

MINUTES
SENATE FINANCE COMMITTEE
February 27, 2002
9:08 AM

TAPES

SFC-02 # 19, Side A
SFC 02 # 19, Side B
SFC 02 # 20, Side A

CALL TO ORDER

Co-Chair Pete Kelly convened the meeting at approximately 9:08 AM.

PRESENT

Senator Dave Donley, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Jerry Ward, Vice Chair
Senator Lyda Green
Senator Gary Wilken
Senator Lyman Hoffman
Senator Donny Olson
Senator Loren Leman

Also Attending: BOB POE, Executive Director, Alaska Industrial Development & Export Authority and Alaska Energy Authority, Department of Community and Economic Development; KAREN REHFELD, Director, Education Support Services, Department of Education and Early Development; YVONNE CHASE, Deputy Commissioner, Division of; ALISON ELGEE, Deputy Commissioner, Department of Administration; DAN SPENCER, Director, Division of Administrative Services, Department of Administration; JEFF BUSH, Deputy Commissioner, Department of Community and Economic Development; TOM LAWSON, Director, Division of Administrative Services, Department of Community and Economic Development; BOB POE, Executive Director, Alaska Industrial Development & Export Authority and Alaska Energy Authority

Attending via Teleconference:

There were no teleconference participants.

SUMMARY INFORMATION

SB 247-REAPPROPRIATIONS & CAPITAL APPROPRIATIONS

The Committee heard testimony from the Department of Administration, the Department of Education and Early Development, and the Department of Community and Economic Development. The bill was held in Committee.

#sb247

SENATE BILL NO. 247

"An Act making capital appropriations and reappropriations, 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."

This is the Second hearing for this bill in the Senate Finance Committee.

Department of Education and Early Development

Yuut Elitnaurviat People's Learning Center - Phase 1

\$ 900,000 general funds

Reference No.: 36594

Project Type: Construction

Category: Education

Location: Bethel

Election District: Bethel, Dillingham

Estimated Project Dates: 07/01/2002 - 06/30/2007

The Yuut Elitnaurviat, People's Learning Center, in Bethel is requesting state support for construction of a vocational training center to serve the Yukon-Kuskokwim Delta Region. Phase 1 construction is estimated to cost \$8.9 million. Various funding partners, include the Department of Interior (\$1.0 million) and the USDA-Rural Development (\$3.0 million) Phased project

KAREN REHFELD, Director, Education Support Services, Department of Education and Early Development, explained that this request would fund a comprehensive training program. She stated this would be the first phase of a three-year \$12.2 project, of which approximately \$7 million would be funded by regional and federal sources. She noted that Phase 1 would provide boarding and training facilities for 82 students, and upon completion of all three phases, 250 students would be served. She stated that training programs conducted at the facility would be determined by industry needs and

could include construction, early childhood education, and health, aviation transportation, technology and business careers. She stated that the facility's operating costs would be assumed by the current regional partners including: the regional Native Corporation, area school districts, the Association of Village Council Presidents, and health associations.

Senator Wilken asked what the City of Bethel is doing to support the project.

Co-Chair Kelly stated that the City is contributing the land on which the facility would be built.

Senator Hoffman informed the Committee that the land Bethel is contributing is valued at \$1.5 million.

Ms. Rehfeld stated that the Bethel region has committed to providing in-kind support of approximately \$2 million in construction management and administrative support.

Senator Green asked if a statewide plan exists for vocational and technical learning centers of this magnitude.

Ms. Rehfeld stated that the Alaska Human Resources Investment Council (AHRIC) is developing a statewide training plan.

Senator Green inquired if this project is included in the AHRIC plan.

Ms. Rehfeld affirmed it is.

Head Start Health and Safety Repairs
\$500,000 ACPE Dividends
Reference No.: 32628
Project Type: Renewal and Replacement
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2001 - 06/30/2005
This project is requested to assist Head Start facilities in meeting health and safety standards. Types of projects funded would include replacing windows, stoves, sinks, fire extinguishers, sprinkler systems, carpets, wiring, insulation, etc.
On-going Project

Ms. Rehfeld informed the Committee that this project would assist Head Start programs that operate in 100 Statewide locations, to

comply with federal and State health and safety standards, by replacing and upgrading such facility items as carpets in addition to purchasing playground equipment and transportation vehicles. She noted this is an annual request and addresses a list of needs identified by Head Start.

Senator Green commented that the federally funded Head Start program has expanded its services to provide before-school and after-school childcare in some communities. She asked the Department whether private individuals or entities which provide similar services, but who do not receive federal funding, might qualify for State grant monies to assist their operations.

YVONNE CHASE, Deputy Commissioner, Division of Early Development, Department of Education and Early Development, remarked that this request is specifically for Head Start programs; however, there are funding mechanisms being developed by the State to assist other entities in complying with health and safety measures. She affirmed that the Department intends to develop assistance programs of this sort.

Senator Green voiced concern that as Head Start services expand, it presents "unfair competition" to private daycare and childcare providers. She inquired whether the State could develop programs to assist private or non-profit childcare providers.

Ms. Chase responded that it is possible, provided the Legislature supports funding for these efforts.

Department of Administration

DAN SPENCER, Director, Division of Administrative Services, Department of Administration informed the Committee that the Department has identified the funding requests in this presentation as high priority, essential projects.

Payroll and Accounting System Replacement Analysis
\$600,000 general funds
Reference No.: 35790
Project Type: Planning
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2004
Funding will be used to hire a consultant to provide replacement analysis and planning for the statewide accounting and payroll systems (AKSAS & AKPAY) currently managed by the Division of Finance. The level of funding included in this

request is an estimate and may not provide for a complete analysis.

One-time project

Mr. Spencer stated this request would fund a study to determine the appropriate design and cost of a new accounting and payroll system to replace the antiquated systems used since 1985 and 1990, respectfully. He stressed that the systems' old technology does not integrate well with newer systems the State uses, and that the payroll system, in particular, must be replaced as the manufacturer is phasing out support for that program.

Driver License Testing Machines

\$300,000 general funds

Reference No.: 35823

Project Type: Equipment

Category: Public Protection

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2004

These funds will be used to replace existing malfunctioning and nonfunctioning testing machines in locations where there are no machines or where the number of working machines is insufficient. 37,000 tests are given at 12 DMV locations in Alaska. To meet this volume, 69 testing machines, 15 Examiner Monitor Consoles, and 1 network management console are required. Funding at this level will not be sufficient to purchase all needed equipment.

One-time project

Mr. Spencer stated that the current inventory of machines used for administering the State's written driver's license tests are 12 years old, replacement parts are no longer available, and the remaining functioning machines require constant maintenance. He stated that upgrading this system would result in lowering the Department's operating costs and increasing efficiency.

Senator Ward inquired where the majority of the 37,000 driver's tests are administered each year.

Mr. Spencer responded that the Department would supply that information to the Committee.

Senator Wilken asked whether this could be a phased project rather than a one-time project.

Mr. Spencer affirmed it could.

Senator Olson asked if 37,000 tests are administered annually.

Mr. Spencer responded that this number might be an average of several years.

Labor Contract Negotiations

\$461,000 general funds

Reference No.: 35796

Project Type: Planning

Category: General Government

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2004

All twelve labor contracts expire June 30, 2003. The Labor Relations operating budget does not include funding for most labor contracts negotiating costs. This CIP request is designated to cover unfounded costs of this negotiation cycle regardless of timing.

One-time project

ALLISON ELGEE, Deputy Commissioner, Department of Administration, emphasized that all twelve of the State's labor contracts would expire by June 30, 2003.

Mr. Spencer reminded the Committee that in FY99, the Legislature approved a \$310,000 two-year funding request to address expiring labor contracts. He conveyed that the negotiation process involves a large amount of time, personnel, and travel.

Co-Chair Kelly expressed that it is "unusual" for this type of request to be submitted in the capital budget.

Mr. Spencer responded that "the nature of the request;" the unpredictability of the length of time the negotiation process might entail, as well as the time involved in finalizing those negotiated agreements, justify its being included in the capital budget. He summarized that the negotiation process historically encompasses more than one fiscal year.

Co-Chair Donley remarked that consideration should be given to the fact that a new Administration would be in place before the contracts expire, and that the new Administration might have a different perspective on the negotiations than those held by the current Administration.

Ms. Elgee commented that historically, labor negotiations have extended into more than one fiscal year, and furthermore, if this funding were delayed, the new Administration would be faced with

expiring contracts in its first term as well as a "tight" timeframe in obtaining legislative approval for the contracts.

Co-Chair Donley asked, "what guarantee" is provided to ensure that labor contract negotiation funding appropriated to this Administration, would be available for the continuance of those negotiations in the next Administration.

Mr. Spencer asserted that the Department has "no intent to expend" all the appropriation during the remaining term of this Administration, and rather that the specific nature of the request dictates timeframes and expenses. He reiterated that the negotiation process could be lengthy and the money would be expected to cover more than one fiscal year.

Co-Chair Kelly asked for information about the role of the "negotiation coordinator" in the labor contract process.

Mr. Spencer responded that the negotiator is the person who oversees each bargaining unit's negotiating team. He stressed that since there are twelve contracts to be negotiated, this would be a full-time position.

Co-Chair Kelly reiterated that this request is unusual to include in the capital budget.

Ms. Elgee recounted that in prior years, the State's labor contracts expired at random dates. She stated that the current situation whereby all the contracts expire at approximately the same time has resulted in numerous savings to the State, but stressed that the process "is still a lengthy one."

Senator Hoffman asked whether the funding request for travel expenses includes expenses of the employee representatives' in addition to the Department of Administration's negotiation personnel's' expenses.

Ms. Elgee clarified that the State covers the expenses for the Department's negotiating team, but not for the employees' representatives. She stated that the Department would clarify what other expenses have historically been funded in the negotiation process.

Pioneers' Home Emergency Repair and Maintenance
\$800,000 general funds
Reference No.: 35817
Project Type: Deferred Maintenance
Category: Health/Safety

Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2004
Funding is requested for Fire and Life Safety problems and for continued maintenance and structural repairs of the six Pioneers' Homes.
On-going Project

Mr. Spencer stated that this annual funding request would provide for emergency maintenance needs such as bursting pipes, broken boilers, and leaking roofs. He disclosed that separate funding of projects on the Pioneer Homes' deferred maintenance list would positively impact the level of this annual funding request.

License Plates, Tabs and Manuals
\$281,000 general funds
Reference No.: 35826
Project Type: Renewal and Replacement
Category: Public Protection
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2004
This project has two separate pieces. The first provides \$216,000 for the purchase of license plates and tabs to maintain statewide stockage levels necessary for their required continued issuance. The Division is required by AS 28.10.161 to issue plates and tabs and cannot run out. The remaining \$65,000 provides for the purchase of the different types of driver manuals and law books which must be available at all DMV locations.
On-going project

Mr. Spencer clarified that this request is being submitted through the capital budget because funding needs might extend beyond a single fiscal year. He explained that demands on the Division of Motor Vehicles' inventory are sporadic and unpredictable, but stressed that sufficient quantities must be available.

Emergency Maintenance Projects for Facilities Outside the Public Building Fund.
\$800,000 general funds
Reference No.: 35802
Project Type: Deferred Maintenance
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2005
Funding will be used to begin to fix some of the facility

maintenance problems that are of critical concern now in the buildings comprising the Non Public Building Fund facilities group managed by DOA. These buildings are: the State Museum and Annex in Juneau; the Diamond Courthouse in Juneau; the Governor's House in Juneau; the 3rd Floor of the Capitol Building; the Juneau Support Building; and the Archives and Records Center in Juneau.

Of immediate concern are leaking roofs, curtain walls that are no longer water resistant, bursting domestic water supply lines, inoperable HVAC systems, foundation failures, hazardous material abatement, and unsafe, inefficient boiler and heating systems.

On-going project

Mr. Spencer explained that the Department of Transportation and Public Facilities recently transferred control of some facilities in Juneau to the Department of Administration. He stated that these facilities are not maintained under the auspice of the Public Building Fund, and until a deferred maintenance procedure is established for those facilities, there is a need for monies to handle emergency repairs. He stated that monies for these buildings' maintenance needs were previously included in the Department of Transportation and Public Facilities' budget.

Senator Leman asked why responsibility for the Third Floor of the Capitol Building was included in this transfer.

Mr. Spencer voiced that the Department of Administration is responsible for the Third Floor of the Capitol as it houses Executive Branch offices. He continued that when general maintenance is conducted on the Capitol Building, the Department contributes a percentage of the cost.

Ms. Elgee stated that the Department is primarily responsible for any plumbing and wiring expenses required on the Third Floor.

Senator Leman asked what other agency is responsible for the Capitol Building's maintenance

Ms. Elgee stated that the Legislative Affairs Agency is responsible for the remainder of the building.

Adult Day Facility Modifications
\$250,000 general funds/Mental Health
Reference No.: 35806
Project Type: Renewal and Replacement
Category: Housing/Social Services
Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2004

Twelve Adult Day Facilities need modifications to meet standards that include health and safety issues and ADA accessibility requirements. Modifications will more fully meet the needs of clients who are physically and cognitively impaired. These will include recommendations for modifications to lighting, flooring, bathroom, dining, and activity areas. This will benefit clients who are physically and cognitively impaired, allowing them to be more independent, reduce the risk of injuries from falls, and enhance their well-being by decreasing confusion for the clients who are cognitively impaired.

Mental Health Bill

Ms. Elgee stated this request would fund an on-going contract with a facilities architect, who specializes in "dementia design," to address adult facility needs throughout the State and to make recommendations to better serve the needs of those users in terms of upgrades to the facility and programs being offered.

Fixed Asset Accounting System

\$255,000

\$85,000 general funds

\$85,000 Info Svc

\$85,000 Public Bldg

Reference No.: 35791

Project Type: Information Systems

Category: General Government

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2004

The State needs a functional fixed asset accounting system. The antiquated mainframe system operated by the Division of General Services does not provide accountability over assets, nor does it maintain the information necessary to prepare the State's financial statements in accordance with generally accepted accounting principles (GAAP) as required by AS 37.05.150.

Funding will be used for professional services for software analysis, software purchases and installation and some building appraisal work.

One time project

Ms. Elgee stated that this request addresses the current accounting system's inability to properly account for fixed assets. She informed the Committee that this concern was identified by the Division of Legislative Budget and Audit several years prior, and

that new federal accounting regulations require that fixed assets must "first be recognized at a cost basis and then depreciated on financial statements," as opposed to the current system's method of listing replacement value. She reminded the Committee that the State could not provide the necessary information without a new fixed asset accounting system; therefore, an adjustment must be made annually to account for the "audit exception."

Senator Leman asked whether such information as the age of a building as well as any modifications it has undergone would be required to develop a cost basis for that fixed asset.

Ms. Elgee replied that the history of the building would need to be reconstructed to determine the cost basis.

Senator Leman commented that this is a big project as some of the State's buildings are "quite old."

Ms. Elgee concurred.

Public Defender Integrated Computer System

\$175,000 general funds

Reference no.: 35827

Project Type: Planning

Category: Law and Justice

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2005

The Public Defender Agency needs to become integrated with the technology and systems of the other state agencies in the criminal justice process. The sharing of information electronically will greatly improve the operations of a cumbersome, information-laden system. The Public Defender Agency is the only agency that will not have access to all the information readily available to the other participants. Without such access, as the rest of the state criminal justice agencies share information and become more efficient, the Public Defender will grind the entire process to a halt.

Phased Project

Mr. Spencer commented this is a repeat request that involves the need to share pertinent information among a variety of criminal justice systems. He stressed the importance of upgrading the Public Defender Agency's (PDA) computer abilities to align with the capabilities of other criminal justice agencies in order to allow the PDA the ability to access and integrate information. He emphasized that the PDA's current system undermines the effectiveness of the entire justice system.

Senator Wilken asked whether the \$175,000 indicated in this request is the total cost of the project or for this phase of the project.

Mr. Spencer responded that the specified amount is for this phase; however, the entire cost could not be determined until the project began.

Senator Wilken asked for a total cost projection.

Sr. Spencer anticipated the entire project to cost less than \$1 million.

Public Facilities Maintenance and Repairs

\$2,500,000 Public Bldg

Reference No.: 35803

Project Type: Renewal and Replacement

Category: General Government

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 07/02/2005

This project will provide authorization to spend depreciation funds collected through the facilities rental rate charged tenant agencies. The funding is used for renewal and replacement repairs of major building systems. These projects replace worn-out major building components and either replace or retrofit obsolete or inefficient building systems in order to maintain or extend the useful life of the building or facility.

Facilities included are: the Robert B. Atwood Building; the Fairbanks Regional Office Building; the Juneau State Office Building; the Alaska Office Building; the Juneau Court Plaza Building; the Juneau Community Building; the Douglas Island Building; and the Juneau Public Safety Building.

On-going project

Mr. Spencer stated that this request would authorize the Department to leverage non-general fund public building fund monies, specifically those collected from depreciation charges to "occupant agency" tenants, to provide for operating costs, on-going maintenance, and depreciation costs to the buildings. He stated that this involves extensive projects such as roof replacements that might extend beyond a single fiscal year because work could not begin until the spring and summer season.

Senior Services Data Integration Project - Phase 2

\$238,000 MHTAAR

Reference No.: 35816

Project Type: Information Systems

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2004

The Division of Senior Services serves clients and providers in multiple programs. Information should be shared by programs for better client and provider service, for faster response times, and for the electronic transfer of information. DSS and the Alaska Commission on Aging have selected a SAMS/OMNIA database and begun the integration of beneficiary data. This request represents the amount necessary to complete the data management integration effort.

Phased project

Mental Health Bill

Ms. Elgee stated that this is the final phase of a project, funded by Mental Health Trust Receipts, to install a complete new computer system that would provide an internal recordkeeping system and a providers' interface system.

Alaska Gas Development Study

\$500,000 AOGCC Rcpt

Reference No.: 35792

Project Type: Planning

Category: Natural Resources

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2004

The AOGCC needs to evaluate the conservation issues associated with gas development in Alaska from areas such as Prudhoe Bay Unit, Point Thompson Unit, The North Slope Foothills, and the numerous prospects for Coalbed Methane (CBM). The issues include what impact gas development will have on the recovery of liquid hydrocarbons, appropriate development practices for new fields and how to manage CBM development. CBM development is technologically different than conventional gas development and is the subject of much debate in the continental US. The AOGCC does not have the resources to conduct this study.

One-time project

Ms. Spencer stated that this request asks for authorization to expend industry-generated receipts to undertake a study on gas development in the State.

Senator Leman voiced support for the project and urged the Committee to approve it.

Electronic Permitting Initiative
\$500,000 AOGCC rcpt
Reference No.: 35793
Project Type: Information Systems
Category: Natural Resources
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2005
The AOGCC seeks to develop and implement a highly secure e-commerce/e-permitting system for the handling of electronic data. The Oil and Gas Conservation Act requires all operators of oil and gas wells to provide significant amounts of data to the AOGCC. The majority of this information is highly confidential for at least two years. The regulated community (oil & gas companies) manages their data electronically. However, because the AOGCC is not set up to receive the information in a secure manner, the companies convert the data to hard copy and hand-deliver it to the AOGCC resulting in added workload for both the regulated community and the AOGCC.
One-time project

Mr. Spencer informed the Committee that this project would allow confidential information to be transmitted in electronic format rather than the current "extensive paper transferal" to the Alaska Oil and Gas Conservation Commission (AOGCC), thereby positively "facilitating" the flow of information. He mentioned that additional non-general fund receipts funding might be required; however, the intent would be to implement the system as efficiently as possible.

Senator Leman stressed the importance of upgrading to this "firewall" system, as it should result in lowering operating costs in other State agencies such as the Department of Natural Resources.

Combined Retirement Benefits Calculation System
\$436,000
 \$1,200 Jud Retire
 \$298,400 P/E Retire
 \$136,400 Teach Ret
Reference No.: 35819
Project Type: Information Systems
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2004
Funds will be used for consulting services for analyses, design and programming of business software that will be the

Benefits Calculator. In addition, it would cover the cost of any necessary hardware. Specific project tasks will include Software Requirements Specification, Detail design and programming; data conversion; testing; and implementation.
One-time project

Ms. Elgee stated that currently, State personnel access the Division of Retirement and Benefits retirement benefits information system through the use of high maintenance and difficult to use calculators. She continued that this funding would allow the Department to replace these limited-use calculators with machines that would more efficiently communicate with modernized computer programs and provide more expansive and reliable information.

Information Technology Group Equipment Replacement
\$5,904,400 Info Svc
Reference No.: 35787
Project Type: Information Systems
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2007
Funding will be used to purchase the highest priority equipment, including hardware and software, to meet anticipated customer demand.
On-going project

Mr. Spencer noted that this annual request seeks authorization to expend "charge-back fund" monies garnered from users, to replace equipment as "it breaks, wears out, or becomes obsolete." He explained that the items identified in the request are presented in a prioritized order; however, "might have to be re-prioritized if something else breaks."

Senator Wilken asked what affect the State's telecommunications agreement with Alaska Communications Systems (ACS) has on this annual request.

Mr. Spencer responded that currently this project is not impacted by that agreement; however, the ACS project would eventually allow for the elimination of this request, as ACS would assume several components of maintaining the State's telecommunications operation. He informed the Committee that in the current year, ACS has invested "in excess of \$20 million" into the State's telecommunications system, which otherwise, the State would have been expected to invest. He stated that ultimately the State would receive better service in addition to the economic savings.

Senator Wilken, noting that the back-up material indicates that this funding request would increase over time from the current \$6 million to \$7 million, asked whether this amount would be higher if the agreement with ACS were not in place.

Mr. Spencer responded that this particular request is primarily for computers; therefore, no savings would be realized since the ACS agreement pertains primarily to other telecommunication components of the system. He noted that ACS would be assisting the Department in determining a more efficient and effective means for maintaining telecommunications sites for which the State would retain responsibility.

Senator Wilken, referring to page 33 of the backup material, asked whether the \$2.76 million slated for satellite projects would continue being an on-going responsibility of the State even though ACS would utilize that system.

Mr. Spencer affirmed that the State currently owns and maintains the satellite system. He informed the Committee that the \$2.76 million would be used to replace lights on towers, assist in keeping generators at the tower sites functioning, and other maintenance needs, and that expenses of this sort would remain the responsibility of the State. He summarized that this is a complicated situation and he could provide more detailed information to the Committee.

Senator Wilken voiced that years earlier, during initial discussions about a telecommunications agreement between the State and ACS, he understood that maintenance costs would be a shared responsibility of both entities.

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Senator Wilken judged these early discussions to imply that all maintenance expenses would be transferred to ACS, thereby resulting in a reduction of maintenance funding requests from State departments.

Mr. Spencer supported the expectation that telecommunication requests from State departments to pay for expenses such as routers, would diminish; however, stated that the maintenance of satellite sites is a different component of the telecommunications system.

Mr. Spencer expressed the need for the Department of Administration

to present a thorough overview of the ACS agreement to the Committee.

Department of Community and Economic Development

Electronic Document Imaging, Storage and Retrieval System

\$1,125,000 Rcpt Svcs

Reference No.: 35664

Project Type: Information Systems

Category: Development

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2004

This project will develop a departmental document scanning, storage and retrieval system. This system will improve and increase timely access to information by the public, staff, other agencies; reduce the amount of storage space required, provide for a disaster recovery system for documents and allow for a more timely and efficient purging of documents which are no longer required.

One-time project

JEFF BUSH, Deputy Commissioner, Department of Community and Economic Development noted that the Division of Insurance and the Division of Banking, Security and Corporations would equally fund this project. He stated that replacing hard copy files with electronic documents would eliminate approximately 2,000 feet of hard copy files in the Juneau Division of Insurance office. He continued that this would allow for better and quicker public access to documents via the Internet and would additionally reduce the retrieval of information "burden" on staff for public record requests in addition to providing needed floor space. He expressed that these improved efficiencies would offset the projected maintenance expenses the new system would incur.

Loan Servicing Software Replacement

\$550,000

Reference No.: 35665

Project Type: Information Systems

Category: Development

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2004

This project replaces the existing loan servicing software Mortgage Loans Extended (MLX) currently in use by the Alaska Division of Investments (ADI), It also adds additional functionality not presently available in the area of loan origination (application tracking, document creation and

management).
One-time project

Mr. Bush stated that the current system was purchased in the early 1980's, last upgraded in 1984, and is "antiquated by today's standards." He stated that the development of a new system would provide better access to account information, would provide for more efficient new loan processing, and more efficient tracking of loan borrower information. He stated that this proposal and the accompanying maintenance contract would be fully funded by the State Loan Program, and that the Division of Investments would absorb any additional labor costs attributed to a new system.

Federal Community Development Grants
\$3,280,000
 \$3,000,000 Fed Rcpts
 \$ 280,000 G/F Match

Reference No.: 33925

Project Type: Health and Safety

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2004

The Department receives federal funding from several different programs, including the Flood Mitigation Assistance grant program, USDA and the Denali Commission. This project combines the various federal project funding under one appropriation. State Match Required

On-going project

Mr. Bush noted that this is the second consecutive year the Department has combined various Alaska Industrial Development and Export Authority (AIDEA) Federal Emergency Management Agency (FEMA), US Department of Agriculture (USDA), and Denali Commission grant programs into one request. He informed the Committee that some of the grants have provided assistance for the development of flood plain management and flood mitigation programs for communities as well as providing USDA mini-grants for developing community economic development strategies and new economic activities in non-forest related industries.

Mr. Bush noted that these USDA economic programs have historically received Denali Commission funding assistance of approximately \$500,000. He stated that several miscellaneous and the estimated amounts for, as-of-yet, undetermined Denali Commission grants are included in this request, and explained this is a normal occurrence as the amount of the grants is never determined in advance. He shared that, historically, federal receipts for this program have

been as high as \$6 million.

Co-Chair Kelly asked the amount of State general funds required to match Denali Commission grant money.

Mr. Bush responded that the Denali Commission grants require a ten percent State match. He continued that the estimate for the State matching funds is \$150,000 as the Denali Commission grants total is projected to be approximately \$2 million, of which \$500,000 is designated for mini-grants that do not require any State match.

Co-Chair Kelly specified that \$150,000 of the \$280,000 State general funds specified in this request is designated as a match for Denali Funds. He voiced opposition to committing State funds to match Denali Commission funding as the Denali Commission monies do not come under the auspice of the Senate Finance Committee; therefore the Committee has no "say over them."

Co-Chair Kelly continued that the Denali Commission has voiced concern that its' funding may be "used to supplant" State general funds. Co-Chair Kelly voiced support of treating Denali Commission grant money entirely as a separate and independent entity as the State has no control over how those funds are distributed, and he, therefore, does not support matching Denali Commission projects with State general funds.

Senator Lemman concurred with Co-Chair Kelly's comments and stated that if State general funds are to be matched with Denali Commission projects then the State should have some say in how those monies are spent.

Senator Lemman noted this request states, "the aggregate general fund match is 14 percent of the total;" however, he pointed out this does not compute with the numbers presented.

Mr. Bush clarified that 14 percent is incorrect and is actually between seven and ten percent.

Senator Wilken asked for a list of the Denali Commission communities' priorities program construction-ready infrastructure projects that received \$4.5 million in FY02 and is referenced on page eight of the backup material.

Senator Green asked whether the Legislature receives a final budget summary detailing the mini-grants projects funded during a fiscal year.

Mr. Bush stated that the Department would supply any information

the Legislature does not currently have.

Senator Green voiced that this request "basically" authorizes the Department to dispense mini-grant funding, as they deem appropriate.

Co-Chair Kelly clarified that is correct, with the exception of Denali Commission projects over which the Department has no control.

Senator Hoffman voiced his concern that the Denali Commission appears to be "providing a function that the State probably should be providing" in rural Alaska such as building health care facilities. He stated that the State is receiving "benefits" from federal and Denali Commission projects in rural Alaska without having to finance it, and he feels that the State has been, in effect, ignoring the needs of Alaska Natives. He stated that one of the primary reasons for the establishment of the Denali Commission was that there were "a lot of unmet needs" in rural Alaska.

Senator Hoffman commented that the State has historically recognized the benefits it receives from federal and Denali Commission projects by supporting those projects with a "high" matching fund percentage. He referenced a Federal Emergency Management Agency (FEMA) project, listed on page eight of the backup material, which received a 25 percent State match, and he ascertained that the ten percent match required by the Denali Commission is the "best buy." He stated that a State match is a federal requirement for receiving federal funds.

Senator Hoffman questioned whether the general funds specified in this request are "truly a match and will it jeopardize the agencies that receive these funds from the Denali Commission."

TOM LAWSON, Director, Division of Administrative Services, Department of Community and Economic Development responded that the Department could not affirm that withholding matching funds would place a project in jeopardy; however, he affirmed that the federal government does expect, although "it is not absolutely mandated," matching funds from the State. He opined that, "it comes down to a case-by-case basis of what the grant is for and what the grant program is." He stated that the Legislature has asked the federal government to establish a "clear stated mandate" regarding whether a State match is "absolutely required." He stated he did not know the outcome of that request.

Co-Chair Kelly interjected that "the answer was no."

Mr. Lawson acknowledged Co-Chair Kelly's comment; however, expressed that there are a multitude of federal programs that benefit the State, most of which have matching grant requirements. He voiced that it is "possibly to probably the case" that some programs might be placed in jeopardy if a State match did not materialize.

Co-Chair Kelly clarified that his comments were directed toward the authorization of State matching grant funds for Denali Commission projects over which the Legislature has no control, rather than federal matching grant programs that the Legislature has the right to accept or reject.

Co-Chair Kelly stressed that he does not support the Legislature developing the habit of "using Denali Commission funds to supplant State general fund dollars."

Senator Hoffman acknowledged Co-Chair Kelly's remarks that Denali Commission funds should not be used to supplant State general fund dollars, but reiterated that the Denali Commission is picking up expenses for projects in rural Alaska that the State should be addressing such as health care facilities and energy needs. He contended that the State should participate in supporting projects that address concerns of rural Alaskans by providing the required ten percent matching grant funding.

Senator Lemman voiced appreciation for Senator Hoffman's comments, but countered that the State has increased its investment in rural Alaska by supporting such projects as the village safe water program, and by more than doubling its investments into communities by leveraging federal funds. He acknowledged that the area has numerous needs and noted that the establishment of the Denali Commission assists in addressing those needs. He echoed Co-Chair Kelly's comments and opined that if "we as a State are going to invest and match" Denali Commission projects, then the State needs to have some participation in the process.

Co-Chair Kelly remarked that Senator Hoffman is not denying that the State has been investing in health and energy needs in rural Alaska, but rather that the Denali Commission is providing funding for projects that Senator Hoffman believes the State should have been undertaking.

Senator Hoffman asserted that if the Legislature does not support some of the "categories" of projects that the Denali Commission identifies, then matching funds for those projects could be denied; however, if the Legislature agrees that a project falls into an area that needs to be addressed, then the Legislature should

support it.

Community Block Grants
\$9,000,000 Fed Rcpts
Reference No.: 33488
Project Type: Health and Safety
Category: Housing/Social Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2004
The Block Grant Programs receive federal funding from several sources in order to provide grants to local governments and services to low income people which will improve their quality of life and remove obstacles to self-sufficiency.
On-going project

Mr. Bush explained that these federally funded community services block grants provide funding for such things as food and nutrition programs, operating and emergency funds for homeless shelters, and education opportunities.

Language Section: National Petroleum Reserve Alaska Impact Program
\$1,680,000 Fed Rcpts
Reference No.: 35360
Project Type: Construction
Category: Development
Location: Barrow
Election District: Northwest Alaska
Estimated Project Dates: 07/01/2002 - 06/30/2004
Language: The amount received by the National Petroleum Reserve - Alaska special revenue fund (AS 37.05.530) under 42 U.S.C. 6508 during the fiscal year ending June 30, 2002, estimated to be \$1,728,015 is appropriated from federal receipts to the Department of Community and Economic Development for capital projects grants under the National Petroleum Reserve - Alaska impact program.

Mr. Bush informed the Committee that the federal government established the National Petroleum Reserve- Alaska (NPR-A) special revenue fund to assist in alleviating impacts from oil and gas exploration and development. He specified that in this process, the Department receives grant applications each fall, then reviews and submits a list of projects to the Legislature via the Senate Finance Committee.

Mr. Bush noted that the list is included in the backup material.

Senator Wilken asked Co-Chair Donley the amount of the Power Cost Equalization (PCE) Program funding shortfall that is expected in FY02.

Co-Chair Donley responded that the PCE shortfall is expected to be approximately \$8.1 million with \$7 million of that amount resulting from a downturn in PCE endowment fund earnings.

Senator Wilken reminded the Committee that during discussions about the establishment of the PCE program, it was understood that these NPR-A funds would be available to support the PCE program. He urged the Committee to consider using these funds to support the PCE program.

Senator Hoffman disclosed that US Senator Ted Stevens said "it was never the intent of Congress" that the NPR-A funds be utilized to support the PCE program. He shared that Senator Stevens supported expending these funds to assist in alleviating exploration and development impacts on communities.

Senator Wilken asked if Senator Hoffman "would reconcile his predecessor's (Senator Al Adams) agreement with Senator Stevens' statement" as they are contrary to each other.

Co-Chair Donley concurred that the Committee made decisions concerning the PCE program based on comments presented by then-Senator Al Adams the representative from State District T.

Senator Hoffman, noting that he was not a member of the Senate Finance Committee at that time, commented that he would confer with former Committee member Senator Al Adams to clarify the context of the discussions.

Senator Leman reiterated that during discussions about changing the PCE program, Senator Adams, a Finance Committee member at the time, had specified that the NRP-A impact funds would be available to support the PCE program. Senator Leman stressed that this assurance was a crucial and important element of determinations regarding the direction of the PCE program.

Co-Chair Donley informed the Committee that during those discussions, Senator Adam's comments that the NPR-A community impact funds would be available to assist the PCE program, had persuaded Committee members to halt consideration of amendments that Co-Chair Donley had proposed to reduce the cost of the PCE program. He continued that, "there was a clear statement from the Co-Chair of the Finance Committee at that time, that without those funds, there was no deal, there was no agreement on any specific

level of funding for any future years, and that in fact, there is no commitment at all for this thing out there because that deal never happened."

Co-Chair Donley stated that the Committee might need to revisit the amendments that were not considered "based on the representation that this money would be forthcoming."

Senator Hoffman voiced the need to revisit the intent of that discussion for he recalled that the NPR-A funds might be available to fund the PCE program that "following year" if the region's communities supported it. He stated a question remains regarding whether those funds were intended to be an "on-going revenue source" for the program.

Co-Chair Kelly interjected that NPR-A funding of the program never occurred that following year.

Senator Hoffman stated that part of Senator Adams' commitment was to talk with area communities to secure support for using NPR-A community assistance funding to support the PCE program.

Co-Chair Donley responded that, "even if that is the case, the failure to obtain those funds negates the rest of the agreement at that time, as there was a clear deferral of amendments, which should have been necessary to make it a self-sustaining fund with the endowment. At the time, without the NPR-A money, there was no way this was ever going to work."

Co-Chair Donley continued that the cost of the program should be reduced to fit within the earnings of the endowment fund. He reminded the Committee that the endowment fund had no earnings this fiscal year, and that \$7 million must be withdrawn from the endowment's principle to cover expenses. He stated that "the program needs to be re-analyzed, revisited," and reformed to live within the endowment parameters.

Co-Chair Kelly surmised that the Committee ultimately must abide by directives that are written in law regarding the PCE program.

Senator Olson commented that, "it is a credit to this Committee" that numerous communities have benefited from the PCE program. He stated his research supports the discussion that the NPR-A funding was to have been a one-time funding scenario.

Mr. Bush informed the Committee that the year in question was FY00, and that a total of \$42 million was appropriated to the NPR-A account. He stated that of that amount, \$28 million was

appropriated to assist communities; \$9.1 million was deposited into the PCE fund; and as directed in State statute, 25 percent of the unexpended monies were deposited into the permanent fund principal and .5 percent was deposited into the Public School Trust fund.

Language Section: Trans-Alaska Pipeline Liability Fund
\$2,150,000 Fed Rcpts
Reference No.: 34846
Project Type: Health and Safety
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2001 - 06/30/2004
Appropriation of the state's additional rebate share of the Trans-Alaska Pipeline Liability Fund to the Alaska Energy Authority for use for the remediation of above-ground storage tanks. Senate floor amendment #2.
On-going project

BOB POE, Executive Director, Alaska Industrial Development & Export Authority and Alaska Energy Authority, stated this request would appropriate federal funds to remediate aboveground storage tanks. He noted the Alaska Energy Authority (AEA) would work closely with Department of Environmental Conservation on this project.

Senator Lemman suggested that the term "rural" be deleted in the backup information on page 15, line 3, for while many of the bulk fuel tanks needing remediation are located in rural areas, federal law does not require that the funds be allocated strictly to rural areas.

Bulk Fuel Systems Upgrades
\$1,600,000
 \$800,000 AIDEA Div
 \$800,000 Oil/Haz Fd
Reference No.: 32584
Project Type: Health and Safety
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2004
This appropriation is requested for expected Federal funds and state match for construction of new consolidated bulk fuel tank systems in rural Alaska.
On-going project

Mr. Poe stated this request involves the power needs of rural Alaska, specifically for providing bulk fuel tank upgrades. He

addressed Committee concerns about funding match requirements, noting that the funding for this project is a response to a general request from the Denali Commission to not eliminate funding for projects that the Department has historically funded. He stated this request would allow the Department to maintain a consistent program to address bulk fuel remediation.

Mr. Poe noted that the amount of funding available from the Oil and Hazardous Material Response Fund has decreased.

Co-Chair Donley asked the cause for that decrease.

Mr. Poe responded there has been a downturn in oil "flow" that has reduced the money deposited into the fund. He reminded the Committee that a five-cent per barrel tax is levied on oil production, of which three cents is designated to fund the creation of a \$50 million Response Fund and two cents is designated to develop an on-going spill program.

Co-Chair Donley clarified that the two-cent program is the funding mechanism in this request. He asked the Department whether a change in State statute would be required to increase the amount of money contributed into the Oil and Hazardous Material Response Fund.

Mr. Poe responded that it is specified in State statute.

Co-Chair Donley asked if the reduction in the amount of available Oil and Hazardous Material Response funds has resulted in an increase in the level of general funds requested in other budget requests.

Mr. Poe noted that during original negotiations about this tax, oil companies were concerned that the \$50 million response fund had not been sufficiently funded, and this concern presented a challenge to the five-cent a barrel tax. He stated that this concern was addressed by dividing the five-cent tax; whereby, three cents was designated to building and maintaining the \$50 million response fund pool to address oil spills and two cents was designated for the Department of Environmental Conservation spill and response program and other programs.

Senator Leman clarified that the provisions of the five-cent tax specify that two cents is designated for the \$50 million fund and three cents is designated for on-going projects.

Rural Power Systems Upgrades
\$500,000 general funds match
Reference No.: 32588

Project Type: Construction
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2004

This appropriation is requested for expected federal funds and state match for capital improvements and new electric power systems in rural Alaska. Where required, lack of state matching funds will prevent the federal contribution.
On-going project

Mr. Poe pointed out that the Denali Commission has not requested the establishment of additional matching grants, but rather has requested that state funding for on-going programs not be reduced. He informed the Committee that these projects would result in "a real reduction in the cost of power" by upgrading to more efficient equipment that would increase the number of kilowatts hours per gallon of fuel. He noted that all the projects include heat recovery systems that provide additional benefits such as preventing water in the systems from freezing.

Senator Ward, referring to page 20 of the backup material, noted that community support is one of the components of a project.

Mr. Poe replied that is correct, and this support could be in the form of contributed land, equipment, or money.

Senator Ward asked what is the average level of community support.

Mr. Poe responded that there is no average as community support varies from project to project.

Language Section: Electrical Emergencies
\$350,000 Rural Elec
Reference No.: 32590
Project Type: Health and Safety
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2004
This appropriation is requested to provide funds for the Electrical Emergencies Program, which provides technical support when an electric utility has lost the ability to generate or transmit power to its customers and the condition is a treat to life, health, and property in the rural community.
On-going project

Mr. Poe informed the Committee that the Rural Electric Revolving Loan Fund is supported by loan payments generated from eleven established loans. He explained this funding would allow the Department to assist a rural community in re-establishing power when a power outage threatens life, health and safety. He stressed that as a community's dependence on its infrastructure increases, the community's ability to supply uninterrupted power is "very critical" as loss of power, especially in the winter time, would adversely affect such utilities as community water systems.

Senator Green asked if the State should produce a report that includes federal funds and revolving funds that "augments, supplements, and improves power" provided to areas of Alaska that are also supported by the State PCE program. She stated that compiling this information would be helpful in determining the role of the PCE program.

Mr. Poe responded that information included in an annual PCE statistic report, as well as the continuing development of a rural power energy plan, would assist in providing pertinent information.

Senator Hoffman remarked that "the Power Cost Equalization program is sort of a misnomer" for while it does reduce the cost of power in rural Alaska; it is not lowered to a level of seven or ten cents per kilowatt-hour.

Co-Chair Donley agreed, "It is a misnomer because it subsidizes some people's rates below what other people pay." He explained that some communities that do not qualify for the PCE program pay more per kilowatt hour than the amount that eligible communities "get subsidized down below."

SFC 02 # 20, Side A 10:43 AM

Diesel Efficiency and Alternate Energy Program
\$500,000 general funds match
Reference No.: 32591
Project Type: Construction
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2004
This appropriation is requested for expected federal funds and state match for alternative energy projects (Fuel Efficiency Improvements, Conservation, Wind, Biomass).
On-going project

Mr. Poe stated this general fund request would provide a funding match for federal funds that would support the development of power cost reduction programs. He stated that these projects include such things as a combined fish oil and diesel fuel plant in Unalaska where a combination of 50 percent diesel oil and 50 percent Pollock fish oil is being tested. He stated this fuel would cost 72 cents per gallon, whereas currently, fuel in Dutch Harbor is \$1.20 per gallon of diesel. He expressed that this study involves a substance that is environmentally friendly, is plentiful, "but is not a highly sought after commodity." He noted that funding also supports studies on such alternate energy ideas as wind energy in Kotzebue.

Co-Chair Kelly asked whether Pollock oil is preferred over other fish oils.

Mr. Poe responded that Pollock oil is being used because it is abundant; however any fish oil would suffice. He stated that test results indicate that engines start easily when fish oil is used and that the fish oil burns clean.

Senator Leman recommended that this information be supplied to the Alaska Seafood Marketing Institute (ASMI).

Federal Energy Projects

\$30,000,000 Fed Rcpts

Reference No.: 36338

Project Type: Construction

Category: Health/Safety

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2004

AEA expects to receive approximately \$30 million in federal financial assistance awards from the Denali Commission in FY 2003. The Denali Commission awards cover several AEA programs including bulk fuel upgrades, rural power system upgrades and alternative energy projects; therefore, AEA requests receipt authority that is not specific to a particular program.

On-going project

Mr. Poe stated that this request would allow the Department to receive Denali Commission funds as well as federal funds that could be used to retrofit facilities including the Healy Coal Plant. He stated that funds would be received on a project-by-project basis in a multiple-year program.

Mr. Poe informed the Committee that to qualify for these grants, applicants are required to submit a business plan which would

include a repair and replacement fund for long-term maintenance as well as being required to focus on cost containment by the use of more standardization and other measures to reduce the cost per kilowatt-hour or cost per gallon. He noted that sustainability of a project is a required goal.

Senator Olson asked why some components of projects appear to be implemented out of sequence.

Mr. Poe responded that if a component of a multi-phase project were failing, that component would be addressed first, regardless of whether it was scheduled for repair or replacement early in the project. . He noted that, in addition to the danger of a component failing, some elements such as the foundation of a powerhouse must be constructed during the winter months. He stated that most projects are two-year projects.

Arctic Winter Games Team Alaska

\$75,000 general funds

Reference No.: 6782

Project Type: Planning

Category: Development

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2004

This grant will provide, in part, for the expenses of Team Alaska to participate in the 2004 Arctic Winter Games, and the international dues payment.

On-going project

Mr. Bush stated this request to fund dues and such things as travel expenses for athletes to attend the 2004 Arctic Winter Games

Delta Junction Missile Defense Test Bed Impact Mitigation

\$10,000,000 Fed Rcpts

Reference No.: 35687

Project Type: Transitional

Category: Development

Location: Delta Junction

Election District: Delta, Prince William Sound

Estimated Project Dates: 07/01/2002 - 06/30/2004

Fort Greely has been selected as the national site for the Missile Defense Test Bed Project. As a result of the five-year base close/reuse process, the Delta Junction community is unable to provide the necessary services for the anticipated impacts from the construction of the Missile Test Bed project. This federal grant will provide funding for necessary public facilities such as a new area-wide landfill; firehall and

other public safety construction, social service programs and local government staffing, not only available for the community, but Fort Greely as well. Grant match from the state is currently not anticipated.

One-time project

Mr. Bush noted that this request consists entirely of federal funds that would be used to fund necessary public facilities including a new landfill and fire hall. He expressed that there is currently an inadequate level of infrastructure available in these communities.

Co-Chair Kelly ordered the bill to be HELD in Committee.

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ADJOURNMENT

Co-Chair Pete Kelly adjourned the meeting at 10:55 AM