

ALASKA STATE LEGISLATURE

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Finance



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MEMORANDUM

DATE: August 22, 2020
TO: Legislative Budget and Audit Committee
FROM: Kelly Cunningham, Acting Director
SUBJECT: Preparation for the August 27, 2020 Legislative Budget & Audit Meeting

OMB submitted the following FY21 RPLs for consideration at the August 27, 2020 Legislative Budget and Audit Committee meeting. These RPLs, along with Legislative Finance comments, are posted on our web site at <http://www.legfin.akleg.gov>.

RPL#	Agency	Subject	Amount	Fund Source
05-2021-0075	Education and Early Development	National Endowment for the Arts CARES Act	\$421,500	Federal Receipts (1002) Operating
08-2021-0184	Commerce, Community, and Economic Development	Administration of State of Alaska COVID-19 Small Business Relief	\$249,784,591	Federal Receipts (1002) Operating
10-2021-5047	Natural Resources	Geological and Geophysical Surveys	\$500,000	Federal Receipts (1002) Operating
10-2021-5315	Natural Resources	Federal and Local Government Funded Forest Resource and Fire Program	\$7,000,000	Federal Receipts (1002) Capital
10-2021-5316	Natural Resources	National Historic Preservation Fund	\$500,000	Federal Receipts (1002) Capital
10-2021-5317	Natural Resources	Geologic Mapping for Energy Development (USGS STATEMAP)	\$450,000	Federal Receipts (1002) Capital

RPL#	Agency	Subject	Amount	Fund Source
10-2021-5318	Natural Resources	Critical Minerals Mapping - Earth MRI (3DEEP)	\$1,800,000	Federal Receipts (1002) \$1.5M Statutory Designated Program Receipts (1008) \$300K Capital
10-2021-5319	Natural Resources	Agriculture Grant Programs Funding - Economic Assistance	\$4,000,000	Federal Receipts (1002) Operating
11-2021-0021	Fish and Game	Chinook Mitigation	\$6,200,000	Federal Receipts (1002) Operating
11-2021-0022	Fish and Game	Pacific Coastal Salmon Recovery Fund	\$4,600,000	Federal Receipts (1002) Capital
12-2021-0047	Public Safety	Marine Fisheries Patrol Improvements	\$1,100,000	Federal Receipts (1002) Capital
18-2021-0447	Environmental Conservation	Fairbanks PM2.5 Nonattainment Area Voluntary Heating Device Change Out Program	\$14,717,265	Federal Receipts (1002) Capital

If you have any questions that you want an agency to address at the meeting, please call us so we can help ensure the agency has a response prepared.

**Department of Education and Early Development
Alaska State Council on the Arts**

Subject of RPL: National Endowment for the Arts CARES Act	ADN/RPL #: 05-2021-0075
Amount requested: \$421,500	Appropriation Authority: Sec 1 Ch 8 SLA 2020 pg 10 ln 28
Funding source: Federal Receipts (1002) FY2021 Operating	Statutory Authority: AS 44.27.050, AS 44.27.052

PURPOSE

FY2021 federal authorization is required to expend federal revenues.

On March 27, 2020, Congress passed the federal act known as the Coronavirus Aid, Relief, and Economic Security Act or the CARES Act. With the \$75 million appropriated to the National Endowment for the Arts (NEA) through the CARES Act, the nonprofit arts industry is recognized as an important sector of America's economy.

This NEA funding will be used for grants to community arts organizations, local arts agencies, and network arts partners for emergency relief in response to COVID-19 to sustain operations and allow for modification and adaptation of delivery of services. As part of this important investment, the NEA has designed a plan to expedite the distribution of critical funds to the national, regional, state, and local levels to help retain as many jobs as possible, as quickly as possible. These funds are intended to help save jobs in the arts sector and keep the doors open to the thousands of organizations that add value to America's economy and the creative life of our communities.

Use of these funds is limited to any or all of the following: (1) salary support, full or partial, for one or more positions that are critical to an organization's artistic mission; (2) fees for artists and/or contractual personnel to maintain or expand the period during which such persons would be engaged; and/or 3) facilities costs such as rent and utilities.

The Alaska State Council on the Arts (ASCA) received \$421,500 in federal CARES Act funding from the NEA. Funding will be used to award grants to Alaskan artists.

PREVIOUS LEGISLATIVE CONSIDERATION

On May 1, 2020, the Legislative Budget and Audit Committee approved RPL 05-2020-076 which provided \$421,500 federal authority for the same purpose but limited to FY2020. ASCA was unable to expend the funds prior to June 30, 2020. ASCA's FY2021 appropriation of federal authority is not sufficient to collect and distribute this funding.

TIMING ISSUES

The CARES Act was passed by Congress and signed into law on March 27, 2020. The Alaska State Legislature recessed on March 29, 2020. Given the timing, and the original

intent to make awards in FY2020, ASCA did not request additional federal receipt authority for both FY2020 and FY2021 during the last legislative session.

Documentation of the amount of funding was confirmed in an amended partnership agreement on April 14, 2020. The funds are imminent as State Arts Agencies across the nation are also receiving similar funding and are listed as such on the NEA's website. Funds were available to draw down July 1, 2020. These funds are available for obligation through June 30, 2022. The ASCA will obligate the full amount in FY2021, however, sub-grantees may expend these funds in FY2021 and FY2022.

If disapproved Alaska's portion of federal relief funds will be redistributed to other states and Alaska's creative sector and jobs, which are linked with tourism, education, and other sectors, will struggle to recover.

BUDGETARY ISSUES

These federal funds do not affect the general funds, because they do not require a match. They are not a replacement for the general funds. This request for receipt authority is in response to COVID-19 relief funds. There are no indirect cost recovery or fees for services or other considerations in addition to this request.

Legislative Fiscal Analyst Comment: There are no technical issues with this RPL.

To enable legislative tracking, Legislative Finance will assign federal COVID-19 fund code 1265 to federal appropriations associated with Covid-19.

**Department of Commerce, Community, and Economic Development
Executive Administration
Commissioner's Office**

Subject of RPL: Amendments to State of Alaska COVID-19 Small Business Relief	ADN/RPL #: 08-2021-0184
Unobligated Amount Previously Authorized: \$249,784,591	Appropriation Authority: Sec. 37 Ch. 8 SLA 2020; Sec. 32 Ch. 1, FSSLA 2019; Sec 1 Ch 8 SLA 2020 Pg. 4 Ln 25
Funding Source: Federal Receipts (1002) FY2020 Operating and FY2021 Operating	Statutory Authority: AS 26.23.050(c) AS 44.88, AS 44.33.020(18); (20); (29); (30); (31); (32); (34); (35)

PURPOSE

Legislative approval is requested to ensure that the impacts from the COVID-19 disaster on Alaska small businesses are mitigated by the utilization of federal CARES Act funds to the greatest extent possible through a DCCED AK CARES small business relief program that makes full use of federal funds and that carries out the governor's authority to receive, administer and spend grants and assistance from any source to respond to and recover from the disaster. RPL 08-2020-0251 was approved by the Legislative Budget and Audit Committee on May 11, 2020 and ratified by the Alaska Legislature by passage of House Bill 313 on May 20, 2020.

HISTORY

On March 27, 2020, Congress passed the federal act known as the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Section 601 of the CARES Act established the Coronavirus Relief Fund (CRF) with the stated purpose of distributing \$150,000,000,000 to states for "necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19)."

The federal CARES Act provided the State of Alaska with \$1,250,000,000 under the CRF. The State, through RPL 08-2020-0251, then allocated \$290,000,000 of the total \$1,250,000,000 to small business relief programs. Of that, \$289,250,000 was designated for AK CARES.

As ratified, RPL 08-2020-0251 provided for grants of between \$5,000 and \$100,000 to qualified licensed and eligible small businesses established prior to March 11, 2020 who had been impacted by COVID-19.

Under the ratified RPL, ineligible businesses include:

- Marijuana-related businesses;
- Businesses that are secondary sources of income;
- Out-of-state businesses;
- Businesses with more than 50 full time equivalent employees;
- Businesses that received funding or have an approved application for the federal Small Business Administration's (SBA) Paycheck Protection Program (PPP) or Economic Injury Disaster (EIDL) loan program; and
- Businesses that have filed for bankruptcy.

Since the ratification of RPL 08-2020-0251 and the subsequent opening of the application process it has become clear that the initial program parameters unduly restrict administration of relief needed by Alaskan small businesses. In particular, the restriction for businesses that have received PPP or EIDL funds have reduced the pool of eligible applicants.

RPL 08-21-0184 removes the restrictions for secondary income sources and for businesses that have received funding or have an approved application for SBA's PPP or EIDL loan program. Restrictions from the Federal CARES Act still apply.

Given the unique nature of AK CARES funds – a short term, reimbursement based, disaster relief grant program, where all grant funds must be expended by a federal deadline (currently December 30, 2020 – but due to ongoing COVID-19 national emergency possibility exists that the deadline could be extended to sometime in 2021) these changes via RPL 08-21-0184 will provide the Department of Commerce, Community and Economic Development (DCCED) maximum flexibility to respond to issues identified in the administration of the program. This flexibility will allow DCCED to ensure AK CARES meets the needs of small businesses in the most effective and efficient manner possible. This may include, but is not limited to, raising the number of full-time equivalent employees a business may have and still qualify for the program, disbursement processes, and allowable expenses. Accordingly, the DCCED will be able to adjust eligibility requirements and grant amounts as necessary to allow for full use of federal funds made available through the CARES Act to assist Alaska businesses.

PREVIOUS LEGISLATIVE CONSIDERATION

The Legislature considered and approved RPL 08-2020-0251 on May 11, 2020. The Legislature then convened and passed HB 313 ratifying the RPL, signed into law May 20, 2020. This RPL will enable DCCED to fully administer federal CARES Act funds to assist Alaska small businesses.

TIMING ISSUES

The CARES Act was passed by Congress and signed into law on March 27, 2020. The Alaska State Legislature recessed on March 29, 2020. Given the timing of the CARES Act and passage of the FY21 Budget, the Governor's Office did not have enough information to request an appropriation during the current legislative process. Funding from the CARES Act is to be spent by December 30, 2020.

Legislative Fiscal Analyst Comment: There are no technical issues with this RPL. The Office of Management and Budget submitted this RPL to notify the legislature that it will be necessary to loosen restrictions in order for the AK CARES program to work as envisioned and provide assistance to the maximum number of Alaskans economically impacted by the pandemic.

Funds will be transferred from the Commissioner's Office to the Alaska Industrial Development and Export Authority (AIDEA) via a Reimbursable Services Agreement and the policies that govern the AK CARES Grant Program will be updated. Once funds are disbursed to businesses meeting the new eligibility requirements stated in this RPL, further restrictions, in compliance with the CARES Act, may be lifted to increase the pool of eligible applicants.

**Natural Resources
Fire Suppression, Land & Water Resources
Geological & Geophysical Surveys**

Subject of RPL: Division of Geological and Geophysical Surveys	ADN/RPL #: 10-2021-5047
Amount requested: \$500,000	Appropriation Authority: Sec 1 Ch 8 SLA 2020 Pg 27 Ln 18
Funding source: Federal Receipts (1002) Operating	Statutory Authority: AS 41.08

PURPOSE

The Division of Geological & Geophysical Surveys (DGGS) requests additional federal receipt authority due to an increase in the number of high-profile, critical projects funded at the federal level, including the Alaska Volcano Observatory (AVO) with United States Geological Survey (USGS), National Aeronautics and Space Administration (NASA) Snow Observation Network, Environmental Protection Agency, and the Bureau of Land Management.

This additional federal receipt authority will allow DGGS to work on continuing projects that include the North Slope Arctic Strategic Transportation and Resources (ASTAR) project. It will also allow the division to support existing Alaska Volcano Observatory personnel that are required to conduct instrument upgrades to help more accurately monitor Alaska’s 54 active volcanoes. DGGS is continuously working on coastal hazard mitigation work, focused on Alaska’s western coastline. These grants total approximately \$215,000.

DGGS anticipates receiving funding from USGS through two cooperative agreements to improve digital mapping data and create a statewide database to archive and distribute age dates for geologic samples, a statewide EPA groundwater study, and a landslide hazard mitigation plan for Barry Arm. These grants total \$285,000.

PREVIOUS LEGISLATIVE CONSIDERATION

The last time DGGS requested additional federal authority was in FY2018, resulting from a large, multi-year project led by the Alaska Volcano Observatory to upgrade instrumentation throughout the Aleutians, Alaskan Peninsula, and Cook Inlet.

TIMING ISSUES

Funds are either approved or they are imminent and in various stages of the award – from issuance of grants, notification of intent to award, and increases to existing funding arrangements. All funds are anticipated, and additional federal funding is necessary to

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be awarded during the fiscal year to meet the need. Email confirmation and funding documents are available.

Approval is needed now to begin the planning and development work that occurs during the off seasons in preparation for the spring, summer and fall field work. The off-season work consists of the analyses, interpretation, mapping and report preparation and publication, and preparation for the upcoming field season. As the work is distributed throughout the year, a delay in approval may preclude the possibility of conducting the work, and loss of federal funds.

BUDGETARY ISSUES

The anticipated funding and resulting project work meet long-term plans, missions, measures and statutory responsibility of the division: *“conduct geological and geophysical surveys to determine the...locations and supplies of groundwater and construction materials; the potential geologic hazards to buildings, roads, bridges, and other installations and structures; and shall conduct such other surveys and investigations as will advance knowledge of the geology of the state...” AS 41.08.020.*

Funding cannot be spent, and work cannot be performed until federal funds have been appropriated. There are no general funds available for these projects.

No new permanent positions will be added, current staff within DGGS will be working on these projects. If this request does not get approved, our ability to address the Barry Arm Landslide adequately will be significantly reduced as will the ability to pursue new mineral exploration. The division has insufficient federal receipt authority to accommodate these grants. We also anticipate requesting additional federal authority in FY2022.

Legislative Fiscal Analyst Comment: There are no technical issues with this RPL.

**Department of Natural Resources
Fire Suppression, Land & Water Resources
Forest Management**

Subject of RPL: Federal & Local Government Funded Forest Resource and Fire Program	ADN/RPL #: 10-2021-5315
Amount requested: \$7,000,000	Appropriation Authority: Sec 1, Ch 3, FSSLA2019, Pg 5, Ln 27
Funding source: Federal Receipts (1002) Capital	Statutory Authority: AS 41.17.055

PURPOSE

The federal authority being requested is intended to fund projects that include competitive grant awards for hazardous fuels reduction, wildfire and prevention education, special forest disease surveys, forest restoration projects, biomass inventories and grants to volunteer fire departments (VFDs) and communities for various urban forestry. The Division of Forestry also contracts to operate the field portion of the Forest Inventory Analysis program in Interior Alaska. The recipients of the pass thru grants, both private and public, shall significantly benefit from these projects. This project provides short-term and long-term positive economic impact as it provides seasonal job opportunities, and it helps support and manage local wildland fire programs.

PREVIOUS LEGISLATIVE CONSIDERATION

The Federal and Local Government Funded Forest Resource and Fire Program capital appropriation has been in effect since 2013 (see prior funding history below):

- Sec. 1, Ch. 3, FSSLA2019, pg. 5, ln. 27, SB19 \$1,400,000
- Sec. 1, Ch. 19, SLA2018, pg. 7, ln. 33, SB142 \$1,400,000
- Sec. 1, Ch. 1, SLA2017, pg. 6, ln. 9, SB23 \$1,400,000
- Sec. 1, Ch. 2, SLA2016, pg. 5, ln. 24, SB138 \$1,800,000
- Sec. 1, Ch. 38, SLA2015, pg. 5, ln. 23, SB26 \$1,800,000
- Sec. 1, Ch. 18, SLA2014, pg. 57, ln. 32, SB119 \$1,800,000
- Sec. 1, Ch. 16, SLA2013, pg. 71, ln. 29, SB18 \$1,500,000

The funds are utilized in accordance with program and project requirements as approved by the granting agency. Historically, an amount between \$1,400,000 and \$1,800,000 has been appropriated for these purposes in order to meet Alaska's vast forest and fire-related needs. Forestry's federal grants have increased and we anticipate higher federal amounts will be requested in the future. The project enlists cooperation at the local level throughout Alaska, using a combination of federal resources and other funding provided by municipalities.

There is no intent language in the appropriation bill, and no prior Revised Program Legislative (RPL) has been submitted prior to this one.

A \$7.0 million federal capital request was included in the initial FY2021 capital bill (HB207). It was not a part of the final FY2021 HB205 operating and capital bill passed by the legislature.

TIMING ISSUES

These activities are generally conducted during the summer. A majority of the federal funds are in-hand, but the work cannot begin until the federal authority has been appropriated. These funds are critical and necessary for the State to complete this work during the short field season in Alaska. Other projects that can only be conducted during the summer include wildfire risk reduction via fuel mitigation, fire prevention education outreach, and equipping rural village fire crews.

If approval is denied, the division will not be able to execute the federally funded projects that will consequently affect communities in Alaska that are the end recipients of the respective programs.

BUDGETARY ISSUES

The funding fits into long-term plans, missions and measures of the division, in helping Alaska communities by administering the Community Forestry, Conservation Education, Forest Health, and Stewardship programs; managing wildland fire program on public, private and municipal lands; and providing technical assistance to forest landowners. The program also supports timber management work on federal lands via the Good Neighbor Authority projects and supports jobs and the forest products sector in both direct and indirect ways.

The requested federal receipt authority will be distributed as follows:

Personal Services	2,000,000.00
Travel	275,000.00
Services	2,975,000.00
Commodities	250,000.00
Capital Outlay	-
Grants	1,500,000.00
Total	7,000,000.00

The federal funding will leverage the State's resources in accomplishing programs and projects that are in accord with the division's underlying forest resource and fire programs. It will create some flexibilities whereby some positions can be reallocated for this purpose.

There is no excess receipt authority in the past years to be utilized because it diminishes as the federal award amount multiplies over the course of seven years.

The requested federal receipt authority will be spent for five years contingent to the lifespan of the grant awards.

Legislative Fiscal Analyst Comment: There are no technical issues with this RPL.

**Department of Natural Resources
Parks and Outdoor Recreation
Office of History and Archaeology**

Subject of RPL: National Historic Preservation Fund	ADN/RPL #: 10-2021-5316
Amount requested: \$500,000	Appropriation Authority: Sec 1, Ch 3, FSSLA2019, Pg 5, Ln 32
Funding source: Federal Receipts (1002) Capital	Statutory Authority: AS 41.35, AS 44.37 P.L. 89-665, as amended by P.L.96-515 (Title54USC 300101 et seq.: Historic Preservation)

PURPOSE

This project provides funds for Alaska’s on-going State Historic Preservation Program which includes sub-grants to local governments, for-profit and nonprofit organizations, individuals, and owners of historic properties. There is an ongoing need for the protection, preservation, and rehabilitation or restoration of historic properties. Other historic preservation projects eligible for grants include surveys and inventory of historic properties, education, planning, and training.

This program permits the Department of Natural Resources to accept funds from the federal government, the private sector, and local governments and to pass these funds to historic preservation grant recipients, which assist in meeting statewide historic preservation planning goals. This program provides short-term and long-term positive economic impact as it supports historic sites and local organizations within Alaska.

PREVIOUS LEGISLATIVE CONSIDERATION

This project was last appropriated in FY2020. The National Historic Preservation Fund requires a 40% state match. General fund program receipt (GFPR) and unrestricted general fund will be needed and requested at a later date. There is no intent language in the appropriation bill, and no previous RPL has been requested or considered for this capital project.

Prior funding history:

- Sec. 1, Ch. 3, FSSLA2019, pg. 5, ln. 32, SB19 \$500,000
- Sec. 1, Ch. 19, SLA2018, pg. 8, ln. 12, SB142 \$550,000
- Sec. 1, Ch. 1, SLA2017, pg. 6, ln. 18, SB23 \$400,000
- Sec. 1, Ch. 2, SLA2016, pg. 5, ln. 29, SB138 \$800,000
- Sec. 1, Ch. 38, SLA2015, pg. 5, ln. 26, SB26 \$800,000
- Sec. 1, Ch. 18, SLA2014, pg. 58, ln. 21, SB119 \$800,000
- Sec. 1, Ch. 16, SLA2013, pg. 72, ln. 9, SB18 \$800,000

A \$650.1M (\$500K Federal and \$150.9K state match) capital request was included in the initial FY2021 capital bill (HB207). It was not part of the final FY2021 HB205 operating and capital bill passed by the legislature. The department confirmed funding is being aligned so that in-kind match can be used.

TIMING ISSUES

The funding is anticipated and must be applied for by October 1, 2020 and federal authorization should be in place prior to applying. The funds are imminent, and the division anticipates conducting public meetings, survey work, and restoration work during the summer months of 2020. Delay and disapproval of this capital request will cause us to lose an entire field season and would jeopardize our ability to meet project deadlines and federal reporting requirements.

BUDGETARY ISSUES

The funds are critical to the long-term plans and the core mission of the Office of History and Archaeology (OHA) and the State's historic preservation program as outlined in Alaska's State Historic Preservation Plan "Saving Our Past: Planning for Our Future 2018-2023." The funds are necessary for the State to fulfill program requirements of a State Historic Preservation Program as authorized by the National Historic Preservation Act and its regulations and to maintain certification.

This request represents reimbursable federal grant dollars. Current and future budgets are affected to the extent that OHA and local sub-grantees incur expenditures and bill the National Park Service for reimbursements.

If the federal grant funds are not accepted on time, an opportunity to invest in Alaska's historic properties would be missed and threatened historic properties would be at greater risk. Without this funding, the state's historic preservation program could not sub-grant those funds to the public, government, and business sectors.

The requested federal receipt authority will be distributed as follows:

Personal Services	170,000.00
Travel	5,000.00
Services	30,000.00
Commodities	2,100.00
Capital Outlay	-
Grants	292,900.00
Total	500,000.00

Legislative Fiscal Analyst Comment: There are no technical issues with this RPL.

**Department of Natural Resources
Fire Suppression, Land & Water Resources
Geological & Geophysical Surveys**

Subject of RPL: Geologic Mapping for Energy Development (USGS STATEMAP)	ADN/RPL #: 10-2021-5317
Amount requested: \$450,000	Appropriation Authority: Sec 1, Ch. 3, FSSLA2019, pg. 5, ln. 30
Funding source: Federal Receipts (1002) Capital	Statutory Authority: AS 41.08.020

PURPOSE

This project will:

- 1) Use federal funds from a United States Geological Survey (USGS) STATEMAP grant, which are necessary to produce a 1:63,360-scale bedrock geological map of the Rooftop Ridge area of the North Slope. The formations are known to host billions of barrels of oil in the subsurface.
- 2) Use federal funds from a USGS STATEMAP grant to compile bedrock geology maps from the Yukon-Tanana Upland into the GeMS map schema for electronic distribution.

The primary purpose of this project is to acquire a comprehensive new geologic data set that will catalyze private-sector oil and gas exploration beyond the core Prudhoe Bay area. In addition, this information will provide a sounder technical basis for estimates of undiscovered resources. The primary accomplishment of this project will be the production of a detailed geologic map covering two inch-to-mile quadrangles in the central North Slope foothills; an area of intense interest to industry, and adjacent to the FY2020 STATEMAP map area.

This work benefits the mineral exploration and mining economic sectors as it provides some of the baseline data needed to identify mineral resources, which is a necessary precursor to mining. The mapping assists with identifying areas that may be favorable to the identification of a wide number of mineral occurrences from precious and base metals to critical minerals. This project provides long-term positive economic impact as it will develop the State's resources.

PREVIOUS LEGISLATIVE CONSIDERATION

A \$600,000 (\$300K federal and \$300,000 state match) capital request was included in the initial FY2021 capital bill (HB207). It was not part of the final FY2021 HB205 operating and capital bill passed by the legislature. The department will be able to use existing funds for match.

Prior funding history:

Sec. 1, Ch. 3, FSSLA2019, pg. 5, ln. 30 SB2002 \$600,000

Sec. 1, Ch. 19, SLA2018, pg. 8, ln. 24, SB142 \$600,000

Sec. 1, Ch. 1, SLA2017, pg. 6, ln. 12, SB23 \$2,100,000

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Sec. 1, Ch. 2, SLA2016, pg. 5, ln. 27, SB138 \$200,000

Sec. 1, Ch. 38, SLA2015, pg. 5, ln. 21, SB26 \$800,000

STATEMAP grants have been received by the Department of Geological and Geophysical Surveys (DGGS) since 1993 prior to FY2016 (SLA2015), this funding was included in the operating budget.

This project was last appropriated in FY2019. There is no intent language in the appropriation bill, and no previous RPLs have been requested or considered for this capital project.

This capital project was included in the FY2021 Governor's Budget; however, it did not get included in the approved budget bill (HB205). Since the original request, we were notified that the grant amount was higher than anticipated, therefore federal funds in the full amount of the grant amount are being requested. Match funding has been identified.

TIMING ISSUES

Geologic mapping on the North Slope must occur during the summer. It is not possible to do the work in the winter months.

Funds are imminent, the federal receipt authority is needed for this season in order to complete the planned field work. A delay of approval will preclude the possibility of conducting the work, and the department will be unable to fulfill the grant requirements within the timeframe of this grant.

BUDGETARY ISSUES

This project directly aligns with the division's statutory mission to "*conduct geological and geophysical surveys to determine the potential of Alaskan land for production of metals, minerals, fuels, and geothermal resources...*" AS 41.08.020.

Funding for this project by expenditure type is noted below:

Personal Services	\$435,000
Travel	\$5,000
Contractual	\$5,000
Service	\$5,000
Total	\$450,000

This work is of great interest to the oil and gas industry. The combined funding will produce a geologic map of the Colville River area on the North Slope, which is an economically significant area.

This federal funding provides salary support for several Fairbanks-based staff. All existing positions in the DGGS Energy Section working on this project, and the majority of the positions in the Geologic Information Center will be partially supported by this grant. One new long-term non-permanent (LTNP) Geographic Information System (GIS) Analyst III and one LTNP Geologist II will be required to complete the work.

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Grants for this purpose are given annually however because the grant funding overlaps two state fiscal years, a minimum of a two-year funding term is needed, and we have insufficient federal receipt authority to accommodate this grant.

Legislative Fiscal Analyst Comment: There are no technical issues with this RPL. The Department plans to provide State match through a combination of previously appropriated Capital GF and in-kind personal service staff hours.

**Department of Natural Resources
Fire Suppression, Land & Water Resources
Geological & Geophysical Surveys**

Subject of RPL: Critical Minerals Mapping – Earth MRI (3DEEP)	ADN/RPL #: 10-2021-5318
Amount requested: \$1,800,000	Appropriation Authority: Sec 1, Ch 3, FSSLA2019, pg. 5, ln. 18
Funding source: \$1,500,000 Federal Receipts (1002) / \$300,000 Statutory Designated Program Receipts (1108) Capital	Statutory Authority: AS 41.08.020

PURPOSE

This ten-year project will geologically map the state at 1:100,000 scale, create new geophysical survey data, digitally upgrade historical geophysical surveys, and publish the resulting data and associated reports. This funding will allow us to provide that information for the mineral-rich and mining-friendly Interior. Both the state and federal governments recognize this as a region with high mineral potential and that this mapping is critical for successful mineral exploration.

The Alaska Minerals Commission considers this data collection as their highest priority for state support to the mining industry in their 2019 annual report, and again as a priority in their 2020 annual report. This project provides short-term and long-term positive economic impact as it will spur private sector investment in Alaska, generate jobs, and help the nation’s critical mineral supply.

PREVIOUS LEGISLATIVE CONSIDERATION

This is a continuation of the FY2019 National Mineral Security Program – Three-Dimensional mapping Economic Empowerment Program (3DEEP) capital project. This project has been renamed by the United States Geological Survey (USGS) as Earth MRI (Mapping Resources Initiative).

In FY2020, Division of Geological and Geophysical Surveys (DGGS) received roughly \$1.2 million from the USGS under this program. It conducted geological mapping and has contracted a geophysical survey with those funds. Earth MRI is anticipated to be a decade-long initiative that contributes significant data to understand critical and other mineral resources in Alaska.

Previous funding history:

- Sec. 1, Ch. 3, FSSLA2019, pg. 5, ln. 18, SB2002 \$600,000
- Sec. 1, Ch. 1, SLA2019, pg. 5, ln.18, SB19 \$3,000,000
- Sec. 1, Ch. 19, SLA2018, pg. 8, ln. 14, SB142 \$5,000,000

There is no intent language in the appropriation bill, and there have been no previous RPLs for this project.

A \$2.45 million (\$1.5 million federal and \$950K state match) capital request was included in the initial FY2021 capital bill (HB207). It was not a part of the final FY2021 HB205 operating and capital bill passed by the legislature. The department confirmed state match is not required to receive this federal funding.

TIMING ISSUES

Funding is anticipated and the funds are imminent. The division has received notification from USGS that our preproposals are approved, and our final grant proposal has been submitted. The project is anticipated to start July 1, 2020; however, work cannot begin until the federal authority has been appropriated.

The mapping project uses all Alaska personnel, and an Alaska helicopter company. The mapping must occur during the summer and is not possible to do in the winter months. COVID-19 is not considered likely to have a major impact on the geological mapping and geochemical analyses because the mapping is in an unpopulated part of the Yukon-Tanana Upland and is not community based. However, COVID-19 may impact the airborne geophysical survey, as staff for geophysical contractors will have to come to Alaska, either from the Lower 48, or overseas. Depending on travel and quarantine restrictions, this could delay data collection to 2021. In order to avoid compressing too many projects into one season, even with a delay in the data collection, completing the mapping portion of the project this year will free up the Alaska staff to do other projects in the future.

These funds are critical and necessary for the State to complete this work during the summer, and it is not possible to complete in the winter months. Delay of the project will cause us to lose an entire field season, and it could double the workload for the following year which will be unmanageable. This would also jeopardize our ability to meet project deadlines and federal reporting requirements, which would lapse the federal funds.

BUDGETARY ISSUES

This project directly aligns with the Divisions statutory mission to *“conduct geological and geophysical surveys to determine the potential of Alaskan land for production of metals, minerals, fuels, and geothermal resources...” AS 41.08.020.*

Below is the line item distribution for the proposed capital project:

Personal Services	\$475,000
Travel	\$50,000
Contractual	\$1,267,000
Supply	\$8,000
Total	\$1,800,000

This request represents reimbursable federal grant dollars. Current and future budgets are affected to the extent that the division incurs expenditures and bills USGS and the Bureau of Land Management (BLM) for reimbursements. The SDPR being requested will allow us to receive funds from Resolution Minerals and with the Northern Star Resources Limited, the operator of the Pogo gold mine, to contribute toward geophysical surveys.

Agency Contact: Steve Masterman, Chief Geologist (907) 451-5007

LFD Contact: Conor Bell (907) 465-3795

This federal funding provides salary support for several Fairbanks-based staff and contract staff. All existing positions in the DGGs Mineral Resources section will be working on this project, and several positions in the Geologic Information Center will be partially supported by this grant as well. If this capital project does not get approved, some permanent staff could be laid off, and the area that will be mapped will be significantly reduced resulting in a potential reduction of new mineral exploration. This is a capital project request that requires federal authorization. The division has insufficient federal receipt authority to accommodate this grant.

Legislative Fiscal Analyst Comment: There are no technical issues with this RPL.

**Department of Natural Resources
Agriculture
Agricultural Development**

Subject of RPL: Agriculture Grant Programs Funding - Economic Assistance	ADN/RPL #: 10-2021-5319
Amount requested: \$4,000,000	Appropriation Authority: Sec. 1, Ch. 8, SLA 2020, pg. 28, ln. 3
Funding source: Federal Receipts (1002) FY2021 Operating	Statutory Authority: AS 03, AS 03.22

PURPOSE

The federal receipt authority being requested will be used to receive funds from the United States Department of Agriculture (USDA) Agricultural Marketing Service (AMS) division. This funding will provide small agricultural micro grants to individuals and organizations to provide growing resources to Alaska food growers and to increase food security and resiliency in rural communities and Alaska as a whole. The funds are specifically granted to the State of Alaska to make these small awards. All Alaskans will benefit from increased food security in our state and decreasing dependence on outside resources and the high shipping costs associated to them.

Without this authorization, there will be fewer funds available which could reduce the amount of food the Alaska growers are able to produce during the summer season. Each month delayed means that the projects which will be funded are delayed and Alaska growers will suffer.

PREVIOUS LEGISLATIVE CONSIDERATION

This is a sector of specialty grants and is part of the existing federal grant program the division receives. There has been no previous appropriation for this capital project. There is no intent language in the appropriation bill, and no previous RPLs has been considered.

A \$4.0 million capital request was included in the initial FY2021 capital bill (HB207). It was not a part of the final FY2021 HB205 operating and capital bill passed by the legislature. No state match is required.

TIMING ISSUES

The funding is anticipated, and the funds are imminent. This funding was included in Section 4206 of the 2018 Farm Bill – Micro-Grants for Food Security. We anticipate receiving the federal funds in time for the current season and granting the funds out in July; therefore, we need federal receipt authority before we can accept the funds.

As soon as we get notification from USDA for Request for Proposal, we will need to coordinate with producers and agricultural organizations and nonprofits to review their requests and determine if they meet the requirements. We need to release the funds to

Agency Contact: David Schade, Division Director (907) 761-3867
LFD Contact: Conor Bell (907) 465-3795

the eligible local organizations in a timely manner, especially with high rates of food insecurity. This will also allow producers to conduct activities they can only do during the summer such as building community gardens and planting materials and crops. We anticipate receiving 200-300 requests from local organizations.

BUDGETARY ISSUES

This project fits the division's long-term plans and mission, which is to increase and support all agricultural development in the state. This funding will increase the resiliency of the agricultural market in Alaska and food security of rural locations.

This request represents reimbursable federal grant dollars. Current and future budgets are affected to the extent that the division and local sub-grantees incur expenditures and bill USDA for reimbursements.

The department has not incurred any costs to date to implement the program due to the lack of federal receipt authority, and the use of general funds for this grant are not expected in the future.

This federal program allows us to allocate 3% of the grant for grant administration. This will cover existing positions' time and potentially one new position to process and review the grant applications and to cover the anticipated increase workload.

Line Item Breakdown:

Personal Services	120,000
Travel	20,000
Services	80,000
Commodities	10,000
Capital Outlay	10,000
Grants	3,760,000
Total	4,000,000

The 2018 Farm Bill allocates \$4.0 million to Alaska each year for four years. The division has \$2.0 million in-hand but anticipates receiving up to \$4.0 million from USDA for the remainder of the year. This is an increase to the current federal program in the Division of Agriculture, so there is no excess federal receipt authority that can be utilized for this program.

Legislative Fiscal Analyst Comment: There are no technical issues with this RPL.

**Department of Fish and Game
Commercial Fisheries
Statewide Fisheries Management**

Subject of RPL: Chinook Mitigation	ADN/RPL #: 11-2021-0021
Amount requested: \$6,200,000	Appropriation Authority: Sec 1 Ch 8 SLA2020 Pg 14, Ln 12
Funding source: Federal Receipts (1002) Operating	Statutory Authority: AS 16.05.020(2)

PURPOSE

The Pacific Salmon Treaty (Treaty) provides for the conservation and management of salmon that span the international border between the U.S. and Canada. Since ratification in 1985, the Treaty has been instrumental in reducing interceptions, preventing overfishing, and improving salmon management. Southeast Alaska is home to a significant number of salmon enhancement facilities and programs. Primary impacts of the harvest reduction are on Southeast Alaska “hook and line fisheries,” which include commercial troll and sport fisheries and associated interests.

The contributions of hatchery raised Chinook and coho salmon are important to the troll and sport fisheries most affected by the reduction in Treaty harvests. Alaska hatchery produced Chinook salmon provide significant benefits because they may be harvested in addition to the annual Chinook salmon quota set under the Treaty.

Southeast Alaska Chinook Salmon Fishery Mitigation Program components include the following:

- Hatchery fish marking, tagging, and evaluation – \$4.7 million (included in Fish and Wildlife Service (FWS) federal fiscal year (FFY) 2020 funding). Alaska is held accountable for gaps in its information by what is known as the *risk factor*. In short, the risk factor considers potential errors in Alaska’s data and reduces Chinook harvest levels accordingly.
- Hatchery enhancement projects – \$1.5 million included in National Oceanic and Atmospheric Administration (NOAA) FFY2020 funding. Alaska is interested in replacing as much of the 7.5% reduction taken in the 2019 agreement as possible with increased hatchery production. Hatchery production will be expanded across seven locations for an increase of up 2.5 million yearling releases per site per year.
- Hatchery research. Funds may also be used to develop brood stocks and to conduct critical hatchery-related research into marine survival, alternate life history traits, migration and other information that can increase fishing opportunities.

Legislative Fiscal Analyst Comment: The Department shared the following plan for the distribution of these funds:

Chinook Mitigation Process

For guidance and oversight on the use of Chinook salmon mitigation funds, ADF&G is utilizing a process that includes a 10-member Chinook Salmon Mitigation Stakeholder Advisory Panel (Stakeholder Panel). The make-up of this entity includes the following public membership: Commercial salmon troll (3), Sport Fish (2), Gillnet (1), Seine (1), Regional Aquaculture Associations (2) and Hatchery Operator (1). The Stakeholder Panel will consider proposals and make recommendations to the ADF&G commissioner by super majority vote.

FFY20 DOI/USFWS Funding - \$4,700,000

Two tagging trailers will be purchased for \$2,698,300. One will be provided to the Southern Southeast Regional Aquaculture Association (SSRAA) and the other to DIPAC, and may be shared with the Northern Southeast Regional Aquaculture Association (NSRAA). Proposals for usage will be considered by the Stakeholder Panel on a rolling basis.

FFY20 DOC/NOAA Funding - \$1,397,463

The Stakeholder Panel met in April 2020 to consider proposals for salmon enhancement and to develop recommendations for utilization of the FY20 grant. Of the nine proposals received, two were withdrawn. Of the remaining seven proposals, four were recommended by super majority vote for funding:

1. Port Armstrong Hatchery Production – Armstrong-Keta Inc. (AKI) \$226,623
2. Sawmill Creek Hatchery Expansion – Phase I Northern Southeast Regional Aquaculture Association (NSRAA) \$451,600
3. Sawmill Creek Hatchery Phase II – Northern Southeast Regional Aquaculture Association (NSRAA) \$204,240
4. Increased Hatchery Production at Whitman Lake and Neets Bay Hatcheries – Southeast Regional Aquaculture Association (SSRAA) \$515,000

PREVIOUS LEGISLATIVE CONSIDERATION

The Southeast Alaska Chinook Salmon Fishery Mitigation Program was established in 2009 as part of the Pacific Salmon Treaty negotiations and is designed to alleviate economic impacts to the 15 percent reduction in Chinook salmon harvest levels under the 2009 revision of the Treaty. This program continues to be necessary due to an additional 7.5 percent reduction in Chinook harvest levels under the 2019 revision. Alaska's willingness to accept another loss to Chinook fisheries was predicated, in part, on a mitigation package designed to offset economic consequences. Distribution of mitigation funds is intended to benefit those most directly affected by the economic impacts of the Chinook harvest reductions in Southeast Alaska. The Department worked with fishery stakeholders and hatchery operators to identify priority uses for these funds. Projects to increase production of and access to hatchery salmon ranked highest in priority.

The Department has received two prior year capital projects during state fiscal years (SFY) 2011 and 2012 in the amount of \$7.5 million. Both of those capital projects have since been closed out and not available to add authority.

TIMING ISSUES

The federal distribution amount has been largely unknown for all of SFY2020. The appropriation of these federal funds was unusual in that they were requested by and appropriated to the U.S. Section of the Pacific Salmon Commission. The U.S. Commissioners had tense discussions regarding how FFY2020 appropriations would be allocated among the states, federal government, and Pacific Northwest Indian tribes, which was ultimately agreed upon in late February in Vancouver, BC. The U.S. Commissioners agreed to allocate \$1.5 million from the Department of Commerce, NOAA appropriation and \$4.7 million from the Department of Interior, FWS to the State of Alaska for the mitigation program. The FWS spent considerable time, working through a process to disperse the funding, which was further delayed due to COVID-19. An electronic transfer was received by the Department of Fish and Game on April 28, 2020. Additional authority is needed in order for the Department to spend these funds.

BUDGETARY ISSUES

The Southeast Alaska Chinook Salmon Fishery Mitigation Program will be an on-going project for the Department. There will be additional federal funding in future years with a total of up to \$23 million. It is estimated that the funding will be spent over a five-year period with the potential of additional years depending on Treaty outcomes.

The \$1.5 million NOAA grant will be allocated to expand hatchery infrastructure at four facilities to accommodate increases in salmon production. The \$4.7 million FWS allocation will be used to purchase, operate, and maintain two specialized tagging trailers.

The preference is for this authority to be in a capital project that would begin SFY2020 but due to the process available, the Department will use existing SFY2020 operating authority, and request SFY2021 operating authority through the Revised Program Legislative process, in hope of receiving a SFY2021 supplemental capital project early SLA2021.

Legislative Fiscal Analyst Comment: There are no technical issues with this RPL.

**Department: Fish & Game
Division of Commercial Fisheries
Pacific Coastal Salmon Recovery Fund**

Subject of RPL: Pacific Coastal Salmon Recovery Fund	ADN/RPL #: 11-2021-0022
Amount requested: \$4,600,000	Appropriation Authority: Sec. 1, Ch. 3, FSSLA 2019, pg. 4, ln. 7
Funding source: Federal Receipts (1002) Capital	Statutory Authority: AS 16.05.020(2)

PURPOSE

The Alaska Sustainable Salmon Fund (AKSSF) is Alaska’s program for administrating federal funds from the Pacific Coastal Salmon Recovery Fund (PCSRF) program. The overall objective is promoting sustainability of Alaska’s salmon populations and maintaining salmon populations that are utilized for subsistence. The Department operates the program according to congressional and federal guidance. The State provides grants and funding to State agencies and subrecipients through competitive calls for proposals for stock assessment, harvest monitoring, and habitat conservation and restoration projects. If this program were discontinued, the Department would lose funding for numerous salmon projects, resulting in significant impacts to Division of Sport Fish, Division of Commercial Fisheries, Habitat Section, and Subsistence Section. PCSRF projects contribute to multiple core services, including conserving fish stocks based on scientifically sound assessments (Commercial Fisheries), conducting fisheries research (Sport Fish), protecting and restoring fish habitat (Sport Fish), maintaining and updating the Anadromous Waters Catalog (Habitat), improving and protecting habitat (Habitat), and assessing the amounts reasonably necessary for subsistence (Subsistence). Collectively, PCSRF projects contribute to long-term sustainability of salmon populations and salmon habitats, thereby ensuring harvest opportunities are maintained. The economic benefits of PCSRF projects on Alaskan businesses are also significant and spread across all regions of the state.

PREVIOUS LEGISLATIVE CONSIDERATION

The Department applies for Pacific Coastal Salmon Recovery Fund (PCSRF) grants on an annual basis. Since the PCSRF program began in FY2000, capital projects have been appropriated 15 times to facilitate receipt of these funds (totaling \$323 million), including FY2019 (Sec. 1, Ch. 3, SLA 2019, pg. 4, ln. 7). This project allows the Department to receive grant funds from the PCSRF program.

A \$4 million capital request was included in the initial FY2021 capital bill (HB207). It was not a part of the final FY2021 HB205 operating & capital bill passed by the legislature. The amount of the grant available has increased since the budget was submitted. The Department confirmed that State match is not required to receive this federal funding.

TIMING ISSUES

The Department's application for its FFY2020 Pacific Coastal Salmon Recovery Fund grant is currently being processed. The anticipated federal Notice of Grant Award (NGA) is expected to be received in July or August. Upon receiving the NGA, the Department has 30 days to accept the award. Depending on the timing of the NGA, the Department needs receipt authority available in the time period of the end of July through September to accept and allocate the award. The proposals that get awarded through this federal funding would not be able to proceed without the award being accepted and the accounting structures in place to make the federal drawdowns. Delays in approval could result in an inability to fund projects in 2021 and reduced competitiveness for future federal awards (if funds are not utilized in a timely manner). If the request is disapproved, there will be a significant loss in services (see description under "Purpose") as well as significant economic impacts across the state as many of these projects directly or indirectly contribute to private sector jobs.

BUDGETARY ISSUES

The AKSSF is solely funded by the PCSRF program. AKSSF funding from the FFY2020 PCSRF grant cycle has not yet been awarded or accepted. The program funds multi-year projects (currently being proposed) with the federal funds utilized over a five-year period. There is no excess authority from previous years. Previous capital requests have matched the PCSRF funding, which is also anticipated to be the case this year and in future years. Two existing positions (a Program Coordinator II and an Accounting Technician III) are partially funded by the PCSRF award, though 97% of the funds are allocated to projects awarded through competitive calls for proposals.

This program supports a variety of projects to maintain sustainability of Alaska salmon populations, enhance the ability of the department to monitor salmon stocks, eradicate invasive species like northern pike, restore salmon habitat, provide critical information to help manage salmon fisheries, and contribute to the economy and food security of the people of Alaska.

Legislative Fiscal Analyst Comment: There are no technical issues with this RPL.

**Department of Public Safety
Alaska State Troopers
Alaska Wildlife Troopers Marine Enforcement**

Subject of RPL: Marine Fisheries Patrol Improvements	ADN/RPL #: 12-2021-0047
Amount requested: \$1,100,000	Appropriation Authority: Sec 1, Ch 3, FSSLA 2019, Pg 6, Ln 21
Funding source: Federal Receipts (1002) Capital	Statutory Authority: AS 44.41.020 – Powers and duties of Department AS 18.65.010 – AS 18.65.110 AS 16 (Fish & Game)

PURPOSE

This project is part of an ongoing joint enforcement agreement (JEA) with the National Marine Fisheries Service (NMFS). Federally regulated marine fisheries occur on a year-round basis in the coastal and offshore waters of Alaska. Both the federal and state governments share an interest in ensuring these fisheries are protected. This project will help the Department achieve its mission to ensure public safety, enforce fish and wildlife laws, and to protect wildlife resources. The JEA federal funding has historically been included in the capital budget as a portion has funded equipment purchases.

Fish and wildlife law enforcement in Alaska's coastal and offshore environments is of broad common interest to both the state and federal governments. However, these large geographic expanses suffer an absence of federal logistical support for patrolling, monitoring, and investigating fish and wildlife related activities and impacts. Even though Alaska's logistical enforcement capabilities are well beyond those available to most federal agencies, DPS is unable to broaden or enhance its field presence without this additional federal funding. In many cases, enhancing State funding will provide additional air and sea patrols during which State and federal concerns can be met concurrently. Such enhancement of existing State assets and infrastructure is much more cost effective than developing similar assets within the federal government.

Legislative Fiscal Analyst Comment: This funding is used for capital equipment purchases, and a significant portion is used for qualifying personal services costs for Alaska Wildlife Troopers (see the attached AWT JEA FFY19 Operations Plan).

PREVIOUS LEGISLATIVE CONSIDERATION

This item has been included annually in the Department's capital budget request. FSSLA2019 appropriation reference is SB19 Sec. 1, Ch. 3, FSSLA2019, pg. 6, Ln 21. The amount requested each year is slightly over \$1 million, depending on the availability of federal funds. There is no state match requirement. There have been no previous RPLs for this activity.

A \$1.1 million federal capital request was included in the initial FY2021 capital bill (HB207). It was not part of the final FY2021 HB205 operating and capital bill passed by the legislature.

TIMING ISSUES

While the need for funding was anticipated, recent events surrounding the COVID-19 epidemic were not. DPS has received JEA funding since at least FY2003. The most recent award letter is included. Federal awards are available for a period of one year unless extended by NMFS.

If federal receipt authority were delayed or disapproved, the Alaska Wildlife Troopers (AWT) would not be able to fulfill its obligations under the FFY2019 JEA agreement. The JEA agreement was negotiated in July 2019 and DPS is required to fulfill specific mandates as part of the agreement. Additionally, through the JEA, the federal government has agreed to pay the majority share of a medium class patrol vessel for the Cordova Troopers. The Department's ability to adequately patrol marine fisheries would be adversely affected, putting one of Alaska's most important natural resources at greater risk of overexploitation.

BUDGETARY ISSUES

This funding fits into the continuing operations of the department by enhancing AWT's ability to conduct marine fisheries enforcement activities and protect one of Alaska's most important natural resources. There is no anticipated future pressure for general funds, and no state match is required. If receipt authority were not granted, the Department would require additional general funds to maintain current activities or would be forced to curtail fisheries enforcement efforts. This program is expected to continue indefinitely, and the Department intends to seek funding in future budget cycles.

Legislative Fiscal Analyst Comment: There are no technical issues with this RPL.

Department of Environmental Conservation
Division of Air Quality
Air Quality

Subject of RPL: Fairbanks PM2.5 Nonattainment Area Voluntary Heating Device Change Out Program	ADN/RPL #: 18-2021-0447
Amount requested: \$14,717,265	Appropriation Authority: Sec 1, Ch. 19, SLA 2018, pg. 4, ln 27
Funding source: Federal Receipt (1002) Capital	Statutory Authority: AS 46.03

PURPOSE

The Fairbanks North Star Borough (FNSB) routinely records some of the highest levels of fine particulate matter (PM2.5) air pollution in the nation. Wood smoke is the primary source, contributing between 60% and 80% to PM2.5 levels. The Environmental Protection Agency (EPA) has classified the FNSB as a serious nonattainment area. As a result of the serious problem and threat to public health, EPA requires the FNSB and State to implement strict air pollution controls in the area. The project under this federal award is designed to enhance the implementation of the committed PM2.5/wood smoke reduction measures identified in the local air quality plan.

Changing out older, higher polluting home heating devices is an effective way to reduce air pollution. The FNSB's voluntary program allows residents with solid fuel (e.g. wood, coal, etc.) burning appliances used as primary, secondary, or emergency backup heating sources to upgrade their heaters or convert to oil, electric, natural gas, or propane heaters. The program will also assist local residents that have no other source of adequate heat than wood or coal heat by helping them to replace, repair, or upgrade existing inadequate, undersized, malfunctioning, and/or defective non- solid fuel heaters reducing their long-term reliance on solid fuel. The Department of Environmental Conservation estimates that 1,578 solid fuel fired heating devices will be replaced, removed, or repaired through the voluntary program. Program participants are projected to qualify for an average reimbursement rate of \$6,288, though due to the range of options, that amount will vary significantly based on the type of conversion.

PREVIOUS LEGISLATIVE CONSIDERATION

The Department has received two prior appropriations for this purpose: Sec 1, Ch. 1, SLA 2017, pg. 4, ln 15, and Sec 1, Ch. 19, SLA 2018, pg. 4, ln 27. An RPL (1800369) was approved in October, 2019, to increase the FY2019 appropriation by \$5,000.0.

This request was included in the initial FY2021 capital bill (HB207) at \$5,000.0. This project was not included in the final FY2021 HB205 operating and capital bill passed by the legislature. Please note the amount has since increased because EPA recently decided to combine two years of Targeted Air Shed funds and the total anticipated award amount has been increased accordingly.

TIMING ISSUES

The Department anticipates EPA awards for this fully federal grant in the last half of 2020. Given the need to improve air quality to meet federally required progress goals, the Department wants to initiate work quickly following an award. If the funding is not approved, the Department would be unable to accept the federal award delaying needed progress in improving air quality.

BUDGETARY ISSUES

No state fund match is required for this federal grant. The Department plans to partner with the Department of Commerce, Community, and Economic Development and the FNSB to administer the voluntary change out program as detailed in the grant application. Since the original capital request, EPA decided to combine two years of Targeted Air Shed funds and increased the total award amount, and the Department has increased this RPL request accordingly.

Legislative Fiscal Analyst Comment: There are no technical issues with this RPL.