

SENATE FINANCE COMMITTEE
March 25, 2025
9:02 a.m.

[9:02:37 AM](#)

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Donny Olson, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Mike Cronk
Senator James Kaufman
Senator Jesse Kiehl
Senator Kelly Merrick

MEMBERS ABSENT

None

ALSO PRESENT

Pete Ecklund, Staff, Senator Lyman Hoffman; Thomas Lochner, Director, Alaska Broadband Office, Department of Commerce, Community and Economic Development.

SUMMARY

SB 59 APPROP: SUPPLEMENTAL; FUND CAP

SB 59 was HEARD and HELD in committee for further consideration.

PRESENTATION: ALASKA BROADBAND OFFICE

Co-Chair Hoffman discussed the agenda.

#sb59

SENATE BILL NO. 59

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

9:03:26 AM

Co-Chair Stedman MOVED to ADOPT proposed committee substitute for SB 59, Work Draft 34-GS1753\N (Marx, 3/22/25).

Co-Chair Hoffman OBJECTED for discussion.

9:03:58 AM

PETE ECKLUND, STAFF, SENATOR LYMAN HOFFMAN, addressed the committee substitute (CS), which he described as an omnibus supplemental bill that included capital and operating items. He drew attention to three documents labeled A, B and C (copy on file). He explained that Document A was a short fiscal summary produced by the Legislative Finance Division (LFD). He directed attention towards the bottom of the document to a post transfer surplus deficit of \$81.1 million in FY 25. He explained that before any new appropriations were made in FY 25, there was already a deficit because the small surplus from the previous spring had changed through a fall revenue forecast that projected a deficit before any new spending.

Mr. Ecklund continued to address the fiscal summary on Document A and pointed out that there was a proposed \$111.4 million of UGF spending. There was a negative \$24 million in Designated General Funds (DGF), which was mostly related to a clean-up of how the University of Alaska (UA) categorized funds, which resulted in reducing UA receipts. There was a proposed \$288.1 million in federal funds, most of which was related to Medicaid. He informed that most of the capital spending was to plug orphaned wells.

Mr. Ecklund continued that there was \$163.5 million in Other Funds, mostly related to UA and cleaning up its budget method. He listed increases in interagency receipts and statutory designated program receipts. The categories totaled \$539 million. The CS incorporated all of the governor's supplemental items as requested, including items in SB 59, the fast-track supplemental; SB 84, the regular supplemental; and the UGF item in SB 56, the operating budget.

9:07:00 AM

Mr. Ecklund outlined exceptions to the total, including (in the numbers section) that the CS changed the Alaska Vocational Technical Center (AVTEC) item for electrician and plumbing classes. The governor's request had included \$888.6 thousand UGF, and the CS proposed \$660 thousand of step funds for the purpose. The bill did not include a \$1.6 million increment for Village Public Safety Officer (VPSO) positions. The positions were created the previous session but had not received legislative approval. In the capital numbers section, there was a fund source change for the Alaska Marine Highway System (AMHS). There had been a request for \$6.5 million for maintenance and overhaul to be from the AMHS System Fund. The fund source was switched to UGF to avoid a shortfall in the AMHS System Fund in FY 26.

Mr. Ecklund addressed the language section of the CS and noted that the governor's request of \$10.1 million for fire suppression was increased by \$3 million due to the early start to the fire season. There had been a \$10 million request related to the Supplemental Nutrition Assistance Program (SNAP) that proposed using two reappropriations from FY 21, which Legislative Legal Services had deemed invalid. The CS substituted UGF for the purpose. He noted that there was an associated penalty and required investment for SNAP.

Mr. Ecklund continued that additionally, in total in the CS there was \$29 million for the disaster relief fund. Of the \$29 million, the administration had proposed a \$3 million reappropriation. The CS changed the \$3 million to UGF.

Mr. Ecklund outlined that in the Department of Corrections, there was a supervisory standby pay increment request. The CS broke down the request into three appropriations that matched the appropriation structure in the FY 26 budget for the same purpose. The only other changes in the bill were technical. The CS did not add any items beyond the governor's request aside from the \$3 million addition for fire suppression. The Constitutional Budget Reserve (CBR) language in the bill worked to cover the \$81 million deficit before any new appropriations. After adding appropriations of \$111.4 million, the CS would add approximately \$7.5 million for "headroom" to cover any supplemental requests submitted in the following days

before the end of session. There was an approximate \$200 million CBR draw in the CS. If the revenue was lower than projected, there would be a higher CBR draw to cover the deficit. The reverse was also true in the case that the revenue was higher than projected.

[9:11:03 AM](#)

Co-Chair Hoffman WITHDREW his objection. There being NO further OBJECTION, it was so ordered. The CS for SB 59 was ADOPTED.

SB 59 was HEARD and HELD in committee for further consideration.

[9:11:38 AM](#)

AT EASE

[9:13:26 AM](#)

RECONVENED

^PRESENTATION: ALASKA BROADBAND OFFICE

[9:13:34 AM](#)

THOMAS LOCHNER, DIRECTOR, ALASKA BROADBAND OFFICE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, discussed a presentation entitled "Alaska Broadband Office - Broadband and Digital Empowerment Update" (copy on file). He relayed that he was present to provide an update on the two programs managed by the Alaska Broadband Office (ABO) - the Alaska Broadband Grant Program (an extension of the Broadband Equity Access and Deployment Program under Infrastructure Investment and Jobs Act (IIJA)) and the Digital Equity Act, also under IIJA.

Mr. Lochner looked at slide 2, "Alaska Broadband Office - Mission":

Facilitate access to the full benefits of broadband to all Alaskans with improved quality of service and lower costs.

Mr. Lochner spoke to slide 3, "Alaska Broadband Office," which showed a flow chart. He relayed that when he was previously in committee the ABO had only four employees, and had since grown with the program requirements. The team

had added a project coordinator and an administration manager to ensure budgeting in alignment within state and federal requirements.

Mr. Lochner showed slide 4, "Alaska Broadband Grant Program."

Mr. Lochner turned to slide 5, "State Partners":

Division of Community and Regional Affairs

- Grant Administration
- Mapping Analytics and Data Resources

Department of Natural Resources

- Office of Project Management and Permitting
- Mining, Land, and Water

Department of Transportation and Public Facilities

- Project Coordination
- Permitting

Department of Environmental Conservation

- Permitting

Mr. Lochner considered slide 6, "Funding Source: Broadband Equity, Access, and Deployment Program from the Federal Infrastructure Investment and Jobs Act," and reminded that the Alaska allocation for BEAD was just over a billion dollars. He anticipated that we would be distributing just short of \$990 million to infrastructure projects.

[9:18:00 AM](#)

Senator Kaufman asked about the project coordinator position on the organizational chart and the project coordination listed on the slide under the Department of Transportation and Public Facilities (DOT). He asked Mr. Lochner to expand on the division of tasks between the two roles.

Mr. Lochner noted that the Venn diagram illustrated the overall project, and the role within DOT was for project needs within the department.

Co-Chair Stedman referenced slide 6 and the \$1 billion allocation. He asked how much of the funding had been sequestered or frozen by the federal government.

Mr. Lochner answered "none."

Mr. Lochner displayed slide 7, "Major Accomplishments":

Broadband Equity, Access and Deployment (BEAD)
Broadband Grant Program

- The Alaska Broadband Office (ABO) submitted its Initial Proposal Volume II (the grant program structure) on December 27, 2023.
- The National Telecommunications and Information Administration (NTIA) approved the State of Alaska's Initial Proposal Volume II on October 10, 2024.
- The ABO launched the Alaska Broadband Grant Program application period December 16, 2024, with an application close of April 14, 2025.

BEAD State Challenge Process

- The NTIA approved the State of Alaska's assessment of the Served, Unserved, and Underserved Broadband Serviceable Locations (BSLs) on December 31, 2024.

Mr. Lochner commented on the significant amount of time between ABO's grant proposal and its approval by the National Telecommunications and Information Administration (NTIA). There had been two primary challenges to the approval of the BEAD program. He mentioned Footnote 70 in the Notice of Funding Opportunity. The footnote had modified Subsection 15, which had iterated that on tribal lands the owner had authority over the land. Footnote 70 indicated that in order to have a project assigned, at least 51 percent of tribes in the region must approve the project within an area.

Mr. Lochner recounted that ABO Tribal Liaison Melissa Kookesh had pointed out that the footnote violated the Alaska Native Claims Settlement Act (ANCSA) by giving authority over the land to non-landowners. The Department of Law had been consulted and concurred with the tribal liaison. He continued that NTIA asserted that tribes had to be involved in activity on its lands. The situation had taken a long time to resolve but there had been resolution. A compromise was made and Section 15 was followed to allow the landowner purview of permits and easements. Each applicant had to show a good faith effort of informing tribes of activity.

Mr. Lochner addressed the second challenge in approval of ABO's grant application. There had been concern that one of the other non-NTIA federal programs was going to fail. The program covered an entire region of the state. He explained that ABO had had purposefully delayed filing the mapping in order to coordinate with the other program to ensure coverage in that area.

[9:24:01 AM](#)

Mr. Lochner highlighted slide 8, "Current Alaska Broadband Grant Program Elements," which listed pass/fail criterion and scoring for the current ABO grant programs. He discussed organization of the grant program. He listed criteria on the slide:

1. Applicant License and Registration Information
2. Organizational and Managerial Capability
3. Financial Capability
4. Other Public Funding Disclosure
5. Technical Capability
6. Project Sustainability
7. Compliance with Applicable Federal, State, and Local Laws
8. Civil Rights and Nondiscrimination Law Compliance
9. Cybersecurity and Supply Chain Risk Management (C-SCRM)
10. Weather/Climate/Natural Hazard Threat Assessment and Mitigation Plan
11. National Environmental Policy Act (NEPA) Requirements
12. Indian Tribe/Tribal Entity Proof of Support
13. Low-Cost Option
14. Middle Class Affordability
15. Application and Grant Agreement Certification

Mr. Lochner discussed project sustainability and used the example of a village that set up Wi-Fi with a LEO provider. As soon as the LEO provider sent the first bill, the village turned off the service and went with Starlink due to the cost.

Co-Chair Hoffman asked Mr. Lochner to explain the significance of LEO.

Mr. Lochner relayed that LEO signified a "low earth orbit" satellite provider and noted that there were currently four. He explained that Starlink and others had and/or were developing LEO. He explained that a LEO was only about 3,000 miles up, while mid-orbit was about 15,000 miles up and geo-synchronous orbit was about 23,000 miles up.

Mr. Lochner continued to address the list of grant criteria on slide 8. He relayed that items 13 and 14, a low-cost option and middle-class affordability, would likely go away due to the impact of what was happening in Washington D.C. He discussed fixed rates being perceived as rate regulation. He discussed publishing ABO's contract. He discussed timing of the grant program and recommendation of awards, and ABO's streamlining of items up front.

[9:28:15 AM](#)

Mr. Lochner addressed the scoring criteria on the right-hand side of slide 8. He mentioned working with NTIA to come up with scoring. He mentioned the affordability program changing, due to numbers that might be construed as rate regulation. He discussed streamlining of permitting. He discussed extensive permitting work at a previous job.

Mr. Lochner looked at slide 9, "Broadband Grant Program Timeline - 2024 Estimate, 2025 Current, and 30-Day Review," which showed a timeline of the Broadband Grant Program for the initial proposal Volume 2. He compared his time estimate from the previous year with the green brackets that showed actual progress. He mentioned a pause to do an executive order impact review. He discussed questions of what Congress could do that might impact ABO.

Mr. Lochner addressed slide 10, "Broadband Grant Program Timeline - 2025 Projection," which continued the timeline from the previous slide, including the final proposal and grant build phases. He highlighted that ABO would take 90 days to review applications and was in the process of contracting National Environmental Protection Agency consultants as well as professional engineers to help with application review. After administration review, ABO would submit the final results to NTIA.

[9:31:55 AM](#)

Mr. Lochner showed slide 11, "Alaska Digital Empowerment Capacity Grant Program."

Co-Chair Hoffman asked if Mr. Lochner had a map of what ABO anticipated coverage to be for the broadband program. He thought many people already had Starlink or other programs. He asked what the people of Alaska could expect when fiber optic cable was made available.

Mr. Lochner detailed that ABO had a map on its website that showed every broadband serviceable location that ABO had been approved for, and showed served and underserved capacities. The map also showed where community boundaries are to see what locations fell within communities. He described a remote cabin that would likely need to be some sort of satellite solution. He mentioned that Starlink kept its customer rolls confidential, so ABO did not have a sense of which locations that were served. The challenge with any LEO satellite provider was that service ability shrank with greater numbers. He mentioned a map of space that showed all the Starlink satellites. He shared that there was a band around the Earth that covered the Lower 48 brilliantly, however there were only five to seven Starlink satellites over Alaska at any given time, so if there was more adoption, more satellites were needed or service would go down.

[9:35:52 AM](#)

Co-Chair Hoffman asked about the basic service difference between Starlink and fiber.

Mr. Lochner thought Starlink maximized at about when 230 megabytes down and about 50 megabytes up. When it was higher it could go up to 150 mg down and 20 up. With fiber, depending on configuration, one could do 30 terabytes of data. He thought that with artificial intelligence (AI) and additional infrastructure, there would be a need for more and more bandwidth which he thought would ultimately overwhelm Starlink's capacity.

Co-Chair Hoffman asked about where the state would be with connectivity once the entire project was done.

Mr. Lochner thought Co-Chair Hoffman had asked a "wonderful but challenging question." He relayed that before the \$1 billion was allocated to the state, ABO had sent an

analysis to ITIA that indicated it would take \$2 billion to do what was needed in the state. He noted that the state had been successful with other programs, which had offset the need. He opined that there would still be some extraordinarily high-cost areas that would have to be served with a LEO option. He thought there would be 96 percent of the state that would be fiber, and the other 4 percent would be the high-cost option.

Co-Chair Hoffman asked how Alaska would compare with the rest of the country.

Mr. Lochner did not have the information at hand but offered to provide it at a later time.

[9:38:46 AM](#)

Mr. Lochner looked at slide 12, "Funding Source: Digital Equity Act from the Federal Infrastructure Investment and Jobs Act":

- \$2.75 BILLION FOR ALL STATES AND TERRITORIES
- Planning Grants: \$60 Million - Alaska Awarded: \$567,800.00
- Capacity Grants: \$1.44 Billion - Alaska's Award: \$5,631,769.64
- Competitive Grants: \$1.25 Billion - Alaska's Award: TBD

Mr. Lochner discussed the three tranches of funding listed on the slide. He discussed contracting with the Rasmusson Foundation for help writing a plan. He anticipated further awards of \$1.8 million for FY 25 and \$1.8 million for FY 26 for digital empowerment. He thought the funding listed on the slide would "tap the surface" and was in no way comprehensive considering cyber security and what was needed.

Co-Chair Hoffman asked how the infrastructure would be maintained once the services were in place.

Mr. Lochner mentioned the criteria of sustainability. There was a system by which applicants would be able to look up each community and get information on sustainability. He discussed households with fiber and pre-determined project areas to create an economy of scale. He mentioned

sensitivity to regions and listed villages that tended to be close enough to be able to combine for sustainability.

[9:43:29 AM](#)

Mr. Lochner showed slide 13, "Major Accomplishments":

State of Alaska Digital Empowerment Capacity Grant Program

- The NTIA approved the State of Alaska's Digital Empowerment Capacity Grant Program on November 10, 2024
- The ABO launched the Alaska Digital Empowerment Capacity Program application period on December 13, 2024, with an application close of April 12, 2025
- Successful applicants will receive a portion of \$5.6 Million

Mr. Lochner referenced slide 14, "Alaska Digital Empowerment Capacity Grant Dates & Timeline," which he noted was a visual representation of all the elements.

Mr. Lochner turned to slide 15, "Thank You":

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Co-Chair Hoffman thanked Mr. Lochner for his presentation. He thought the program was a big endeavor that would leave the state better off.

Mr. Lochner thanked the committee.

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

#

ADJOURNMENT

[9:45:15 AM](#)

The meeting was adjourned at 9:45 a.m.