

HOUSE FINANCE COMMITTEE
January 15, 2002
1:56 PM

TAPE HFC 02 - 1, Side A
TAPE HFC 02 - 1, Side B
TAPE HFC 02 - 2, Side A
TAPE HFC 02 - 2, Side B

CALL TO ORDER

Co-Chair Mulder called the House Finance Committee meeting to order at 1:56 PM.

MEMBERS PRESENT

Representative Eldon Mulder, Co-Chair
Representative Bill Williams, Co-Chair
Representative Con Bunde, Vice-Chair
Representative Eric Croft
Representative John Davies
Representative Richard Foster
Representative John Harris
Representative Bill Hudson
Representative Ken Lancaster
Representative Jim Whitaker

MEMBERS ABSENT

Representative Carl Moses

ALSO PRESENT

Representative John Coghill; Adjutant General BG Phil Oates, Commissioner, Department of Military and Veterans Affairs; Jim Duncan, Commissioner, Department of Administration; Pat Pourchot, Commissioner, Department of Natural Resources; Alison Elgee, Deputy Commissioner, Department of Administration; Dan Spencer, Director, Division of Administrative Services, Department of Administration; Mark Myers, Director, Division of Oil and Gas, Department of Natural Resources.

PRESENT VIA TELECONFERENCE

There were no teleconference participants.

GENERAL SUBJECT(S):

Mission and Measures reports:
Military and Veterans Affairs
Department of Natural Resources
Department of Natural Resources

The following overview was taken in log note format. Tapes and handouts will be on file with the House Finance Committee through the 22nd Legislative Session, contact 465-2156. After the 22nd Legislative Session they will be available through the Legislative Library at 465-3808.

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LOG	SPEAKER	DISCUSSION
	TAPE HFC 02 - 1 SIDE A	MILITARY AND VETERANS AFFAIRS
000	CO-CHAIR MULDER	Welcomed members and observed that the purpose of the meeting was to review the performance of the agencies over the past year and to see how state resources appropriated by the Legislature were used.
178	ADJUTANT GENERAL BG PHIL OATES, COMMISSIONER, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS	Thanked the Committee and Co-Chair Mulder for their support of the 24-hour a day State Emergency Coordination Center. The resources into the facility helped to protect the lives, health and safety of Alaskans.
268	Commissioner Oates	He reviewed the department's mission statement. He noted that the mission is to respond to emergencies, provide homeland security, be prepared for war, and work with disadvantage youth through the youth challenge program. The state has built a successful model for the nation.
397	Commissioner Oates	Provided members with a summary of the Military and Veterans Affairs' performance measures (copy on file). He reviewed the National Guard's military efficiency and readiness. Discussed the efforts of the National Guard on 9/11/01. He concluded that they were efficient and ready for the emergency. All missions and deployments were accomplished with no loss of life.
618	Commissioner Oates	Reviewed the second measure: adequacy of response time for each emergency. Concluded that the response time has been good and lives have been saved. Short response is 30 minutes, the medium response is 1 hour and 45 minutes and the long response is 3 hours and 30 minutes from notification. There were 51 search and research missions. They performed 289 rescues and saved 100 lives.
670	Commissioner Oates	Discussed measure 3: number of persons assisted during actual events. He noted that the National Guard assists all

		Alaskans in terms of: air sovereignty and defense, counter drug operation, and the Youth Corps.
	Commissioner Oates	Recruitment and retention goals were met and exceeded. There is renewed interest in joining the Guard. They are trying to restore membership in rural Alaska. Nome and Kotzebue are on the list to receive Junior Army ROTC.
775	Commissioner Oates	Gave examples of new missions. Discussed space surveillance and security at the Clear Air Station and the Alaska North American Aerospace Defense Command. The strategic airlift mission is questionable. Discussion is occurring regarding whether it would be active guard.
958	Commissioner Oates	He noted that there were no days lost due to facility related injuries at the Alaska National Guard. The facility cost per square foot dropped from \$3.21 to \$2.31 dollars. The cost per person also dropped from \$5.87 to \$3.83 dollars. There was a savings of 18 percent in fuel costs.
1014	Commissioner Oates	Discussed educational benefits. He noted that 132 guard and naval militia received tuition assistance from the state. Over the past two years 324 guard members have attended the university.
1028	Commissioner Oates	Discussed the Alaska Military Youth Academy. He noted that the cadets are doing well and their achievements are better than the national average.
1143	Commissioner Oates	Discussed veterans' benefits. He noted that the state's contribution of \$540 thousand dollars resulted in \$29.8 million dollars in increased benefits to Alaskan veterans. He observed that veterans are contacting the Veterans' Services and are being served in rural areas.
1225	Commissioner Oates	Discussed disaster planning and control. He noted that every incident resulted in an after action report which improved their ability to communicate and operate. All the existing disasters will be closed out in the current fiscal year unless something unforeseen occurs.
1265	Commissioner Oates	Reviewed the number of persons assisted during national events. There were 64,348 Alaskans directly assisted. He noted that 1,103,338 other Alaskans were assisted

		during non-disaster events.
1292	Commissioner Oates	He reviewed updates to the state emergency plan. The plan is consistent with Federal Emergency Management Agency (FEMA) requirements.
1315	REPRESENTATIVE CROFT	Questioned if the intent is to have frequent updates.
1332	Commissioner Oates	Responded that the plan needs to be updated to respond to the changing climate after 9/11/01.
1353	Commissioner Oates	Discussed reporting requirements and the costs per department. Total expenditures were \$2,795,720 million dollars excluding disaster relief. No late penalties were assessed and the average vendor time was 20 days. There were no audit exceptions.
1399	Commissioner Oates	Discussed deferred maintenance. There was a net reduction of 2.6 percent. However, there is a backlog of \$21.8 million dollars. Without additional funding there will not be a 5 percent reduction in the backlog.
1436	Commissioner Oates	Concluded that the department has done a good job.
1447	Representative Hudson	Complimented the Commissioner and asked for him to repeat the number of persons assisted.
1501	Commissioner Oates	Explained that the number of persons assisted during actual events were 64,348. He noted that assistance was also provided during 9 significant events including the Special Olympics and the mock preparation of weapons of mass destruction attacks. The total number of persons that participated during these events was 1,103,438.
1514	Vice-Chair Bunde	Noted that approximately 10 percent of the population was assisted directly by the National Guard. He questioned how this compared to other states.
1583	Commissioner Oates	Noted that Alaska is prone to emergency situations. He observed that the 24-hour a day emergency coordination center was vital to the department's ability to get out of the blocks.
1658	Vice-Chair Bunde	Acknowledged that Alaskan lifestyle and geography offer lots of opportunities for their expertise. He noted that this accounts for some of the difference in the per capita state between Alaska and other states. He questioned the coverage available to the state.

1724	Commissioner Oates	Acknowledged that it is stretched with resources that have been deployed in response to 9/11/01. He observed that the National Guard has become more professional, but emphasized that they are doing more.
1805	Commissioner Oates	Noted that new full time jobs are being created. The National Guard has taken up more duties, which has freed active duty forces.
1846	Vice-Chair Bunde	Questioned if rescued missions can be covered with the current call up.
1867	Commissioner Oates	Affirmed that emergency search and rescue missions can be covered under the current call up.
1888	Vice-Chair Bunde	Asked for information regarding where the work is being focused.
1908	Commissioner Oates	Noted that increased security has resulted in an increase in drug seizures at airports. The National Guard provides resources for agencies working with drug enforcement. He stated that he would provide geographical background.
1957	Representative Foster	Questioned if the Guard is having difficulty filling their recruitment.
1985	Commissioner Oates	Responded that they have not had difficulty filling spots. They try to locate guardsmen in their home areas.
2016	Commissioner Oates	Discussed housing for guardsmen.
2036	Commissioner Oates	Noted that the federal government is currently paying guardsmen as a result of 9/11/01 call-ups. He observed that additional training has been necessary for work in public buildings.
2110	Commissioner Oates	Discussed the scout group. They are a model for homeland security. He recommended that federal funding be available for future national concerns with identification of areas of coverage.
2201	Representative John Davies	Questioned what are the key elements of homeland security.
2213	Commissioner Oates	Stressed the need for systems to be in place for reaction such as better intelligence apparatus and linkage with FBI and federal entities. He noted the importance of the ability to communicate. It is important to have strong public health and safety coverage, which are the first responders. Police and firemen are often the first on site.
2300	Commissioner Oates	Referred to the Office of Homeland Security and stressed that they must have

		the ability to work with federal government for funding.
2321	Commissioner Oates	Noted that they are working for changes that will make them more capable of responding. He noted that there is not much time to react to a terrorist attack. The biggest shortfall is in public health
		TAPE HFC 02 - 1, Side B
030	Commissioner Oates	He asked the Committee to imagine an emergency situation where there were not sufficient resources to treat all of the injured.
085	Representative John Davies	Asked what other kinds of threats are waiting and if we are ready.
121	Commissioner Oates	Emphasized that the Guard is the best place for homeland security. He stressed that the Guard needs to move away from a cold war formation of large armored actions to lighter, smaller units. The Guard's mission to protect critical sites. The State needs to look over key utilities and assets such as the Valdez terminal to determine responsibility for response and determine availability for assistance. Contingency plans have been developed in relation to the Trans Alaska Pipeline and the terminal at Valdez, but there needs to be an operation plan for all key assets, which identifies the threat level and response.
410	Commissioner Oates	Observed that the challenge is to protect resources. Most of the legislation introduced by the Governor deals with the ability to respond to increased threats and to provide penalties for hoaxes or other things that require response.
559	Representative Lancaster	Asked if there is overlap or duplication of services.
611	Commissioner Oates	Responded that duplication is needed in terms of communication. He felt that the department is on target. He pointed out that the department brings in funds.
685	Representative Hudson	Noted that he worked with search and rescue. He questioned if the missions and measures need to be reviewed in response to changes toward homeland security. He noted that the boating safety legislation envisioned that the National Guard would work with the Coast Guard.
767	Commissioner Oates	Stressed that he is a champion of increases in Coast Guard budget. He pointed out that homeland security needs to operate on an interagency fashion.

		DEPARTMENT OF ADMINISTRATION
904	JIM DUNCAN, COMMISSIONER, DEPARTMENT OF ADMINISTRATION	Reviewed the department's mission. He noted that the department touches all Alaskans through its four divisions.
1026	Commissioner Duncan	HB 250 contains 59 measurements for the Department of Administration. He highlighted their performance measures and noted that the department is working to improve their performance measures.
1109	Commissioner Duncan	Reviewed successes and stressed that the intent is to provide better services. He noted that the Information Technology Group (ITG) downtime for the mainframe computer system was less than 1 percent. He explained that downtime for telecommunications is harder to measure since there are many different telecommunication systems.
1171	Commissioner Duncan	Discussed state partnership with the private sector. The state signed a five-year partnership with Alaska Communications Services Group (ACS). ACS will invest \$29 million dollars at no additional cost to the state. He pointed out that Alaska is the only state in a partnership agreement with a private vendor. He thought that ACS would develop innovative ways to reduce downtime for communities that rely on public television and radio services.
1414	Commissioner Duncan	Reviewed measures for the Division of Personnel. He noted that disputes are inherent in any large organization. Their goal is to reduce grievances to 50 percent.
1637	Commissioner Duncan	Discussed measured for the Division of Finance. The Division's mission is to provide accountability. The department implemented the "One Card Alaska" program. The state entered into a long-term contract with the First National Bank of Alaska to provide credit card services to consolidate purchasing of state agencies.
1717	Commissioner Duncan	There are separate contracts for purchasing cards and travel cards. Those are not with Alaska institutions. The program provides flexibility for agency needs. Conversion begins in March. It has served the agencies well.
1755	Representative Hudson	Asked if the state would receive the mileage.

1767	Commissioner Duncan	Replied that the state does not receive mileage and pointed out that it was not part of the requirement for that proposal.
1793	Co-Chair Mulder	Thought it would be a competitive interest rate.
1804	Commissioner Duncan	Stated that there was no cost to the state and emphasized that it would employ Alaskans.
1820	Commissioner Duncan	Discussed measures for the Division of Motor Vehicles and concluded that the Division is doing a good job. The first two performance measures are the number of complaints versus the wait lines. Web-cams have helped with these measures and lines have been decreased.
1879	Commissioner Duncan	He noted that there were 80,000 hits on the website. Many people have complimented the Division on the use of the web cam. They also have an active email site. Web mark site and personal license sites are available. Wait time has been reduced.
1927	Commissioner Duncan	Observed that customers have positively received the new Benson Office. There are no lines in the Benson office. People can sit down and wait for their numbers to be called and the office is well staffed.
2003	Representative John Davies	Referred to the joint trainings in the Division of Personnel. He stressed that training is an on-going requirement.
2041	Commissioner Duncan	Recognized the need to continue training. There will be annual training.
2060	Mr. Spencer	Explained that the training is a joint interaction between state and union employees.
2082	Commissioner Duncan	Discussed the Procurement Certification Program. More than 1,000 state employees have attended procurement training over the past year. He stressed that the training would address violations of the Procurement Code.
2136	Commissioner Duncan	Noted that legislation was passed in the previous session to establish the Public Building Fund. The Division took over the operation and maintenance of 8 state-owned office buildings.
2160	Commissioner Duncan	Explained that the Department of Administration can charge building costs to the appropriated department. He pointed out that it is important to do the day-to-day maintenance. There

		continues to be a large backlog of deferred maintenance.
2224	Commissioner Duncan	There is only one agency charged with helping state programs to find building space. He noted that all tenants pay leasing costs. This allows the state to charge non-general fund programs to their share of building maintenance costs.
2236	Commissioner Duncan	Discussed performance measures for the Pioneers' Home. He emphasized that the homes provide direct public services. He referred to a New York times articles (copy on file) noting how Alaska protects its elderly through its pioneer homes.
2292	Commissioner Duncan	He observed that the medication error rates are much lower than national average. There are 85 - 88 vacancies in the homes. The average age resident is over 87.
2324	Commissioner Duncan	He observed that there is a proposal to recognize veterans and to give them preference in the homes.
2351	Representative Croft	Referred to the 2 - 6 percent injury rate.
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012	DAN SPENCER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ADMINISTRATION	Explained that the rate is in relationship to injuries in facilities. It is on the high end of an acceptable rate.
082	Representative Hudson	Referred to Alaska hire. He questioned if the Department of Administration is the agency to address Alaska hire.
131	ALISON ELGEE, DEPUTY COMMISSIONER, DEPARTMENT OF ADMINISTRATION	Pointed out that the Department of Community and Economic Development administers the Buy Alaska Program and noted that the Department of Labor and Workforce Development monitors Alaska hire.
270	Commissioner Duncan	Pointed out that Workplace Alaska specifies which jobs are open to non-residents.
311	Ms. Elgee	Observed that state rules are clear that there is an in-state hiring preference. There is no ability to influence Alaska hire in the private sector.
417	Commissioner Duncan	In response to a question by Representative Lancaster, discussed efficiencies in the telecommunications partnership with the private sector.
518	Co-Chair Mulder	Questioned how ACS would affect public radio.

568	Commissioner Duncan	Explained that ACS will be responsible for maintaining the 270 earth stations around the state.
593	Mr. Spencer	Clarified that most rural areas do not have other radio contact.
		DEPARTMENT OF NATURAL RESOURCES
648	PAT POURCHOT, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES	Reviewed the mission for the Department of Natural Resources and concluded that they have meet targets for most of their 44 measures.
768	Commissioner Pourchot	Noted that the department has continued to expand the use of technology.
818	Commissioner Pourchot	Observed that the department still has some challenges in meeting some of the measures, especially in attracting and retaining personnel. They are undertaking classification studies. He noted that some successes have become challenges. Increased oil and gas activities have led to new backlogs in processing and regulating of the high volume of leases and permits. Increased park visitations has created management and deferred maintenance problems.
953	Commissioner Pourchot	Discussed the average time to respond to appeals and reconsiderations. He noted that the average time was 29.2 days.
1015	Commissioner Pourchot	Reviewed the measure of compliance with area wide licensing. The department met the measure with four area wide lease sales. In addition, the department is in final considerations of 2 exploration licenses. There were 104 shallow gas leases awarded.
1070	Commissioner Pourchot	Discussed the North Slope Foot Hills sale. It was the largest acreage sale leased to date. There has been a dramatic increase in lease sales.
1118	Commissioner Pourchot	Reviewed seismic Data status. There has been dramatic progress in acquiring 2D line miles and 3D square miles.
1194	Commissioner Pourchot	Title work delays have been problematic. The department has a target of four months for title work.
1249	Co-Chair Mulder	Asked if there is a measurement on the time.
1282	Commissioner Pourchot	Responded that there is currently no legislative measure.
1288	Co-Chair Mulder	Pointed out that lease transfers are time consuming. He stressed that they anticipate that the increased licensing and title workload will continue.

1328	Commissioner Pourchot	In response to a question by Representative Whitaker, explained that title delays result in a loss to the state in deferment of bonus bids and rental fees. There was a \$10 million dollar loss in potential resulting from delayed titles. The state only operates on state lands and the work is done in house.
1411	Co-Chair Mulder	Questioned what can be done to address the delay.
1466	Commissioner Pourchot	Last year the department had a backlog on title assignments. The new backlog is in response to a renewed interest in leasing.
1494	Commissioner Pourchot	Oil and gas revenues were increased by 10 percent. He acknowledged that the price of oil accounted for much of the increase but noted that skilled staff assisted in this increase. A TAPS difference of .05 cents could result in a \$4 million dollar increase.
1585	Commissioner Pourchot	Discussed new and assigned gas rights. There were 1,356 assignments processed in FY01. He noted that there is increasing satellite development, meeting declines in other fields. An expanded Point Thompson unit was approved. The state's royalty share was increased and the gas field is on tract for development. He explained that Exxon has a 30 percent share.
1714	Representative Croft	Questioned benchmarks to indicate exploration is proceeding.
1764	Mark Myers, Director, Division of Oil and Gas, Department of Natural Resources	Explained that exploration drilling will take place in the Point Thompson unit; an exploratory well must take place in one year. They must initiate drilling by 2006 and have 8 wells by 2008. There is an aggressive one-year plan for development. There are penalties if they do not proceed. The royalty percentage was increased from 16 to 20 percent.
1880	Representative Whitaker	Noted that there are significant specific penalties if benchmarks are not met.
1915	Mr. Myers	Explained that there is a \$27.5 million dollar penalty if the development drilling is not done. The work commitment was given a high value. The intent was to have firm commitments in order to avoid litigation if the work commitment is not met.
1953	Representative	Felt that the Division did a good job in

	Whitaker	its negotiations.
1966	Representative John Davies	Referred to BP's declining role in the North Slope. He questioned if there are things to be done to encourage explorations by others.
2008	Commissioner Pourchot	Expressed the hope that tracts that are not being explored would come back to the state or be leased to other players. He observed that there are commercially viable tracts that are not being developed.
2094	Representative John Davies	Questioned if there are sufficient incentives to attract exploration.
2107	Mr. Myers	Responded that the tremendous potential of Alaska is the first key. The increase of 3D sizing has helped. Reasonable access is needed. Access will also be a huge issue with a potential gas line. The department has strived to work with new companies to educate them in how to obtain leases, etc. He cautioned that in regards to financial incentives that good wells get drilled and bad wells get subsidies.
2269	Commissioner Pourchot	Noted that there is a tie in with federal programs. Tariff structures can be in trust. He did not have any specific legislative recommendations to encourage development.
2342	Mr. Myers	In response to a question by Representative John Davies, stressed that infrastructure facilities are not regulated. Facilities can be made into a profit center in relation to competition with competitors.
		TAPE HFC 02 - 2, Side B
013	Commissioner Pourchot	Discussed page 20 of summary: conveyance of land to municipalities. He noted that the department transferred 16,677 acres. The annual target is 12,000 acres. There are 600,000 acres of municipal entitlement remaining.
174	Representative John Davies	Noted that municipalities are not always in a hurry to receive their entitlements.
246	Commissioner Pourchot	Observed that communities that have the majority of their entitlements may want to proceed slowly in order to assess their needs and opportunities.
351	Representative Lancaster	Questioned if municipal entitlements would exacerbate the title difficulties.
397	Commissioner Pourchot	Acknowledged that there would be some affect on title work, though it rests

		with land and water.
439	Commissioner Pourchot	Reviewed the number of acres sold and revenue generated. There will be 25,000 subdivision tracts offered in FY02 and 300 remote cabin sites. This is a 1,000 percent increase from FY01. There has been a significant increase in acres of land available for sale. The state will have "run the course" for a lot of the re-offers of older tracts defaulted to the state or not sold by FY03.
563	Co-Chair Mulder	Felt that it was a good program.
615	Commissioner Pourchot	The current land disposal program generated \$2.8 million dollars back into the land disposal income account. The fund balance exceeds the prediction of two years ago.
640	Commissioner Pourchot	Discussed the number of water right applications processed. He noted that this item was a problem in the previous fiscal year. He noted that a court decision threaten the viability of the temporary water permits. The department offered suggestions for improvements, which were adopted by the previous legislature. Statutory changes to clarify the temporary water permit authority and to authorize a fee system were adopted with a one-year sunset. Regulations for streamlining are out for public review. They hope to meet the target of 60 days for water rights and 20 days for temporary water rights.
822	Commissioner Pourchot	Reviewed visits to the park system. He concluded that visits are up and the department resources are stretched.
878	Representative Croft	Questioned if park visits will continue to increase in the light of 9/11/01.
900	Commissioner Pourchot	Pointed out that 80 percent of the visits are from in state residents. He noted that national parks visitation is up after 9/11/01.
962	Representative Hudson	Questioned if a head tax should be implemented.
988	Commissioner Pourchot	Clarified that there are several fees in place.
1141	Commissioner Pourchot	In response to a question by Co-Chair Williams, Commissioner Pourchot observed that the state tries not to compete with the private sector.
1244	Commissioner Pourchot	Reviewed the level of deferred maintenance in park sites. He noted that

		the state is falling behind in addressing deferred maintenance needs. Deferred maintenance needs are currently at \$42 million dollars. The existing personnel are thin and unable to keep up with maintenance.
1349	Commissioner Pourchot	Noted that the funding system was changed on the Recorder's Office, which has been successful. The documentation is coming in at record rates. They are still having problems in Anchorage, which has high volume.
1413	Commissioner Pourchot	Referred to their web site. He noted that there is more website usage.
1437	Commissioner Pourchot	Reviewed missions for the Airborne Geophysical Surveys program. The department missed the FY01 cycle for lack of funding. They attempted to do two years worth of work but costs have increased. They were unable to achieve as much as they hoped. He noted that 630 miles of coverage were completed. The lack of progress is purely a result of funding. They have targeted high potential areas.
	<u>ADJOURNMENT</u>	The meeting was adjourned at 4:42 p.m.

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