

HOUSE FINANCE COMMITTEE  
April 28, 2025  
4:28 p.m.

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CALL TO ORDER

Co-Chair Schrage called the House Finance Committee meeting to order at 4:28 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative DeLena Johnson

ALSO PRESENT

David Scott, Staff, Senator Bert Stedman; Michael Partlow, Capital Budget Coordinator, Legislative Finance Division.

SUMMARY

SB 57      APPROP: CAPITAL/FUNDS/REAPPROP

SB 57 was HEARD and HELD in committee for further consideration.

Co-Chair Schrage reviewed the meeting agenda.

#sb57

SENATE BILL NO. 57

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

Co-Chair Schrage encouraged committee members to limit discussion on the bill to technical questions during the current meeting. He invited the bill presenter to the table and asked for an overview.

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DAVID SCOTT, STAFF, SENATOR BERT STEDMAN, directed attention to the reports included in committee packets (copy on file). The first document showed capital budget statewide totals [generated by the Legislative Finance Division (LFD)]. Column [1] showed the governor's amended budget, which reflected the governor's December 15 budget inclusive of amendments submitted by his office on later dates. Column [4] reflected the bill currently in front of the committee and Column [4]-[1] showed the differences between the current bill and the governor's amended budget. He explained that the easiest way to understand an appropriation bill was to get the information from the reports rather than going line by line through the bill. The second report showed project detail by agency for all departments. The report contained every project in the budget, the governor's original proposal, the Senate's changes to the bill, and the funding source for each project. He noted that the reports were on BASIS and available to the public.

Mr. Scott explained that the capital budget process was a collaborative effort between the House Finance Committee and Senate Finance Committee capital budget co-chairs. The offices held several in-person meetings. He shared that he worked closely with his counterpart in Co-Chair Schrage's office, which included meeting on a daily basis. He elaborated that since the beginning of session there had been meetings with the governor's office, the Office of Management and Budget (OMB), departments, agencies, the Court System, and the University. He noted that the work was all done with LFD's assistance and expertise.

Mr. Scott explained that the budget before the committee prioritized statewide needs over district-specific projects. In recognition of the current fiscal situation,

it was the smallest unrestricted general fund (UGF) budget in five years (since the COVID session, which had only been ~60 days and there had not been time to go through a robust process on the capital budget). The current budget concentrated on essential infrastructure investments, public safety upgrades, and statewide deferred maintenance needs. He relayed that he would address matching funds, individual projects accepted from the governor's budget, the deferred maintenance package, and an explanation of the funding mechanisms.

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Mr. Scott explained that "match" referred to state dollars that leveraged federal funding. The goal was to capture as much of the federal funding as possible. The budget included \$2.5 billion in federal funding captured with \$150 million UGF. The federal funding was spread out among several departments and agencies. The Department of Transportation and Public Facilities (DOT) was the largest recipient and included funding for roads, highways, bridges, airports, ferries, and disaster response. The Department of Environmental Conservation (DEC) also received substantial match funding for the Village Safe Water program for basic sanitation needs in rural Alaska. The Alaska Energy Authority (AEA) and Alaska Housing Finance Corporation (AHFC) received significant federal funding. The National Guard Armories under the Department of Military and Veterans Affairs (DMVA) were receiving match for renovations and upgrades at seven statewide sites. The remainder of the match funds would go to the Department of Health, DEC, Department of Fish and Game, Department of Natural Resources, and the University.

Mr. Scott discussed projects within the capital budget. The bill denied all individual CAPSIS [Capital Project Submission and Information System] requests. He explained that each of the 60 legislators had a CAPSIS account. Additionally, municipalities, communities, and some 501(c)(3) organizations were allowed to request state funding. The total request from all 60 legislative offices in the current session was \$3.2 billion. The bill denied 16 projects requested by the administration totaling \$49 million. Of the 27 projects approved in the budget, their size and scope had been reduced by \$10.5 million through several meetings and negotiations with departments and

agencies. The total cost of projects added after match was \$88.8 million.

Mr. Scott highlighted notable projects included in the bill beginning with the Dixon Diversion project. He detailed that the overall project was to increase the capacity of Bradley Lake hydroelectric. He pointed out that the funding in the bill was limited to allowing AEA to obtain the Federal Energy Regulatory Commission (FERC) license. Once the license was obtained, AEA would begin working on a construction funding package. He added that AEA and the Railbelt utilities were in partnership with the project. The bill included funding to AHFC for senior housing and rental assistance for victims displaced due to domestic violence. The budget included several information technology (IT) hardware, software, and network projects in departments (Department of Administration, Department of Law, Department of Labor and Workforce Development, and Department of Revenue) to allow government to operate efficiently. The budget also included funding for Dalton Highway (also known as the Haul Road) maintenance. The Dalton Highway was the route used to get supplies up to the North Slope.

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Mr. Scott continued to review projects included in the capital budget. The budget included \$26 million in designated general funds (DGF) from the Marine Highway Fund (fare box revenue) for AMHS vessel maintenance and overhaul. He stated that the Department of Public Safety (DPS) was the biggest winner in the budget and funds were allocated to the purchase of body armor and protective equipment, and aircraft and vessel maintenance and repair. The largest UGF item was for a new Evidence Building at the DPS Fairbanks Post. He detailed that the current evidence rooms in Fairbanks were Conex boxes, which were not ideal. He elaborated that there was black mold in the rooms that could ruin the evidence. Additionally, DPS staff had to wear full hazmat gear in order to go into the rooms to get evidence to bring to court.

Mr. Scott highlighted that the budget funded the first six projects on the Renewable Energy Fund list compiled by the Renewable Energy Fund Advisory Committee under AEA. The projects were located in Pelican, Naknek, Skagway, Kwethluk, Quinhagak, and Nenana. The budget included

funding for a request for court security upgrades within the Judiciary. Additionally, there was funding to DFG for statewide salmon studies for up to date information in order for the department to sustainably manage fish runs.

Mr. Scott reviewed that of the 27 projects and \$89 million, there was \$46 million in UGF for 19 projects, \$34 million in DGF for 5 projects, and \$9 million in other funds for 3 projects. He highlighted that the Harbor Matching Grant contained some funding and was not sweepable. He explained that when the grant contained available funding it could be used by DOT without further appropriation. He elaborated that DOT had communicated the funding would be used for three projects in the coming year including the Eliason Harbor in Sitka, the Aurora Harbor in Juneau, and Statter Harbor in Auke Bay.

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Representative Galvin asked Mr. Scott to refer to page numbers when applicable.

Mr. Scott replied affirmatively. He turned attention to the deferred maintenance package negotiated between Co-Chair Schrage and the Senate Finance Committee co-chair. He stated that deferred maintenance was a serious issue that would not go away by ignoring it. He underscored it was a statewide liability that required serious attention. Otherwise, the state would be dealing with negative consequences including safety hazards and negative costs in the future. The current deferred maintenance package was \$36 million. He noted that \$19 million was for the Major Maintenance Fund for K-12.

Representative Allard was trying to follow along and requested the location of the items in the bill.

Mr. Scott requested an at ease.

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AT EASE

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RECONVENED

Co-Chair Schrage relayed that some materials had been distributed in order for members to follow along.

Mr. Scott reviewed that the deferred maintenance package was \$36 million. He noted that \$19 million would go to the Major Maintenance Fund for K-12, which would fund the first five projects on a list compiled by DEED. There was \$5 million for the University and \$1.4 million for Mount Edgecumbe. He explained that Mount Edgecumbe was not eligible to apply for major maintenance grants; it did not compete against other schools in the state, but it competed against all other state assets for deferred maintenance. There was \$750,000 in deferred maintenance funds for the Judiciary and \$10 million in statewide funds for the governor's office. He clarified that the statewide increment for the governor's office was for emergent issues arising during the year that needed to be addressed quickly in order for state operations to continue.

Representative Galvin asked if the funding for the governor's office was only used for deferred maintenance and not emergencies. Alternatively, she asked whether it was an emergency fund filler. For example, she asked if it was roofs and boilers or something else.

Co-Chair Schrage responded that there was language that restrained the expenditure of the funds.

Mr. Scott deferred the question to LFD.

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MICHAEL PARTLOW, CAPITAL BUDGET COORDINATOR, LEGISLATIVE FINANCE DIVISION, explained that the statewide deferred maintenance appropriation to the governor's office was for any deferred maintenance needs for state assets. He elaborated that due to the deferred maintenance backlog, the funds had been more recently used for emergent needs. He detailed that each department applied based on its priorities. He furthered that if a roof was collapsing or there were other emergent needs, those things received a higher priority. He noted that because of the billion dollar scale of the state's deferred maintenance list, there was always a roof collapsing somewhere.

Mr. Scott continued to explain the funding mechanisms. The budget reappropriated old UGF from old and stalled projects in the amount of \$47.1 million (Section 13 of the bill, page 44) and \$20.9 million in old match for highway and

aviation. The action displaced \$68 million UGF. The bill increased the Alaska Industrial Development and Export Authority (AIDEA) dividend to the statutory cap. He detailed that AS 44.88.088 stated that the AIDEA dividend must be between 25 and 50 percent of AIDEA's net income. In the current year, the AIDEA board authorized a \$20 million dividend, which was 30 percent of the net income. The bill increased the number to the statutory cap of 50 percent of net income or \$12.5 million. The actions displaced \$80 million UGF.

Co-Chair Schrage asked for verification it was an additional \$12.5 million above the amount authorized by the board.

Mr. Scott confirmed that the budget added \$12.5 million on top of the \$20 million authorized by the board.

Representative Galvin asked if the bill added \$68 million plus \$12.5 million for a total of \$80.5 million.

Mr. Scott responded affirmatively.

Representative Allard asked if the maintenance for Mount Edgecumbe fell under DOT.

Mr. Scott responded that DOT performed the maintenance at Mount Edgecumbe, but to his knowledge, the funding went to Mount Edgecumbe.

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Mr. Scott concluded his review of the capital budget. The budget contained \$161.6 million UGF, which was \$119.8 million less than the governor's submitted budget. The reductions had been achieved by denying \$49 million in administration requests, reducing approved projects by \$10 million, and displacing \$80.5 million UGF as a result of reappropriations and the AIDEA dividend. The total capital spend was \$2.9 billion.

Representative Stapp observed there was a fund source change for the AIDEA dividend software system replacement from general funds to Permanent Fund Dividend (PFD) funds. He asked when the project was supposed to be completed. He understood it had been in the queue for a long time.

Mr. Partlow responded that he had not seen a specific timeline for the project. He stated that the development of a replacement for the original dais program had been going on for well over a decade.

Representative Stapp asked how many decades it would take to replace software for the PFD, especially if PFD money was used. He asked about the Nome Port reappropriation. He thought it appeared the funds were encumbered. He asked if they were creating a liability in the general fund match dollars for DOT for reappropriating encumbered funds.

Mr. Scott believed that a committee substitute by the House Finance Committee would address the issue.

Co-Chair Foster asked how many CAPSIS requests were submitted.

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

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Co-Chair Josephson looked at the funds for DPS to purchase body armor. He noted he had seen it in the operating budget as well. He asked about the distinction between what was included in the operating budget and the increment in the capital budget.

Mr. Scott answered that he did not know. His focus was on the capital budget.

Representative Bynum appreciated the overview provided by Mr. Scott. He recognized it was a difficult budget due to a lack of funding and he was grateful for the hard work getting the information to the committee. He expressed concern about the school major maintenance. He understood the state was in a difficult position in terms of how the item was funded. He discussed that major maintenance was updated by the most emergent needs. He underscored that there were school districts that were not putting in the adequate maintenance necessary to maintain their facilities and were letting them go into lapse in order to get on the list to get funded. He stressed the committee needed to take a better look at the issue because there were many needs across the state and many districts doing a lot of hard work to maintain their facilities, while there were

other districts that had testified to the committee that they were not doing [a lot of work to maintain facilities] because they otherwise would not get funding.

Representative Hannan relayed that the committee had heard from the Court System on its capital needs the previous week. She looked at contingency language related to the sale of the Stratton Library in Sitka to the Court System in Section 18, page 51. She observed that it appeared the building had not yet been sold. She asked about the sale price and what the state's investment needed to be to get it functional as a court building.

Mr. Scott responded that he did not know what the total cost would be to turn the Stratton Library into a courthouse. He believed the Court System would have the numbers. He relayed that there had been discussions between DEED and the Judiciary in the past and there had been a \$2 million appropriation to transfer the property in the FY 25 capital budget that was vetoed.

Representative Hannan remarked that the committee had heard from the Judiciary that it was a necessary step. She pointed out that the item was not mentioned with any dollar figure in the budget and the bill contained the contingency language "request a supplemental." She did not want the legislature to be shocked the following session if it received a supplemental capital request. She thought the item was something the legislature should predict and account for in the future.

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Representative Stapp remarked that the AIDEA board had approved a specific dividend amount and the budget included a larger number. He asked what would happen if the AIDEA board said it would not give a larger dividend.

Mr. Scott answered that he did not know what would happen, but AIDEA would have to speak to the legislature about it on the record.

Representative Stapp asked about a reappropriation of enhanced 911 funding to the Rabinowitz Courthouse.

Mr. Scott stated his understanding that the increment would help with communications pertaining to security while transporting prisoners in the elevators.

Representative Bynum highlighted the \$155 million UGF match used to capture \$2.5 billion of federal funding. He asked if there were other instances where federal funding was not available due to issues within DOT. He used the Statewide Transportation Improvement Program (STIP) as an example. He asked if there was potential the state could come as a later supplemental associated with the correction of the errors.

Mr. Scott asked if Representative Bynum was inquiring whether the state could potentially lose federal funding.

Representative Bynum replied affirmatively.

Mr. Scott answered that he had heard no concern from OMB, DOT, LFD, or anyone about the state's federal highway or aviation match.

Representative Tomaszewski asked whether the Senate had removed an increment for Alaska Gasline Development Corporation (AGDC) phase 1. He asked for detail about the \$4.2 million increment.

Mr. Scott responded that the increment had been removed by the Senate. He could not speak to any motives associated with the removal of the funding.

Representative Tomaszewski asked what phase 1 of the project entailed.

Mr. Scott replied that he did not have the information, but he could provide it to the committee later.

SB 57 was HEARD and HELD in committee for further consideration.

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Co-Chair Schrage reviewed the schedule for the following meeting.

#  
ADJOURNMENT

5:05:22 PM

The meeting was adjourned at 5:05 p.m.