

HOUSE FINANCE COMMITTEE  
February 26, 2003  
3:07 PM

TAPE HFC 03 - 27, Side A  
TAPE HFC 03 - 27, Side B

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 3:07 PM.

MEMBERS PRESENT

Representative Bill Williams, Co-Chair  
Representative Kevin Meyer, Vice-Chair  
Representative Eric Croft  
Representative Mike Chenault  
Representative Mike Hawker  
Representative Carl Moses  
Representative Jim Whitaker

MEMBERS ABSENT

Representative John Harris, Co-Chair  
Representative Richard Foster  
Representative Reggie Joule  
Representative Bill Stoltze

ALSO PRESENT

Steve White, Assistant Attorney General, Department of Law;  
Nancy Slagle, Director, Division of Administrative Services,  
Department of Transportation and Public Facilities; Karen  
Morgan, Director, Division of Administrative Services,  
Department of Public Safety; Larry Persily, Deputy  
Commissioner, Department of Revenue

PRESENT VIA TELECONFERENCE

Howard Starbard, Capt., Director, Division of Fish and  
Wildlife Protection, Department of Public Safety; Cam  
Leonard, Assistant Attorney General

SUMMARY

HB 100 "An Act making supplemental and other  
appropriations; amending appropriations; and  
providing for an effective date."

HB 100 was HEARD and HELD.

HB 110 "An Act making supplemental and other appropriations; amending appropriations; making appropriations to capitalize funds; and providing for an effective date."

HB 110 was HEARD and HELD.

DEPARTMENT OF LAW BRIEFING IN EXECUTIVE SESSION:  
CARLSON V. CFEC

Co-Chair Williams called the Committee to order at 3:05 pm. They entered immediately into EXECUTIVE SESSION.

#hb100

HOUSE BILL NO. 100

"An Act making supplemental and other appropriations; amending appropriations; and providing for an effective date."

HOUSE BILL NO. 110

"An Act making supplemental and other appropriations; amending appropriations; making appropriations to capitalize funds; and providing for an effective date."

The regular session RECONVENED at 3:48 pm. Co-Chair Harris brought forward a letter from Cheryl Frasca, Director, Division of Management & Budget, Office of the Governor, regarding an appropriation of \$100 thousand from the General Fund. He explained that the funds are requested for the Department of Environmental Conservation for legal services provided from the Department of Law, representing the State's petition before the United States Supreme Court in the Red Dog Mine air permit dispute with the Environmental Protection Agency (EPA). Co-chair Harris stated that this appropriation would be added to the current supplemental requests.

DEPARTMENT OF PUBLIC SAFETY

Section 5, Fast Track Supplemental

Increased costs for vehicle, heating oil, electricity, airplane and helicopter fuel

KAREN MORGAN, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF PUBLIC SAFETY, explained that the Department was seeking an appropriation of \$229.3 thousand for increased fuel costs. She recalled past supplemental requests for fuel cost changes, and noted that it was difficult to budget for such changes. She noted that the budget for the Department of Fish and Game had not been increased to cover costs for fuel.

Responding to a question from Co-Chair Harris, Ms. Morgan explained that the request simply addressed a change in the price of fuel, which had increased by as much as 60% in some areas, and not a change in the amount. She also noted that no addition in personnel corresponded to this request.

HOWARD STARBARD, CAPT., DIRECTOR, DIVISION OF FISH AND WILDLIFE PROTECTION, DEPARTMENT OF PUBLIC SAFETY testified via teleconference. He confirmed that there was no increase of personnel. He went on to clarify that seasonal hiring was in process, while other personnel were on seasonal leave without pay. He affirmed that the increase only addressed fuel costs.

Co-Chair Harris pointed out the language in the request that referred to personnel ("to hire authorized seasonal support and support personnel") and asked if this was indeed a factor.

Mr. Starbard noted that this was an approach to create a cost savings in personnel if the supplemental was not funded, but that the actual request was due to fuel cost increases only.

Representative Croft asked whether a \$154 thousand increment was requested last fiscal year for fuel costs.

Mr. Starbard responded that the Department had indeed asked for an increment to offset known fuel cost increases.

Responding to another question from Representative Croft, Ms. Morgan confirmed that the request was denied by the legislature.

Representative Croft asked why, when the legislature did not allocate the funding, the Department did not take the budget steps to absorb the decrement.

Ms. Morgan acknowledged that there were options for managing the increase, such as not filling seasonal positions and cutting back on patrols in fisheries. She also stated that, since the Department did not recommend these options, they sought supplemental funding.

Representative Croft clarified whether the question in fact was still about fuel, or whether it was about sustaining certain programs and services.

Ms. Morgan maintained that the issue was definitely about fuel. She noted that the possible discontinuation of programs would only be considered if they did not receive the supplemental funding.

Representative Hawker asked how many flight hours would not occur if the request were not funded.

Mr. Starbard responded that the amount of specific efforts corresponding with the request had not been identified. He maintained that significant restrictions would certainly be imposed if the request were not funded.

Representative Hawker speculated as to whether an increment in maintenance and support costs also corresponded with the request.

Ms. Morgan confirmed that this was the extent of the request, and that resources existed to fund other expenses.

Representative Hawker asked if these resources could be reallocated to cover fuel costs and flight hours.

Ms. Morgan stated that the Department had thoroughly examined their budget and found savings to mitigate the costs of increases, which were initially \$250 thousand.

Co-Chair Harris asked whether the Department operated the aircraft used by the Governor. Ms. Morgan confirmed that this was true. He asked if the aircraft had been over-expended during the first six months of the fiscal year.

Ms. Morgan explained that there were two separate RSA's for the aircraft for accounting purposes to clarify the transition between administrations.

Co-Chair Harris continued to inquire whether the entire budget for that aircraft fuel had been expended in the first six months, and whether this accounted for any of the request.

Ms. Morgan stated that this did not affect the supplemental request. She, along with Mr. Starbard, confirmed that the governor's aircraft was not included in this request.

#### FISH AND GAME FUND

##### Section 6

Revise language appropriating criminal fines, penalties and forfeitures into the Fish and Game Fund based upon an analysis conducted by the Department of Public Safety and the Court System.

Ms. Morgan discussed the history of the change in language, referring to a 1997 appropriation to Fish and Wildlife as a result of criminal fines, penalties and forfeitures. She explained that the court system could not adequately estimate the amount deposited in the General Fund from these

finer. She noted that the Department entered records into the Public Safety Information System from the court system and developed an estimate. Each year the amount was verified and forwarded to the Division of Finance and an account transfer was completed. She went on to explain that this year the system was being changed to allow for more adequate estimates, but could not yet adequately predict amounts. The Division of Finance recommended language changes in the bill (Section 16 (b)) that would more accurately reflect the current process.

Responding to a question by Co-Chair Harris, Ms. Morgan stated that the amount of the transfer was the amount adjudged by the court system. The court system collects the money and it is then deposited into the General Fund.

Representative Croft asked why, if deposits were only what was collected, it was not simply accounted for as ordered. He asked if there was a general fund component.

Ms. Morgan conceded that there was a lack of clarity surrounding this amount. She stated that the court system collected a sizable portion of the amount, and then turned non-collections over to the Department of Law. She pointed out that the court system does not actually account for specific criminal fines and forfeitures, so they cannot report the actual amount of collections.

Representative Croft followed up that someone must know the actual amount collected, even if they could report only the amount charged.

Ms. Morgan noted that it is not the Department's responsibility to document what was actually collected. She noted that the process had been to account for the amount ordered by a judge, but they realized this year that the amounts were only an estimate and not an actual.

Representative Croft asked why the funds were not differentiated when received.

Ms. Morgan conceded that the Department of Law could report the amount of fees that were collected. She also noted that the Department could not accurately reflect the amount due to fish and game fines, since they only dealt with bad debt.

Representative Hawker requested further research into this issue, and expressed concern over this lack of knowledge in our financial system.

Representative Croft suggested two solutions: either to project based on what was fined, or to budget based on what was actually collected, and expressed his preference for the latter.

Miscellaneous Claims

Section 16 (9)

Miscellaneous Claims and Stale-dated Warrants \$47.50

Ms. Morgan explained that the claim was a result of a bill for long distance and facsimile usage as a result of an investigation in a community.

Section 17

Ratification of \$2,615 for an RSA with the Department of Transportation for an advertising campaign. The RSA was closed out before the last billing was received.

DEPARTMENT OF REVENUE

Section 6 of Fast Track

Additional bond issuance costs

LARRY PERSILY, DEPUTY COMMISSIONER, DEPARTMENT OF REVENUE, addressed the requested authority to expend \$142 thousand in receipts for the Alaska Municipal Bond Bank Authority. He explained that the budget for the current year was \$522 thousand in receipts, based on projections from the prior year. He stated that more debt would be issued this year for additional municipal projects. He pointed out that this was not a liability of the State but rather of the municipalities. He noted that in FY 03 they had already considered issuing debt for a number of municipal projects, and that the supplemental was to ensure timeliness in entering the bond market and building during construction season.

Section 13, Regular Supplemental

Contractual expenses for hearing officers for increased number of formal hearings in contested liquor license complaints and suspensions, and staff travel and per diem for hearings.

Mr. Persily explained that the request was for \$26 thousand for the Alcohol Beverage Control (ABC) Board. He noted that the ABC Board expected several more appeal hearings. Each hearing costs approximately \$5-6 thousand. He stressed that the ABC Board had never experienced as many hearings before. He stated that the requested was to be funded with program receipts from licensing.

Representative Croft asked why the request was listed as General Fund. He also asked if they were truly unexpected costs.

Mr. Persily pointed out that the request was for authority to expend receipts, and that authority was not open ended.

Representative Croft also asked whether a \$134 thousand increment had been previously requested.

Mr. Persily confirmed that the ABC board had asked for two increments of \$36 thousand that were denied. He noted that the current request was lower due to fewer hearings.

Section 15A

The appropriation in sec 31(e), ch 94, SLA 2002, pg 71, lines 12-19 to pay airport bond debt is short \$2000.00

Mr. Persily discussed the request of funds for the International Airport Revenue Fund.

Responding to a question by Co-Chair Harris, Mr. Persily noted that, although it pertains to an airport facility, Section 14b might better be addressed by the Department of Transportation.

DEPARTMENT OF TRANSPORTATION (DOT)

Section 7a of the Fast Track

Title change: Nondalton: Airport Resurfacing to Nondalton: Airport Improvements and Airport Layout Plan

NANCY SLAGLE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, discussed the title change of the Dalton airport project. She explained that last year a request was submitted for two projects. The FAA requested that the two projects be combined into one grant. Changes occurred requiring a change of name in order to combine the two projects.

Section 7(b)

Title change: Anchorage: Muldoon Road Landscaping and Pedestrian Improvements - Glenn Highway to 36th Avenue to ". . . Improvements - Regal Mountain to Bartlett Drive

Ms. Slagle explained the location of the Regal Mountain project. She noted that the request allowed an expansion of the original project, which also required a name change from the amendment process.

Section 7(c)

Title change: Juneau West Douglas Highway Extension to  
Juneau: Gastineau Channel Second Crossing

Ms. Slagle noted that the request was for a name change, and pointed out that the name was changed in a congressional appropriation bill, but was not complete. She stated that the city was in support of the change in order to go forward with project research.

Representative Croft asked for clarification as to the definition of name change. He speculated that, since the project was changed from a road to a bridge, this stretched the definition of a name change.

Ms. Slagle agreed that the project had indeed changed, but noted that the city was in support of the project.

Responding to a further comment by Representative Croft, Ms. Slagle conceded that one could instead issue a repeal and re-appropriation. She pointed out that without the name change the previously appropriated funds could not be used.

Representative Croft observed that this might not be the proper use of the name change mechanism. He suggested that this could lead to misuse of this type of process.

Section 7 (d & e)

Title change: Nunapitchuk Resurfacing and Lighting to  
Nunapitchuk Airport Relocation (SLA 2001) and Title  
change: Nunapitchuk Resurfacing and Lighting to  
Nunapitchuk Airport Relocation (FSSLA 1999)

Ms. Slagle explained that the Nunapitchuk airport needed to be shifted over in order to be appropriately extended. She stressed that more than a resurfacing was necessary. She stated that the project also includes a snow removal equipment building and overhead power lines.

Section 7 (f)

Restore highways and maintenance cuts as directed by  
Governor Murkowski on Dec 12.

Ms Slagle discussed the need for \$2.5 million to restore maintenance and operations of the Department. She explained that the Department had contended with budget cuts and closed several maintenance stations, resulting in the layoff of 40 personnel. The Department had subsequently determined that adequate highway maintenance was not possible with those resources. She stated that the Governor decided to

restore the stations and personnel to continue adequate road maintenance.

Co-Chair Harris asked whether the Department could absorb the cuts with any other budgetary items.

Ms. Slagle responded that no other portion of the Department could absorb such a substantial cut. She noted that approximately 85 percent of the General Fund budget was for maintenance and operations.

Co-Chair Harris observed that, with such little snowfall in the current year, perhaps the amount for road maintenance might be reduced.

Ms. Slagle pointed out that a large amount of snow was present in some areas, combined with warmer temperatures in the fall, causing the need for more winter chemicals to deal with ice on roads. She concluded that, although the expenditures may be different, a great deal of maintenance was still needed.

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Ms. Slagle conceded the possibility of reducing some costs in other areas, but stated that maintenance was a fixed cost.

Representative Croft maintained that essentially the Department was deciding not to take a budget cut. He asked by what authority, given the knowledge of budget reductions required in FY 03, the Department would not implement necessary cuts.

Ms. Slagle maintained that the Department had indeed implemented the required budget cuts. She further stated that the new Governor had issued directives to reopen the maintenance stations.

Representative Croft emphasized that the question at hand was of constitutional authority for appropriation. He stressed that the legislature must expect Departments to adhere to budgetary decisions.

Ms. Slagle explained that, if the request were not funded, layoffs would occur and maintenance stations would again be closed.

Representative Croft reiterated his belief that, if this procedure were followed by the supplemental, it negated the budgeting process and made it non binding.

Co-Chair Harris concurred with Representative Croft and committed to investigating such patterns.

Section 7g

Central Region Planning new capital project:  
Dillingham-Aleknagik Road Milepost 8-23 Resurfacing.  
Accelerated in the STIP to coincide with the airport  
runway-repaving project scheduled for summer of 2003.

Ms. Slagle discussed request of \$8.2 million for the Dillingham airport runway-repaving project, scheduled to occur in April. She noted that if the Department delayed funding until July, it would delay construction during the appropriate season.

Responding to a question by Co-Chair Harris, Ms. Slagle stated that the project was part of the FY 04 budget, and was being accelerated by a few months. She explained that the 9 percent funding match was part of the overall program.

Representative Joule asked what kind of surface would be used.

Ms. Slagle speculated that since the road would be resurfaced, that gravel would not be used.

Representative Joule asked if consideration was given to dust problems when gravel was used.

Ms. Slagle noted the Department's research done into that concern.

Section 7(h)

Central Region Planning new capital project:  
Glenn Highway Intersection Improvements & Resurfacing,  
Gambell to McCarrey. Accelerated in STIP to address  
increasing deterioration of the roadway surface.

Ms. Slagle discussed the \$6 million in Federal Receipts for the Glenn Highway intersection improvement, and noted the desire to accelerate the project by a few months in order to take advantage of the full construction season. She pointed out problems with extreme deterioration of the road surface.

Co-Chair Harris asked whether there were roads in Fairbanks that could receive accelerated construction.

Ms. Slagle responded that she was unaware of any projects in that area that were critical and ready for early construction.

Co-Chair Harris referenced his participation on a delegation in which mention was made of road projects in Fairbanks that had been delayed.

Representative Foster observed that whenever one road project was accelerated, other projects were forced to wait. He pointed out that, in his area and other rural area, roads often had to wait several years.

Co-Chair Harris concurred that projects should be handled in order and questioned how that order was determined or altered.

Ms. Slagle responded that she did not participate in the project evaluation boards that rank projects for construction.

#### Section 7j

Barrow runway apron paving and safety area expansion project.

Ms. Slagle discussed the request for \$4.9 million. She noted that the problem with the Barrow project was that the bids came in higher than anticipated. She also stressed the narrow window of construction ability in such an area, and explained that if the window was missed, it could delay the project by as much as five years. She noted that there were only two paved runways in the world that were north of Barrow.

#### Section 14a of the Regular Supplemental

Carry forward excess Whittier Tunnel toll revenue above FY2002 appropriation to comply with federal code requiring all toll revenue to be spent on the toll facility. 819.1

Ms. Slagle discussed the request for authority to expend, in FY 03, \$819.1 thousand of unused toll revenue collected by the Whittier Tunnel in FY 02. She explained that under federal it was necessary to use collected tolls first for debt service and then for maintenance and operation. The requirements also specified that excess income could only go to another highway project. She stressed the need to carry forward revenues in order to support maintenance for the tunnel in this year.

Co-Chair Harris clarified that the amount reflected fees from tolls, totaling \$819 thousand.

Ms. Slagle pointed out that receipt supported services authority currently existed in the budget, and that the revenues simply support this authority. She proposed that, in the case that revenues came in below projections, revenue from the prior year could then support the budget.

Co-Chair Harris asked if the funds could be used to lower the cost of the tunnel. Ms. Slagle confirmed that it would be used for tunnel maintenance and operations.

Representative Hawker asked for detailed plans for the expenditure of the funds. Ms. Slagle reiterated that the Department was not increasing their budget authority, but rather seeking to direct revenues toward an existing authority. She maintained that the request was inaptly fit into the automated budget format, but that was simply for the revenue and not the expenditure authority.

Representative Hawker clarified that the money would be used for maintenance. He suggested that the Department consider that it be used to keep the tunnel open longer.

Representative Croft asked for clarification on whether the revenues were initially integrated into the General Fund, and now were being segregated from the General Fund, or if a separate fund had existed all along.

Ms. Slagle explained that this was revenue collected last year, not spent on the tunnel, which they desired to bring forward to use for maintenance.

Representative Croft asked if we should therefore lower the fee for the tunnel, since its seemed to be generating a profit.

Ms. Slagle explained that tolls were just a portion of the operating revenue, and that federal funds were also used for maintenance. She noted that last year more money was spent out of federal funds than receipt revenues. This request brings forward the toll revenues for use in maintenance.

Co-Chair Harris asked if these federal funds would sunset at some point.

Ms. Slagle suggested that the Administration consider a plan for the continuation for the Whittier Tunnel, and decide how much federal money to dedicate toward the tunnel in the long term.

#### Section 14(b)

Federal Homeland authority fund source switch from federal funds to International Airport Revenue Fund for mandated security activities at Fairbanks airport.

Ms. Slagle explained that the Fairbanks International Airport received federal receipt authority related to Homeland Security to deal with increased security needs. She stated that, based on security needs, staff was increased. She pointed out that these federal funds did not

come forward, either from TSA or Federal Aviation Administration (FAA). They were requesting a source change from federal receipts to international airport revenue funds to cover increased expenses.

Co-Chair Harris asked why the funds were available for the Anchorage Airport and not for Fairbanks.

Ms. Slagle explained that the two airports' budgets were of different sizes. She noted that Anchorage was able to make adjustments from their existing budget, even though they did not receive federal funds either.

Responding to a follow up question by Representative Croft, Ms. Slagle explained that federal grants were made available and were applied for and that limited funds were received. She stated that the funding subsequently ended with no opportunity to recover costs.

#### Section 14 (c)

Increased costs per negotiated contract with the Confidential Employees Association, retroactive to September 2001 and full FY 2003 costs. 72.6

Ms. Slagle discussed \$72.6 thousand in increased costs associated with a classification study completed in July. The study was initiated by labor management committee recommendations. She noted that, after the survey was completed, a union agreement required that staff changes must be retroactive. 14 positions were affected, and the request reflects the retroactive payment.

Representative Croft referred to Section 6 in the Budget that prohibits appropriations to pay for job reclassifications.

Ms. Slagle stated that the item was negotiated two years prior to the language to which Representative Croft referred.

Representative Croft maintained that even if the agreement existed before the language, the spending authority was still prohibited.

Co-Chair Harris suggested that the language might need to be amended.

#### Section 14 (d)

Marine Highway System increased fuel costs. July 2 fuel cost projected at 81.4 cents per gal with 8.7mm gallon use; Jan 27 revised projection at 90.7 cents

with 9.6mm gallon use. Increased use was due to cancellation of private service contract to Metlakatla.

Ms. Slagle noted that service to Metlekatla had been increased and that subsequently fuel prices had also increased. She observed that fuel prices were at 90.7 cents vs. 84 cents per gallon, resulting in an increase in \$6 million based on fuel needs. She pointed out that all but \$450 thousand of the increases had been covered under their current budget.

Co-Chair Harris asked if \$450 thousand was to cover service from Metlekatla to Ketchikan.

Ms. Slagle stressed that the increased service added to overall fuel need, and that the request was to cover the increased fuel costs.

#### Section 14(e)

Title change: Scammon Bay: Snow Removal Equipment Building should include "and Airport Layout Plan"

Ms. Slagle explained that, similar to a previous name change item, the FAA had requested that two projects be combined. She noted that the combination had already occurred in the Governor's amended budget, but that titles still needed to be changed.

#### Section 14(f)

Title change: Hatcher Pass: Milepost 34 to 39 - Rehabilitation should be Milepost 25 to 39 - Rehabilitation

Ms. Slagle noted that Hatcher Pass was a project expansion, already included in the Governor's amended budget. She explained that the expansion allowed more roadwork to be done, including culvert repair. She pointed out the efficiencies achieved by combining projects.

#### Section 16(10)

##### Miscellaneous Claims and Stale-dated Warrants

Ms. Slagle noted a request for \$26.82 to pay invoices dating from FY 2000.

Representative Foster expressed frustration in dealing with the impact of transportation cuts on his more rural area, as compared with urban centers. He also maintained that if money was cut from urban areas, the cuts were many times actually implemented in rural areas. He referenced his work

with the Department and complimented Ms. Slagle on her professionalism and patience and thanked her for her work.

Co-Chair Harris announced that on Monday a Committee Substitute would be brought before the Committee for amendment and expressed his intention to move the Supplemental bills out of committee by Tuesday.

HB 100 and HB 110 were heard and HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 5:08 PM