

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**April 11, 2001**  
**9:54 AM**

**TAPES**

SFC-01 # 72, Side A  
SFC 01 # 72, Side B

**CALL TO ORDER**

Co-Chair Pete Kelly convened the meeting at approximately 9:54 AM.

**PRESENT**

Senator Pete Kelly, Co-Chair  
Senator Jerry Ward, Vice Chair  
Senator Gary Wilken  
Senator Lyman Hoffman  
Senator Donald Olson  
Senator Lyda Green

**Also Attending:** JIM DUNCAN, Commissioner, Department of Administration; LARRY WALSH, Director/Chief Technology Officer, Information Technology Group, Department of Administration; KAREN MORGAN, Deputy Director, Communications Services, Information Technology Group, Department of Administration; DEL SMITH, Deputy Commissioner, Department of Public Safety; WENDY REDMAN, Vice President, University Relations, University of Alaska

**SUMMARY INFORMATION**

SB 29-REAPPROPRIATIONS & CAPITAL APPROPRIATIONS

The Committee heard overviews on the Alaska Telecommunications Partnering Project the Alaska Land Mobile Radio Project and University of Alaska capital projects requests. The bill was held in Committee.

#SB29

SENATE BILL NO. 29

"An Act making capital appropriations and capitalizing funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve

fund; and providing for an effective date."

JIM DUNCAN, Commissioner, Department of Administration, stressed the telecommunications project would change the way telecommunications services are delivered in the state. He emphasized the amount of the contract could be more than \$100 million for a successful vendor. For this reason, he assured, the Department has been careful in proceeding with the contract award, following procurement laws closely. He added that the bargaining units of affected state employees have been consulted to ensure the employees' needs are addressed and to prevent conflicts with existing union contracts. He concluded with assurances that proposals are being closely evaluated as well.

Commissioner Duncan referenced a handout: Overview of the State of Alaska Telecommunications Partnering Project: A Comprehensive Solicitation for Telecommunications Services, supplied by the Department. [Copy on file.] He began with page 11, which reads as follows.

Where are we in the process?

- Received three proposals from three vendors
- Completed Initial Evaluation process
- PEC, three subcommittees, ITG Management
- Gartner Group Consulting Services
- Original Notice of Intent Date 15 March 2001 delayed
- Vendor Response more complex
- Conducted Vendor Discussions
- Requested Best and Final Offer
- This required amendment to Gartner contract
- Extension of time
- Increased costs due to BAFO and contract negotiations

Commissioner Duncan explained the deadline of March 15 had to be delayed because the matter was more complex than anticipated. As a result, he stated, the Department would be unable to consult with the Legislature before awarding the contract as originally intended. He reminded that language contained in the FY 01 operating budget allows the Department to transfer funds from other agencies, with approval from the Legislative Budget and Audit Committee, if necessary for this project. He noted there could be some budgetary impact incurred in FY 02, but that the intent is that funding appropriated for FY 01 would be sufficient.

Commissioner Duncan recited page 12 as follows.

RFP (Request for Proposals) Timeline

Event/Milestone	Date
RFP Issued	3 August 2000
Proposals Due	15 December 2000
Submission by State of Requests for Clarification	17 January 2001
Initial Evaluation Process	1-28 February 2001
Vendor Discussions	21-22 March 2001
Issue Best and Final Request	30 March 2001
Vendor Site Visits	1-3 May 2001
Final Evaluation Process	1 May - 31 July 2001
Notice of Intent to Award & Contract Negotiations	1 August 2001

Commissioner Duncan opined the project has had responsive bidders and it would be successful. He qualified there is no assurance a contract would be awarded if one is not found to be in the best interest of the state, but there is assurance that the process would be completed.

Co-Chair Kelly pointed out funds for other Information Technology (IT) projects are included in the FY 02 capital budget. He asked for a brief description of why these are necessary.

Commissioner Duncan responded these items reflect IT activities as currently practiced in the state. He explained that if a contract were not awarded, the current systems would need to be expanded to deliver telecommunication services. He stated that if a contract were awarded, the funds would still be needed to pay the service provider. He commented that a contract would not result in an overall cost reduction, but there would be increased flexibility and capacity in delivering telecommunication services.

LARRY WALSH, Director/Chief Technology Officer, Information Technology Group, Department of Administration, referred to page 3 as follows.

Project Size - FY99 Costs:	
Total Statewide Telecommunications Costs	\$29.1 Million
In Scope Costs	\$21.5 Million
ITG	\$8.8 Million
Other State Agencies	\$12.7 Million
Out of Scope Costs (in DOA )	\$7.6 Million

Co-Chair Kelly referred to the out of scope costs and asked for a definition of "in scope costs".

Mr. Walsh gave e-mail as an example. He referred to page 4, which contains a pie chart titled as follows.

Project Size: The Whole Ball of Wax

Today's Telecommunications Costs In Scope of RFP + \$21.5 Million\*

\*Costs for agencies reporting in AKSAS

Mr. Walsh stated the items shown on the pie chart reflect the services the RFP stipulates the vendor would provide as part of this contract. He listed telephone services, network services, satellite transport and maintenance and operations of the SATS microwave system as some of the services. He reiterated Commissioner Duncan's comments that telecommunication activities are growing. Mr. Walsh stressed the Internet alone grows 40 percent annually. As a result of the "technological explosion", he stressed, the State needs a partner to help deliver services.

Mr. Walsh referred to page 7 as follows.

Who are the Participants?

- All executive branch agencies
- Alaska Court System\*
- Alaska State Legislature\*
- University of Alaska\*
- Alaska Railroad\*
- \*Extent of participation is voluntary

Mr. Walsh then addressed page 8 as follows.

What is the Scope of the RFP?

Mandatory Requirements

Bundle 1 - Wired Telephone Services

- Basic and enhanced local service
- Long distance and toll-free access
- Audio teleconferencing

Bundle 2 - Data Network Services

- WAN connectivity
- Internet access

Bundle 3 - Video Services

- Video teleconferencing

Bundle 4 - Paging Services

- Statewide paging system
- Private vendor provided paging

Bundle 5 - Cellular Services

Bundle 6 - Satellite Transport Services

Bundle 7 - Support Services

- Network monitoring and management
- Centralized help desk for:
  - Problem resolution

- Inter-service coordination
  - Integrated data security
- Bundle 8 - SATS Microwave System
- Management and Operations
  - Maintenance and Repair

Mr. Walsh continued with page 9.

What is the Scope of the RFP?

Optional Requirements and Resource Bundles

Optional Service Bundles

Bundle 9 - Satellite Telephony Services

Bundle 10 - Satellite Earth-Station Maintenance  
and Repair

Option A - Satellite Earth-Station Access

Option B - SATS Microwave Site Access

Option C - SATS Microwave Excess Bandwidth Access

Mr. Walsh next read page 10 as follows.

What is NOT in Scope?

Two Way Radio

- This will be provided by the LMR Vendor of the  
Emergency Communications Project

Computing

- Email
- Web Based Services

Mr. Walsh directed the Committee's attention to page 16 and read the following.

Why was Radio Excluded from the RFP?

- LMR Design Process was underway but not complete
- RFP was a state only bid and its components did not  
require the level of interoperability that is required  
with LMR
- Most telecommunications vendors that would respond to the  
Telecommunications RFP did not support two-way radio as a  
regular line of their business

Co-Chair Kelly requested a brief statement supporting what this project would accomplish and how it would improve the current situation.

Mr. Walsh relayed he recently attended a conference on technology and governmental issues. He learned that the speed of a computer is doubling every 15 months and would continue to do so for the next ten years. As a result, he expressed, there is a "groundswell of

new opportunities", which would continue to increase. He also told of the amount of information that could be transmitted via fiber optic cable and how this capability is also continuing to increase. Because of this, he stated, the state needs to "partner up with a vendor who has that vision and [with whom] we can share our vision of what the State of Alaska needs in telecommunications."

Co-Chair Kelly gave an analogy of the state currently using "copper wire", which is incompatible with "glass wire". He explained the state's current system is not compatible with the technological possibilities that exist elsewhere in the world.

Mr. Walsh clarified the current system could be made compatible through separate procurements, using a "project by project" approach.

Co-Chair Kelly remarked that the current system would have to be upgraded regardless of how it is done in order to be compatible with the current and potential technology.

Mr. Walsh stressed the state has a "great team" that is "lean and mean" in the amount of services it is able to provide. However, he expressed if the state combines efforts with the private sector, even more services are possible. He noted the possibilities in rural areas are even greater than in urban areas.

Commissioner Duncan responded that, by partnering with the private sector, meeting the demands of the state by taking advantage of, and responding to, new technologies could be done in a timely manner and in a cost effective manner. He stated that although the current staff does a "good job", government could not respond as quickly as could a private provider.

Senator Hoffman asked how much of the technology purchased with this \$29.1 million would be obsolete in five years given the speed of the changes.

Mr. Walsh responded that a large portion of the funds would be paid to the vendor for the operating expenses of providing services. Therefore, he stated, much of the funds would be to "use technology" rather than "purchase technology". He remarked that the ability to position the state to take advantage of new technology is another benefit to having a partner in the private sector. He emphasized that technology is always changing and that obsolete equipment and systems would always be an issue.

Senator Olson understood there is an effort to change from analogue to digital systems to allow information to be transmitted faster.

However, he stressed in rural areas, the speed of technology is not an issue since none of the technology is available. He asked what this project would provide to villages, especially rural school.

Mr. Walsh told of investigations of wireless and satellite delivery of these services, which he noted is "exploding". He said it is a hope that using a private service provider would assist in bringing IT services to Rural Alaska.

Senator Olson asked how the Commissioner could insure the \$21.9 million would be a one-time only expenditure.

Commissioner Duncan stressed this is not a one-time project, and the expenditures are anticipated to be ongoing at the same or higher levels.

Commissioner Duncan informed that the RFP specifically directs bidders to "be aware of the impacts on rural Alaska and to address that."

Co-Chair Kelly assured Senator Olson, that the intent of this project is to pass the burden of keeping technology current along to the private vendor.

Senator Olson understood. However he commented that as a private business operator, "you tend to go where the money and the business is at, which tends to leave out our neck of the woods."

KAREN MORGAN, Deputy Director, Communications Services, Information Technology Group, Department of Administration, stated that one of the primary reasons to move forward with this project was to address the need of providing services to rural Alaska. She told of criticisms that the state owns and operates IT systems, and these criticisms have been most detrimental to the state's ability to provide services in rural areas. She informed the Department had held a meeting in Bethel, specifically to address rural needs.

DEL SMITH, Deputy Commissioner, Department of Public Safety, referenced the handout titled: State of Alaska, Emergency Communications: Land Mobile Radio Project Overview, provided by the Department of Administration. [Copy on file.] He began with page 2, which listed the members of the executive council as follows.

Alaska Land Mobile Radio (ALMR)  
Executive Council

- Colonel Sue Ann Olsavicky, Department of Defense Alaska
- Del Smith, Deputy Commissioner, Alaska Department of Public Safety

- Doug Robinson, Alaska Municipal League Representative
- Mike Lewis, US Fish & Wildlife, Non-Department of Defense Federal Government Representative

Mr. Smith recited page 3 as follows.

#### Project Goal and Approach

##### Goal

- To build a reliable and effective two-way radio voice communication system capable of ensuring the safety and well-being of all Alaskans.

##### Approach

- Federal, state and local governments work together
- Share resources and property
- Share costs
- Implement in phases
- Share in operations and maintenance
- Use an open, industry standard - Project 25
- Competitively Procure wherever possible

Mr. Smith clarified land mobile radios as those in police cars, snowplows and any other land based system.

Mr. Smith next referenced Page 4 as follows.

#### ALMR Objectives:

- Create a partnership across federal, state and local jurisdictions to build and operate an inter-operational two-way radio system for day to day and emergency uses.
- Leverage federal frequency mandates to promote the project.
- Enhance personnel safety and operational capabilities.
- Minimize federal, state and local government spending.
- Use existing federal, state and local government assets.
- Implement in a phased approach.
- Share the infrastructure and costs of the systems among all participants.

Mr. Smith spoke of a "trunk system", which allows communication between multiple parties and is beneficial in the case of an emergency response situation.

Mr. Smith referenced page 6, which reads as follows.

#### Why are we doing this?

- Need to replace equipment
  - Existing 2-way equipment is old, Analog & "Stove-Piped"

- Technology is changing from analog to digital
- Limited spectrum
  - Federal Mandates
- Need to interoperate
  - Miller's Reach Fire; Seward avalanches; Winter 2000 Alaska Railroad Spill
- Cost efficiencies from sharing
  - By working together we can achieve the system no single entity can afford alone.

Mr. Smith continued with page 7 as follows.

Why not a satellite solution?

- Satellite solutions rarely work well inside buildings (i.e. GPS systems don't work well inside a simple wood structure.)
- Terrain or vegetation obstructions can degrade the connection.
- Time delay affects multi-user group conversation.
- Satellite-based solutions are usually one-to-one. Emergency situations require one-to-many broadcasts to respond quickly and effectively.

Mr. Smith noted the decision to not use a satellite system was reached after presentations on the matter here heard by the Council.

Mr. Smith referred page 8 as follows.

Why Project-25 as the Standard?

- APCO Project 25 is a joint effort of US federal, state and local government with support from the US Telecommunications Industry Assoc. (TIA).
- APCO is the Association of Public-Safety Communications Officers.
- P-25 is a user controlled standards development process.
- Four Manufacturers are working on P-25 Equipment today.
- Goals of the standard are:
  - Provide high performance, digital, narrowband radios for all public-safety needs.
  - Provide maximum radio spectrum efficiency, ensuring competition throughout the life of the system and ensuring the equipment is user-friendly.

Mr. Smith next referenced page 9, which reads as follows.

ALMR - Participating Agencies

- DOD

- HQ Alaskan Command
- US Army Alaska
- 3<sup>rd</sup> Wing USAF
- US Navy Alaska
- Alaska National Guard
- Non-DOD
  - Department of Interior
  - Bureau of Land Management
  - Federal Law Enforcement Agencies
  - National Parks Service
  - Bureau of Indian Affairs
  - Fish and Wildlife Service
  - Office of Aircraft Services
  - Alaska Geological Survey
  - Federal Communications Commission
  - Federal Aviation Administration
  - US Coast Guard
  - State of Alaska
    - Department of Administration
    - Department of Community and Economic Development
    - Department of Corrections
    - Department of Education and Early Development
    - Department of Environmental Conservation
    - Department of Fish and Game
    - Department of Health and Social Services
    - Department of Labor and Workforce Development
    - Department of Military and Veterans Affairs
    - Department of Natural Resources
    - Department of Public Safety
    - Department of Revenue
    - Department of Transportation and Public Facilities
    - Office of the Governor/Safety Section
    - Alaska Court System
    - University of Alaska
    - Alaska Railroad
  - Alaska Municipal League
    - Includes most locals under municipal authority

Mr. Smith shared the local governments are represented on the council and that each participating local government agency was interviewed regarding their needs.

Mr. Smith listed the items on pages 12 and 13, which read as follows.

ALMR Milestones

- August 1997
  - Memorandum of Understanding (MOU) between federal, state and local government leaders to work together on interoperable concept for a statewide public safety emergency communication system.
- March 1999-June 1999
  - Decision made to peruse APCO 25 radio system through a RFI Process, TIC Review and ALMR deliberation.
  - LMR Executive Council completes a Capital Improvement Plan for a cooperative communications system with all agencies sharing in the cost of an emergency communication system.
- September 1999-May 2000
  - DOD conducts and completes needs assessment for DOD requirement.
- August 2000
  - State and local government needs assessment begins.
  - AOA issues Telecommunications RFP.
- September/October 2000
  - Federal funding obtained to begin DOD build.
- January 2001
  - DOD contract awarded. DOD/Alaska Northern region scheduled for completion in early 2002.
- Legislative Session 2001
  - CIP request for 16.2 million dollars to begin SOA build.
- March 2001
  - Received State and Local Government design
- April 2001
  - Memorandum of Understanding (MOU) re-adopted by the federal, state and local government representatives to move forward with the implementation of a cooperative solution.

Mr. Smith noted that of the \$16.2 million state portion of the project, \$1.3 is general funds. He informed the Department is attempting to secure federal funds for the remaining amount.

Co-Chair Kelly asked the estimated percentage of federal funds to general funds to operate this system in future years. He also asked whether the general fund would be considered matching funds to a

federal appropriation.

Mr. Smith responded the intent is to secure the maximum amount of federal funds for the program, possibly using general funds to leverage federal receipts.

WENDY REDMAN, Vice President, University Relations, University of Alaska, testified to the \$6,325,000 for the University's capital budget projects included in the Governor's proposed FY 02 budget. She listed the projects as follows. She stated the priority criteria for selecting projects is the same for the Board of Regents as that employed by the Office of Management and Budget.

SAFETY AND HIGHEST PRIORITY RENEWAL AND REPLACEMENT  
\$4,000,000  
Reference No.: 34507

TELECOMMUNICATIONS EQUIPMENT IMPROVEMENTS  
\$1,875,000  
Reference No.: AMD34508

Ms. Redman noted this item had previously been presented to the Committee.

UNIVERSITY OF ALASKA SMALL BUESINESS DEVELOPMENT CENTER  
\$450,000  
Reference No.: 34516

Ms. Redman stated the center is located in Anchorage but serves the entire state. She pointed out this \$450,000 general fund appropriation would secure approximately \$5 million.

AIR TRAFFIC CONTROL SIMULATOR  
\$2,500,000  
Reference No.: 34513

Ms. Redman emphasized this appropriation consists entirely of federal funds.

ARCTIC REGION SUPERCOMPUTER PURCHASE  
\$30,000,000  
Reference No.: 34517

Ms. Redman noted this item also utilizes only federal funds.

SFC 01 # 72, Side B 10:41 AM

Senator Wilken asked if there are other priority projects that are not included in the governor's proposed budget.

Ms. Redman responded the Board of Regents had identified the Community Campus Improvement project and smaller replacement/repair projects in Sitka, Bristol Bay, Ketchikan and Palmer. She said funding for these items is approximately \$7 million. She added the completion of the Museum Expansion Project in Fairbanks, Phase II of the Egan Classroom Project in Juneau, and \$1 million to continue planning efforts of the science facilities in Anchorage and Fairbanks.

Ms. Redman stated the Governor chose among the projects submitted by the Board of Regents to determine which would be included in the FY 02 budget proposal.

Senator Wilken clarified the Board of Regents selected the museum, classroom and science facilities projects as top priorities.

Ms. Redman affirmed.

Co-Chair Kelly after all it was abbreviated. Thank you.

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**ADJOURNMENT**

Co-Chair Pete Kelly adjourned the meeting at 10:44 AM