

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILES 8672

2568 SCOMM 111: DEFERRED MAINTENANCE TASK FORCE, 1997

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111:28

STATE OF ALASKA

SIX YEAR CAPITAL PLAN

FOR FISCAL YEARS 1998-2003

and

CAPITAL BUDGET

FOR FISCAL YEAR 1998



Tony Knowles
Governor

Prepared by the Office of Management and Budget - February 1997

TONY KNOWLES
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

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March 18, 1997

The Honorable Mike Miller, Senate President
The Honorable Gail Phillips, Speaker of the House
State Capitol
Juneau, Alaska

Dear President Miller and Speaker Phillips:

A bright Alaska future depends on quality education, safe communities, healthy citizens, environmentally responsible development and good jobs. With these building blocks, we will get the economy moving and cut government the *right* way — such as by actually reducing juvenile and adult crime rates or helping families get off welfare. Our building blocks must include adequate schools, roads, airports, sanitation facilities and prisons. Alaska needs a plan for our future capital investments in these facilities. We must agree on what is needed, develop appropriate financing methods and be sure they fit into a responsible long-term financial plan.

How should we approach the task of mapping out a capital investment plan? Many Alaska communities hold public hearings on proposed multi-year plans which are then adopted by council or assembly resolution. Last spring, I proposed a Six Year Capital Plan for Alaska to address K-12 and university education, economic development, public safety, transportation, and deferred maintenance. Unfortunately, no legislative hearings were held on the plan.

I believe it would be appropriate to include consideration of a six year plan in the responsibilities of the Task Force on Deferred Maintenance which you have proposed. This updated plan for fiscal years 1998-2003 could serve as a starting point for discussion. I respectfully urge you to hold public hearings during the interim so that a resolution adopting a six year plan could be passed next session.

My proposed fiscal year 1998 capital budget focuses squarely on creating new jobs, ensuring public health and safety, developing our transportation systems, and maintaining our schools and university. Nevertheless, there are significant unmet needs in the areas of schools, prisons and deferred maintenance which require our immediate bipartisan attention. I look forward to joining with you in developing a realistic, financially responsible solution to meeting Alaska's capital needs for fiscal year 1998 as well as for the next five years.

Sincerely,

A handwritten signature of Tony Knowles in dark ink.

Tony Knowles
Governor

I. Introduction

Alaska faces several important capital investment issues:

- **Maintaining an adequate level of capital investment while closing the fiscal gap;**
- **Fairly allocating the state's limited funds available for capital investment across the large list of identified capital needs;**
- **Addressing the backlog of deferred maintenance on state facilities; and**
- **Determining the mix of funding sources to be used for capital investment, including decisions on the appropriate role and timing of debt financing for capital projects.**

To address these issues well, Alaska needs a six year capital plan as required by Alaska Statute 37.07.040. The Knowles administration is committed to working with the Legislature to reach agreement on a long-range capital plan that will meet the capital investment needs of Alaska.

A long-term capital plan is an important element of a comprehensive long-term financial plan for Alaska. It will help ensure that the state's financial resources are used most effectively and be helpful in obtaining federal funds, which are often allocated on a long-term basis. The plan will promote stability in the Alaska economy and provide Alaska's communities and construction industry with better information for making their own investment plans.

In the past, there have been huge swings in the size of state capital budgets as state revenues fluctuated. As shown in the chart on the next page, general fund capital spending since FY 80 has ranged from a low of \$92 million in FY 80 to a peak of \$1.2 billion in FY 85. (Federal dollars remained relatively stable during this time.)

"Feast or famine" capital spending makes it difficult for the state's construction industry to maintain jobs for Alaskans in lean times and handle all the work in boom periods. A six year capital plan that is relatively constant in size will help ensure that public works dollars remain with Alaska companies.

CORRECTION

**THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
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Rev. 6/98

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State of Alaska

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**STATE OF ALASKA
SIX YEAR CAPITAL PLAN
Fiscal Years 1998-2003**

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I. Introduction

Alaska faces several important capital investment issues:

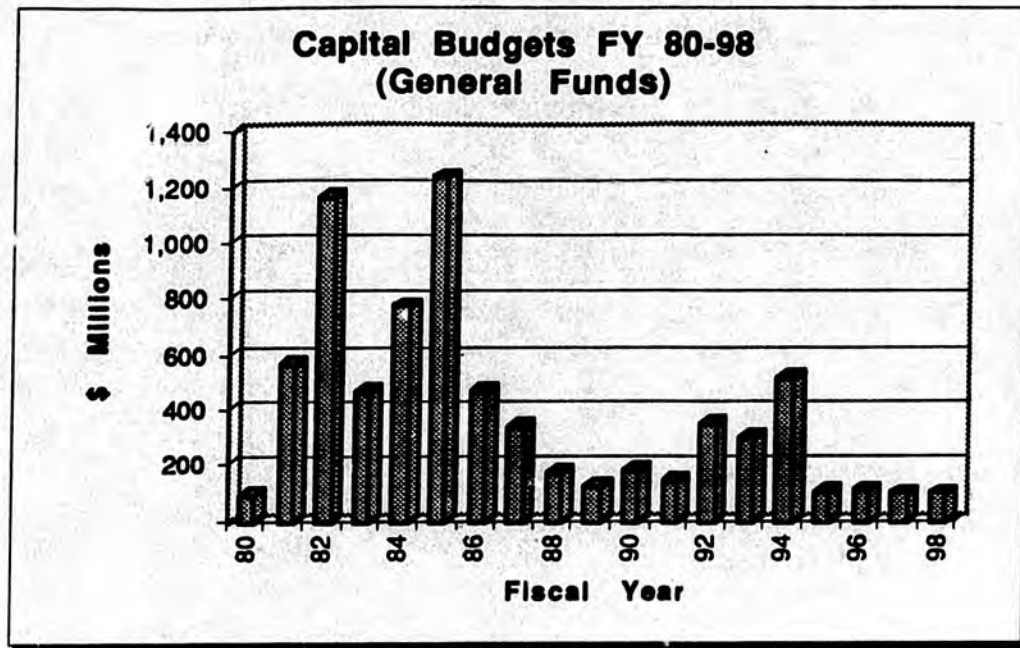
- **Maintaining an adequate level of capital investment while closing the fiscal gap;**
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II. Total Statewide Capital Needs

The starting point for development of this six year capital plan was the list of total statewide capital needs estimated by state agencies, which is summarized in the following table. The list totals nearly \$4.5 billion. The amounts shown are approximate; in addition, the amounts shown for school construction and maintenance needs do not include all six year needs, because some school districts only submit current year requests.

These needs must be closely evaluated to determine whether alternatives or reductions are possible in light of the necessity to reduce state spending and close the fiscal gap. The state could not reasonably afford to fund even half of this \$4.5 billion list over the next six years.

It is important to develop strategies to address needs that the state will not be able to meet over the next six years. In some cases, phasing over a longer period may be necessary. In others, the state should assess whether to consolidate facilities, transfer them to other entities or close them.

State of Alaska's Capital Needs - Preliminary Assessment

Amounts include general funds only

Agency	Program	Amount In Millions
Administration	Pioneer Home deferred maintenance	97.0
Commerce/Econ. Dev.	Economic development projects	14.0
Community/Regional Affairs	Energy and bulk fuel projects	304.0
Corrections	Prison and jail expansions	149.0
Corrections	Deferred maintenance - existing facilities	29.3
Education	School construction (local requests - see text note above)	534.3
Education	School maintenance (local requests - see text note above)	150.6
Education	School district education technology	60.0
Environmental Conservation	Village water and sewer	1,108.0
Environmental Conservation	Municipal water and sewer	1,191.0
Fish and Game	Facilities, aircraft and vessels	30.0
Health/Social Services	Renovation and repair - existing facilities	24.8
Health/Social Services	Youth detention and treatment facility expansion	35.0
Labor	Facility maintenance and computer systems	23.0
Law	Computer systems	0.7
Military/Veterans	Deferred maintenance and match for fed. funded facilities	24.0
Natural Resources	Park facilities, economic development	42.4
Public Safety	Facilities, aircraft and vessels	42.4
Transportation	Match for federal funds - all modes	204.0
Transportation	Deferred maintenance - all modes and facilities	116.3
Transportation	Non-routine maint. - all modes w/AK Marine Hwy. Sys.	12.0
University	Deferred maintenance	133.0
University	New projects	103.0
Courts	Court buildings	19.3
All State Agencies	ADA compliance	43.8
Total General Fund Needs		4,490.9

III. Availability of Funds

The availability of capital funds over the next six years will depend on several factors, including:

- Development and implementation of a long-range plan to balance and stabilize the state's finances;
- Petroleum prices and production;
- Anticipated changes in federal funding, especially for transportation, water and sewer projects; and

- Utilization of funding sources other than general fund cash.

The FY 97 and proposed FY 98 capital budgets are both about \$100 million in general funds and \$53 million in corporate receipts from Alaska Housing Finance Corporation (AHFC). This is proving to be inadequate for meeting statewide needs.

Corporate receipts from the Alaska Industrial Development and Export Authority (AIDEA) are another source of funds employed in the FY 98 capital budget and available for use in a six year capital plan. The FY 98 capital budget proposes reinvesting the \$16 million AIDEA dividend in projects to leverage more jobs and economic expansion in fisheries, timber, mining and other sectors.

A more reasonable target for state funds allocated to capital spending over the next ten years is approximately \$180-220 million per year. Certainly the state's capital needs are much larger than this amount, but the state's fiscal outlook and the need to close the annual budget gap suggest that general and AHFC funds capital budgets be limited to this range.

IV. Potential Changes in Federal Capital Funds

For the last three years, Alaska has received about \$360 million each year in federal capital funds. The bulk of these federal funds are in two areas: transportation and clean water.

Alaska has been fortunate in recent years to receive federal transportation funds substantially greater than what state residents and businesses pay in federal fuel taxes. Congress is currently reviewing the federal allocations of transportation funds; the outcome of this effort will affect how much Alaska receives in federal transportation dollars. The Knowles Administration is working closely with Alaska's congressional delegation to protect our share of federal transportation funding. In the short term, federal transportation funding apportioned to Alaska is expected to drop from \$220 million in FY 97 to \$215 million in FY 98. In the event that federal funding decreases further, the state will need to consider scaled-down transportation capital budgets and some replacement of federal funds by other fund sources such as state fuel taxes.

Alaska has also been fortunate to receive substantial federal funding for urban and rural sanitation grants and loans. In FY 98, we are receiving \$27 million in Safe Drinking Water funds, most of which are for loans to communities. However, more than \$2 billion in additional capital investment will be necessary to bring Alaska's systems up to national standards. The recent reauthorizations of the Farm Bill and Safe Drinking Water Act each include \$15 million per year in Alaska sanitation funding. While this funding authorization is good news for Alaska, the actual amount that will be appropriated in future years is uncertain and likely to be somewhat less.

V. State and Local Responsibilities for Capital Investments and Maintenance

The division of responsibilities between the state and local governments in Alaska for construction and maintenance of capital investments is an important consideration in developing a long-term capital plan. There is considerable interest from communities in taking on local responsibility for capital facilities such as roads and harbors if a source of funding for maintenance can be secured. The Knowles Administration supports local governments taking more responsibility for capital investments of a local nature. As one example of the state's encouragement of greater local responsibility, the Statewide Transportation Improvement Program developed recently by the Department of Transportation and Public Facilities gives priority points for projects when local governments provide matching funds. Another example is the funding forum, a multi-agency (state, federal, private sector) group that meets regularly to review economic development project proposals and provide alternative financing ideas to project sponsors.

The state can also be more proactive in helping municipalities arrange financing from sources other than cash grants from the state.

VI. Financing Options

There are nine major financing options available to the state for capital investments.

- General fund cash
- Federal matching funds
- Local matching funds
- State corporation bonds and corporate receipts (Alaska Housing, AIDEA, etc.)
- Revolving loan funds
- Debt reimbursement for municipalities
- Lease/purchase and long-term leases
- Revenue bonds, and
- General obligation (G.O.) bonds

With the exception of general obligation bonds, all of these financing options have been used to some extent in recent years.

As state policy makers evaluate financing options for future capital investments, it makes sense to consider total general fund capital spending as the sum of direct capital spending (cash) and debt service payments. In addition, it is critical that the long term operating costs of proposed capital projects be considered when decisions are made to fund particular projects.

One of the most important capital investment decisions is whether to use voter-approved general obligation debt as a financing tool. From statehood through the early 1980s, G.O. bonds were the primary financing mechanism used to meet the State of Alaska's capital needs. With the increase in oil prices and state revenues in the early 80s, the state had surplus revenues available for capital investment and G.O. bonding was discontinued. State debt service payments — including G.O. debt, lease purchase obligations, and school debt reimbursement — have declined from a peak of \$283.7 million in FY 87 to \$81.0 million for FY 98.

With declining state revenues and a large backlog of needed schools, prisons, water/sewer facilities, deferred maintenance and other statewide capital infrastructure, G.O. bond and/or lease purchase financing of approximately \$500 million over the next five to eight years would be an appropriate and fiscally responsible use of Alaska's debt capacity (G.O. bonds would be voter-approved; lease-purchase debt would be legislatively approved). The debt service for these bonds can be accommodated within a sound long-range financial plan. The administration recommends that G.O. bond financing be incorporated into the discussions of both a six year capital plan, and a long-range financial plan for Alaska. It should be considered for possible placement on the ballot in November 1998.

State Debt Capacity

The traditional measures of state debt capacity employed by the bond rating agencies include the ratio of debt service to unrestricted revenues, debt per capita, debt per \$1,000 of statewide personal income, and debt to full value of taxable property. Alaska's oil revenues have produced a high level of per capita revenue relative to other states. Therefore, the rating agencies have relied primarily on the ratio of debt service to unrestricted revenues in evaluating Alaska's credit standing and debt capacity.

During the last ten years, the state's capacity to issue any new G.O. debt has been constrained by two main factors. First, the ratio of G.O. debt service to unrestricted revenues was, for several years, at or near the maximum level consistent with maintaining the state's excellent AA credit rating. Second, the projected decline in petroleum production and revenues, commonly referred to as "the Prudhoe Bay curve" limited the issuance of debt which would be repaid after the year 2000.

During the last two years, the Department of Revenue and the State Bond Committee have worked with the bond rating agencies to demonstrate that Prudhoe Bay production, and corresponding state revenues, have been extended considerably beyond the projections of 5 to 10 years ago. While the rating agencies have generally agreed that the Prudhoe Bay curve has been extended, they remain concerned about the projected gap between revenues and expenditures and reliance on reserve funds to balance the budget. To maintain Alaska's current bond rating with new debt, the state

will have to demonstrate to the financial markets that it is making real progress on closing the fiscal gap and diversifying its revenue base.

The state's policy has been that to maintain its AA credit rating, debt service should not exceed approximately 5 percent of unrestricted revenues. Current projections of state revenues and existing debt service indicate the state could have the debt capacity to issue as much as \$500 million of new general obligation bonds or other debt over the next five to eight years. It is important to note that any private debt issued on the state's behalf, such as the lease/purchase of a prison or other facility, would have the same effect on the state's remaining debt capacity as the sale of an equivalent amount of G.O. bonds.

VII. Capital Project Selection Processes and Criteria

Many program areas within the capital budget include projects from communities around the state — such as schools, roads, and water and sewer facilities. The first phase of identifying and selecting these projects for the six year capital plan and annual capital budget proposal begins with state agencies soliciting capital requests from communities and the public throughout Alaska. The agencies then rank the projects, using detailed selection criteria specific to the types of projects under consideration, as well as some broader selection criteria, such as:

- Is the project necessary to protect public health or safety?
- Would the project reduce future operating costs (state or local)?
- Would it improve the productivity or efficiency of state government?
- Would the project generate economic benefits at the local, regional, or statewide level? Does it create ongoing private sector jobs?
- Does the project address the deferred maintenance backlog for state facilities?
- What are the projected operations and maintenance costs for the project?
- Is there an operations and maintenance plan, which includes training, if appropriate?
- Does the project have documented local government and public support?
- Is alternative financing available?

The state agencies most involved in funding community capital projects are the Department of Transportation and Public Facilities (DOT/PF), the Department of Education (DOE), and the Department of Environmental Conservation (DEC). The project identification and ranking processes used by these three departments are discussed in more detail in Appendix B.

In the second phase of the budget development process, the Governor, the Cabinet, and the Office of Management and Budget review the needs identified by the agencies to determine statewide priorities and funding allocations. This is a difficult process, because hundreds of millions of dollars in capital investment needs must be trimmed to fit within the funds available, leaving many valid needs unmet.

Part B - Six Year Capital Plan

There were four major steps in developing this six year capital plan for the State of Alaska:

- identifying total statewide needs in each basic program area such as education, health and safety, economic development, transportation, justice, and deferred maintenance;
- determining a responsible level of capital funding that fits within a balanced ten year financial plan;
- evaluating the criteria by which priorities are set; and
- proposing allocations of funds among the program areas.

The state's six year capital plan must be a "rolling" plan. Each year, it must take into account new information about statewide needs, priorities and financial resources. It must add a new sixth year as each current year budget is finished.

This plan proposes funding levels for each program area over the next six years. It does not specify individual projects for the years beyond FY 98. In program areas such as K-12 schools, water and sewer facilities and transportation, annual project funding decisions are based on statewide priority lists which are updated each year. Statewide master plans developed for program areas such as corrections identify the facilities proposed for construction over the next several years. (A similar plan for juvenile justice facilities has just been released.) Strategies and financing methods for meeting the state's correctional needs are under discussion with the legislature and the public.

The sum of the annual program allocations is somewhat larger than the recommended total amount for general funds and AHFC. A larger planning target allows for changes in capital priorities over time and the fact that some projects may be financed from non-general fund sources.

Operations and Maintenance

Operations and maintenance costs are an important consideration in planning capital projects. O&M costs for some types of locally-operated projects, such as water, sewer and landfill facilities, will be paid by local governments and will not add to the overall cost of state government. Costs of accommodating more K-12 students in schools built under this plan are already incorporated in the school foundation formula projections for increased enrollment. Some proposed capital projects will reduce O&M costs, especially through more energy efficient renovation or construction.

This plan does not include specific O&M estimates because the actual O&M costs will vary with the particular projects constructed in future years. The most significant O&M increases will be for new correctional facilities. O&M estimates will be developed as part of each year's capital budget.

Proposed Resolution Adopting a Six Year Capital Plan

The Knowles Administration recommends adoption of a legislative resolution which would outline general funding allocations in a six year capital plan. This would be similar to action taken by communities around the state which annually approve multi-year capital plans by assembly or council resolution. A resolution clearly does not appropriate funds or bind future legislatures to specific projects or funding levels. However, it will provide a guideline for the future that helps communities and the private sector make their own plans on a more informed basis.

A resolution establishing a Deferred Maintenance Task Force has passed the House and at this writing is under consideration in the Senate. The Knowles Administration recommends that the Task Force, if established, include the six year capital plan in its deliberations, hold public hearings on the plan during the legislative interim, and include a resolution adopting the six year capital plan in its report to the Legislature. The following resolution is offered as a starting point for consideration by the Task Force:

A RESOLUTION

Relating to a six year capital improvements program

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS there are major needs for construction of new schools, roads, harbors, airports, water and sewer projects, prisons and other public facilities and a large backlog of deferred maintenance on state facilities which must be addressed if these facilities are to remain functional and safe; and

WHEREAS a six year capital plan will promote stability in the Alaska economy and help ensure that state-funded construction projects will employ Alaska companies and workers to the maximum extent possible; and

WHEREAS a six year capital plan will provide Alaska's communities and construction firms with a better basis for making their own investment and employment decisions; and

WHEREAS a six year capital plan promotes public discussion and sound legislative decisions on the appropriate means of financing Alaska's capital needs; and

WHEREAS a six year capital plan will assist in obtaining federal capital funds, which are often allocated on a long-term basis; and

WHEREAS Alaska statutes require the office of management and budget to annually prepare a six year capital improvements program; and

WHEREAS the Governor has presented a proposed State of Alaska Six Year Capital Plan for Fiscal Years 1998 - 2003 to the Legislature; and

WHEREAS the Legislature has held public hearings on the six year capital plan;

BE IT RESOLVED that the Alaska Legislature hereby adopts the attached summary of proposed program allocations as the State of Alaska's Six Year Capital Plan for Fiscal Years 1998 - 2003; and be it

FURTHER RESOLVED that the Governor is requested to make copies of the capital plan available to all local governments of Alaska and other interested parties.

SUMMARY SIX YEAR CAPITAL PLAN FOR THE STATE OF ALASKA

GENERAL FUNDS AND AHFC - Including proposed general obligation bonds or lease-purchases. (All dollars are in thousands.)

	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>TOTAL</u>
Education (K-12 and University)	14,669.0	18,040.0	52,540.0	52,540.0	53,040.0	53,040.0	243,869.0
Jobs and economic development (to be supplemented with AIDEA funds)	1,885.0	2,950.0	3,400.0	3,400.0	3,400.0	3,400.0	18,435.0
Health and safety	38,555.0	40,500.0	47,230.0	46,280.0	47,680.0	47,180.0	267,425.0
Justice	9,395.0	5,950.0	36,475.0	35,795.0	35,795.0	35,795.0	159,205.0
Housing	37,400.0	43,260.0	49,300.0	51,960.0	49,400.0	49,040.0	280,360.0
Transportation	34,805.0	35,000.0	36,000.0	36,000.0	36,000.0	36,000.0	213,605.0
Efficiency technology	2,999.0	2,500.0	2,370.0	2,000.0	2,000.0	2,000.0	13,869.0
Deferred maintenance of state facilities			10,000.0	10,000.0	10,000.0	10,000.0	40,000.0
Community capital matching grants	15,000.0	15,000.0	15,000.0	15,000.0	15,000.0	15,000.0	90,000.0

TOTAL	154,508.0	163,200.0	252,315.0	252,975.0	252,315.0	251,455.0	1,326,768.0
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General Fund Total	101,508.0	110,200.0	110,200.0	110,200.0	110,200.0	110,200.0	652,508.0
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AHFC Total	53,000.0	53,000.0	53,000.0	53,000.0	53,000.0	53,000.0	318,000.0
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Bond Proceeds Total (Assumes \$500 million in bonds over 8 years)			89,115.0	89,775.0	89,115.0	88,255.0	356,260.0
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Note: Operations and maintenance costs for proposed projects are an important element in a six year capital plan. The most significant C&M increases will be for new correctional facilities. Specific estimates of O&M costs have not been included here because these costs will vary depending on the particular projects which are constructed in future years.

Six Year Capital Plan by Program Area

*Note: \$500 million in bonds sold over eight years would yield an average of \$62.5 million more each year for capital projects.
Debt service for these bonds could be accommodated within a responsible 10 year financial plan.
Annual amounts are shown on the debt service chart in Appendix A.

	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>TOTAL</u>
Education							
K-12 major maintenance and new construction	7,669.0	10,000.0	36,000.0	36,000.0	36,000.0	36,000.0	161,669.0
University deferred maintenance and other projects	7,000.0	7,000.0	15,500.0	15,500.0	16,000.0	16,000.0	77,000.0
UAA Dorms (debt service payments)		1,040.0	1,040.0	1,040.0	1,040.0	1,040.0	5,200.0
Education totals	14,669.0	18,040.0	52,540.0	52,540.0	53,040.0	53,040.0	243,869.0
Jobs and Economic Development* (See AIDEA footnote below)							
Economic development grants and assistance (Commerce and University)		700.0	700.0	700.0	700.0	700.0	3,500.0
Arctic Winter Games/New Community Organization (Comm. & Reg. Aff.)	150.0						150.0
Vessel and aircraft major repair, facility maintenance (Fish & Game)	785.0	500.0	1,000.0	1,000.0	1,000.0	1,000.0	5,285.0
Def. maint, land info automation, timber, geology, oil/gas (Nat. Resources)	200.0	1,000.0	975.0	975.0	975.0	975.0	5,100.0
Fish & Wildlife vessels and aircraft major repairs (Public Safety)	750.0	750.0	725.0	725.0	725.0	725.0	4,400.0
Jobs and Economic Development totals*	1,885.0	2,950.0	3,400.0	3,400.0	3,400.0	3,400.0	18,435.0
Health and safety							
Rural power & Headstart (Community & Regional Affairs)	700.0	850.0	850.0	850.0	850.0	850.0	4,950.0
Village and municipal water/sewer projects (Environmental Conservation)	32,165.2	32,000.0	36,900.0	36,830.0	37,330.0	36,830.0	212,055.2
Bulk fuel tank and system repairs (Environmental Conservation)	0.0	1,600.0	1,600.0	1,600.0	1,600.0	1,600.0	8,000.0
ADA compliance for state facilities (Governor's Office)	500.0	600.0	900.0	1,000.0	1,000.0	1,000.0	5,000.0
National Warning System Upgrade (Military and Veterans Affairs)	377.3						377.3
Welfare reform, juvenile justice, deferred maintenance, (Health & Social Svcs)	4,162.5	5,000.0	6,430.0	5,500.0	6,500.0	6,500.0	34,092.5
Deferred maintenance, Fire Equipment (Natural Resources)	650.0	350.0	350.0	300.0	300.0	300.0	2,250.0
Domestic violence, Civil Air Patrol (Public Safety)		100.0	200.0	200.0	100.0	100.0	700.0
Health and safety totals	38,555.0	40,500.0	47,230.0	46,280.0	47,680.0	47,180.0	267,425.0
Justice							
Deferred maintenance of correctional facilities (Corrections)	900.0	1,000.0	2,000.0	1,850.0	1,850.0	1,850.0	9,450.0
Expansion of regional prison facilities (Corrections)		3,000.0	32,375.0	32,375.0	32,375.0	32,375.0	132,500.0
Criminal Justice Information System/Equipment (Corrections)	900.0						900.0
Youth offender treatment/Public Safety info. system link (Health & Social Svcs)	3,200.0						3,200.0
Youth at Risk Program (Military & Veterans' Affairs)	1,000.0						1,000.0
Deferred maintenance and replacement (Military & Veterans' Affairs)	220.0	625.0	650.0	750.0	750.0	750.0	3,745.0
Armory expansions/replacement (Military & Veterans' Affairs)	825.0	700.0	700.0	70.0	70.0	70.0	2,435.0
Deferred maintenance, Motor Vehicles, equipment (Public Safety)	2,350.0	625.0	750.0	750.0	750.0	750.0	5,975.0
Justice totals	9,395.0	5,950.0	36,475.0	35,795.0	35,795.0	35,795.0	159,205.0

	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>TOTAL</u>
Housing							
Pioneer Home deferred maintenance (Dept of Admin. with AHFC funds)	752.5	600.0	1,300.0	700.0	1,000.0	1,000.0	5,352.5
Special needs housing (Health & Social Svcs)	1,800.0	1,500.0	1,500.0	1,500.0	1,500.0		7,800.0
Other AHFC housing programs (Revenue)	34,847.5	41,160.0	46,500.0	49,760.0	46,900.0	48,040.0	267,207.5
Housing totals	37,400.0	43,260.0	49,300.0	51,960.0	49,400.0	49,040.0	280,360.0
Transportation, including federal match and Marine Highway	34,605.0	35,000.0	36,000.0	36,000.0	36,000.0	36,000.0	213,605.0
Efficiency technology							
Division of Motor Vehicles, personnel, purchasing systems (Administration)	2,010.0						2,010.0
Library telecommunications/SLED (Administration)	100.0						100.0
Child support system to meet federal requirements (Revenue)	500.0	370.0	370.0				1,240.0
Computer Mainframe Renovation (AHFC)	350.0						350.0
Computer security system project (Revenue)	39.0						39.0
Future efficiency improvements		2,130.0	2,000.0	2,000.0	2,000.0	2,000.0	10,130.0
Efficiency technology totals	2,999.0	2,500.0	2,370.0	2,000.0	2,000.0	2,000.0	13,869.0
Deferred maintenance of priority state facilities			10,000.0	10,000.0	10,000.0	10,000.0	40,000.0
Community capital matching grants	15,000.0	15,000.0	15,000.0	15,000.0	15,000.0	15,000.0	90,000.0
EXECUTIVE BRANCH TOTAL	154,508.0	163,200.0	252,315.0	252,975.0	252,315.0	251,455.0	1,326,768.0

*Note: AIDEA will also play a key role in economic development through projects funded with AIDEA dividend monies and AIDEA's own investments.

Court System's 6 Year Request	5,805.0	6,910.0	1,800.0	500.0			15,015.0
(Court System budget requests are transmitted to Legislature without change).							

EDUCATION SIX YEAR CAPITAL PLAN

	(in thousands)						
	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>6 Year Total</u>
General Funds/Bond Funds:							
K-12 Education	7,669.0	10,000.0	36,000.0	36,000.0	36,000.0	36,000.0	161,669.0
General Funds/Bond Funds:							
University	7,000.0	8,040.0	16,540.0	16,540.0	17,040.0	17,040.0	82,200.0

Types of projects to be funded:

K-12:

- Major maintenance of K-12 schools based on Department of Education (DOE) priority list. DOE and the Board of Education are working on improving the system for establishing project priorities and allocating funding to school districts. There is an estimated \$149 million backlog of major maintenance projects.
- New construction of K-12 schools based on department's priority list. Total need is estimated to be \$534 million.
- Although the emphasis would be on school district needs, state-owned schools and other facilities also need repairs, renovations and equipment replacement.

University:

- Deferred maintenance and code compliance projects. Current backlog of deferred maintenance is estimated at \$150 million; code compliance and ADA access improvements are estimated between \$10 and \$20 million.
- Technology improvements. The University must continue to explore new, cost-effective, methods of delivering educational programs. Capital equipment (including laboratory items) and telecommunications infrastructure are necessary for the continued support of instructional and institutional functions.
- Facility safety, upgrades and renovations. Throughout the system, facilities are in need of classroom completion, renovations, planning and corrections to major safety problems.
- New construction. While the emphasis is on renovation of existing facilities, new construction is needed at some campuses to accommodate increased enrollments and changing programmatic needs.

JOBS AND ECONOMIC DEVELOPMENT SIX YEAR CAPITAL PLAN

	<u>FY98</u>	<u>FY99</u>	(in thousands) <u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>6 Year Total</u>
General Funds	1,885.0	2,950.0	3,400.0	3,400.0	3,400.0	3,400.0	18,435.0

Types of projects to be funded:

Commerce Department and University

- Economic development grants to leverage funds from federal and other non-state agencies or private sector sources for development projects proposed by cities, boroughs, non-profits and private parties. Professional counseling and technical services to encourage expansion of the small business sector in Alaska and to assist small businesses in solving financing, management, marketing and production problems.

Alaska Industrial Development and Export Authority

- This general fund six year plan does not outline future projects financed by AIDEA. However, AIDEA will continue to play a very important role in economic development projects which produce jobs for Alaskans through projects funded with AIDEA dividend monies and AIDEA's own investments.

Fish and Game

- Maintenance of Department of Fish & Game vessels, aircraft and facilities statewide. The amount of deferred maintenance on facilities is estimated to be about \$2.7 million and annual maintenance for vessels and aircraft is estimated at \$300.0 to \$400.0.

- Replacement and improvement of fisheries stock assessment programs, subsistence harvest programs, surveying and cataloging fish streams, and timber and mining habitat research.
- Examples of projects that will be funded by a combination of federal funds and fish and game funds are construction of shooting ranges, the purchase of a new wildlife conservation research vessel, statewide recreational boating and sport fish access, maintenance and repair of sport fish hatcheries and the construction of public viewing areas.

Natural Resources Department

- Inventories of mineral, timber, geology and petroleum resources. Automation of various information collected by the state will assist in continued sound development decisions.

Public Safety Department

- Repair and replacement of vessels, aircraft, and other equipment essential to monitoring commercial fisheries activities.

HEALTH AND SAFETY SIX YEAR CAPITAL PLAN

	<u>FY98</u>	<u>FY99</u>	(in thousands) <u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>6 Year Total</u>
General Funds/Bond Funds:	38,555.0	40,500.0	47,230.0	46,280.0	47,680.0	47,180.0	267,425.0

Types of projects to be funded:

Community & Regional Affairs

- Rural Power System Upgrades. This program will provide approximately \$800.0 a year for upgrade of isolated utilities to applicable standards of safety, reliability and environmental protection. Funding will be provided to priority projects as determined by the department's ranking system. Rural power system upgrade needs are estimated to be in excess of \$54 million. In addition, safety improvements to electrical systems and alternative energy programs have indeterminable needs.
- Head Start Facilities Repair. This program will provide about \$50.0 a year to fourteen statewide Head Start organizations to repair deteriorated facilities. The total need is unknown, but the known backlog is \$500.0.

Natural Resources

- State parks deferred maintenance projects such as improved water sources, upgraded latrines, general replacement/renewal of campsite tables and other necessary safety improvements will allow for continued safe use by Alaskans and out-of-state visitors.

Water & Sewer

- Village safe water grants for water, sewer and landfill projects will be prioritized and funded on an annual needs basis. At least four years of funding beyond the six year plan would be required to catch up on unmet rural sanitation needs.
- Municipal Matching Water/Sewer grants to organized municipalities will continue to be reviewed and prioritized on an annual needs basis.

Bulk Fuel

- Bulk fuel grants for repairs and replacement of community, state-owned and private fuel storage tanks will be reviewed and prioritized annually. Although the statewide need far exceeds funding available today or in the near future the major problem areas can be addressed best through the priority process. Bulk fuel storage tank repair needs are estimated to be in excess of \$200 million.

ADA Compliance

- State-owned buildings must be made accessible to people with disabilities to comply with federal law. This requires installation of new doors, handles, ramps, signage, elevator modifications, and rest room upgrades. The remaining need is estimated at approximately \$44 million.

Health and Social Services

- Statewide emergency medical services communications systems must be improved for volunteer ambulance and first responder services in areas where coverage is inadequate. Obsolete equipment, including old two way radios, must be replaced in accordance with a statewide plan.
- Immediate repairs and equipment are needed for Department of Health and Social Services (DHSS) facilities. Deferred maintenance is needed for 38 state-owned buildings with replacement value of \$240.1 million. Total needs are estimated at \$34 million.

- Statewide maintenance management system which focuses on prevention. The system will track deferred maintenance needs, perform energy audits, identify energy-saving projects and assist in extending the life of existing facilities.
- Youth Services Master Plan. A long-term plan has been completed which addresses the increasing number of youth offenders and the limited facilities now available to deal with them. In conjunction with the Criminal Justice Cabinet and the Youth and Justice Conference, the department is identifying immediate and long-term needs for expansion of detention and treatment facilities. The FY98 budget proposal for the Johnson Youth Center is the first phase of this expansion. Total capital expansion needs are approximately \$37 million.
- Design and construction of public health services facilities, including a new public health laboratory.
- Projects funded and approved by the Mental Health Trust Authority as a direct benefit to Mental Health Trust beneficiaries. The Authority has not yet identified their long-term capital needs for FY99 through FY03. Future six year capital budget plans will incorporate the Authority's proposed needs. Examples include the addition to and renovation of mental health centers and funds for statewide competitive grants for remodeling/renovation.

Revenue Department

- Federal Case Registry of Child Support Orders. This federally-required project funded by a combination of federal funds and general fund match will provide information on the location of absent parents, where they work and what other child support cases they may have. This highly automated match of information at the federal level would provide faster and increased child support collections for children in Alaska and throughout the nation.

JUSTICE SIX YEAR CAPITAL PLAN

	<u>FY98</u>	<u>FY99</u>	(in thousands) <u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>6 Year Total</u>
General Funds/Bond Funds:	9,395.0	5,950.0	36,475.0	35,795.0	35,795.0	35,795.0	159,205.0

Types of projects to be funded:

Corrections

- Facilities deferred maintenance, renewal and replacement.
- Expansion and replacement of facilities statewide to address current overcrowding crises. The state is actively engaged in discussions with local governments, the legislature, and the public to determine the best means for meeting these needs. Alaska's correctional system will require a mix of new construction for long-term incarceration of dangerous offenders, alternative programs for less serious offenses, and use of community residential centers. Expansion of correctional facilities could be financed through G.O. bonding or lease-purchase by the state or local government partners.

Public Safety

- Deferred maintenance, facilities renewal and replacement on Public Safety facilities statewide.
- Replacement of Division of Motor Vehicles equipment for processing registrations, licenses, etc., and purchase license plates and manuals.
- Statewide equipment maintenance and replacement.
- Development and maintenance of essential information management systems.

Military & Veterans Affairs

- Scheduled renewal and replacement of worn out major building components and the retrofitting or replacement of obsolete or inefficient building systems, such as replacement or repair of roofs at state armories.
- New armory construction. Federal funding for the construction of armories around the state is dependent on having state general funds available for design and site preparation.

HOUSING SIX YEAR CAPITAL PLAN

			(in thousands)				
	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>6 Year Total</u>
AHFC Funds	40,200.0	43,260.0	49,300.0	51,960.0	49,400.0	49,040.0	283,160.0

Types of projects to be funded:

- **Pioneers' Homes renovation and repair.** Numerous repairs and renovations are needed to bring the facilities up to minimum state and federal standards. Fire and other code compliance issues would be addressed.
- **Special needs housing to assist developmentally disabled individuals in living independently.**
- **Supplemental Housing Development Program** which leverages U.S. HUD Indian Housing funds for safe and sanitary housing for rural Alaskans. Approximately 300 new homes per year are to be built by regional housing authorities.
- **Low-Income Weatherization projects** which combine federal funds and corporate receipts to provide cost-effective energy improvements and health and safety repairs to homes of low-income families statewide.
- **Public housing deferred maintenance and renovation projects** which will modernize facilities and increase operational efficiency.
- **Senior Citizens Housing Development Program** which uses corporation funds to assist in the development of senior citizen housing in conjunction with other agencies. Uses include: land, site preparation, building plans, construction or remodel costs.
- **Federal and other competitive grants that deal with housing issues.**
- **Homeless Assistance Program** which uses corporation funds to help local communities develop programs for the homeless or to prevent homelessness by providing assistance to families in imminent danger.

TRANSPORTATION SIX YEAR CAPITAL PLAN

	<u>FY98</u>	<u>FY99</u>	(in thousands) <u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>6 Year Total</u>
General Funds	34,605.0	35,000.0	36,000.0	36,000.0	36,000.0	36,000.0	213,605.0

Types of projects to be funded (amounts are annual):

- Approximately \$26 million in state funds to match federal highway funds of approximately \$215 million. All potential highway projects would be reviewed during the department's preparation of the annual State Transportation Improvement Plan (STIP).
- Approximately \$6.5 million in state match to federal aviation funds of approximately \$80 million. All potential airport projects would be reviewed during the department's preparation of the Airport Improvement Plan (AIP).
- State match of about \$1.5 million for approximately \$6 million of federal Army Corps of Engineer funds which go directly to communities for work on outer harbor areas. This federal amount will vary, along with the required match percentage.
- Approximately \$1 million in state funds for non-routine maintenance to prevent loss of a facility or emergency or extraordinary repairs.
- Approximately \$4 million in state funds for repairs to Alaska Marine Highway System vessels. If a decision is made to keep the Malaspina ferry in service, maintenance needs would increase.
- Statewide deferred maintenance needs for highways, airports, facilities, harbors and marine vessels and facilities could likely exceed \$200 million.

EFFICIENCY TECHNOLOGY SIX YEAR CAPITAL PLAN

	<u>FY98</u>	<u>FY99</u>	(in thousands) <u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>6 Year Total</u>
General Funds	2,649.0	2,500.0	2,370.0	2,000.0	2,000.0	2,000.0	13,519.0

Types of Projects to be funded:

- Computer and other technology systems are needed to increase the efficiency and cost-effectiveness of state services. Some, like the integrated criminal justice information system, are needed to improve public safety and to deal with enormous caseload increases. Others are required by new federal laws relating to child support enforcement, welfare and Medicaid. Geographic information and similar technology systems are important to public and private economic development efforts and are relied upon heavily by the private sector.
- Replacement of old computer, telephone and other communications equipment is necessary on an ongoing basis.

STATE FACILITY DEFERRED MAINTENANCE SIX YEAR CAPITAL PLAN

	<u>FY98</u>	<u>FY99</u>	(in thousands) <u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>FY03</u>	<u>6 Year Total</u>
General Funds			10,000.0	10,000.0	10,000.0	10,000.0	40,000.0

Types of projects to be funded:

- While the program area allocations described above (justice, health & safety, etc.) include minimal funds for facility maintenance, it is not nearly enough to adequately preserve the state investment in its facilities. Over the years, state facilities have not received appropriate maintenance, repairs and routine replacement of roofs, heating and ventilation equipment and other building systems. As a result, the deferred maintenance needs are now in excess of \$250 million statewide. Additional funds for deferred maintenance of \$10 million each year are recommended as part of the six year plan.

Governor's Proposed FY 98 Capital Budget

(Released February 27, 1997)

Governor Knowles' FY 98 Capital Budget Summary

(All dollars in thousands)

Program Area	General Funds	AIDEA Dividend	AHFC Corporate Receipts	Mental Health Trust Income	Fish & Game Fund	Federal Funds	Other Funds	Total Funds
Jobs and Economic Development	1,885.0	6,900.0			655.0	30,765.0	25,950.0	66,155.0
Education	14,019.0	250.0	650.0				1,500.0	16,419.0
Transportation	34,605.0	7,350.0		75.0		244,233.1	32,927.9	319,191.0
Health and Safety	23,955.0		52,000.0	1,415.0	90.0	74,399.7	24,460.8	176,320.5
Justice	9,395.0	1,500.0				19,797.6		30,692.6
Efficiency Technology	2,649.0		350.0			1,773.9	2,637.1	7,410.0
Capital Matching Grants	15,000.0							15,000.0
EXECUTIVE BRANCH TOTAL	101,508.0	16,000.0	53,000.0	1,490.0	745.0	370,969.3	87,475.8	631,188.1

Governor Knowles' FY 98 Capital Budget

Dept.	Project	General Funds	AIDEA Dividend	AHFC Corporate Receipts	Mental Health Trust Income	Fish & Game Fund	Federal Funds	Other Funds	Total Funds
JOBS AND ECONOMIC DEVELOPMENT									
Comm&Reg Aff	Alaska Yukon Kuskokwim Salmon Marketing		250.0						250.0
Comm&Reg Aff	Delta Junction Economic Recovery		175.0				500.0		675.0
Comm&Reg Aff	Arctic Winter Games	100.0							100.0
Comm&Reg Aff	Rural Development Grants						480.0	800.0	1,280.0
Comm&Reg Aff	Community Block Grants						9,000.0		9,000.0
Comm&Reg Aff	Native Heritage Center		800.0						800.0
Comm&Reg Aff	Organizational Grant for New Community	50.0							50.0
Comm&Reg Aff	Southern Southeast Economic Revitalization Initiative		120.0						120.0
Commerce	Pioneer Business Incentive Program		500.0						500.0
Commerce	Kodiak Launch Complex						18,000.0	10,000.0	28,000.0
Commerce	Alaska Visitor Statistics Program		100.0					150.0	250.0
Commerce	Economic Development Matching Grants		350.0						350.0
Fish & Game	Facilities Repair, Maintenance, Replacement	400.0							400.0
Fish & Game	Fisheries Resource Assessment Vessels and Aircraft Maintenance and Repair	275.0							275.0
Fish & Game	Statehood Defense	110.0							110.0
Fish & Game	Anadromous Stream Inventory		250.0						250.0
Fish & Game	Aircraft Maintenance					25.0	75.0		100.0
Fish & Game	Public Access Development					550.0	1,650.0		2,200.0
Fish & Game	South Denali Wildlife Studies		80.0			80.0			160.0
Nat Resources	Complete Land Status Geographic Info System		300.0						300.0
Nat Resources	Coalbed Methane Resources		400.0						400.0
Nat Resources	Parks Emergency Repairs	200.0							200.0
Nat Resources	Reforestation		100.0						100.0
Nat Resources	Airborne Geophysical/Geological Inventory		400.0						400.0
Nat Resources	Oil & Gas Areawide Lease Database		270.0						270.0
Nat Resources	Recorder's Office Information and Imaging System		1,200.0						1,200.0
Nat Resources	National Petroleum Reserve Technical Studies		400.0						400.0
Nat Resources	Oil and Gas Electronic Interface with Industry		150.0						150.0
Nat Resources	Streamgaging Network		200.0						200.0
Nat Resources	Value Added Timber Sale - Southeast		75.0						75.0
Nat Resources	Value Added Timber Sale - Interior		230.0						230.0
Nat Resources	Mt. McKinley Meat Plant Renovations, Repairs		100.0						100.0
Nat Resources	Symms National Recreation Trails						170.0		170.0
Nat Resources	Land and Water Conservation Fund Grants						250.0		250.0
Nat Resources	Historic Preservation Fund Grants						640.0		640.0
Nat Resources	Oil Spill Trustee Council Small Parcel Acquisitions							15,000.0	15,000.0
Public Safety	Fish & Wildlife Aircraft & Vessel Repair/Maintenance	600.0							600.0
Public Safety	Fish & Wildlife Statewide Equipment	150.0							150.0

Governor Knowles' FY 98 Capital Budget

Dept.	Project	General Funds	AIDEA Dividend	AHFC Corporate Receipts	Mental Health Trust Income	Fish & Game Fund	Federal Funds	Other Funds	Total Funds
University	Small Business Development Programs		450.0						450.0
	Jobs and Economic Development Subtotal	1,885.0	6,900.0	0.0	0.0	655.0	30,765.0	25,950.0	66,155.0
EDUCATION									
Education	Mt. Edgecumbe Repairs, Renovations, Equipment	50.0		250.0					300.0
Education	School District Major Maintenance	6,969.0							6,969.0
Education	AK Voc Tech Center Dorm Roof Repairs			250.0					250.0
Education	Regional Vocational Charter School		250.0						250.0
Education	Voc Rehab - Home Modifications			150.0					150.0
University	Deferred Maint, Code Compliance, Renovation	7,000.0							7,000.0
University	Facility Repair and Replacement						up to \$1m GF lapse		
University	UAF International Arctic Research Center							1,500.0	1,500.0
	Education Subtotal	14,019.0	250.0	650.0	0.0	0.0	0.0	1,500.0	16,419.0
TRANSPORTATION									
Transportation	Federal-Aid Highway Program	25,500.0					151,193.0		176,693.0
Transportation	Federal-Aid Airport Program	550.0	4,350.0				76,805.1		81,705.1
Transportation	International Airport Program							18,127.9	18,127.9
Transportation	Federal Transit Administration Grants	30.0					670.0		700.0
Transportation	Cooperative Projects Reimbursed by Communities						5,000.0	2,000.0	7,000.0
Transportation	State Equipment Fleet Replacement							11,800.0	11,800.0
Transportation	Engineering Equipment Replacement							1,000.0	1,000.0
Transportation	Emergency Federal Projects						5,000.0		5,000.0
Transportation	Federal Receipt Contingency						5,000.0		5,000.0
Transportation	Marine Highway Improvements and Overhaul	4,000.0							4,000.0
Transportation	Harbor Deferred Maintenance	1,000.0							1,000.0
Transportation	Emergency and Non Routine Repairs	1,000.0							1,000.0
Transportation	Highway Deferred Maintenance	1,000.0							1,000.0
Transportation	Energy Savings Improvements for State	150.0							150.0
Transportation	Facility Deferred Maintenance and Critical Repairs	650.0							650.0
Transportation	Airport Deferred Maintenance	650.0							650.0
Transportation	Corps of Engineers Match for Local Harbor Projects		2,500.0	with intent for supplemental if more federal funds are received					2,500.0
Transportation	Unalaska Small Boat Harbor		500.0						500.0
Transportation	Weigh Stations Renovations						565.0		565.0
Transportation	Mental Health Beneficiary Transportation	75.0			75.0				150.0
	Transportation Subtotal	34,605.0	7,350.0	0.0	75.0	0.0	244,233.1	32,927.9	319,191.0
HEALTH AND SAFETY									
Administration	Pioneer Homes Renovations, Repairs			700.0					700.0
Administration	Pioneer Homes Dementia Units			52.5	52.5				105.0
Comm&Reg Aff	Electrical Emergencies Program							RELIF 394.1	

Governor Knowles' FY 98 Capital Budget

Dept.	Project	General Funds	AIDEA Dividend	AHFC Corporate Receipts	Mental Health Trust Income	Fish & Game Fund	Federal Funds	Other Funds	Total Funds
Comm&Reg Aff	Head Start Repairs	100.0							100.0
Comm&Reg Aff	Rural Power Systems Upgrades	600.0							600.0
Comm&Reg Aff	Federal Pass-through for Energy Projects						10,000.0		10,000.0
Education	Development of School Hazardous Spill Plans							reapprop 27.0	
EnvironConserv	Village Safe Water Grants	8,590.6		14,600.0			13,042.1		36,232.7
EnvironConserv	Municipal Matching Grants and Loans	7,576.0					1,150.0	7,821.0	16,547.0
EnvironConserv	Alaska Drinking Water Loan Program						26,820.0	5,364.0	32,184.0
EnvironConserv	Alaska Clean Water Fund Loan Program	1,148.6					5,742.6		6,891.2
EnvironConserv	Laboratory Equipment	250.0							250.0
EnvironConserv	Statewide Hazardous Materials Response							500.0	500.0
EnvironConserv	State-Owned Underground Storage Tanks							2,468.3	2,468.3
EnvironConserv	Trans-Alaska Pipeline Corridor							200.0	200.0
EnvironConserv	Privately Owned Underground Storage Tanks							2,340.5	2,340.5
EnvironConserv	Local Response - Equipment, Training							200.0	200.0
EnvironConserv	State-Owned Aboveground Storage Tanks							1,600.0	1,600.0
EnvironConserv	Rural Aboveground Storage Tanks							1,600.0	1,600.0
EnvironConserv	Kodiak Island Borough Waste Management Implementation							1,630.0	1,630.0
Fish & Game	Sikusilaq Hatchery Contaminated Site Clean-							350.0	350.0
Fish & Game	Hunter Education Electronic Shooting System					40.0	40.0		80.0
Fish & Game	Sport Fish Hatchery Repair, Maintenance					50.0	150.0		200.0
Governor	Disabilities Act Compliance - State Facilities	500.0							500.0
Health&SocSvc	Client Data Integration Project	187.5			187.5				375.0
Health&SocSvc	Def. Maintenance, Renewal, Equipment	950.0					243.6		1,193.6
Health&SocSvc	Welfare Reform System Modifications	2,950.0					1,072.5		4,022.5
Health&SocSvc	Hope Cottages Intermediate Care Facilities Decertification			240.0	240.0				480.0
Health&SocSvc	Mental Health Trust Beneficiary Facility Modif. Grants			150.0	150.0				300.0
Health&SocSvc	Mental Health Beneficiary Grants - ADA Upgrades				250.0				250.0
Health&SocSvc	Mental Health Beneficiary Grants - Equipment	75.0			75.0				150.0
Military & Vets	National Warning System Upgrade	220.0							220.0
Military & Vets	Emergency Wireless Communications	157.3							157.3
Nat Resources	Fairbanks Building Safety Repairs	100.0							100.0
Nat Resources	Wildland Fires - Urban Interface Support	100.0							100.0
Nat Resources	Fire Communications Equipment	350.0							350.0
Nat Resources	Fire Equipment Replacement	100.0							100.0
Nat Resources	Old Eagle School Site Clean-Up							65.0	65.0
Nat Resources	Mental Health Trust Asset Management				460.0				460.0
AK Housing	Public Housing Environ. Cleanup, Abatement			1,000.0					1,000.0
AK Housing	Central Terrace/Fairmount - Anchorage			1,500.0					1,500.0
AK Housing	Homeless Assistance Program			750.0					750.0
Health&SocSvc	Beneficiary & Special Needs Housing			1,800.0					1,800.0

Governor Knowles' FY 98 Capital Budget

Dept.	Project	General Funds	AIDEA Dividend	AHFC Corporate Receipts	Mental Health Trust Income	Fish & Game Fund	Federal Funds	Other Funds	Total Funds
AK Housing	Low-Income Housing Weatherization			6,527.5			1,200.0		7,727.5
AK Housing	Supplemental Housing Development			8,000.0					8,000.0
AK Housing	Senior & Statewide Deferred Maintenance			2,000.0			988.9		2,988.9
AK Housing	Spruce Park Renovation - Fairbanks			7,000.0			350.0		7,350.0
AK Housing	Senior Citizens Housing Development			3,300.0					3,300.0
AK Housing	HUD Comprehensive Grant Program						3,100.0		3,100.0
AK Housing	HUD Federal HOME Grant			750.0			3,000.0		3,750.0
AK Housing	Federal and Other Competitive Grants			1,500.0			3,000.0		4,500.0
AK Housing	Competitive Grants for Public Housing			1,000.0			2,000.0		3,000.0
AK Housing	Energy Conservation Retrofit			530.0					530.0
AK Housing	Alaska craftsman home program			300.0					300.0
AK Housing	Energy rated homes program			300.0					300.0
AK Housing	Oil Overcharge Restitution Educational						2,500.0		2,500.0
Transportation	Cleanup of State Owned Contaminated Sites							322.0	322.0
Health & Safety Subtotal		23,955.0	0.0	52,000.0	1,415.0	90.0	74,399.7	24,460.8	176,320.5
JUSTICE									
Corrections	Deferred Maintenance, Renewal, Renovation	900.0							900.0
Corrections	Criminal Justice Information System	600.0							600.0
Corrections	Corrections Equipment	300.0							300.0
Corrections	Data and Word Processing Technical Support						303.8		303.8
Corrections	Facilities Expansion						2,383.8		2,383.8
Health&SocSvc	Johnson Youth Center Treatment Unit	3,000.0							3,000.0
Health&SocSvc	Public Safety Info Network (APSIN) Link	200.0							200.0
Military & Vets	Youth-at-Risk Program/ChalleNGe Youth Corp.	1,000.0							1,000.0
Military & Vets	Juneau Armory and Maintenance Shop	120.0							120.0
Military & Vets	Deferred Maintenance	100.0							100.0
Military & Vets	Fairbanks Armory Expansion	700.0							700.0
Military & Vets	Ft. Richardson Maintenance & Training Equip. Site		1,500.0				11,400.0		12,900.0
				(federal reimbursement is possible)					
Military & Vets	Bethel Army Aviation Operating Facility, Phase	125.0					4,600.0		4,725.0
Military & Vets	Fort Richardson Armory Storage Building						835.0		835.0
Military & Vets	Wasilla Armory Storage Building						275.0		275.0
Public Safety	Fingerprint System Replacement	1,400.0							1,400.0
Public Safety	Alaska State Trooper Equipment	400.0							400.0
Public Safety	Domestic Violence/Sexual Assault Data Base	200.0							200.0
Administration	License Plates, Manuals, Equipment	350.0							350.0
Justice Subtotal		9,395.0	1,500.0	0.0	0.0	0.0	19,797.6	0.0	30,692.6
EFFICIENCY TECHNOLOGY									
Administration	Internet Access & Customer Efficiencies for	385.0							385.0
Administration	Personnel System Computerization	300.0							300.0
Administration	Emergency Radio System - Anchorage/MatSu	500.0							500.0

Governor Knowles' FY 98 Capital Budget

Dept.	Project	General Funds	AIDEA Dividend	AHFC Corporate Receipts	Mental Health Trust Income	Fish & Game Fund	Federal Funds	Other Funds	Total Funds
Administration	Automated Purchasing for Efficiency, Vendor Access	225.0							225.0
Administration	Satellite Interconnection Automation	400.0							400.0
Administration	Juneau Subport Facility Replacement Planning	100.0							100.0
Administration	Metropolitan Area Network Capability							200.0	200.0
Administration	Public Radio/TV Grants for Technology	100.0							100.0
Administration	Computer and Telecommunications Equipment							2,157.1	2,157.1
Administration	Lease Consolidation Planning							reapprop 25.0	0.0
Education	Library Telecommunications/SLED	100.0							100.0
Education	Post Secondary Educ Computer Replacement							90.0	90.0
AK Housing	Computer Mainframe Renovation			350.0					350.0
Revenue	Computer Security System Project	39.0					21.0		60.0
Revenue	Child Support System to Meet Federal Requirements	500.0					1,752.9		2,252.9
Revenue	Integration of Permanent Fund Office Space							190.0	190.0
	Efficiency Technology Subtotal	2,649.0	0.0	350.0	0.0	0.0	1,773.9	2,637.1	7,410.0
	CAPITAL MATCHING GRANTS PROGRAM	15,000.0							15,000.0
	TOTAL EXECUTIVE BRANCH	101,508.0	16,000.0	53,000.0	1,490.0	745.0	370,969.3	87,475.8	631,188.1
	Alaska Court System Project Requests	5,805.0							

Appendix A

DEBT SERVICE FOR PROJECTS APPROVED THROUGH 2/27/97 FY 98-07

Thousands of Dollars
(Does not include Trustee Fees)

	<u>FY 98</u>	<u>FY 99</u>	<u>FY 00</u>	<u>FY 01</u>	<u>FY 02</u>	<u>FY 03</u>	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>
Spring Creek Correctional Center	4,152.0	4,148.0	4,151.3	4,138.9	4,133.9	4,128.6	4,126.4	4,116.9	4,110.5	1,026.8
Seward Student Center	634.2	667.6	722.3	-	-	-	-	-	-	-
Palmer Courthouse	411.2	412.0	411.5	414.4	415.8	415.5	-	-	-	-
Kenai Courthouse	562.2	562.4	565.9	562.8	563.0	566.4	-	-	-	-
Wildwood Correctional - Acquisition	993.2	996.9	993.2	-	-	-	-	-	-	-
Wildwood Correctional - Improvements	974.2	967.7	-	-	-	-	-	-	-	-
Court Plaza Building	980.2	977.4	976.7	445.3	-	-	-	-	-	-
Anchorage Times Building	790.3	790.6	790.3	790.3	789.7	789.4	789.3	-	-	-
Palmer Fire Facility*	780.7	780.7	780.7	780.7	780.7	780.7	780.7	780.7	780.7	780.7
Fairbanks Courthouse*	-	3,122.0	3,122.0	3,122.0	3,122.0	3,122.0	3,122.0	3,122.0	3,122.0	3,122.0
Total Lease Finance	\$10,278.2	\$13,425.4	\$12,513.8	\$10,254.5	\$9,805.1	\$9,802.6	\$8,818.4	\$8,019.7	\$8,013.3	\$4,929.5
State G.O. Bonds	14,219.2	8,839.3	2,433.0	-	-	-	-	-	-	-
Subtotal G.O. & Lease/Fin.	24,497.3	22,264.7	14,946.7	10,254.5	9,805.1	9,802.6	8,818.4	8,019.7	8,013.3	4,929.5
School Debt Reimbursement	62,288.4	63,780.6	55,478.3	43,463.1	31,640.7	28,382.8	25,994.8	25,793.1	22,693.9	18,134.6
TOTAL DEBT SERVICE ON APPROVED DEBT	\$86,785.7	\$86,045.3	\$70,425.0	\$53,717.6	\$41,445.8	\$38,185.4	\$34,813.2	\$33,812.8	\$30,707.2	\$23,064.1
Estimated Debt Service for G.O. Bond Amounts Shown in Six Year Capital Plan			9,137.8	18,838.2	29,043.5	39,827.8	39,827.8	39,827.8	39,827.8	39,827.8
TOTAL DEBT SERVICE ON APPROVED AND PROPOSED DEBT	\$86,785.7	\$86,045.3	\$79,562.8	\$72,555.8	\$70,489.3	\$78,013.2	\$74,641.0	\$73,640.5	\$70,534.9	\$62,891.9

* The financing for these projects will be completed in the next 6 - 12 months; debt service amounts are estimates.
School debt reimbursement projections are from Alaska Department of Education, 3/10/97.

OMB/DOR
3/28/97

Appendix B

Capital Project Selection Processes and Criteria

Department of Transportation and Public Facilities

The department has several different programs for transportation and facilities projects. The department requests project nominations for transportation projects from boroughs, cities, and villages as well as other interested parties. The projects are ranked based on a formal priority scoring system, that includes factors such as:

- Safety benefits of the project;
- Improved connectivity between transportation modes such as highway, air, and ferry travel;
- Local funding contributions for both construction and operations and maintenance and;
- Level of public support for the project.

The highest priority transportation projects are combined into the State Transportation Improvement Program (STIP), which is a three year funding plan. Separate programs cover aviation and harbor projects.

Department of Education

The department oversees a statutorily required ranking system for statewide school construction needs. It develops two priority lists: one for new school construction, and a second for major maintenance and renovation projects. A detailed list of requirements and criteria are used in qualifying and ranking projects. The criteria include:

- Percentage by which district enrollment exceeds design capacity of its schools; etc.
- Projected enrollment growth;
- For renovations, the seriousness of life/safety problems and code violations;
- Reasonableness and completeness of the project cost estimate;

- Effectiveness of the district's preventive maintenance program and;
- District's own priority ranking for the project.

Department of Environmental Conservation

DEC operates two major grant programs for water and sewer projects, one for larger municipalities and one for rural villages. In addition, DEC operates the clean water loan program and the drinking water loan program. These four programs use a priority ranking system based on project evaluation criteria which include:

- Existence of a documented human disease problem which the proposed project will correct; etc.
- Environmental pollution problem which will be corrected by the project;
- Project development status, including engineering plans, feasibility studies, and community master plans;
- Availability of other funds to complete the project;
- Capability to operate and maintain the project;
- Documentation of operations and maintenance costs and funding source and;
- Impact of project on economic development and employment opportunities.

Appendix C

ALASKA PUBLIC DEBT

1996-1997

**State of Alaska
Tony Knowles, Governor**

**Department of Revenue
Wilson L. Condon, Commissioner
Ross A. Kinney, Deputy Commissioner**

**This publication was prepared
by the Treasury Division**

January, 1997

TABLE 5.0
State of Alaska
Ratio of General Obligation Bond Debt Service
To Expenditures and Unrestricted Revenues
\$ (Thousands)

<u>Fiscal Year</u>	<u>Debt Service</u>	<u>General Fund Expenditures</u>	<u>Unrestricted Revenues</u>	<u>Ratio of Debt Service to</u>	
				<u>Expenditures</u>	<u>Unrestricted Revenues</u>
1980	\$ 75,072	\$ 1,476,914	\$ 2,467,361	5.1%	3.0%
1981	97,632	4,612,915	3,702,364	2.1%	2.6%
1982	97,459	4,005,604	4,052,956	2.4%	2.4%
1983	143,624	3,846,442	3,587,757	3.7%	4.0%
1984	166,336	3,388,629	3,472,801	4.9%	4.8%
1985	169,523	3,698,469	3,263,041	4.6%	5.2%
1986	163,244	3,653,359	2,912,381	4.5%	5.6%
1987	154,892	3,026,476	1,752,854	5.1%	8.8%
1988	147,906	3,054,559	2,304,835	4.8%	6.4%
1989	135,512	3,185,524	2,186,217	4.3%	6.2%
1990	120,306	2,843,470	2,741,787	4.2%	4.4%
1991	95,482	2,804,676	3,393,059	3.4%	2.8%
1992	68,201	3,023,658	2,801,092	2.3%	2.4%
1993	59,688	3,145,310	2,742,032	1.9%	2.2%
1994	33,819	3,338,553	1,919,787	1.0%	1.8%
1995	22,917	3,290,008	2,458,698	0.7%	0.9%
1996	21,305	3,382,107	2,381,568	0.6%	0.9%

Source: State of Alaska, CAFR, June 30, 1996.

Tables 5.1 and 5.2 provide historical and projected payments for all the types of debt service which are paid from the General Fund.

As shown on Table 5.2, State reimbursement of municipal school debt will amount to 2.8% of unrestricted revenues in FY 1997. Debt service on total State G.O., State Supported, and school debt is projected to be approximately 3.9% of revenues in FY 1997.

Table 5.3 presents the ratio of State G.O.'s to full value of taxable property since 1974. The ratio has declined from 6.0% in 1974 to .1% in 1996. The current median for all states is .9 percent according to Moody's. As a measure of debt capacity, debt to full value is of minor significance in Alaska due to the existence of a State petroleum property tax.

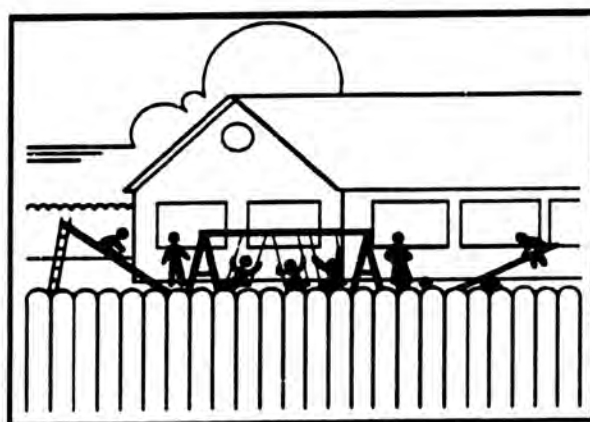
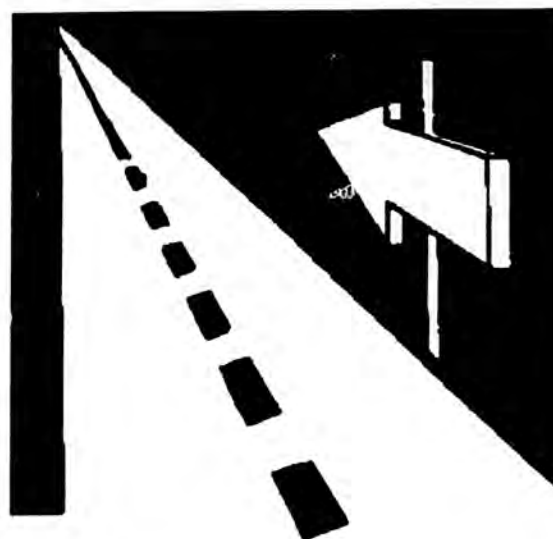
TABLE 5.2
State of Alaska
Debt Service to Unrestricted Revenues
Fall 1996 Revenue Forecast of the Department of Revenue

Actual FY:	Unrestricted General Fund Revenues	State G.O. Debt Service	State Supported Debt Service	Total State Debt Service	School Debt Service	TOTAL DEBT SERVICE TO REVENUES
	\$ (Millions)	%	%	%	%	%
1979	\$ 1,117.5	5.4	1.1	6.5	2.0	8.5
1980	2,467.4	3.0	0.5	3.5	1.0	4.5
1981	3,702.4	2.6	0.4	3.0	1.0	4.0
1982	4,052.9	2.4	0.3	2.7	0.9	3.6
1984	3,472.8	4.8	0.4	5.2	2.7	7.9
1985	3,263.0	5.2	0.4	5.6	2.9	8.5
1986	2,912.4	5.6	0.4	6.0	3.5	9.5
1987	1,752.9	8.8	0.8	9.6	6.4	16.0
1988	2,304.8	6.4	0.7	7.1	4.7	11.8
1989	2,186.2	6.2	0.6	6.8	5.0	11.8
1990	2,741.8	4.4	0.6	5.0	4.3	9.3
1991	3,393.1	2.8	0.5	3.3	4.2	7.5
1992	2,801.1	2.4	0.6	3.0	4.8	7.8
1993	2,742.0	2.2	0.7	2.9	5.0	7.9
1994	1,919.8	1.8	0.7	2.5	5.2	7.7
1995	2,458.7	0.9	0.4	1.3	3.8	5.1
1996	2,381.6	0.9	0.4	1.3	3.3	4.7

**Projected
Mid-Case:**

1997	2,410.0	0.7	0.4	1.1	2.8	3.9
1998	2,015.0	0.7	0.5	1.2	1.9	3.1
1999	1,910.0	0.5	0.5	1.0	1.4	2.4
2000	1,871.0	0.1	0.5	0.6	1.3	1.9
2001	1,898.0	-	0.4	0.4	1.1	1.5
2002	1,842.0	-	0.4	0.4	1.2	1.5
2003	1,797.0	-	0.4	0.4	1.0	1.4
2004	1,736.0	-	0.3	0.3	0.8	1.1
2005	1,672.0	-	0.3	0.3	0.8	1.1

State of Alaska
Six Year Capital Plan
Fiscal Years 1997-2002



Tony Knowles
Governor

Prepared by the Office of Management & Budget
March 1996

TONY KNOWLES
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

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1907-465-3500
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March 29, 1996

The Honorable Drue Pearce, President of the Senate
The Honorable Gail Phillips, Speaker of the House
State Capitol
Juneau, Alaska

Dear President Pearce and Speaker Phillips:

No long-term financial plan for the state is complete if it ignores the need for capital investments — basic needs like schools, roads, prisons, water and sewer, and deferred maintenance at the university and other state facilities. I am pleased to present a realistic six year capital plan to you and the people of Alaska. It fits squarely within the "Ten Year Safe Landing Budget Plan" I laid out two weeks ago.

For years, capital budgets have been passed one year at a time, with no real thought about the future. Instead of a vision and a purpose, we had facilities falling apart and year-to-year uncertainty for Alaska's communities and private construction companies. Instead of an affordable multi-year plan, we had "wish lists" that far exceeded our means.

Last year, I promised to develop a realistic six year capital plan for the state. The plan I present today represents a fair and reasonable allocation of capital funds across Alaska's diverse capital investment needs. It uses a variety of financing tools to meet these needs.

For years, many Alaska communities have adopted six year capital plans by council or assembly resolution. I respectfully urge you to conduct public hearings on this plan and to adopt a resolution approving a six year capital plan as a guideline for the future. As with any multi-year plan, it will need annual executive branch updating and legislative review.

We are moving forward to close the fiscal gap. As we do so, a solid six year capital plan will promote stability in the Alaska economy and provide Alaska's communities and construction industry with a better basis for making their own investment decisions. It will get us away from the "boom or bust" capital budget cycles of the past and ensure that state-funded construction projects can be handled by Alaskan companies and workers.

If we are serious about putting Alaska on solid financial footing, we need to put a six year capital plan in place.

Sincerely,

A handwritten signature in dark ink, appearing to read "Tony Knowles".

Tony Knowles
Governor

**STATE OF ALASKA
SIX YEAR CAPITAL PLAN
Fiscal Years 1997-2002**

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- A. Government Finance Associates memo on debt issues
- B. Selected tables from Alaska Public Debt report

I. Introduction

Meeting Alaska's needs for capital investments over the next several years will be a major challenge. The important capital investment issues facing the state include:

- Maintaining an adequate level of capital investment while closing the fiscal gap;
- Fairly allocating the state's limited funds available for capital investment across the large list of identified capital needs;
- Addressing the backlog of deferred maintenance on state facilities; and
- Determining the mix of funding sources to be used for capital investment, including decisions on the appropriate role and timing of debt financing for capital projects.

A long-term capital plan will help to ensure that these issues are given careful consideration and that the state's financial resources are used most effectively. It is an important element of a comprehensive long-term financial plan for Alaska.

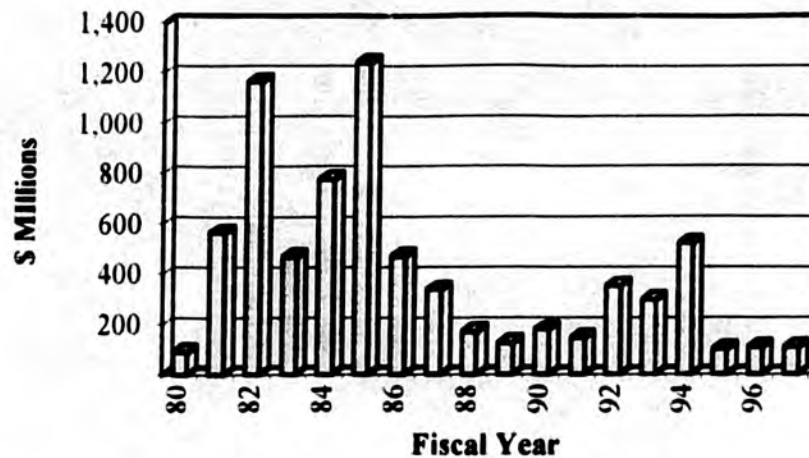
The plan will be helpful in obtaining federal capital funds, which are often allocated on a long-term basis. In addition, the plan will provide Alaska's communities and construction industry with better information for making their own investment plans, and promote stability in the Alaska economy.

Although a six year capital plan is required by statute (AS 37.07.040), Alaska has not had a multi-year capital plan for many years; it has had only one year capital budgets and five year "wish lists" that were rarely read and never scrutinized.

This new approach to a long-term capital plan for FY 97-2002 will not cast Alaska's future capital budgets in concrete. Rather, it will be a solid starting point for discussing a long-term capital plan for the state. The discussion should include Alaska communities, as well as the state legislature and administration. It must be a flexible six year plan, modified annually as needs change.

In the past, there have been huge swings in the size of state capital budgets as state revenues fluctuated. As shown in the chart below, general fund capital spending since FY 80 has ranged from a low of \$92 million in FY 80 to a peak of \$1.2 billion in FY 85 (Federal dollars remained relatively stable during this time.)

Capital Budgets FY 80-97 (General Funds)



"Feast or famine" capital spending makes it difficult for the state's construction industry to maintain jobs for Alaskans in lean times and handle all the work in boom periods. A six year capital plan that is relatively constant in size will help ensure that public works dollars remain with Alaska companies.

II. Summary of Statewide Capital Needs

To begin evaluation of what is feasible over the next 6 years, the Knowles Administration first addressed what is needed. The following table summarizes the total statewide capital needs estimated by state agencies. The list totals over \$3.2 billion. The amounts shown are approximate and in some cases represent current identified capital needs rather than projected needs over the next six years.

Overview of State of Alaska's Capital Needs -

Amounts include general funds only

<u>Agency</u>	<u>Program</u>	<u>Amount In millions</u>
Administration	Pioneer Home deferred maintenance	97.0
Commerce/Econ. Dev.	Economic development projects	14.0
Community/Regional Affairs	Energy and bulk fuel projects	304.0
Corrections	Prisons and jails	150.0
Education	School construction (local requests)	486.1
Education	School maintenance (local requests)	150.6
Environmental Conservation	Village water and sewer	1,108.0
Environmental Conservation	Municipal water and sewer	88.0
Fish and Game	Facilities, aircraft and vessels	30.0
Health/Social Services	Renovation and repair	24.8
Juvenile Justice	Facilities	35.0
Labor	Facility maintenance and computer systems	23.0
Law	Computer systems	0.7
Military/Veterans	Deferred maint., match for fed. funded	24.0
Natural Resources	Park facilities, economic development	42.4
Public Safety	Facilities, aircraft and vessels	42.4
Transportation	Match for federal funds - all modes	204.0
Transportation	Deferred maintenance -all modes/includes facilities	116.3
Transportation	Non-routine maint.-all modes w/AK Marine Hwy. Sys.	12.0
University	Deferred maintenance	133.0
University	New projects	103.0
Courts	Court buildings	19.3
All State Agencies	ADA compliance	44.0
Total		3,251.6

A strategy for addressing deferred maintenance must be a key element of Alaska's long-term capital plan. Deferred maintenance is a major component of the state's capital needs. The Long Range Financial Planning Commission estimated that the state would have to spend about \$75 million per year for ten years on the deferred maintenance backlog and increased ongoing maintenance to bring the deferred maintenance problem under control.

We must closely evaluate all of the needs listed above to determine whether alternatives or reductions are possible in light of the need to reduce state spending and close the fiscal gap. The State of Alaska could not reasonably afford to fund even half of the needs identified on this \$3.2 billion list over the next six years. In addition, the appropriate balance of spending between the operating and capital budgets must be considered. Therefore, it is important to develop strategies for reducing the overall needs, and for finding other ways to address needs that the state will not be able to meet over the next six years. For example, it may not be possible for the state to continue to maintain and operate all of the facilities it currently owns, requiring an assessment of which facilities to close or transfer to other entities.

III. Availability of Funds

The availability of capital funds over the next six years will depend on several factors, including:

- Development and implementation of a long-range plan to balance and stabilize the state's finances;
- Petroleum prices, production and revenues;
- Anticipated changes in federal funding, especially for transportation, water and sewer projects; and
- Utilization of funding sources other than general fund cash.

The FY 96 and proposed FY 97 capital budgets are about \$110 million in general funds and \$53 million in corporate receipts from Alaska Housing Finance Corporation (AHFC). For planning purposes, a reasonable target for general and AHFC funds allocated to capital spending over the next ten years is approximately \$160-200 million per year. Certainly the state's capital needs are much larger than this amount, but the state's fiscal outlook and the need to close the annual budget gap suggest that the state limit its general and AHFC funds capital budgets to this range. A larger planning target allows for changes in capital priorities over time and the fact that some projects may be financed from non-general fund sources.

Governor Knowles' ten year "safe landing" financial plan (see next page) shows how this level of capital spending would fit within the constraints of available revenues and necessary spending on other state government functions.

IV. Potential Changes in Federal Capital Funds

The bulk of federal funds received by Alaska for capital investments are in two areas: transportation and clean water projects. Alaska has been fortunate in recent years to receive federal transportation funds more than seven times greater than what state residents and businesses pay in federal fuel taxes. In FY 97, this ratio will increase to more than eight to one, with \$280 million in federal transportation funds received, compared to about \$30 million generated in federal fuel taxes.

Several larger states which receive only about 80 percent of the federal fuel taxes they generate are lobbying Congress for a greater share of federal transportation funds. A recent report by the General Accounting Office (GAO) recommends several options for a

"fairer" allocation among the states. These options will be considered by Congress as a new transportation spending plan is developed. The current plan expires in October 1997.

Of the options developed by the GAO, the best case scenario for Alaska would reduce Alaska's annual transportation funds from \$280 million to \$89 million, with a worst case reduction dropping to \$37 million.

The Knowles Administration is working closely with Alaska's congressional delegation to protect Alaska's current share of federal transportation funding. We are optimistic that our delegation will be largely successful in their efforts for the next six-year funding cycle. However, over the longer term, it is likely that Alaska's share of federal transportation dollars will decrease. This will require scaled-down transportation capital budgets and some replacement of federal funds by other fund sources such as state fuel taxes.

In the clean water area, which includes urban and rural water and sewer projects, Alaska has been fortunate to receive substantial federal funding in both grant and loan funds over the last several years. However, over \$1 billion in additional capital investment needs have been identified to bring Alaska's systems up to national standards. The Knowles Administration is working with our congressional delegation to incorporate a multi-year authorization for federal funding of Alaska projects in the legislation reauthorizing the federal Clean Water Act and the Safe Water Drinking Act.

V. State and Local Responsibilities for Capital Investments and Maintenance

The division of responsibilities between the state and local governments in Alaska for construction and maintenance of capital investments is an important consideration in developing a long-term capital plan. Task forces are currently addressing the issues associated with the transfer of roads and harbors from the state to local governments, including the question of funding for deferred maintenance.

The Knowles Administration supports local governments taking more responsibility for local capital investments. At the same time, the state needs to be more proactive in assisting municipalities in arranging financing for these investments from sources other than cash grants from the state. As one example of the administration's encouragement of greater local responsibility for capital investments, the Statewide Transportation Improvement Program developed recently by the Department of Transportation and Public Facilities provides priority points for projects when local governments provide matching funds.

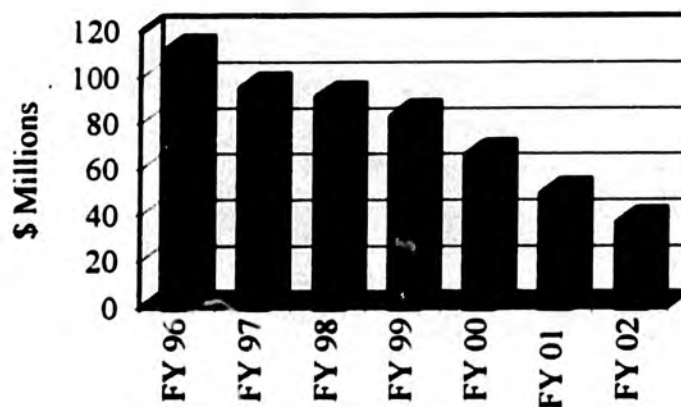
VI. Financing Options

Financing options for capital investments include:

- General fund cash
- Federal matching funds
- Local matching funds
- State corporation bonds and corporate receipts
- Revolving loan funds
- Debt reimbursement for municipalities
- Lease/purchase
- Municipal Bond Bank
- Revenue bonds, and
- General obligation (G.O.) bonds

With the exception of general obligation bonds, all of these financing options have been used to some extent in recent years. The last general obligation debt was issued in 1983. State debt service payments — including G.O. debt, lease purchase obligations, and school debt reimbursement — have declined from a peak of \$283.7 million in FY 87 to \$ 94.6 million for FY 97. Total debt service is projected to decline to \$36.8 million by FY 02 (see chart below).

Projected Debt Service Payments



As state policy makers evaluate financing options for future capital investments, it makes sense to consider total general fund capital spending as the sum of direct capital spending (cash) and debt service payments. In addition, it is critical that the long term operating costs of proposed capital projects be considered when decisions are made to fund

particular projects. The Governor's proposed prison bond bill includes operating and maintenance costs as part of the ballot issue to go before voters.

The Knowles Administration is continuing to explore the policy and technical issues associated with these financing alternatives, and encourages discussion of these issues with the legislature and the public.

A. State Corporation Financing

The state corporations which have had the largest role in capital investments are the Alaska Housing Finance Corporation (AHFC) and the Alaska Industrial Development and Export Authority (AIDEA). Examples of major capital investments financed by these corporations in recent years include:

AHFC:

- University of Alaska housing renovation and construction
- Pioneer Home deferred maintenance and renovations, and
- Housing for developmentally disabled individuals

AIDEA:

- DeLong Mountain transportation system (Red Dog Mine)
- Federal Express aircraft maintenance facility, Anchorage
- Heavy clean coal project, and
- Skagway ore terminal.

The Alaska Science and Technology Foundation (ASTF) and the Alaska Aerospace Development Corporation (AADC) have also contributed to capital investment in Alaska. Projects financed by these corporations include:

ASTF

- Rural wastewater disposal and treatment systems
- Roadway stabilization over permafrost, and
- Value-added pink salmon processing

AADC

- AADC is working with private corporations, government agencies, and universities to develop a low earth orbit launch complex and full service satellite ground station facilities;
- The launch facility will be located on Kodiak Island;

- Two satellite ground stations have been constructed in Fairbanks, with a third to be built during the summer of 1996;
- AADC is also working to promote satellite assembly, test, and distribution facilities in Anchorage.

B. Revolving Loan Funds

The State of Alaska has used revolving loan funds to provide financing in a number of areas, including business investments, energy projects, water and sewer projects, and agricultural development. The main advantage of this approach over other financing options is that an initial capitalization of a revolving loan fund can provide a continuing source of investment capital for the life of the loan fund, as loans are repaid over time. The chief drawback is that projects financed with loan funds must produce a sufficient revenue stream to repay the principal and interest costs of the loan, or the borrowing entities must provide all or part of the revenue stream on behalf of the projects.

Certainly any municipality or organization benefiting from state capital investments would prefer projects to be funded by cash grants rather than loans. However, the revolving loan approach offers the potential to finance a much larger pool of projects than could be accomplished with an equivalent amount of cash grants.

Revolving loan fund financing is appropriate when there is a reliable revenue stream, such as from utility revenues or local taxes. Areas under review for revolving loan potential include clean air programs and water and sewer projects.

C. Debt Reimbursement to Municipalities

The primary use of this financing method has been to reimburse local governments for a portion of their school construction and renovation bond debt. The percentage of debt service reimbursed by the state has ranged from 50 percent to 100 percent over the years. Since FY 76, the state has contributed over \$1.6 billion in school debt reimbursement.

Municipal debt reimbursement has the advantage of requiring voter approval of projects funded in this way. The debt reimbursement approach also utilizes some of the debt capacity of Alaska's local governments, rather than placing the full debt burden on the state, as general obligation bonds do.

The main disadvantage of debt reimbursement compared to cash financing of projects is that it creates an ongoing financial obligation for the state for many years into the future. In addition, the local responsibility for school construction has been as low as 10 percent in the past. Even at the recent 30 percent level, the state pays most of the project costs. This may result in less local voter scrutiny of the necessity for the projects.

The appropriate state and local share of future school construction costs is a policy issue requiring careful consideration. Alaska is one of only a handful of states that provide substantial financial support for school construction. In most states, school construction is almost entirely a local government function.

D. Lease/Purchase Financing

This financing approach has been used by the state to acquire prisons and office buildings and to purchase equipment such as copiers, vehicles and telephone and computer systems. A variation of lease/purchase financing involves the use of "certificates of participation" or COPs, which allow the investment capital to be obtained from a group of investors rather than a single source, such as an equipment vendor.

Lease/purchase financing makes capital investments more affordable by spreading the initial costs of the facilities or equipment over the life of the investment. It is a common mechanism when total capital needs exceed the current year cash available. The main disadvantage, as with any form of debt financing, is that when interest costs are accounted for, the total cost of the investment is higher than if financed with cash. However, if the alternative to lease/purchase financing is paying with cash from an interest-earning fund like the Constitutional Budget Reserve, the lease-purchase costs can be partially or fully offset by the interest earned by leaving the cash in the interest-bearing fund.

In comparison to general obligation bonds, lease/purchase financing allows projects to be financed more quickly, without waiting for the voter approval in a biennial statewide election that is required for general obligation debt. However, interest rates on lease/purchase debt are slightly higher than on general obligation debt — by about 10 basis points (0.1 percent) at current market rates. The state had \$61.6 million in lease/purchase debt outstanding as of the end of FY 96.

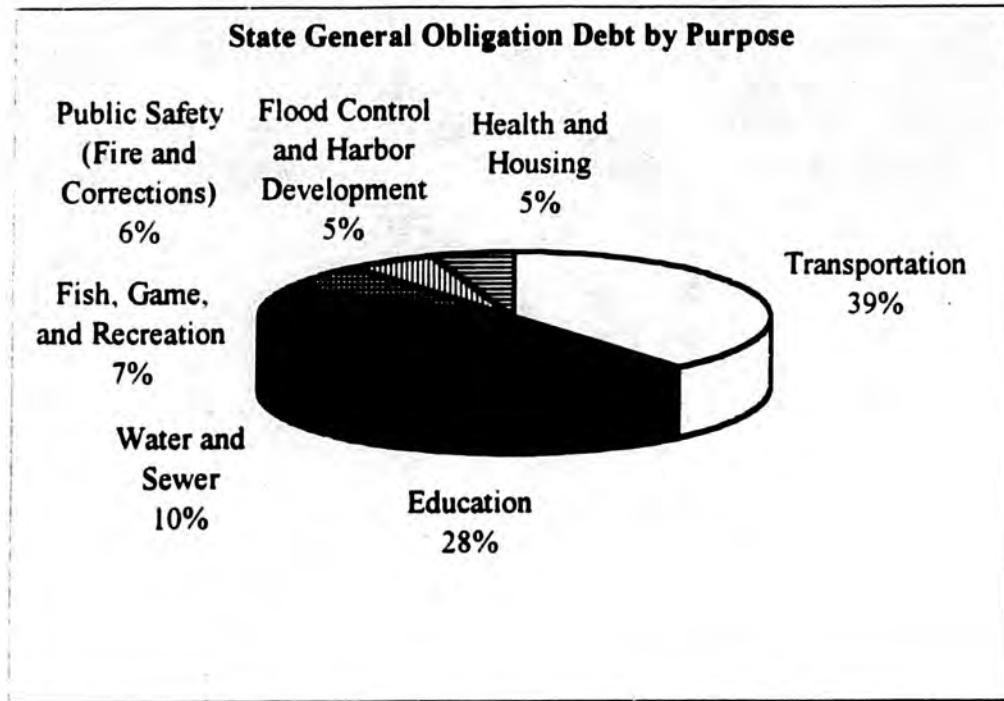
E. Municipal Bond Bank

The Municipal Bond Bank, established in 1975, has financed a wide range of capital investments in partnership with many of Alaska's municipalities. The function of the Bond Bank is to provide better and less costly access to capital investment funds by Alaska's cities and boroughs. The Bond Bank raises money through the issuance of tax-exempt bonds and uses the proceeds to purchase bonds from the municipalities.

The Bond Bank is limited by statute to a total of \$300 million in outstanding bonds. As of the end of FY 96, total Bond Bank bonds outstanding were \$137 million, leaving \$163 million available in additional borrowing authority. This investment capacity could be used more often by local governments to match state and/or federal funds for capital projects, and to finance high-priority local projects for which the state simply does not have funds available.

F. General Obligation Bonds

At the national level, the majority of states — 42 of 50 — utilize G.O. bonds to finance capital investments. From statehood through the beginning of the 1980s, general obligation (G.O.) bonds were the primary financing method used to meet the State of Alaska's capital investment needs. During this period, a total of nearly \$1.4 billion in bonds were issued. The chart below shows the allocation of these bonds by purpose.



With the increases in oil prices and state revenues in the early 80s, the state had surplus revenues available for capital investment. The last issuance of new G.O. bonds was in 1983. (Refunding bonds were sold in 1994 to lower the interest rates on the state's outstanding G.O. debt.)

Of the \$1.4 billion in G.O. bonds sold from 1958 to 1983, all but \$58 million has been repaid (as of June 30, 1995), with the last bonds scheduled to be retired in FY 2000.

Policy Considerations for G.O. Bonds

There are a number of important policy and fiscal issues regarding general obligation bond financing. These issues need to be evaluated in the context of both the state's capital investment requirements and the state's long-term fiscal outlook. G.O. bond financing offers several potential benefits in comparison to cash outlays for capital investments, including:

- G.O. bonds give Alaska's voters the final say on the capital investments included in bond issues, bringing budget discipline and greater public involvement into the capital budget process. Including the operations and maintenance costs of bond-financed facilities on the ballot makes the public aware of the total ongoing costs of the facilities.
- A greater proportion of the state's backlog of capital needs could be met over the next several years.
- The cost of capital investments could be spread over a longer period of time, and between both current and future users of the investments.
- Current interest rates are relatively low, which increases the amount available for projects at a given level of debt service.

Potential concerns about G.O. bonding which need to be considered include:

- New G.O. bonds would increase the state's debt service obligations, requiring other spending reductions to meet fiscal gap closing targets.
- Use of the state's debt capacity during the next 6-8 years will reduce the state's debt capacity in subsequent years, when general fund revenues may be even lower.

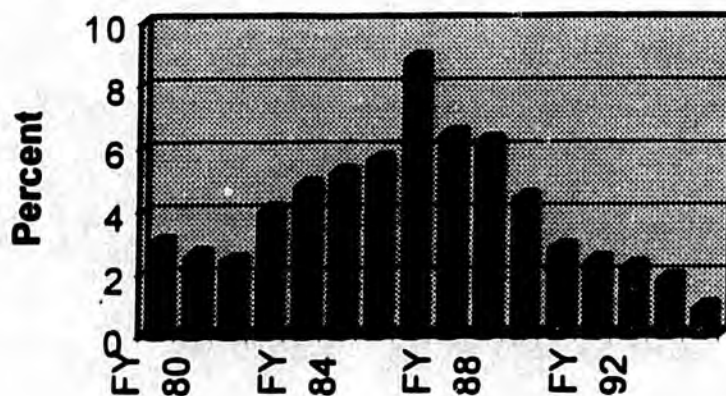
State Debt Capacity

During the last ten years, the state's capacity to issue any new G.O. debt has been constrained by two main factors. First, the ratio of G.O. debt service to unrestricted revenues was, for several years, at or near the maximum level consistent with maintaining the state's excellent AA credit rating. Second, the projected decline in petroleum production and revenues, commonly referred to as "the Prudhoe Bay curve" limited the issuance of debt which would be repaid after the year 2000.

The traditional measures of state debt capacity employed by the bond rating agencies include: the ratio of debt service to unrestricted revenues, debt per capita, debt per \$1,000 of statewide personal income, and debt to full value of taxable property. Alaska's oil revenues have produced a high level of per capita revenue relative to other states. Therefore, the rating agencies have relied primarily on the ratio of debt service to unrestricted revenues in evaluating Alaska's credit standing and debt capacity.

The state's debt capacity policy has been that in order to maintain its AA credit rating, debt service should not exceed approximately 5 percent of unrestricted revenues. The chart below shows Alaska's ratio of debt service to unrestricted revenues from FY 80 to FY 94.

Ratio of Debt Service to Unrestricted Revenues



As shown above, the ratio of debt service to unrestricted revenues did exceed the 5 percent level from FY 85 to FY 89, when state revenues declined sharply due to low oil prices. It peaked at 8.8 percent in FY 87. The state's credit rating was not downgraded during this period, which indicates the state may be able to sustain a future level of debt service in the range of 5 to 8 percent of unrestricted revenues, while maintaining its current credit rating.

As the chart above shows, the state's ratio of debt service to unrestricted revenues has now dropped below the 1 percent level. Current projections of state revenues and existing debt service indicate the state could have the debt capacity to issue a significant amount of new general obligation bonds, perhaps as much as \$500 million, over the next five to eight years.

During the last year, the Department of Revenue and the State Bond Committee have worked with the bond rating agencies to demonstrate that Prudhoe Bay production, and corresponding state revenues, have been extended considerably beyond the projections of 5 to 10 years ago. While the rating agencies have generally agreed that the Prudhoe Bay curve has been extended, the agencies remain concerned about the current gap between revenues and expenditures and reliance on reserve funds to balance the budget. To maintain Alaska's current bond rating with new debt, the state will have to demonstrate to the financial markets that it is making real progress on closing the fiscal gap and diversifying its revenue base.

A memorandum from Government Finance Associates, the State Bond Committee's financial advisor, which explains the bond rating agencies' concerns regarding the state's

financial position, is included as Appendix A. It is important to note that these concerns and limitations regarding new debt also apply to any private debt issued on the state's behalf, such as the lease/purchase arrangement proposed for construction of a new prison in HB 428.

Recommendations for G.O. Bond Financing

The Knowles Administration has introduced legislation (HB 541 and SB 306) which would place a general obligation bond issue on the November 1996 ballot to authorize the issuance of \$148 million in bonds for essential expansions of the state's correctional facilities. (More detail on this proposal is in Section VIII.)

Alaska has many other capital needs which are equally important as expansion of the state's correctional system, including school construction and renovation, transportation, deferred maintenance for state facilities, water and sewer projects, and economic development.

In addition to the bonds for correctional facilities, the Knowles Administration believes that G.O. bond financing of approximately \$350 million over the next five to eight years to meet these other essential needs is an appropriate and fiscally responsible use of Alaska's debt capacity. The debt service for these bonds can be accommodated within a sound long-range financial plan. The administration recommends that this additional G.O. bond financing be evaluated in more detail next year. It should be incorporated into the discussions of both a six year capital plan, and a long-range financial plan for Alaska.

VII. Capital Project Selection Processes and Criteria

Many program areas within the capital budget include projects from communities around the state — such as schools, roads, and water and sewer facilities. The first phase of identifying and selecting these projects for the six year capital plan and FY 97 capital budget proposal began with state agencies soliciting capital requests from communities and the public throughout Alaska. The agencies then ranked the projects, using detailed selection criteria specific to the types of projects under consideration, as well as some broader selection criteria, such as:

- Is the project necessary to protect public health or safety?
- Would the project reduce future operating costs (state or local)?
- Would the project improve the productivity or efficiency of state government?
- Would the project generate economic benefits at the local, regional, or statewide level? Does the project create ongoing private sector jobs?

- Does the project address the deferred maintenance backlog for state facilities?
- What are the projected operations and maintenance costs for the project?
- Is there an operations and maintenance plan for the project, which includes training, if appropriate?
- Does the project have documented local government and public support?
- Is alternative financing available for the project?

The state agencies which are most involved in the identification of community capital investment needs are the Department of Transportation and Public Facilities (DOT/PF), the Department of Education (DOE), and the Department of Environmental Conservation (DEC). The project identification and ranking processes used by these three departments are discussed in more detail below.

In the second phase of the process, the Governor, the Cabinet, and the Office of Management and Budget reviewed the needs identified by the agencies to determine statewide priorities and funding allocations. This was a difficult process, particularly in selecting projects for the FY 97 capital budget, because hundreds of millions of dollars in capital investment needs had to be trimmed to fit within the \$165 million general fund/AHFC capital budget for FY 97, leaving many valid needs unmet.

As noted earlier, the allocations of funds beyond FY 97 are not intended to be a final, unchanging plan for these years. These allocations will be reviewed and adjusted each year based on new information and more detailed review of individual projects.

Department of Transportation and Public Facilities Project Selection Process

The Department of Transportation and Public Facilities has several different programs for transportation and facilities projects. The department requests project nominations for transportation projects from boroughs, cities, and villages as well as other interested parties. The projects are ranked based on a formal priority scoring system, that includes factors such as:

- Safety benefits of the project
- Improved connectivity between transportation modes such as highway, air, and ferry travel
- Local funding contributions for both construction and operations and maintenance, and
- Level of public support for the project

The highest priority transportation projects are combined into the State Transportation Improvement Program (STIP), which is a three year funding plan. Separate programs cover aviation and harbor projects.

Department of Education Project Selection Process

The department oversees a statutorily required ranking system for statewide school construction needs. It develops two priority lists: one for new school construction, and a second for major maintenance and renovation projects. A detailed list of requirements and criteria are used in qualifying and ranking projects. The criteria include:

- The percentage by which district enrollment exceeds design capacity of its schools
- Projected enrollment growth
- For renovations, the seriousness of life/safety problems and code violations
- The reasonableness and completeness of the project cost estimate
- The effectiveness of the district's preventive maintenance program, and
- The district's own priority ranking for the project

Department of Environmental Conservation Project Selection Process

The Department of Environmental Conservation operates two major funding programs for water and sewer projects, one for larger municipalities and one for rural villages. Both programs use a priority ranking system based on project evaluation criteria, which include:

- The existence of a documented human disease problem which the proposed water/sewer project will correct
- An environmental pollution problem which will be corrected by the project
- Project development status, including engineering plans, feasibility studies, and community master plans
- Availability of other funds to complete the project
- Capability to operate and maintain the project
- Documentation of operations and maintenance costs and funding source, and
- Impact of project on economic development and employment opportunities

Part B - Six Year Capital Plan

In this first year of developing a six year capital plan for the State of Alaska, the emphasis was on four areas:

- identifying total statewide needs in each basic program area — education, health and safety, transportation, justice, deferred maintenance, etc.;
- determining a responsible level of capital funding that fits within a ten year financial plan;
- evaluating the criteria by which priorities are set; and
- proposing allocations of funds among the program areas.

The state's six year capital plan must be a "rolling" plan. Each year, it must take into account new information about statewide needs, priorities and financial resources. It must add a new sixth year as each current year budget is finished.

This plan proposes funding levels for each program area over the next six years. It does not specify individual projects for the years beyond FY97. In program areas such as K-12 schools, water and sewer facilities and transportation, annual project funding decisions are based on statewide priority lists which are updated each year. Statewide master plans developed for program areas such as corrections identify the facilities proposed for construction over the next several years. (A similar plan is being developed for juvenile justice facilities.)

The Knowles Administration recommends that the Legislature pass a resolution adopting funding allocations in a six year plan. This would be similar to action taken by communities around the state which annually approve multi-year capital plans by assembly or council resolution. While a resolution is not binding on future legislatures, it provides a guideline for the future that helps communities and the private sector make their own plans on a more informed basis.

Operations and Maintenance

The plan provides summary information about operations and maintenance (O&M) costs of the proposed six year plan. O&M costs for some types of locally-operated projects, such as water, sewer and landfill facilities, will be paid by local governments and will not add to the overall cost of state government. Costs of accommodating more K-12 students in schools built under this plan are already incorporated in the school foundation formula projections for increased enrollment. Some proposed capital projects will reduce O&M costs, especially through more energy efficient rehabilitation or construction.

The most significant state O&M increases which would result from this plan are due to expansion of correctional facilities under a proposed GO bond to be voted on by the public. The increase would be about \$15.5 million once all facilities are on line. These costs would be on the ballot so voters would know the cost of building the prisons and maintaining them.

SUMMARY OF GOVERNOR KNOWLES' SIX YEAR CAPITAL PLAN

GENERAL FUNDS AND AHFC - Including \$500 million in new general obligation bonds. (All dollars are in thousands.)

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>TOTAL</u>
Education	7,349.1	12,000.0	32,000.0	32,000.0	32,000.0	32,000.0	147,349.1
University	7,000.0	7,000.0	16,540.0	16,540.0	17,040.0	17,040.0	81,160.0
Health and safety	42,117.0	36,900.0	47,230.0	46,280.0	47,680.0	47,180.0	267,387.0
Justice	3,313.0	97,000.0	10,100.0	13,670.0	12,420.0	32,620.0	169,123.0
Housing	45,865.1	48,100.0	49,300.0	51,960.0	49,400.0	49,040.0	293,665.1
Development	3,880.0	3,450.0	3,400.0	3,400.0	3,400.0	3,400.0	20,930.0
Transportation	37,020.0	36,000.0	36,000.0	36,000.0	36,000.0	36,000.0	217,020.0
Public support technology	1,600.0	1,770.0	3,770.0	3,400.0	3,400.0	2,000.0	15,940.0
Deferred maintenance of state facilities			10,000.0	10,000.0	10,000.0	10,000.0	40,000.0
Community capital matching grants	15,000.0	15,000.0	15,000.0	15,000.0	15,000.0	15,000.0	90,000.0

TOTAL

	163,144.2	257,220.0	223,340.0	228,250.0	226,340.0	244,280.0	1,342,574.2
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General Fund Total	110,249.1	110,200.0	110,200.0	110,200.0	110,200.0	110,200.0	661,249.1
AHFC Total	52,895.1	52,970.0	52,840.0	53,000.0	52,940.0	52,080.0	316,725.1
Bond Proceeds Total (\$500 million in bonds over 8 years)		94,050.0	60,300.0	65,050.0	63,200.0	82,000.0	364,600.0

Six Year Capital Plan by Program Area

***Note: Proposed increases are shown for some program areas based on recommendation for \$500 million in bonds sold over eight years.**

This would yield an average of \$62.5 million more each year for capital projects.

Debt service for these bonds is included in the Governor's 10 Year Safe Landing Plan.

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>TOTAL</u>
Education							
School district major maintenance and new construction	7,349.1	12,000.0	11,000.0	10,500.0	10,500.0	10,500.0	61,849.1
Proposed increase in allocation for K-12			21,000.0	21,500.0	21,500.0	21,500.0	85,500.0
Education totals	7,349.1	12,000.0	32,000.0	32,000.0	32,000.0	32,000.0	147,349.1
University							
University deferred maintenance and other projects	7,000.0	7,000.0	5,500.0	5,500.0	6,000.0	6,000.0	37,000.0
Proposed increase in allocation for university deferred maintenance			10,000.0	10,000.0	10,000.0	10,000.0	40,000.0
UAA Dorms (debt service payments)			1,040.0	1,040.0	1,040.0	1,040.0	4,160.0
University totals	7,000.0	7,000.0	16,540.0	16,540.0	17,040.0	17,040.0	81,160.0
Health and safety							
Rural power & Headstart (Community & Regional Affairs)	850.0	850.0	850.0	850.0	850.0	850.0	5,100.0
Village and municipal water/sewer projects (Environmental Conservation)	33,072.0	28,400.0	28,900.0	28,830.0	29,330.0	28,830.0	177,362.0
Proposed increase in allocation for rural sanitation (Environmental Conservation)			8,000.0	8,000.0	8,000.0	8,000.0	32,000.0
Bulk fuel tank and system repairs (Environmental Conservation)	1,600.0	1,600.0	1,600.0	1,600.0	1,600.0	1,600.0	9,600.0
ADA compliance for state facilities (Governor's Office)	500.0	600.0	900.0	1,000.0	1,000.0	1,000.0	5,000.0
Deferred maintenance, info systems, juvenile justice (Health & Social Svcs)	5,575.0	5,000.0	6,430.0	5,500.0	6,500.0	6,500.0	35,505.0
Deferred maintenance, Parks (Natural Resources)	350.0	350.0	350.0	300.0	300.0	300.0	1,950.0
Domestic violence, Civil Air Patrol (Public Safety)		100.0	200.0	200.0	100.0	100.0	700.0
Child support enforcement info system (Revenue)	170.0						170.0
Health and safety totals	42,117.0	36,900.0	47,230.0	46,280.0	47,680.0	47,180.0	267,387.0
Justice							
Deferred maintenance of correctional facilities (Corrections)	2,088.0	1,000.0	2,000.0	1,850.0	1,850.0	1,850.0	10,638.0
Proposed prison bonds for expansion of regional facilities (Corrections)		94,050.0	6,000.0	10,250.0	9,000.0	29,200.0	148,500.0
Deferred maintenance and replacement (Military & Veterans' Affairs)	625.0	625.0	650.0	750.0	750.0	750.0	4,150.0
Match for federal construction funds (Military & Veterans' Affairs)		700.0	700.0	70.0	70.0	70.0	1,610.0
Deferred maintenance, Motor Vehicles, equipment (Public Safety)	600.0	625.0	750.0	750.0	750.0	750.0	4,225.0
Justice totals	3,313.0	97,000.0	10,100.0	13,670.0	12,420.0	32,620.0	169,123.0

	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>TOTAL</u>
Housing							
Pioneer Home deferred maintenance (Dept of Admin. with AHFC funds)	2,589.3	600.0	1,300.0	700.0	1,000.0	1,000.0	7,189.3
Special needs housing	1,750.0	1,500.0	1,500.0	1,500.0	1,500.0		7,750.0
Other AHFC housing programs (Revenue)	41,525.8	46,000.0	46,500.0	49,760.0	46,900.0	48,040.0	278,725.8
Housing totals	45,865.1	48,100.0	49,300.0	51,960.0	49,400.0	49,040.0	293,665.1
Development (AIDEA will also play key role in development funding.)							
Economic development grants and assistance (Commerce and University)	800.0	700.0	700.0	700.0	700.0	700.0	4,300.0
Vessel and aircraft major repair, facility maintenance (Fish & Game)	1,205.0	1,000.0	1,000.0	1,000.0	1,000.0	1,000.0	6,205.0
Def. maint, land info automation, timber, geology, oil/gas (Nat. Resources)	1,125.0	1,000.0	975.0	975.0	975.0	975.0	6,025.0
Fish & Wildlife vessels and aircraft major repairs (Public Safety)	750.0	750.0	725.0	725.0	725.0	725.0	4,400.0
Development totals	3,880.0	3,450.0	3,400.0	3,400.0	3,400.0	3,400.0	20,930.0
Transportation, including federal match and Marine Highway	37,020.0	36,000.0	36,000.0	36,000.0	36,000.0	36,000.0	217,020.0
Public support technology							
Child Support Enforcement automated system (Revenue)	200.0	370.0	370.0				940.0
Debt service on \$6m in FY97 criminal justice & other computer systems	1,400.0	1,400.0	1,400.0	1,400.0	1,400.0	0.0	7,000.0
Proposed increased allocation for technology (could be cash or debt)			2,000.0	2,000.0	2,000.0	2,000.0	8,000.0
Public support totals	1,600.0	1,770.0	3,770.0	3,400.0	3,400.0	2,000.0	15,940.0
Deferred maintenance of priority state facilities, proposed increased allocation			10,000.0	10,000.0	10,000.0	10,000.0	40,000.0
Community capital matching grants	15,000.0	15,000.0	15,000.0	15,000.0	15,000.0	15,000.0	90,000.0
EXECUTIVE BRANCH TOTAL	163,144.2	257,220.0	223,340.0	228,250.0	226,340.0	244,280.0	1,342,574.2
Operations and maintenance on proposed projects	566.5	6,135.5	6,135.5	21,740.1	22,847.2	25,113.7	
Revenue bond proposals (debt service has been included in Governor's 10 Year Plan)							
Public Health Lab (HB 529)		18,700.0					18,700.0
Consolidated wildland fire facility in Palmer (HB 352)		6,000.0					6,000.0
Court System's 6 Year Request							
Fairbanks Courthouse (lease purchase)		19,000.0					19,000.0
Other Projects	4,500.0	8,371.3	3,275.0	2,100.0	800.0	250.0	19,296.3

EDUCATION SIX YEAR CAPITAL PLAN

	<u>FY97</u>	<u>FY98</u>	(in thousands) <u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>6 Year Total</u>
General Funds	7,349.1	12,000.0	32,000.0	32,000.0	32,000.0	32,000.0	147,599.1

Types of projects to be funded:

- Major maintenance of K-12 schools based on Department of Education (DOE) priority list. DOE and the Board of Education are working on improving the system for establishing project priorities and allocating funding to school districts. To address the \$ 150.6 million backlog of major maintenance projects, more funds would be directed to maintenance than to new construction.
- New construction of K-12 schools based on department's priority list. Total need is estimated to be \$486.1 million.
- Although the emphasis would be on school district needs, state-owned schools and other facilities would also need some repairs, renovations and equipment replacement.

UNIVERSITY SIX YEAR CAPITAL PLAN

	<u>FY97</u>	<u>FY98</u>	(in thousands) <u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>6 Year Total</u>
General Funds	7,000.0	7,000.0	16,540.0	16,540.0	17,040.0	17,040.0	81,160.0

Types of projects to be funded:

- Deferred maintenance and code compliance projects. Current backlog of deferred maintenance is estimated at \$133 million; code compliance and ADA access improvements are estimated between \$7 and \$10 million.
- Technology improvements. The University must continue to explore new, cost-effective, methods of delivering educational programs. Capital equipment (including laboratory items) and telecommunications infrastructure are necessary for the continued support of instructional and institutional functions.
- Facility safety, upgrades and renovations. Throughout the system, facilities are in need of classroom completion, renovations, planning and corrections to major safety problems.

HEALTH AND SAFETY / SIX YEAR CAPITAL PLAN

	<u>FY97</u>	<u>FY98</u>	(in thousands) <u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>6 Year Total</u>
General Funds	42,117.0	36,900.0	47,230.0	46,280.0	47,680.0	47,180.0	267,387.0

Types of projects to be funded:

Community & Regional Affairs Projects

- Rural Power System Upgrades. This program will provide approximately \$800.0 a year for upgrade of isolated utilities to applicable standards of safety, reliability and environmental protection. Funding will be provided to priority projects as determined by the department's ranking system. Rural power system upgrade needs are estimated to be in excess of \$54 million. In addition, safety improvements to electrical systems and alternative energy programs have indeterminable needs.
- Head Start Facilities Repair. This program will provide about \$50.0 a year to fourteen statewide Head Start organizations to repair deteriorated facilities. The total need is unknown, but the current request is \$500.0.

Natural Resources Projects

- State parks deferred maintenance projects such as improved water sources, upgraded latrines, general replacement/renewal of campsite tables and other necessary safety improvements will allow for continued safe use by Alaskans and out-of-state visitors.

Water & Sewer Projects

- Village safe water grants for water, sewer and landfill projects will be prioritized and funded on an annual needs basis. At least an additional four years of funding beyond the six year plan would be required to catch up to projected unmet rural sanitation needs.

- Municipal Matching Water/Sewer grants to organized municipalities will continue to be reviewed and prioritized on an annual needs basis.

Bulk Fuel Projects

- Bulk fuel grants for repairs and replacement of community, state-owned and private fuel storage tanks will be reviewed and prioritized annually. Although the statewide need far exceeds funding available today or in the near future, by initiating the prioritization process we will be able to address the major problem areas more adequately than previously. Bulk fuel storage tank repairs are estimated to be in excess of \$200 million.

ADA Compliance

- Projects making buildings accessible to people with disabilities by installation of doors, handles, ramps, signage, elevator modifications, and rest room compliance upgrades for state-owned buildings. The total need is estimated at approximately \$50 million.

Health and Social Services Projects

- Contract will be let to develop a comprehensive, statewide emergency medical services communication plan.
- Immediate repair and equipment are needed for Department of Health and Social Services (DHSS) facilities and some deferred maintenance for 38 state-owned buildings with replacement value of \$232.6 million. Total needs are estimated at \$32 million.
- Statewide maintenance management system which focuses on prevention. The system will track deferred maintenance needs, perform energy audits, identify energy-saving projects and assist in extending the life of existing facilities.
- Youth Services Master Plan. A long-term plan is needed to address the increasing number of youth offenders and the limited facilities now available to deal with them. In conjunction with the Criminal Justice Cabinet and the Youth and Justice Conference, the department is identifying immediate and long-term needs for expansion of detention and treatment facilities. The FY97 budget proposal for the Johnson Youth Center is the first phase of this expansion. Estimates for the total capital expansion needs are in the range of \$20-40 million. When the master plan is completed, a more specific projection will be available.
- Design and construction of public health services facilities.

- Projects funded and approved by the Mental Health Trust Authority as a direct benefit to Mental Health Trust beneficiaries. The Authority has not yet identified their long-term capital needs for FY98 through FY02. Future six year capital budget plans will incorporate the Authority's proposed needs. Examples include the addition to and renovation of health centers and funds for statewide competitive grants for remodeling/renovation.

Revenue Department Projects

- Federal Case Registry of Child Support Orders. This project funded by a combination of federal funds (\$330.0) and general fund match (\$170.0) will provide information on the location of absent parents, where they work and what other child support cases they may have. This highly automated match of information at the federal level would provide faster and increased child support collections for children in Alaska and throughout the nation.

JUSTICE SIX YEAR CAPITAL PLAN

	<u>FY97</u>	<u>FY98</u>	(in thousands) <u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>6 Year Total</u>
General Funds	3,313.0	97,000.0	10,100.0	13,670.0	12,420.0	32,620.0	169,123.0

Types of projects to be funded:

Corrections

- General funds provided annually for deferred maintenance on existing facilities. FY 97 includes the state share to convert Ft. Richardson military brig and Harborview hospital to correctional facilities.
- Prison Bonds will finance expansion of seven regional prisons and construction of two new facilities as described in the Governor's Statewide Corrections Plan which was released in March. Expansion and new construction will generate new equipment needs at all affected institutions.

Public Safety

- Deferred maintenance on Public Safety facilities statewide.
- Replacement of Division of Motor Vehicles equipment for processing registrations, licenses, etc.

Military & Veterans Affairs Projects

- Deferred maintenance for facilities statewide. This includes projects such as roof repairs, carpet replacement, exterior and interior painting and replacement of heating systems in armories and training centers statewide.

- Scheduled renewal and replacement of worn out major building components and the retrofitting or replacement of obsolete or inefficient building systems, such as replacement or repair of roofs at state armories.
- New armory construction. State matching funds would be available for the construction of armories around the state. Federal funding for the construction of these facilities is dependent on having state general funds available for design and site preparation.

HOUSING SIX YEAR CAPITAL PLAN

	<u>FY97</u>	<u>FY98</u>	(in thousands) <u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>6 Year Total</u>
AHFC Funds	45,865.1	48,100.0	49,300.0	51,960.0	49,400.0	49,040.0	293,665.1

Types of projects to be funded:

- Pioneers' Homes renovation and repair. Numerous repairs and renovations are needed to bring the facilities up to minimum state and federal standards. Fire and other code compliance issues would be addressed. The total need for repair and renovation projects for the Pioneers' Homes is estimated at \$25 million over six years.
- Special needs housing to assist developmentally disabled individuals in living independently.
- Supplemental Housing Development Program which leverages U.S. HUD Indian Housing funds for safe and sanitary housing for rural Alaskans. Approximately 300 new homes per year are to be built by regional housing authorities.
- Low-Income Weatherization projects which combine federal funds and corporate receipts to provide cost-effective energy improvements and health and safety repairs to homes of low-income families statewide.
- Public housing deferred maintenance and renovation projects which will modernize facilities and increase operational efficiency.
- Senior Citizens Housing Development Program which uses corporation funds to assist in the development of senior citizen housing in conjunction with other agencies. Uses include: land, site preparation, building plans, construction or remodel costs.
- Federal and other competitive grants that deal with housing issues.
- Homeless Assistance Program which uses corporation funds to help local communities develop programs for the homeless or to prevent homelessness by providing assistance to families in imminent danger.

ECONOMIC DEVELOPMENT SIX YEAR CAPITAL PLAN

	<u>FY97</u>	<u>FY98</u>	(in thousands) <u>FY99</u>	<u>FY00</u>	<u>FY01</u>	<u>FY02</u>	<u>6 Year Total</u>
General Funds	3,880.0	3,450.0	3,400.0	3,400.0	3,400.0	3,400.0	20,930.0

Types of projects to be funded:

Alaska Industrial Development and Export Authority

- Note: This general fund six year plan does not outline future projects financed by AIDEA. However, AIDEA will continue to play a very important role in economic development projects which produce jobs for Alaskans.

Commerce Department and University Projects

- Economic development grants to leverage funds from federal and other non-state agencies or private sector sources for development projects proposed by cities, boroughs, non-profits and private parties. Professional counseling and technical services to encourage expansion of the small business sector in Alaska and to assist small businesses in solving financing, management, marketing and production problems.

Fish and Game Projects

- Maintenance of Department of Fish & Game vessels, aircraft and facilities statewide. The amount of deferred maintenance on facilities is estimated to be about \$3 million and annual maintenance for vessels and aircraft is estimated at \$300.0 to \$600.0.
- Wildlife studies for the area south of Denali National Park slated for new visitor facilities using a combination of state general funds, federal funds and fish and game funds.