



Provided by J&H Consulting to CEE 6/29/2021

Budget Process:

The Operating and Mental Health budgets, [HB 69](#) and [HB 71](#), have finally passed both the Senate and House with plenty of drama and some problems left unresolved. Today, the House and Senate adjourned from the second special session. Before adjourning, the House rescinded its action in previously failing to adopt the effective date clause for [HB 69](#) (the operating, capital, and supplemental budgets) by a vote of 29 yeas, 9 nays, 2 excused. This action brought the budget bill back before the body. The house then passed the effective date clause for HB 69 by a vote of 28 yeas, 10 nays, 2 excused. The budget bill will now be transmitted to Governor Dunleavy for his signature or any vetoes, which we hear are likely. If Governor Dunleavy quickly signs the bill, this will prevent any government shutdown.

As part of the agreement to pass the effective date clause, the House adopted a “sense of the House.” This is basically an agreement to work together on a fiscal plan through a non-partisan, bicameral working group. The fiscal plan is to be completed before the first day of the next special session. The next special session is scheduled for August 2nd. The sense of the House passed by a vote of 30 yeas, 8 nays, and 2 excused.

The Constitutional Budget Reserve/reverse sweep issue, however, has not been resolved. Both the House and the Senate failed to approve the reverse sweep. The result is a dividend of \$525 instead of \$1,100. There is also no funding for oil and gas tax credit payments, Alaska Performance Scholarships, or the Power Cost Equalization Program that impacts 85,000 Alaskans. The \$340 million Alaska Performance Scholarship fund provides \$6.4 million in needs-based grants and \$11.8 million in scholarships for high-achieving students. Funding for community assistance is reduced by \$12.4 million and only \$30.8 million for school bond debt reimbursement is funded. Additionally, funding for \$86.5 million in capital projects, many located in Mat-Su, are now in limbo. Some of those projects include the following:

- \$9 million for Houston Middle School reconstruction in the Mat-Su Borough.
- \$8.5 million, further planning, West Susitna Access Project in Mat-Su (this is a 100-mile industrial road opening access to an important gold discovery).
- \$10 million for pavement rehabilitation, Mat-Su Borough.
- \$1.5 million for an agricultural produce processing plant at Point MacKenzie correctional center in Mat-Su.
- \$1 million, Voice of the Arctic.
- \$36.5 million for various Department of Natural Resources projects.

More information on the reverse sweep, can be found at the Office of Management & Budget site which has [a PowerPoint](#) and handout on [the funds affected](#) by the sweep. There is just over \$1.5 billion in various saving accounts that are impacted. There is hope that the reverse sweep may be ratified later during the August special session and that payments will be made retroactively for the various programs.

Budget Content:

First, a quick reminder that the original operating budget was combined with the American Rescue Plan federal funding, the supplemental budget and the capital budget. This resulted in an operating budget that is 168 pages long. This budget contains \$505.8 million in federal American Rescue Plan Act funds for Alaska. The total for the state of Alaska is just over \$1 billion that is split into two payments, one half this year and the other half next year. Also, additional unspent CARES Act funds are contained in this budget. The breakdown of some of the main funding for these federal dollars are highlighted below:

- \$250 million will be used to fund ongoing programs usually funded by the state's general fund.
- \$50 million, grants for disproportionately impacted communities to offset revenue loss.
- \$90 million, grants to tourism related business to offset revenue loss. An earlier allocation of \$10 million is also included in the budget from CARES Act funding.
- \$20 million, grants to non-profits to offset revenue loss.
- \$7 million for electric utilities.
- \$10 million, to the Alaska Tourism Industry Association.
- \$6 million for food security enhancement projects.
- \$20 million has been set aside for Governor Dunleavy to use as needed.
- \$8 million, domestic violence grants.
- \$185 million, local fiscal recovery for non-metropolitan areas.
- \$11 million, rural airports CARES Act funds.
- \$2.1 million, additional funds for shared fish tax communities.
- \$21.2 million, additional funds for cruise ship communities, FY 21 Revenue Replacement for Shared Commercial Vessel Passenger Tax, calendar year 2019.
- \$21.3 million, additional funds for cruise ship communities, FY 22 Revenue Replacement for Shared Commercial Vessel Passenger Tax, calendar year 2020.
- \$127 million, AHFC for rental relief, homelessness programs, or other housing programs.
- \$50 million, AHFC homeowner assistance.
- \$5 million, AHFC homelessness funds.
- \$64.1 million, COVID-19 testing.
- \$38.9 million, COVID-19 vaccination activities.
- \$28.4 million, childcare block grant.
- \$45.4 million, childcare stabilization grant.
- \$23.9 million, low-income energy assistance.
- \$62 million, University of Alaska, with \$19.9 million designated for student aid.

AHFC has another \$96 million for housing and energy programs from other sources. All of the above programs are funded with either ARPA funds or the Coronavirus Response and Relief Supplemental Appropriations Act, and many of the grants span multiple years ending June 30, 2024. Additionally,

some ARPA funds have gone directly to school districts and municipalities and aren't included in this listing.

The Public Employees' Retirement System has an additional contribution of approximately \$193.5 million and the Teachers' Retirement System has as an additional contribution of approximately \$142.7 million to help with the unfunded liability issues. The budget also contains language that prohibits the governor from employing the revised program legislative process (RLP's) to distribute any federal COVID-19 related funding after session ends. The bill requires the governor to call the legislature into special session to appropriate any new federal funds, which solves the issue of the legislature not having the votes to call itself into special session with a fractured Senate majority and a slim House majority.

The \$17.9 million in NPRA grant funds that were in the supplemental budget are now contained in HB 69, as well as the additional \$9.1 million. In the public safety arena, the VPSO program is funded at \$13.72 million and rural trooper housing at \$2.84 million. The implementation of REAL ID in rural areas receives \$308,000 to add staff and another mobile unit to help with the effort. Public communications receive \$3.5 in funding with the bulk of it, \$2 million, going to public radio. After lots of backlash and public testimony, all Department of Motor Vehicle offices are fully funded.

This year funding for school foundation and pupil transportation programs was originally funded separately in HB 169; however, the Senate included it in the operating budget. Education items included in the operating budget are:

- Fully funded the BSA at \$1.19 billion (lower enrollment).
- Fully funded pupil transportation at \$71 million (lower enrollment).
- \$358.7 million, COVID-19 relief to be distributed through Title I formula (ARPA funding).
- \$5.7 million, emergency assistance for non-public schools (ARPA funding).
- \$2.15 million, Museum and Library Services (ARPA funding).
- \$2.34 million for homeless students (ARPA funding).
- \$30.8 million, School bond debt reimbursement (Full funding is \$83 million, reverse sweep issue).
- \$34.2 million, REAA's small school construction and maintenance.
- \$2.5 million, Pre-K grants for two years, in addition to the yearly \$3.2 million.
- \$240,000, statewide school capital funding database.
- \$550,000, Quality School Grants (lottery).
- \$14.68 million, Mt. Edgecumbe Boarding School.
- \$8.2 million, Residential School Program.
- \$1.1 million, Youth in Detention.
- \$3.86 million, Alaska State Council on the Arts.
- \$19.53 million, Alaska State Libraries.
- \$473,200, Online with Libraries (slight increase).
- \$138,200, Live Homework Help.
- \$7.79 million, BAG Grants.
- \$3.25 million, WWAMI (slight increase).
- \$11.75 million, Alaska Performance Scholarship Awards.
- \$21,642,300 for School Major Maintenance, which includes the first five items on [the list](#))
- \$7,882,000 for Mt. Edgecumbe High School repairs.

- \$2.25 million for AHFC Teacher, Health, and Public Safety Professionals Housing.
- \$2.5 million Chevak Fire School Remediation.
- Approval of the Fiscal Note for SB 19 - Extend SESA Sunset Date (increases SESA's state funding for FY22 by \$533,500).

Much of the Department of Health and Social Services is flat funded. Adult Public Assistance is funded at \$63.78 million. Additionally, the programs listed below are largely funded at last year's levels:

- Senior Benefits Program: \$20.78 million, fully funded.
- Adult Dental: \$27 million.
- Alaska Temporary Assistance Program: \$22 million.
- Child Care Benefits: \$39.9 million.
- General Relief: \$605,000.
- Tribal Assistance: \$17.04 million.
- Energy Assistance: \$9.66 million.
- Women, Infants and Children: \$24.8 million.
- Human Services Matching Grant: \$1.38 million.
- Senior and Disabilities Grants \$18.79 million.
- Early Intervention/Infant Learning Program \$9.27 million.
- McLaughlin Youth Center: \$18.4 million.
- Kenai Youth Center: \$2.23 million.

Funding for these items comes from both the operating and mental health budgets. There is also intent language that the legislature wants \$3.4 million in funding to be used for tribal welfare compacting with Alaska Native Tribes or health organizations. Additional funding could come from other federal sources. After the U.S. Treasury issues guidance, everyone will know more.

Capital Items:

The capital budget was rolled into the operating budget, HB 69, by the Senate. All of the capital items were decided in the conference committee process since the House had a separate capital bill. There are more capital items this year in the budget. The capital funding will help stimulate the economy by creating jobs while building and maintaining Alaska's infrastructure. Listed below are some of the highlights:

- Community Block Grants: \$6 million.
- Municipal Harbor Grant Fund, \$14 million.
- NPRA Grants: \$9.1 million and \$17.9 in the supplemental portion.
- AEA-Alternative Energy: \$5 million.
- AEA-Bulk Fuel Upgrades, \$13 million.
- AEA-Rural Power Systems Upgrades: \$17.5 million.
- AEA-Cargo and Cold Storage \$21 million.
- Village Safe Water Upgrades and Expansions: \$28.3 million.
- Village Safe Water First Time Projects: \$42.4 million.

CEE 6/30/2021 Legislative Update

- Statewide deferred maintenance and repair: \$49 million.
- Code Blue: \$500,000.
- Pacific Cod Disaster, Gulf of Alaska: \$1 million.
- Pacific Coastal Salmon Recovery Fund: \$4.4 million.
- 2018 Sockeye Salmon Disaster-Chignik: \$2 million.
- National Recreational Trails Grants: \$1.6 million.
- Marine Fisheries Patrol Improvements: \$1.1 million.
- AHFC Teacher, Health, and Public Safety Housing: \$2.25 million.
- AHFC Energy Programs, Weatherization: \$5 million.
- Alaska Marine Highway Vessel Overhaul: \$15 million.
- Prosecutor Recruitment and Housing \$4 million.

More budget information can be found at the following link: <http://www.legfin.akleg.gov/> . The legislature has now concluded their work on the budget for the time being. The next special session is scheduled for August. However, work for the next special session will start with hearings in July that will include opportunities for the public to testify about possible future fiscal plans for Alaska. J&H Consulting will report on those meetings and notify you about any opportunities for input. In the meantime, enjoy the summer weather and activities; signing off from sunny Juneau for now!

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