SENATE BILL NO. 227

IN THE LEGISLATURE OF THE STATE OF ALASKA

THIRTY-THIRD LEGISLATURE - SECOND SESSION

BY SENATOR MYERS

Introduced: 2/12/24
Referred: Finance

A BILL

FOR AN ACT ENTITLED

"An Act relating to the evaluation of capital projects; establishing the capital project evaluation division in the office of management and budget and the capital project evaluation task force; relating to school construction grants and bond reimbursement; relating to harbor facility grants; and providing for an effective date."

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

* **Section 1.** AS 14.11.013(a) is amended to read:

(a) With regard to projects for which grants are requested under AS 14.11.011, the department shall

(1) annually review the six-year plans submitted by each district under AS 14.11.011(b) and recommend to the board a revised and updated six-year capital improvement project grant schedule that serves the best interests of the state and each district; in recommending projects for this schedule, the department shall verify that each proposed project meets the criteria established under AS 14.11.014(b) and qualifies as a project required to

(A) avert imminent danger or correct life-threatening situations;

(B) house students who would otherwise be unhoused; for purposes of this subparagraph, students are considered unhoused if the students attend school in temporary facilities;

(C) protect the structure of existing school facilities;

(D) correct building code deficiencies that require major repair or rehabilitation in order for the facility to continue to be used for the educational program;

(E) achieve an operating cost savings;

(F) modify or rehabilitate facilities for the purpose of improving the instructional program;

(G) meet an educational need not specified in (A) - (F) of this paragraph, identified by the department;

(2) prepare an estimate of the amount of money needed to finance each project;

(3) provide to the governor, by November 1, and to the legislature within the first 10 days of each regular legislative session, a revised and updated six-year capital improvement project grant schedule, together with a proposed schedule of appropriations;

(4) encourage each school district to use previously approved school construction design plans and building systems if the use will result in cost savings for the project;

(5) consider the regionally based model school construction standards developed under AS 14.11.017(d)**;**

(6) submit each project to the capital project evaluation division for an evaluation under AS 37.07.200(c).

*** Sec. 2.** AS 14.11.013(b) is amended to read:

(b) In preparing the construction grant schedule, the department shall establish priorities among projects for which grants are requested and shall award school construction grants in the order of priority established. In establishing priorities, the department shall evaluate at least the following factors, without establishing an absolute priority for any one factor:

(1) emergency requirements;

(2) priorities assigned by the district to the projects requested;

(3) new local elementary and secondary programs;

(4) existing regional, community, and school facilities, and their condition; this paragraph does not include administrative facilities;

(5) the amount of district operating funds expended for maintenance;

(6) other options that would reduce or eliminate the need for the request;

(7) the district's use of previously approved school construction design plans and building systems if the use will result in cost savings for the project; [AND]

(8) consideration of regionally based model school construction standards under AS 14.11.017(d)**; and**

(9) the evaluation conducted under AS 37.07.200(c).

* **Sec. 3.** AS 29.60.810 is amended by adding a new subsection to read:

(b) The Department of Transportation and Public Facilities shall submit each capital project proposed in an application submitted under this section to the capital project evaluation division for an evaluation under AS 37.07.200(c). In this subsection, "capital project" has the meaning given in AS 37.07.120.

* **Sec. 4.** AS 29.60.820(a) is amended to read:

(a) The Department of Transportation and Public Facilities may award a harbor facility grant during a fiscal year only for a proposed project eligible under **AS 29.60.810(a)** [AS 29.60.810] based on a grant application filed during the immediately preceding fiscal year before February 1. The total amount of grant money made available to a municipality or regional housing authority during a fiscal year may not exceed $5,000,000.

* **Sec. 5.** AS 29.60.820(b) is amended to read:

(b) The Department of Transportation and Public Facilities shall award a grant for every proposed project eligible under **AS 29.60.810(a)** [AS 29.60.810] that is for repair and major maintenance of a harbor facility that was transferred by the state to a municipality or regional housing authority before grants may be made for other proposed harbor facility projects during a fiscal year. However, after the department makes a grant for the repair and major maintenance of a harbor facility under this subsection, no other grants for the repair and major maintenance of that facility may be made during the same or any other fiscal year.

*** Sec. 6.** AS 29.60.820(c) is amended to read:

(c) The Department of Transportation and Public Facilities shall establish priorities for the award of grants for proposed harbor facility projects under (b) of this section and priorities for the award of grants for other proposed harbor facility projects, with new construction projects having the lowest priority. The department shall award grants in the order of priority established. In establishing priorities, the department shall include at least the following, in the order listed:

(1) the extent to which the municipality or regional housing authority can demonstrate that it will have sufficient revenue to operate and maintain the harbor facility in the future without state aid;

(2) public safety and emergency factors;

(3) the amount spent by the municipality or regional housing authority on maintenance of the harbor facility;

(4) the project's numerical score, as calculated under AS 37.07.200(c);

(5) [(4)] other options that would reduce or eliminate the need for the proposed project; and

(6) [(5)] whether alternative harbor projects would better serve the public interest.

*** Sec. 7.** AS 37.07.040 is amended to read:

Sec. 37.07.040. Office of management and budget. The Alaska office of management and budget shall

(1) assist the governor in meeting the requirements of AS 37.07.020, including the coordination and analysis of state agency goals and objectives, plans, and budget requests;

(2) prepare for submission to the governor an annually updated six-

year capital improvements program and the proposed capital improvements budget for the coming fiscal year, the latter to include individual project justification with documentation of estimated project cost **<u>and a copy of the evaluation conducted under AS 37.07.200(c) for each project</u>**;

(3) develop procedures to produce the information needed for effective policy decision making, including procedures to provide for the dissemination of information about plans, programs, and budget requests to be included in the annual budget and opportunity for public review and comment during the period of budget preparation;

(4) assist state agencies in their statement of goals and objectives to achieve, among other things, the legislature's mission and desired results, preparation of plans, assessments of the extent to which missions and desired results have been achieved, budget requests, and reporting of program performance; all documents forwarded by the office to a state agency containing instructions for the preparation of program plans and budget requests and the reporting of program performance are public information after the date they are forwarded;

(5) administer its responsibilities under the program execution provisions of this chapter so that the policy decisions and budget determinations of the governor and the legislature are implemented;

(6) provide the legislative finance division with the budget information it may request;

(7) provide the legislative finance division with an advance copy of the governor's budget workbooks at least seven days before the legislature convenes in a regular session;

(8) prepare the proposed capital improvements budget for the coming fiscal year **<u>and evaluate all</u>** [EVALUATING BOTH STATE AND LOCAL] requests **<u>as provided in AS 37.07.200(c)</u>** [FROM THE STANDPOINT OF NEED, EQUITY, AND PRIORITIES OF THE JURISDICTION; OTHER FACTORS SUCH AS PROJECT AMOUNTS, POPULATION, LOCAL FINANCIAL MATCH, FEDERAL FUNDS BEING USED FOR LOCAL MATCH, MUNICIPALITY OR UNINCORPORATED COMMUNITY ACCEPTANCE OF THE FACILITY, AND

ALL ASSOCIATED COSTS OF THE FACILITY MAY BE CONSIDERED];

(9) for each department in the executive branch, report to the legislature by the 45th day of each regular session the amount of money appropriated to the department that is expected to lapse into the general fund at the end of the current fiscal year;

(10) establish and administer a state agency program performance management system involving planning, performance budgeting, performance measurement, and program evaluation; the office shall ensure that information generated under this system is useful for managing and improving the efficiency and effectiveness of agency operations;

(11) by January 15, list each lease-purchase agreement entered into by an agency during the immediately preceding fiscal year for the acquisition of equipment or other personal property, together with a description of the property acquired and financial details, including the purchase price, the term for payments, the amount of each payment, and the amount of interest or financing charges paid;

(12) work with state agencies to develop a standardized methodology to collect and store energy consumption and expense data.

* **Sec. 8.** AS 37.07.060(b) is amended to read:

(b) The governor shall present the proposed comprehensive operating and capital improvements programs, and fiscal plan if it is required under AS 37.07.020(b), in a message to a joint session of the legislature before the fourth legislative day following the convening of the legislature in regular session. The message must be accompanied by an explanatory report that summarizes recommended goals, plans, and appropriations. The report must contain

(1) the coordinated program goals and objectives that the governor recommends to guide the decisions on the proposed program plans and budget appropriations;

(2) the governor's operating program and budget recommendations for the succeeding fiscal year organized by agency as required by AS 37.07.020(a);

(3) the governor's capital improvements program and budget recommendations for the succeeding fiscal year and capital improvements program for

the succeeding six fiscal years, which must include

(A) a description of each project, its estimated cost for the year construction is to start and the estimated cost of the project adjusted for inflation over the estimated period of construction, [AND] the source of financing for the project**, and an evaluation of the project under AS 37.07.200(c)**; the project description for a new building or a new facility or for a major addition to a building or facility should include a site plan, preliminary drawings, and architect's or engineer's total cost estimate for the project;

(B) a summary of projects previously authorized and not yet completed;

(C) a summary, listed by agency, of all previously proposed projects that have been deferred beyond the six years covered by the plan and the year in which construction has been rescheduled to begin;

(D) a forecast of the debt structure of the state and the various debt ratios over the life of the state's bonds outstanding, bonds authorized and to be issued, and bond authorizations recommended in the plan;

(E) a description of additional revenue measures needed to finance the plan in lieu of debt;

(F) bond election bills to authorize the bonds required to fund the projects scheduled for the first three years of the plan;

(G) projections of population of the state and its regions and communities;

(H) economic data and projections necessary for the evaluation of the plan;

(4) a summary of state receipts in the last fiscal year, a revised estimate for the current fiscal year, and an estimate for the succeeding fiscal year;

(5) a summary of expenditures during the last fiscal year, those authorized for the current fiscal year, and an estimate for the succeeding fiscal year;

(6) any additional information that will facilitate understanding of the governor's proposed programs and financial plans by the legislature and the public.

*** Sec. 9.** AS 37.07.062(a) is amended to read:

(a) Each appropriation bill authorizing capital expenditures required to be submitted to the legislature in AS 37.07.020(a) must be accompanied by documents supporting the expenditures. The documents must **include** [LIST], for each project, the

(1) project identification number;

(2) project title;

(3) source of funding;

(4) amount expended on the project during the preceding fiscal year, the amount authorized for the current fiscal year, the amount proposed to be expended during the succeeding fiscal year, and the amount proposed to be expended each year until project completion;

(5) estimated start for construction;

(6) cost of each subsequent phase with estimated construction start and completion dates, for projects that will be completed in phases; [AND]

(7) schedule of bond elections pertaining to the appropriation, including elections previously held**; and**

(8) evaluation of the project conducted under AS 37.07.200(c).

*** Sec. 10.** AS 37.07.120 is amended to read:

Sec. 37.07.120. Definitions. In **AS 37.07.010 - 37.07.130** [THIS CHAPTER],

(1) "agency" means a department, officer, institution, board, commission, bureau, division, or other administrative unit forming the state government and includes the Alaska Pioneers' Home, the Alaska Veterans' Home, and the University of Alaska, but does not include the legislature or the judiciary;

(2) "allocation" means an amount set out as a legislative guideline for expenditure by a state agency for a stated purpose within the total amount of an appropriation;

(3) "appropriation" means a maximum amount available for expenditure by a state agency for a stated purpose set out in an appropriation act;

(4) "capital projects" and "capital improvements" mean an allocation or appropriation item for an asset with an anticipated life exceeding one year and a

cost exceeding $25,000 and include land acquisition, construction, structural improvement, engineering and design for the project, and equipment and repair costs;

(5) "facility operations" means activities and expenses relating to the day-to-day operations of a building or facility, including utilities, janitorial service, security service, snow removal, and direct supervision of related maintenance activities;

(6) "fiscal year" means a year beginning on July 1 of one calendar year and ending on June 30 of the following calendar year;

(7) "maintenance and repair" means the day-to-day scheduled and preventive maintenance effort, including minor repair work, required to keep a building or facility operational and in a continuous state of readiness;

(8) "object of expenditure" means a line item of expenditure within an allocation or an appropriation;

(9) "office" means the Alaska office of management and budget established in the Office of the Governor by AS 44.19.141;

(10) "renewal and replacement" means the scheduled replacement of worn-out major building components and the replacement or retrofitting of obsolete or inefficient building systems in order to maintain or extend the life of a building or facility.

* **Sec. 11.** AS 37.07 is amended by adding new sections to read:

Article 2. Capital Project Evaluation Division.

Sec. 37.07.200. Capital project evaluation division. (a) The capital project evaluation division is established in the office of management and budget on July 1, 2025.

(b) The capital project evaluation division shall implement a system of standardized criteria to score and evaluate proposed capital projects.

(c) Beginning on July 1, 2028, the division shall evaluate each proposed capital project submitted to the division by another entity. In the evaluation for the proposed project, the division shall

(1) classify the project as either new construction or maintenance and repair;

(2) identify whether the project is or will be owned by the state;

(3) identify a specific problem in the state that the project will solve; identifying the purpose of general economic investment is not sufficient to satisfy this paragraph;

(4) calculate a numerical score for the project using the rubric developed by the capital project evaluation task force;

(5) calculate a regional weighted score for the project, as provided in (d) of this section;

(6) calculate a priority ranking score, using the criteria established by the capital project evaluation task force, for a project by a municipality or other political subdivision of the state;

(7) calculate a numerical score for the project by incorporating the factors identified in (1) - (6) of this subsection; and

(8) calculate a final weighted score by dividing the number calculated in (7) of this subsection by a weighted factor that incorporates the total amount of state funds required to complete the project; in this paragraph, "state funds" does not include federal funds, municipal funds, or matching funds from a source other than the general fund.

(d) The division shall develop a regional weighted scoring system to compare proposed capital projects in different regions of the state. The regional weighted scoring system must be a quantitative assessment. Beginning in 2030, the division shall review and if necessary update the regional weighted scoring system within one year after a decennial census conducted by the United States Bureau of the Census.

(e) The division shall submit a copy of an evaluation conducted under this section to the director of the office of management and budget and the Office of the Governor and make the evaluation available to the public on the division's Internet website.

(f) In this section,

(1) "capital project" or "project" has the meaning given to "capital project" in AS 37.07.120;

(2) "division" means the capital project evaluation division.

Sec. 37.07.210. Capital project evaluation task force. (a) Within one year after the Redistricting Planning Committee under AS 15.10.300 receives population data from a decennial census conducted by the United States Bureau of the Census, beginning with the 2030 decennial census, the director of the capital project evaluation division may form a capital project evaluation task force. The task force is established in the office of management and budget. The task force is composed of

(1) the commissioner of transportation and public facilities or the commissioner's designee;

(2) the commissioner of natural resources or the commissioner's designee;

(3) the commissioner of education and early development or the commissioner's designee;

(4) the commissioner of commerce, community, and economic development or the commissioner's designee;

(5) a current employee of the division of the Department of Transportation and Public Facilities responsible for developing the statewide transportation improvement program, designated by the director of that division; and

(6) eight persons, appointed by the director of the office of management and budget, who possess expertise in one or more of the following fields:

(A) aviation or maritime infrastructure;

(B) school construction or facilities maintenance;

(C) state construction standards or building codes;

(D) public safety;

(E) regulations adopted under AS 18.70.010 - 18.70.100;

(F) recreational or remote trail infrastructure; and

(G) commercial supply chains in the state.

(b) A capital project evaluation task force shall reassess and, if necessary, update the standardized rubric used to evaluate proposed capital projects submitted to the division. The updated rubric must produce a numerical score for a capital project after evaluating the project in the following categories:

(1) safety, including the reduction of fatalities or serious injuries the

expenditure is likely to achieve, the proximity of the project to safety hazards, and any possible reduction of emergency response time;

(2) accessibility, including an increase in access to jobs or services or a reduction in traffic congestion;

(3) land use, including the project's efficient use of land for the land's intended function;

(4) environmental impact, including improvement to the natural environment, mitigation of harm to the natural environment, and changes to air or water quality;

(5) economic development, including the project's effect on the movement of goods, economic development projects, private sector development, and future economic development and private sector economic growth;

(6) maintenance, including whether the project adequately accounts for ongoing maintenance costs and the project's effect on future maintenance and operation costs to the state and, if applicable, a political subdivision of the state;

(7) urgency, foreseeability, and the availability of municipal funds for the project; in this paragraph, "foreseeability" includes, when applicable, an evaluation of whether the current owner of the project has adequately maintained the project;

(8) operational importance, including the number of people served by the project and available alternatives; and

(9) local ranking; in this paragraph,

(A) "local ranking" means whether a municipality or other political subdivision of the state or a regional development organization has requested a project and the importance of the project to that municipality, political subdivision, or regional development organization;

(B) "regional development organization" has the meaning given in AS 44.33.896.

(c) Members of a capital project evaluation task force serve without compensation but are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

(d) A capital project evaluation task force terminates after the task force completes its work under (b) of this section.

(e) In this section,

(1) "capital project" or "project" has the meaning given to "capital project" in AS 37.07.120;

(2) "task force" means the capital project evaluation task force.

*** Sec. 12.** AS 44.19.145(d) is amended to read:

(d) The office shall

(1) coordinate its services and activities with those of other state departments and agencies to the fullest extent possible to avoid duplication;

(2) [REPEALED

(3)] cooperate with the University of Alaska and other appropriate public and private institutions in research and investigations**;**

(3) cooperate with the Department of Transportation and Public Facilities on the statewide transportation improvement program.

*** Sec. 13.** The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: INITIAL CAPITAL PROJECT EVALUATION TASK FORCE. (a) Notwithstanding AS 37.07.210, enacted by sec. 11 of this Act, the initial capital project evaluation task force is established in the office of management and budget. The task force is composed of

(1) the commissioner of transportation and public facilities or the commissioner's designee;

(2) the commissioner of natural resources or the commissioner's designee;

(3) the commissioner of education and early development or the commissioner's designee;

(4) the commissioner of commerce, community, and economic development or the commissioner's designee;

(5) a current employee of the division of the Department of Transportation and Public Facilities responsible for developing the statewide transportation improvement program, designated by the director of that division;

(6) one current and one former member of the committee responsible for

expenditures made from the harbor facility grant fund established under AS 29.60.800, designated by the commissioner of transportation and public facilities;

(7) one current and one former member of the bond reimbursement and grant review committee under AS 14.11.014, designated by the commissioner of education and early development; and

(8) six persons, appointed by the director of the office of management and budget, who possess expertise in one or more of the following fields:

(A) aviation or maritime infrastructure;

(B) school construction or facilities maintenance;

(C) state construction standards or building codes;

(D) public safety;

(E) regulations adopted under AS 18.70.010 - 18.70.100;

(F) recreational or remote trail infrastructure; and

(G) commercial supply chains in the state.

(b) The task force shall develop a standardized rubric to evaluate proposed capital projects submitted to the division. The rubric must produce a numerical score for a capital project after evaluating the project in the following categories:

(1) safety, including the reduction of fatalities or serious injuries the expenditure is likely to achieve, the proximity of the project to safety hazards, and any possible reduction of emergency response time;

(2) accessibility, including an increase in access to jobs or services or a reduction in traffic congestion;

(3) land use, including the project's efficient use of land for the land's intended function;

(4) environmental impact, including improvement to the natural environment, mitigation of harm to the natural environment, and changes to air or water quality;

(5) economic development, including the project's effect on the movement of goods, economic development projects, private sector development, and future economic development and private sector economic growth;

(6) maintenance, including whether the project adequately accounts for ongoing maintenance costs and the project's effect on future maintenance and operation costs

to the state and, if applicable, a political subdivision of the state;

(7) urgency, foreseeability, and the availability of municipal funds for the project; in this paragraph, "foreseeability" includes, when applicable, an evaluation of whether the current owner of the project has adequately maintained the project;

(8) operational importance, including the number of people served by the project and available alternatives; and

(9) local ranking; in this paragraph,

(A) "local ranking" means whether a municipality or other political subdivision of the state or a regional development organization has requested a project and the importance of the project to that municipality, political subdivision, or regional development organization;

(B) "regional development organization" has the meaning given in AS 44.33.896.

(c) The task force shall establish criteria to prioritize a capital project proposed by a municipality or other political subdivision of the state.

(d) Within one year after the formation of the capital project evaluation task force established under this section,

(1) the capital project evaluation task force shall create a provisional scoring rubric using the criteria listed in AS 37.07.210(b), enacted by sec. 11 of this Act, and transmit the rubric to the capital project evaluation division established under AS 37.07.200, enacted by sec. 11 of this Act;

(2) the capital project evaluation division shall use the provisional scoring rubric to evaluate one historical capital project for each judicial district in the state for each year from 1980 through 2020 using the method provided in AS 37.07.200(c), and transmit the evaluations to the capital project evaluation task force; in this paragraph, "historical capital project" means a capital project that was considered by the legislature in an appropriation bill;

(3) the capital project evaluation task force shall review the evaluations under (2) of this subsection before adopting a final standardized rubric under (b) of this section; and

(4) the capital project evaluation division shall adopt regulations relating to the final standardized rubric adopted by the task force.

(e) The initial capital project evaluation task force terminates on June 30, 2028.

(f) In this section,

(1) "capital project" or "project" has the meaning given to "capital project" in AS 37.07.120;

(2) "task force" means the capital project evaluation task force.

* **Sec. 14.** Sections 10, 11, and 13 of this Act take effect July 1, 2025.

* **Sec. 15.** Sections 1 - 6 and 12 of this Act take effect July 1, 2026.

* **Sec. 16.** Sections 7 - 9 of this Act take effect July 1, 2028.