local communities, school districts, or simply shuttered.

Mr. Christenson responded that the facilities were transferred to the communities through a federal transfer process. He offered reassurance that the properties were typically given to tribes, municipalities, or other local entities rather than being shuttered.

Co-Chair Foster understood communities in his district often sought the use of former armory infrastructure. The facilities were repurposed for functions such as city offices or multipurpose community buildings. He thought that communities had generally responded positively to the divestiture program.

Co-Chair Josephson asked whether the 16 villages Mr. Christenson previously listed were villages that had already had their armories closed, or whether the villages were upcoming closures.

Mr. Christenson responded that the 16 sites he had previously listed were the final armories still pending

divestiture. He noted that the state originally had 88 armories and approximately 18 had been retained. He emphasized that the vast majority of the armories had already been divested.

Co-Chair Josephson asked if the armories were relics of the World War II era or the Cold War era.

Mr. Christenson responded that the armories were generally smaller structures dating from the World War II era through the 1960s. He clarified that the facilities were small buildings with one or two rooms.

Co-Chair Foster added that the armories in his district resembled large Conex boxes. The buildings were perhaps twice the size of a standard Conex unit and were around 16 feet by 40 feet. He noted that the size and structure was modest.

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Representative Bynum commented that he found the VSO program extremely beneficial to the state, particularly because Alaska had the highest per capita of veterans. He thought veterans deserved better programming and services throughout the state. He noted that Ketchikan had received a VSO and funding for the position. He asked if the position was specifically for Ketchikan or if the officer would also be responsible for Craig.

Mr. Christenson responded that the Ketchikan position also served Craig as the position was responsible for the Prince of Wales and Ketchikan regions. He offered to follow up with more information about the position.

Representative Bynum wondered if there was additional information about the position. He suggested discussing the position offline.

Mr. Christenson would follow up.

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Mr. Ernisse continued on slide 6 which included a high-level comparison of the FY 22 actuals and the FY 26 governor requests. He noted that the unrestricted general fund (UGF) budget had remained fairly consistent, with one

significant change being the transfer of the Alaska Public Safety Communication Services (APSCS) to the Department of Public Safety (DPS) in FY 23. The only request for additional UGF was a funding swap for the Division of Homeland Security and Emergency Management (DHSEM). The request would remove \$800,000 in federal receipt authority and add \$500,000 in interagency receipts and \$300,000 in capital interagency receipts. He clarified that the decrease in federal authority was due to most federal grants moving to the capital budget, and the interagency receipts were necessary due to an increase in declared disasters and the ability to allocate payroll to the disasters or grants.

Representative Galvin understood that ASDF had grown to 225 members and the ultimate goal was to reach 500 members. She asked how large the force had been over the past few years and how quickly it was growing.

Mr. Christenson responded he would follow up with the information.

Representative Galvin asked if it was growing.

Mr. Christenson responded that the force had 50 members six years ago, then grew to 150, and now had 225 members. He emphasized that while the goal was to reach 500, the growth was gradual and progression was slow.

Mr. Ernisse continued on slide 8 and addressed a request under the Office of the Adjutant General (OAG) for \$175,000 in general funds to expand the operations of AOM. The funding would be used to increase emergency response and outreach capabilities.

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Mr. Christenson continued on slide 8 and remarked that Alaska was one of the most strategic locations on the planet. He stated that a significant amount of activity moved through the state and Alaska was militarily and economically strategic. He explained that attention had been recently focused on China, Taiwan, Russia, and North Korea. He relayed that it was DMVA's to be prepared for a future conflict. One of the most significant projects the department was working on was the build-out of a statewide high frequency radio network. If a "bad actor" disrupted

communications, the state would need to have the ability to communicate with its communities. He relayed that ANG, ASDF, CAP, and the Coast Guard had formed a working group to pool resources and develop a high frequency radio network across the state which would allow continued communication in the event of an outage. The full implementation would take several years but some parts of the network were already operational. Some sites needed new antennas, while others had antennas and radios but lacked trained operators. He stated that there were locations where build-out was planned for the future. He noted that it was important to be able to respond to undeclared disasters and to obtain supplies and training so that members of AOM could assist Alaskans during disasters or emergencies.

Co-Chair Foster asked whether the multi-year description applied to the build-out of the high frequency radio network or to the funding request. He asked if the \$175,000 request was meant to cover three years or if the department intended to request the same amount in future years.

Mr. Christenson replied that the request was not for one year or three years, but the request was for the funding to be included in the department's base budget. He confirmed that the high frequency radio network build-out would take multiple years and there would be increased needs for training, recruitment, and facilities as ANM and ASDF grew.

Co-Chair Foster asked whether the high frequency radio network was separate from the Alaska Land Mobile Radio (ALMR) system.

Mr. Christenson responded in the affirmative.

Representative Hannan asked why the request was located in OAG rather than in DHSEM.

Mr. Christenson responded that ASDF and ANM did not have their own budget components and were part of AOM within OAG.

Representative Hannan commented that the request was confusing. She thought that referring to it as a multi-year request implied that it was a capital request that allowed multi-year spending. She asked if the \$50,000 portion of the request was a budget allocation. She

understood that the AOM did not have its own allocation and was under the Adjunct General's office, but she wondered why the funding would not be included in the emergency response section of the budget if it was for disasters.

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Mr. Ernisse responded that it was important to remember that the request was to expand operations for AOM. He stated that the build-out of high frequency radios was part of the expansion but it was not the totality of the request. The department was requesting the funds to be added to the base budget going forward. He thought it was appropriate for the request to be located under the Adjutant General because it covered the entirety of AOM, not only disaster responses. He reiterated that AOM represented a significant part of the department overall.

Representative Bynum remarked that AOM was an entity that he had begun to hear more about over the last few years. He was aware of AOM helping during recent natural disasters. He asked how the department was messaging the justification for the spending and showing Alaskans how it benefited the state. He asked how the department was carrying out its communication.

Mr. Christenson replied that AOM included ANG, ASDF, and ANM. He relayed that those entities comprised the statutorily defined AOM. The majority of AOM was ANG, with approximately 4,000 members. He stated that ANG had a robust advertising and recruiting campaign and that its recruiting numbers were strong. He explained that ASDF was most active at the community level, and it typically participated in community events, festivals, and parades. He noted that ANM consisted of Navy or Marine reservists and consisted of a small group of individuals who were already active and connected and it did not require extensive recruiting.

Representative Bynum stated that prior to becoming a legislator, he was an assembly member in Ketchikan and there had been an event in the community where members of ASDF had responded and members of the community members questioned who the personnel were. The general public usually associated such appearances with ANG but there had been an increase in participation by ASDF. There had also been increasing awareness of ANM. He stated that he was

trying to understand what the department was doing to improve communication with communities about the various military groups. He wanted the department to clearly communicate to communities who the individuals in uniform were, why they were present, and what their mission was. He asked what the department was doing to increase communication.

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ANGELA LAFLAMME, SPECIAL ASSISTANT, DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS, responded that some of the actions the department had taken during the past year included outreach trips in coordination with ANG and its recruiters to communities across the state. The department included personnel from all the organizations under AOM in the outreach trips to facilitate engagement with community members prior to an emergency event. She stated that part of the funding request would support outreach. She explained that if the department was unable to use military vessels for travel, the funds would allow transportation of personnel to provide outreach touchpoints in communities ahead of any emergency or event.

Representative Bynum stated that he was trying to understand the reasoning behind the funding, particularly because there was an additional funding request included. The benefit of the additional funding was not clear to his community of Ketchikan. He received questions about the funding during his time on the assembly and he continued to receive questions as a legislator. He was trying to determine how to best communicate the information to communities. If the department was already engaged in communication efforts, it would help to be able to direct constituents appropriately. He asked if there was an opportunity to utilize personnel from AOM to assist with VSOs and better serve veterans in the communities. He wondered which entity would be best suited for the task.

Ms. Laflamme responded that the VSO program was a federal program with specific requirements. In order to qualify, a person had to already be a member of an organization such as ASDF or ANM. She emphasized that the VSO program itself was federally governed and subject to strict eligibility requirements.

Representative Allard asked the department to provide more detail regarding ASDF's community involvement. She asked the department to describe ASDF's involvement in the Wrangell flood, a recent earthquake that ASDF had responded to, and more information on ASDF's response to a recent avalanche in Eagle River. She explained that she had been skeptical about ASDF for years and it took time for her to recognize its importance. The state did not have personnel stationed in every isolated community and she believed that ASDF was valuable, but she thought that communication and messaging could be improved. She stressed that she supported the budget increment and DMVA. She asked Mr. Christenson to explain why the department's work was important.

Mr. Christenson responded that AOM included ANG and ANM in addition to ASDF. When the department determined how many personnel were needed to respond properly to a disaster, a call was issued to all components of AOM and a variety of volunteers were deployed. He relayed that ASDF members were often the first to arrive during emergencies because many members already lived near a given affected area. In flood situations, debris management had typically been a major responsibility for members. He explained that once volunteers were activated, they were no longer considered volunteers and were instead placed on active state duty. Responsibilities during floods included debris management, assisting with sheltering, and addressing other immediate needs. In situations involving avalanches, the department would likely not assign members to debris management in hazardous conditions, but members would provide support services for displaced individuals.

Representative Allard understood that the funding request had been placed under the Office of the Commissioner because of the structure of military personnel management. She explained that Homeland Security did not oversee the military personnel component and that ASDF, ANM, and ANG were managed by the Adjutant General within DMVA. She asked if ASDF members also helped in other areas such as traffic direction. She thought that such tasks were often overlooked but were valuable.

Mr. Christenson responded in the affirmative. He clarified that although the members did not engage in law enforcement, they supported law enforcement personnel by taking on responsibilities such as traffic duties and

parking management. He noted that such assistance freed law enforcement to perform other duties during events like avalanches.

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Mr. Ernisse continued to slide 9, which contained the department's final request for an additional \$200,000 in interagency receipts for the counterdrug program. He explained that the funding would support a variety of state functions, including training, outreach, education, and assistance to other state agencies in drug prevention efforts.

Co-Chair Foster noted that the request appeared to be contingent on funding availability and asked whether any funding had been secured.

Mr. Christenson confirmed that no funding had yet been secured.

Representative Hannan asked whether the allocation had a corresponding request from law enforcement agencies. She inquired whether DPS had submitted a related request. She noted that since the department was not a law enforcement entity, any expansion in counter-drug activities would presumably require increased participation from law enforcement. She asked whether the interagency receipts would come from DPS to fund positions like aviation support.

Mr. Christenson responded that the counterdrug program was not a standalone program. He explained that the department supported both state and federal law enforcement and public health agencies. The program included 18 military personnel who worked as analysts, aviators, and outreach staff. He clarified that the individuals were not in charge of operations, but were requested as partners by agencies such as DPS, DOH, and the FBI. He stated that the funding request was for interagency receipts which would allow for flexibility. For example, if DOH required an additional position beyond the existing 18 and had the funding, the department could place an individual on active state duty. The requested authority would allow the department to accept the funding.

Mr. Christenson appreciated the committee's time and reiterated would follow up with the information that had been requested by members.

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RECONVENED

^OVERVIEW: FY26 DEPARTMENT BUDGET: DEPARTMENT OF ENVIRONMENTAL CONSERVATION

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MEGAN KOHLER, ADMINISTRATIVE SERVICES DIRECTOR, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, introduced herself and explained that the presentation would begin with testimony from Acting Commissioner Christina Carpenter.

CHRISTINA CARPENTER, ACTING COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION (via teleconference), introduced herself and the PowerPoint presentation "Environmental Conservation Overview" dated February 14, 2025 (copy on file). She advanced to slide 2 which included the Department of Environmental Conservation's (DEC) mission. She noted that while it was often shortened to protecting human health and the environment, DEC's full mission also included enhancing the health, safety, and economic and social well-being of Alaskans.

Ms. Carpenter advanced to slide 3 which displayed the department's current leadership organization chart. She acknowledged the departure of former Commissioner Jason Brune the previous week and noted that she was currently serving as the department's Acting Commissioner while continuing in her official role as Deputy Commissioner. She noted Mr. Reese Williams was in the audience and explained that he had recently joined the department as the legislative liaison. She shared that Mr. Williams had worked as a legislative aide for years and brought valuable experience to the position.

Ms. Carpenter added that the department was actively recruiting for a public information officer. She encouraged anyone aware of qualified candidates interested in an external communications role to contact her directly. She

relayed that the rest of the organizational chart showed the department's five division directors and that collectively, she and the five division directors had over seventy years of state experience. The department employed individuals with extensive experience in state budgeting, finance, and operations processes, and members of leadership had experience in emergency planning, preparedness response, and the oil and gas industry. She expressed that she was proud of the well-rounded and diverse leadership team.

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Ms. Carpenter continued to slide 4 which provided a snapshot of the department's four programmatic divisions: the Division of Air Quality (DAQ), the Division of Water (DW), the Division of Environmental Health (DEH), and the Division of Spill Prevention and Response (SPAR). She clarified that the teams were responsible for issuing permits, performing inspections, and providing technical assistance to regulated entities. She relayed that DEC was relatively small and contained 556 positions. Within the calendar year, DEC had issued 9,553 permits, approvals, certifications, and plan reviews. She added that the department had also performed over 3,100 inspections and site visits. She noted that in 2024, staff had access to over 29,000 hours of training, which was important because staff were responsible for issuing timely and defensible permits and making enforceable regulatory actions. She explained that department leadership prioritized staff training and development to ensure that employees could successfully perform the work of the agency.

Ms. Carpenter advanced to slide 5 and shared that DEC's budget request for FY 26 was minimal. She noted that there were only three items for consideration and only one of the three involved a request for UGF. The first item was a \$3 million interagency receipt to increase interagency authority within the Division of Administrative Services (DAS). The request for increased authority would respond to the FY 25 intent language directing the separation of the department's annual building lease operations and maintenance costs. She explained that the increase in authority was a structural change that was necessary to allow the transfer of funds from various divisions. The request did not represent a request for new money but was strictly a receipt authority adjustment. She added that the

same applied to the next request, which related to DW. She explained that it was a technical cleanup of authorities, exchanging more restrictive program receipt authority for general fund program receipt authority.

Ms. Carpenter explained the department made a similar technical cleanup in DAQ. The final budget increment for consideration was a \$45,000 UGF request for the appropriation that funded the department's Environmental Health Laboratory (EHL) operations. She clarified that the request was intended to cover increased utility costs over the years that could no longer be covered by the existing operating budget. She noted that several members of the committee had already visited the department's facilities. She explained that EHL was located in East Anchorage and was the department's only state-owned building. She relayed that the department was proud of the analytical testing performed at the lab and it invited any members, staff, or interested constituents to tour the facility.

[2:44:25 PM](#)

Ms. Kohler continued on slide 6 and reiterated that the department's budget was largely flat and that most of the changes were related to salary adjustments and reductions from one-time items. She noted that the budget showed a 17.9 percent increase in the "other" category, which reflected an increase in interagency receipts. The increase was not a budget request but a mechanism to allow the department to move funding. The department had also listed out Infrastructure Investment and Jobs Act (IIJA) funding separately, which had been done since the inception of the funding and was reflected in the upcoming slides.

Ms. Kohler continued to slide 7 and the appropriation for DAS, which included four allocations: the Office of the Commissioner, DAS, State Support Services (SSS), and facilities rent for non-state-owned buildings. She explained that the request for SSS primarily covered lease costs and Department of Administration (DOA) chargebacks. She added that facilities rent for non-state-owned buildings consolidated the department's lease costs into one allocation. The allocation included salary adjustments and \$3 million in interagency receipts to track lease costs and respond to intent language. She also highlighted the reversal of the Juneau Air Lab relocation, which had been a one-time increment of \$87,000.

Ms. Kohler continued to slide 8 and addressed costs for facilities operations and maintenance for state-owned facilities. She reiterated that the appropriation only applied to EHL in Anchorage. She explained that the results delivery unit (RDU) provided funding for utilities, building systems, and two full-time labor, trades, and crafts employees, but it did not fund laboratory operations. She stated that the department was requesting \$45,000 under the RDU to reflect the increased utility costs since 2020.

Ms. Kohler moved on to DEH and stated that there were no significant changes proposed for FY 26. She explained that the increases in the budget were a result of salary adjustments.

Ms. Kohler continued to slide 10 and DAQ. She stated that there were no significant changes in the division's budget and that the increases reflected salary adjustments.

[2:47:43 PM](#)

Representative Stapp remarked that Fairbanks recently received a notice regarding the State Implementation Plan (STIP) about the requirement for homebuyers and sellers to pay for energy assessments on their homes. He asked whether the mandate would apply to the entire state or only to residents of Fairbanks.

Ms. Carpenter asked for the question to be repeated.

Representative Stapp repeated the question.

Ms. Carpenter responded that the requirement was limited to homeowners in the non-attainment area in Fairbanks.

Representative Stapp asked whether Ms. Carpenter had any information about the cost that residents would be required to pay under the mandate.

Ms. Carpenter responded that she did not know the cost but she would follow up.

Representative Stapp explained that he raised the issue because the cost of the energy rating requirement might be

an item to consider adjusting once the information became available.

[2:50:21 PM](#)

Ms. Kohler continued on slide 11 and detailed the funding for SPAR. She stated that the funding was flat, although it might appear not to be. She explained that the flat funding included a reversal of funding intended for SB 67 [passed in 2024], which created the Firefighting Substance Disposal Reimbursement Program, but the funding would not be returned to the department. The program began on January 1, 2025, and the department continued to utilize the funding. However, the department removed one-time items from the base budget to maintain clear accounting. Any unspent authority remaining at the end of FY 25 would be carried forward into FY 26 and FY 27 and would be reflected in the department's management plan.

Representative Tomaszewski asked for more information about the perfluoroalkyl and polyfluoroalkyl substances (PFAS) mitigation program included in the spill prevention and response fund.

Ms. Kohler responded that she could provide general information but would need to defer to subject matter experts for technical details. She explained that the program allowed local and community entities to seek reimbursement for firefighting foam disposal.

Representative Tomaszewski asked whether there were any requirements for cities, boroughs, or municipalities to qualify for the grant program.

Ms. Kohler responded that she did not have the specific criteria but believed the eligibility requirements were broad. She offered follow up in writing.

Co-Chair Josephson asked what the department's strategy was for addressing decades old PFAS contamination now that a law had been enacted to prohibit new PFAS chemicals.

Ms. Carpenter asked for the question to be repeated.

Co-Chair Josephson asked what the department's strategy was for addressing legacy PFAS contamination. He clarified that he was not referring to SB 67, which addressed disposal,

but rather to contamination that predated the bill's effective date. He noted that there was a portion of Sand Lake where PFAS had been detected in the water table and had crossed over Raspberry Road. He asked what the department was doing for Alaskans in areas where PFAS already existed and what the strategy was for the many communities that were likely impacted.

Ms. Carpenter replied that the department had been working with impacted property owners and potential responsible parties and was conducting well sampling in some areas. She did not have current information about the Raspberry Road site but confirmed that DEC had been involved. She could follow up with more detailed information.

[2:55:03 PM](#)

Co-Chair Josephson asked if there was a recommendation regarding water consumption in Gustavus. He stated that he had spent approximately ten days in Gustavus a couple of summers prior and wanted to know whether the water was safe.

Ms. Carpenter responded that she would defer the question to subject matter experts within the department for information specific to the water in Gustavus.

Representative Hannan responded that she could provide some insight. She stated that she had previously represented Gustavus prior to redistricting. She explained that in the case of Gustavus, the contamination cleanup was a Department of Transportation and Public Facilities (DOT) item. She relayed that DOT was the responsible party in many Alaskan communities where PFAS contamination existed on state lands, particularly for testing at airports where PFAS testing had been mandated. The DEC budget item related to PFAS involved a buyback provision passed in legislation the previous year [SB 67]. The bill allowed for the return of unused foam because the Federal Aviation Administration (FAA) no longer mandated the use of PFAS foam at airports across Alaska. She relayed that DEC's role in PFAS contamination was usually limited to testing the foam, but much of the testing was also carried out by DOT. She added that some of the legacy contamination sites in the Fairbanks area were military-related and the federal government was the responsible party. Most of the budget

for PFAS contamination cleanup in Alaska appeared in the DOT budget, not the DEC budget.

Co-Chair Josephson commented that he was surprised DEC did not have a larger role in advising DOT. He stated that he would take the topic offline.

Co-Chair Foster requested that the Ms. Carpenter work with subject matter experts to provide a short narrative about PFAS that could be distributed to the committee.

Ms. Kohler continued on slide 12 and detailed the request for DW. She stated that the funding was again largely flat. There was a technical adjustment that involved cleaning up unused fee funds and moving the funds into general fund program receipts. The cleanup was similar to the cleanup previously done in the DAQ RDU. The department anticipated that DW would be able to utilize the funds.

[2:59:15 PM](#)

Co-Chair Josephson asked Ms. Kohler what the current balance in the response fund was.

Ms. Kohler responded that the projected ending unobligated balance for the prevention account in FY 24 was \$25,420,000.

Co-Chair Josephson asked for clarification that the response account was the larger of the two funds [spill prevention and response funds].

Ms. Kohler confirmed that the response account was the larger of the two.

Co-Chair Josephson asked for the balance in the response account.

Ms. Kohler responded that she did not have the specific number but would be happy to follow up with the information.

Representative Tomaszewski asked how many positions were budgeted by DEC.

Ms. Kohler responded that there were 556 budgeted positions.

Representative Tomaszewski asked how many of the positions were currently filled.

Ms. Kohler responded that as of January 15, 2025, 518 of the positions were filled.

Representative Tomaszewski asked how many of the 518 employees teleworked or worked from home.

Ms. Kohler responded that 64 percent of the department's positions were currently teleworking under formal telework agreements. She explained that the agreements generally required employees to be in the office between two and four days per week.

Representative Tomaszewski thought that teleworking required performance oversight and asked whether the department used key performance indicators to ensure that work was being completed.

Ms. Kohler responded that the department used a robust performance tracking and planning process. She explained that every January, the department reviewed its goals, broke the goals down by division, program, team, and individual, and then tracked and assigned goals and tasks accordingly. She added that the process helped employees understand how their work contributed to the department's overall mission.

[3:02:55 PM](#)

Representative Stapp asked who was responsible for the enforcement of the department's administrative regulations.

Ms. Carpenter responded that programmatic staff were responsible for enforcement. She added that the department also had two environmental crimes investigators housed within the Office of the Commissioner.

Representative Bynum thought there appeared to be uncertainty across the state regarding changes at the federal level. He asked whether the department anticipated any regulatory changes or disruptions at the federal level that could impact its ability to operate.

Ms. Kohler responded that the department was actively monitoring developments and guidance. She added that the department was currently funded and had no current concerns about disruptions.

^PRESENTATION: VILLAGE SAFE WATER AND SEWER

[3:05:43 PM](#)

GENE MCCABE, DIRECTOR, DIVISION OF WATER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, introduced himself.

CARRIE BOHAN, PROGRAM MANAGER, DIVISION OF WATER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, introduced herself.

Mr. McCabe introduced the PowerPoint presentation "Village Safe Water Program Overview" dated February 14, 2025 (copy on file). He advanced to slide 2 and reviewed the mission of Village Safe Water (VSW), which was to support rural communities in their efforts to develop sustainable sanitation facilities. He clarified that sustainability referred to both economic and operational sustainability. The VSW program funded planning, design, and construction of water, wastewater, and solid waste facilities across Alaska. The program also provided project management and oversight for grant-funded projects statewide.

Mr. McCabe continued to slide 3 and addressed the challenges of rural sanitation in Alaska. He noted that the state's remoteness, climate, and ground conditions significantly increased construction costs, which in turn elevated operational expenses. He noted that Alaska presented an extremely difficult environment for operating sanitation systems which placed significant stress on both the systems and the individuals responsible for maintenance. He expressed appreciation for system operators across the state and acknowledged the hard work required to keep systems running.

Mr. McCabe stated that when funding was established, it was intended to address concerns at a single point in time, but the needs continued to evolve and prices changed. As a result, VSW was always chasing inflation, always chasing cost increases, and always chasing the increasing need. He emphasized that VSW was still making great progress. He noted that local capacity for operations and maintenance

was sometimes lacking for a variety of reasons and the issue went beyond the ability to train and retain operators in a given area. He recognized that the challenges were compounded by the state's unique climate and operational environment. He explained that the situation took a toll on everyone involved in maintaining, operating, and funding the system. He relayed that there were strategies in place to address the challenges.

[3:09:17 PM](#)

Mr. McCabe stated that VSW's collaborations were more than just partnerships, but were teams. He explained that entities such as the Rural Utility Business Advisor (ARUBA), the Alaska Native Tribal Health Consortium (ANTHC), the Indian Health Service (IHS), the Environmental Protection Agency (EPA), the U.S. Department of Agriculture (USDA), and the Denali Commission were not siloed organizations. Rather, the partners communicated regularly, knew one another personally, and functioned as a true team. He stated that the aim was to combine multiple funding sources to ensure no community was left out, and that there were various avenues available to achieve the goal.

Mr. McCabe explained that IIJA was enacted at a time when a database existed of projects that Alaska needed in order to meet its sanitation needs. More projects had since been added and prices had increased significantly, and there was a continually growing gap. He explained that \$3.5 billion was originally made available through IIJA, with \$2.1 billion representing Alaska's sanitation needs. However, the \$2.1 billion figure was no longer accurate, even though it remained the available funding amount. He stated that when projects were ready to proceed, VSW could apply for funding, but the further time moved from the date that list was created, the more the funding and the need diverged.

Co-Chair Josephson asked whether the \$2.1 billion was intended to represent the cost of completing water and sewer sanitation for all 230 villages.

Mr. McCabe deferred to Ms. Bohan.

Ms. Bohan replied that IHS managed the Sanitation Deficiency System (SDS) database, which was a national database. She explained that Engineers at VSW and ANTHC worked directly with communities to identify and address

sanitation needs and were responsible for understanding community needs and documenting the needs in the database. She stated that the \$2.1 billion figure originated in 2022 and reflected all documented needs. She explained that projects for comprehensive pipe systems for all unserved and underserved communities at that time were included in the database. The projects included all communities using honey buckets or flush tank haul systems. The funding in the database would have provided full pipe service to communities. She added that many of the remaining dollars reflected improvements to existing systems.

3:12:51 PM

Ms. Bohan continued on slide 4 and explained that there were two main sanitation funding mechanisms. The first was administered through VSW and was shown on the left side of the slide in the yellow box. She stated that VSW partnered with USDA Rural Development and the EPA, which provided annual grants that required a 25 percent state match, then VSW administered funds through the Capital Improvement Project (CIP) funding cycle.

Ms. Bohan stated that the second mechanism shown on the right side of the slide was the IHS and Tribal funding process, which the department referred to as the SDS funding cycle because it used SDS as its data hub. The IHS dollars included housing funds, regular funds, and IIJA dollars, as well as tribal and Indian "set-asides." She added that she would address the state revolving funds near the end of the presentation. She explained that a portion of the federal dollars was carved out and administered directly by the EPA through the use of SDS. She emphasized that substantial funding as a result of the infrastructure bill was currently being distributed through the SDS cycle depicted on the right side of the slide. She noted that she sat on the review committee as a partner and that ANTHC also participated in the VSW review committee for the CIP cycle. She reiterated that both teams worked closely on both funding systems.

Ms. Bohan explained that VSW staff provided support to approximately one-third of rural communities and ANTHC supported about two-thirds. She stated that funding followed the community's lead agency assignment, which meant that if VSW supported a community, the funds allocated to that community would be routed VSW, regardless

of funding source. The same was true for communities supported by ANTHC. She relayed that the process created a web of funds going back and forth. She noted that a common misconception was that making ANTHC the lead agency offered unique funding opportunities, but all communities were eligible for the same opportunities. The lead agency structure was simply a means of sharing responsibilities across communities.

[3:16:18 PM](#)

Ms. Bohan advanced to slide 5 which included a graph of how the VSW funding had increased over time. She noted that the color-coded chart illustrated the different funding sources and highlighted the substantial growth between 2015 and 2025. The dark blue section represented IHS dollars received as a result of the IIJA bill and the funds totaled approximately \$450 million over the past two years.

Mr. McCabe continued on slide 6 and explained what an average project looked like. He noted that project costs varied widely depending on the nature of the construction and the community. A typical village piped water project could range from \$500,000 to \$4 million per home, depending on the size of the village and the project. He reported that the average cost for first-time home connection service was approximately \$1.35 million per home. Projects typically lasted five years, including both the design cycle and construction cycle. He emphasized that it was important to complete engineering work prior to construction. Projects had the potential to last up to 10 years, depending on the nature of the available funding. If funding became a problem, there could occasionally be a one-year gap during a project. He noted that such gaps were unusual but could cause delays in construction.

Mr. McCabe continued to slide 7 and referred to a map showing the underserved and unserved communities in Alaska. He stated that the communities marked in bold had projects on the books either to initiate services or to upgrade services. He added that more projects were expected to come online shortly. He turned the presentation back to Ms. Bohan.

[3:18:33 PM](#)

Ms. Bohan continued on slide 8 and explained that the VSW funding cycle was an annual funding opportunity. She noted that community eligibility was defined in AS 46.07.080. Eligible communities included second-class cities, first-class cities, municipalities, and tribal and nonprofit entities with a population of fewer than 1,000 residents, as well as Metlakatla. She stated that eligibility included most small rural communities, in addition to the cities of Bethel and Kotzebue, which qualified as second-class cities.

Ms. Bohan relayed that projects were planned to ensure the most appropriate alternative was being pursued to solve a particular problem. There was a review committee to ensure goals were being met that included representatives from DEC's permitting division along with funding agencies. She stated that the committee discussed potential problems at the planning and conceptual stage before projects moved to the design stage. The effort had accelerated project timelines and helped to proactively address issues. Once a project had an approved planning document, the organizers could apply for design and construction funding. She noted that design and construction were handled as separate funding applications.

Ms. Bohan stated that DEC was working with its partners to help communities seeking VSW funding for first-time piped service projects to develop sustainability plans. She explained that the purpose of the plans was to ensure that communities understood the financial burden of the project and were prepared for the user fees and operation and maintenance requirements. She emphasized that the department would examine the plans before it dedicated funds to a project.

Ms. Bohan continued to slide 9 and relayed that it was an annual application process for new projects. She explained that the department used a scoring criterion similar to IHS's scoring system and that the projects were evaluated based on beneficial impact to public health. She explained that projects providing any level of service to unserved communities received the highest possible score, while projects offering only marginal benefit received the lowest. The current level of service in a community was also considered as part of the scoring process. She noted that communities with no piped systems received the highest score, communities with flush tank and haul systems

received fewer points, and communities with existing piped systems received no additional points. In addition, the technical, financial, and managerial capacity of the community was evaluated. She noted that minor points were awarded for communities that demonstrated the ability to join the project with others or submitted high-quality applications.

Ms. Bohan emphasized that the department worked diligently to fund as many projects as reasonably possible each year. She explained that one strategy was to break large projects into phases. The designing phase of a project often took several years, and the department could fund a small portion of many projects to move them into the design phase. Once the design was completed, projects would then be first in line for future phases of funding. She stated that the department was committed to funding the phased projects through to completion.

[3:22:31 PM](#)

Mr. McCabe continued on slide 10 and provided a quick overview of some sample projects. There was a new source water distribution system in Unalakleet, new water treatment plants and washeterias in Wales and Nunapichuk, a lift station replacement in Saint Paul, a new intake water and transmission line in Shaktoolik, and a new water storage tank in Saint George.

Mr. McCabe continued to slide 11 and explained that in 2024, the best management practices score had been removed from the funding eligibility criteria to allow more communities to become eligible for funding. During the design phase, the previously mentioned review committee convened a multidisciplinary team to review and comment on designs at the early conceptual stage. The process had significantly reduced surprises during permitting and construction and had led to notable improvements in project execution. He added that efforts had been made to utilize modular construction, which shortened the time required on-site by allowing components to be built offsite and then transported and installed. He explained that the department had seen some successes with modular construction.

Mr. McCabe reported that the department had also sought a better balance between contractual construction support and the use of local labor. He understood that the preference

was for hiring local laborers, but the projects needed to be completed urgently and efficiently, and it was not always possible to hire local workers. He explained that automation could reduce the burden on local operators, but it would also increase system complexity, which created new challenges if a system failed. He explained that the department continued to evaluate the tradeoffs.

[3:24:51 PM](#)

Ms. Bohan advanced to slide 12 which provided an overview of the capital budget. She highlighted that \$65 million represented the CIP funding and approximately \$350 million was expected from IHS, which came primarily from IIJA.

Mr. McCabe continued to slide 13 and explained that the department operated a remote maintenance worker program under VSW. He described the workers as heroes who traveled across the state to respond to emergencies and deliver hands-on technical training. There were currently 15 remote maintenance workers, 13 of which were regional health corporation employees funded by grants, and three were DEC employees. He relayed that a remote maintenance worker had brought a doorknob to a village where the previous operator had taken the key, and the worker had successfully replaced the doorknob and repaired the system. He stressed that the employees played an important role in keeping water and sanitation systems operational. The remote maintenance workers also provided training and phone support to operators who did not know where to turn and were a critical resource for operators in rural communities.

Mr. McCabe continued to slide 14 which detailed several current challenges. He stated that there was a shortage of experienced engineers, which affected the department and its partners. He explained that although entry-level engineers were available, the complexity of the projects required experienced staff. Supply chain delays and inflation continued to cause cost overruns. He noted that in Alaska's remote and constrained environment, sourcing compliant equipment often required significant effort. He added that IHS funding was typically awarded without considering the local capacity to operate and maintain systems, which sometimes resulted in systems that were too expensive for communities to operate.

[3:28:31 PM](#)

Ms. Bohan continued on slide 15. She noted that while the VSW program received considerable attention, DW also managed the State Revolving Loan Fund (SRLF), which provided low-interest loans, primarily to municipalities and some private utilities. She explained that SRLF was an ongoing opportunity that accepted applications year-round. She relayed that DW reviewed applications three times per year and allocated new funding accordingly. The available funding was currently higher than the demand, and she hoped to use the funding to assist more municipalities and water and wastewater utilities. She noted that there were additional funding opportunities through IIJA that included funds for full loan forgiveness for projects addressing emerging contaminants, particularly those addressing PFAS contamination. The division had actively reached out to communities with known PFAS issues to encourage the communities to pursue the funding. She added that the division had also been working with the Drinking Water Program to assist communities by conducting monitoring to determine if PFAS was present, which could allow communities to qualify for fully forgiven loans.

Representative Bynum relayed that he was concerned about the sustainability of the VSW systems that were being installed. He highlighted that the investment was \$2 billion and that maintaining the systems over a 50-year period would cost approximately \$27,000 per home. He assumed the systems were built to meet EPA standards but asked what the long-term plan was for maintaining the systems.

Mr. McCabe responded that sustainability remained a major concern. He stated that systems were required to generate sufficient revenue to be self-sustaining, including covering repair, maintenance, and upgrades over time. He emphasized that a system might be high quality, but if it was unaffordable for utility customers, the intended outcome would not have been achieved. The sustainability concern was carefully evaluated during the planning process.

Representative Bynum commented that it was unclear how communities could afford to cover the estimated \$27,000 per year. He understood the need for rate-setting for utility companies to cover costs, but he thought the projected expenses were unrealistic for communities. He asked how the

state planned to address the issues over the next 10 to 15 years. He thought an emergency situation would arise without appropriate investment. He did not see a clear plan.

Ms. Bohan responded that Representative Bynum's concerns were the reason the department had initiated discussions with the committee around sustainability planning prior to allocating funding. She explained that the department had been working to bring together all partners, including communities and regional entities, to identify additional sources of revenue to support system sustainability. For example, the community of Wales had received funding to install piped service, but the projected monthly user rate was over \$300. She explained that when community members were asked if they were willing to pay the \$300 amount, they declined. She stated that the conversation needed to involve not just the communities, but also regional partners who might assist in addressing long-term costs. She noted that IHS had the statutory authority to fund operations and maintenance, but it had never received appropriations to do so, which was an active topic of discussion at the national level. The VSW statute also allowed for support of operations and maintenance, but similar to IHS, the authority had not been funded or implemented.

[3:34:35 PM](#)

Representative Hannan referred to slide 12. She noted that the top line of the capital request listed "dollars in thousands," but Ms. Bohan had verbally referred to "millions." She asked whether the general fund match was \$22 million or \$22,000.

Ms. Bohan responded that the correct figure was \$22 million.

Representative Stapp stated that he was struggling with the numbers presented on slide 5. He noted that the slide detailed the high cost of delivering water and sewer service and the highest estimate was \$4 million per home. He thought it seemed extremely high and asked for a specific scenario in which that estimate applied.

Ms. Bohan responded that the figure referred to a recently completed planning effort for seven homes in the community

of Alatna. The initial cost estimate for piped water and sewer service for the homes had been \$28 million. The estimate had since been revised to \$25 million.

Representative Stapp remarked that the \$4 million per home figure was striking and requested a copy of the cost analysis.

Ms. Bohan responded that she could provide the summary in a follow up. She acknowledged that the Alatna example was the most extreme case.

Representative Stapp asked whether there was any possibility of using IIJA funding or other available grants to establish a fund similar to the Power Cost Equalization (PCE) program for the purpose of supporting long-term operations and maintenance costs. He asked if such an approach would be within the scope of the existing grant authorities.

Ms. Bohan responded that to her knowledge, the IIJA funds could not be used in that manner. She explained that the funding had been allocated through IHS, which had partnered with ANTHC to administer the dollars. She repeated that conversations continued at the national level about the possibility of future IHS funding for operations and maintenance.

[3:38:10 PM](#)

Representative Allard asked Ms. Bohan to repeat the explanation about the cost of the Alatna project.

Ms. Bohan responded that IHS dollars had been used by ANTHC to contract with engineering firms. She explained that the firms had developed in-depth engineering plans to examine the feasibility of providing piped water and sewer service to unserved communities. The most recent cost estimate from the Alatna planning document was \$25.5 million and the project would serve seven homes in the community.

Representative Allard asked for a list of the names of the contractors involved in the project, whether the state received comparable bids, and to be provided with all relevant details of the contracting process. She asked for the complete record, including who the contractors hired, to whom the request for proposals had been sent, and the

full data and analysis behind the cost estimate. She described the \$25 million figure as "craziness" and stated that she wanted every detail.

Co-Chair Foster acknowledged that Alatna was likely the most extreme example, with only seven homes. He stated that many of the communities he represented were significantly larger and that new projects in those areas often involved expansion of existing piped systems. There might already be a functioning water and sewer system in some of the communities, but additional housing development could require expansion. He stated that economies of scale applied more effectively in larger communities. Additionally, the cost of transportation varied by location, and logistics in communities like Shaktoolik and Unalakleet could be easier than in more remote areas like Alatna. He noted that coastal access and the presence of local labor could help reduce costs compared to areas where all materials needed to be flown in and outside workers needed to be brought on site.

Co-Chair Foster emphasized the importance of sustainability and explained that it was not feasible to install systems that the local population could not afford to operate. He encouraged a shift in mindset when discussing these issues and explained that concerns about sustainability had historically been a barrier to delivering basic services to some communities. The primary goal should be ensuring that every Alaskan had access to clean water and sanitation, although sustainability should be considered. He stated that the risk of illness made the issue urgent. Over the years, VSW had explored innovative system designs to meet the needs of communities where conventional piped infrastructure was not practical.

Co-Chair Foster explained that VSW had hosted design competitions to encourage engineers to propose affordable and effective alternatives. He emphasized that the state needed to prioritize implementing the systems into communities, especially in light of public health concerns highlighted during the COVID-19 pandemic. He described conditions he had witnessed in some villages where no formal sanitation system existed. Some residents relied on large waste bins and residents dumped the contents of five-gallon waste buckets into those bins, which often overflowed. He stated that in such circumstances, children could be seen running through the waste, tracking it into

homes, and increasing the risk of illness. He stressed that inadequate access to clean water contributed further to health concerns. He relayed that he had stayed in homes in Deering where conditions made water access difficult, and residents had to retrieve five-gallon buckets of water using four-wheelers due to the cold. The quantity of water retrieved was insufficient to take a shower and it was burdensome to collect water every other day in small increments. He noted that people often reused the same water multiple times for handwashing, which eventually became ineffective and led to health issues. He emphasized that the issue was a major concern for him.

Representative Tomaszewski referenced the \$2.1 billion cost and understood that with an average cost of \$1.35 million per home, the allocation would cover a little over 1,500 homes. He asked whether there was a total count of homes currently identified as needing service.

[3:43:43 PM](#)

Ms. Bohan responded that she did not have a current number, but that the most consistent estimate over many years had been approximately 3,500 homes. She added that she would follow up to confirm the figure.

Representative Tomaszewski remarked that \$1.35 million per home was a significant cost but he understood that the figure included infrastructure such as water and sewage treatment plants. He emphasized that all residents needed access to clean drinking water. He asked whether there had been any consideration of using individual septic tanks. When he had built his first home, he installed a septic tank and drilled a well and he thought that there might be some communities where such a system would be suitable. He noted that in areas like Fairbanks, individual homes typically relied on wells, holding tanks, or septic systems rather than city water and sewer service. He asked whether there had been discussion of adopting other approaches in rural Alaska to be more cost-effective.

Ms. Bohan responded that individual systems were considered in the planning process. The engineering planning documents included analysis of multiple alternatives and the funding agency review committee initially reviewed reports identifying which alternatives should be considered. If an alternative was determined to be not fundable or

permissible, the committee instructed planners to focus on realistic and fundable options. She explained that engineers developed cost estimates for three or four feasible alternatives, followed by a selection process to identify the most appropriate solution. The community also participated in selecting the preferred alternative. She relayed that everyone involved would prefer to use wells and septic systems whenever possible, as the systems were less expensive and easier to maintain. She shared that Lime Village and Rampart used individual systems and Northway used a flush tank and haul system, which were selected as a result of the review process. She noted that the communities in bold on slide 7 had received funding and that Alatna had not yet been funded. She clarified that the \$25.5 million figure came from the engineering planning document.

[3:46:54 PM](#)

Co-Chair Foster remarked that he had previously represented both Alatna and Allakaket. He noted that Alatna was located on the opposite side of the river from Allakaket, which created additional logistical challenges, such as transporting materials across the river by boat if there were not enough parts delivered with the main shipment. He acknowledged the complexity of the situation and appreciated the presentation.

Representative Jimmie thanked Co-Chair Foster for providing a description of the conditions faced in rural communities. She appreciated the department's efforts to bring running water to rural Alaska and stated that she wished there were a way to fast-forward the process so that all communities could receive service as soon as possible.

HB 53 was HEARD and HELD in committee for further consideration.

HB 54 was HEARD and HELD in committee for further consideration.

HB 55 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the agenda for the next committee meeting.

ADJOURNMENT

3:48:34 PM

The meeting was adjourned at 3:48 p.m.