

ALASKA STATE LEGISLATURE
JOINT COMMITTEE ON LEGISLATIVE BUDGET AND AUDIT

October 29, 2003

1:35 p.m.

MEMBERS PRESENT

Representative Ralph Samuels, Chair
Representative Mike Hawker
Representative Vic Kohring (via teleconference)
Representative Reggie Joule, alternate

Senator Gene Therriault, Vice Chair (via teleconference)
Senator Ben Stevens
Senator Con Bunde
Senator Lyman Hoffman

OTHER LEGISLATORS PRESENT

Senator Jim Elkins (Appointee - Designee) (via teleconference)

MEMBERS ABSENT

Representative Beth Kerttula
Representative Bill Williams, alternate

Senator Gary Wilken
Senator Lyda Green, alternate

COMMITTEE CALENDAR

APPROVAL OF MINUTES
REVISED PROGRAM - LEGISLATIVE (RPLs)
EXECUTIVE SESSION
AUDIT REQUESTS
OTHER COMMITTEE BUSINESS

WITNESS REGISTER

CHERYL FRASCA, Director
Office of Management & Budget (OMB)
Office of the Governor
Juneau, Alaska

POSITION STATEMENT: Presented all the RPLs to the Joint
Committee on Legislative Budget and Audit.

STEVEN B. PORTER, Deputy Commissioner

Office of the Commissioner
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Answered questions pertaining to RPL 04-4-1026.

KATHLEEN WAYNE, School Food Coordinator
Teaching and Learning Support
Department of Education and Early Development (EED)
Juneau, Alaska

POSITION STATEMENT: Answered questions pertaining to RPL [05]-4-0685.

UNIDENTIFIED SPEAKER, Hydrologist
Division of Mining, Land and Water
Department of Natural Resources

POSITION STATEMENT: Answered questions pertaining to RPL 10-4-5035.

KIP KNUDSON, Deputy Commissioner of Aviation
Office of the Commissioner
Department of Transportation & Public Facilities
Anchorage, Alaska

POSITION STATEMENT: Answered questions pertaining to RPL 25-4-0046.

DAVID TEAL, Legislative Fiscal Analyst
Legislative Finance Division
Juneau, Alaska

POSITION STATEMENT: Answered questions pertaining to RPL 04-4-0127.

TINA CUNNING
State-Federal Issues Program Manager
Office of the Commissioner
Alaska Department of Fish & Game (ADF&G)
Anchorage, Alaska

POSITION STATEMENT: Answered questions pertaining to navigable waters and RS 2477s.

DENNIS DeWITT, Special Staff Assistant
Office of the Governor
Juneau, Alaska

POSITION STATEMENT: Discussed the proposal to convert the Palmer Pioneers' Home to a veterans' home.

ACTION NARRATIVE

TAPE 03-8, SIDE A

Number 0001

CHAIR RALPH SAMUELS called the Joint Committee on Legislative Budget and Audit meeting to order at 1:35 p.m. Representatives Samuels, Hawker, Kohring (via teleconference), and Joule and Senators Therriault (via teleconference), Stevens, Bunde, and Hoffman were present at the call to order. Representative Berkowitz, Senator Olson, and Appointee Elkins (via teleconference) were also in attendance.

APPROVAL OF MINUTES

Number 0115

REPRESENTATIVE HAWKER made a motion to approve the minutes of August 26, 2003. There being no objection, the minutes from the meeting of August 26, 2003, were approved as read.

REVISED PROGRAM - LEGISLATIVE (RPLs)

CHAIR SAMUELS announced that he would like to make the RPLs a consent agenda in the interest of time.

Number 0121

REPRESENTATIVE HAWKER moved that the committee approve the following RPLs: 02-4-0022; [03]-4-0139; 04-4-[1026]; 04-4-0127; [05]-4-0685; 05-4-0703; 06-4-0161; 06-4-0166; [08-4-0076]; 08-4-0078; 10-4-5035; 12-4-0114; 20-4-0045; 20-4-0046; and 25-4-6715.

CHERYL FRASCA, Director, Office of Management & Budget (OMB), Office of the Governor, explained that several of the RPLs before the committee relate to decisions that were made at the time the budget was being reviewed for the veto process. After the legislature adjourned, the [Governor's Office] learned of the availability of federal funds. Therefore, in some instances, for one-time projects, the governor made the decision to veto the state funds so that the federal funds could be used instead. In this case, the appropriation to the Department of Administration for the Alaska Public Offices Commission for electronic filings of various reports was vetoed so that the federal funds could be used to complete the project.

REPRESENTATIVE HAWKER inquired as to the source of these federal funds and whether these are restricted federal funds.

MS. FRASCA informed the committee that these are federal funds that Congress approved for fiscal relief for the states. The first \$25 million was received in July and a second \$25 million will be received in October. She informed the committee that the proposals in the [committee] packet total approximately \$7 million and there is a balance of about \$18 million for which no decision has been made with regard to how those funds should be used. These federal funds are unrestricted in the sense that they can be available for any traditional public purpose in the budget.

Number 0179

MS. FRASCA turned to RPL [03]-4-0139, which provides approximately \$259,000 for victim advocacy and \$254,000 for two special prosecutors in the Criminal Division of the Department of Law. The source of this money is the same federal fund source described earlier.

REPRESENTATIVE HAWKER asked if the two special prosecutors are temporary [positions] or will these become a recurring budget item.

MS. FRASCA said that the [federal] funds are temporary. The outcome of applications for a number of federal grants should be known in the next month or so. The aforementioned will answer the question of whether other federal funds will be available otherwise the Department of Law is evaluating [these two special prosecutors] in the context of its fiscal year (FY) 2005 budget. The Fairbanks [special] prosecutor is important because it's dealing with domestic violence and sexual assault cases and thus the need will continue. However, the department will have to evaluate how to fund it in FY05. In further response to Representative Hawker, Ms. Frasca explained that the purpose for which the federal funds for victim advocacy will likely continue in the future. Again, the department will have to evaluate that in context of the FY05 budget. The legislature transferred the grant monies to the Department of Law and the department viewed the grant monies as a way to handle a \$700,000 unallocated reduction. However, that was determined not to be a "good way to go."

SENATOR HOFFMAN asked if the two positions have already been filled.

MS. FRASCA replied yes. In further response to Senator Hoffman, Ms. Frasca informed the committee that a typical cost for a prosecutor is about \$114,000, which includes benefits, salaries, and associated costs. She offered to provide the committee with a detailed breakdown later.

Number 0213

MS. FRASCA continued with RPL 04-4-[1026], which is a request for \$750,000 in statutory designated program receipts (SDPR) related to the Stranded Gas Development Act. This RPL is in anticipation of a potential application being filed by one of the three major sponsors for a potential gas line. Currently, there is \$750,000 in authority, but should an application be received the law allows up to \$1.5 million in statutory designated receipts to do the work associated with an application under the Stranded Gas Development Act. Therefore, the [Department of Revenue] wants to be prepared to proceed if an application is submitted.

SENATOR BEN STEVENS asked if there is any documentation regarding how much [the Department of Revenue] has spent of the FY04 appropriation.

MS. FRASCA deferred to Steven Porter, Deputy Commissioner, Department of Revenue.

SENATOR BEN STEVENS related his understanding that the limit for SDPRs was raised to \$1.5 [million] and \$750,000 for FY04 was approved. Therefore, he surmised that [RPL 04-4-1026] is forward funding FY05 into FY04.

MS. FRASCA agreed that it could be interpreted as such, but if [the department] receives an application in FY04 \$1.5 million can be spent in FY04. Therefore, it would provide the ability to receive the money from the applicant and expend it in FY04. If the application doesn't come forward, [the department] wouldn't spend the money because it wasn't paid.

SENATOR BEN STEVENS pointed out that the language in HB 16 specifies that when there is a limit in SDPRs, the state may require reimbursable expenses from the project applicant. Therefore, he inquired as to where those reimbursable expenses go. Senator Ben Stevens acknowledged that the applicant would reimburse the state for the expense of analyzing the application. He inquired as to what would happen if no

application comes forward until May 2004 and thus there would only be a month left to spend the \$1.5 million.

Number 0259

STEVEN B. PORTER, Deputy Commissioner, Office of the Commissioner, Department of Revenue, explained that these are SDPRs, and therefore the money will come in from a third source. In essence, the third source is the major oil companies. From a practical standpoint, when an application is submitted separate negotiations - a reimbursement agreement - will occur. The oil companies may agree to pay up to \$1.5 million. Mr. Porter pointed out that the oil companies view this as a single negotiation not as a FY04 or FY05 [negotiation]. Much of the information and research necessary to negotiate a contract will be needed in the first four to five months. Therefore, [the department] may contract for research services to help negotiate the contract. Mr. Porter said that Senator Ben Stevens was correct that if an application isn't received until May, the \$1.5 million won't be spent by the end of the year.

MS. FRASCA, in response to Senator Ben Stevens, confirmed that the authority to receive and spend [the SDPRs] would lapse and would have to be reauthorized in FY05.

CHAIR SAMUELS interjected that one way or another the authority would lapse.

SENATOR BEN STEVENS posed a situation in which FY04 is increased to \$1.5 million and asked, "What's going to say that we don't come in for FY05, in the regular operating budget, to have another \$750[,000] in authority or even another \$1.5 million in authority?" The aforementioned situation could result in the potential of \$3 million in authorization for no projects.

MR. PORTER pointed out that the Stranded Gas Development Act authorizes \$1.5 million in SDPRs per applicant, which means the money never comes from the state. He explained that contractors will bill [the department] who will send the bill to the oil industry which will then send a check to the state. Therefore, there will never been any real dollars that the state will have to allocate.

Number 0294

SENATOR HOFFMAN pointed out that in the Stranded Gas Development Act there was an anticipated \$750,000 in FY05. He asked if this

[RPL] would mean that the [need for \$750,000 in FY05] would no longer be required.

MR. PORTER said that one must view this in context of the oil industry, which is willing to negotiate up to \$1.5 million; the oil industry doesn't view it in the context of fiscal years. Therefore, if the entire \$1.5 million is spent there would be no requirement in the next year. In further response to Senator Hoffman, Mr. Porter explained that if the contract is completed and a contract is submitted in FY04, then the project would be complete and the funds, totaling \$876,500, wouldn't be necessary in FY05. He related his assumption that portions of this contract would move on into FY05 and the department would continue to work on it.

REPRESENTATIVE HAWKER inquired as to what has changed since the issuance of the fiscal note which initially broke the program receipts into two fiscal years rather than placing those all in the first year as it does now.

MR. PORTER explained that when the fiscal note was originally drafted, the department contemplated drafting an agreement in principle with subsequent negotiations for additional contract terms. After talking with the oil and gas industry, the discussion moved to a single contract and thus it changed the way in which the state negotiates and the amount of money necessary at the beginning of the process as well as the timing of the consultants.

REPRESENTATIVE HAWKER surmised then that the position of the administration and the Department of Revenue is that this program receipt authority doesn't come with a spending commitment unless the receipts are received. Therefore, the department has greater latitude in negotiating any contract or responding to any proposal that might come forward.

MR. PORTER replied yes.

Number 0333

MS. FRASCA moved on to RPL 04-40127, which is a \$200,000 request for the Alaska Natural Gas Development Authority (ANGDA) to continue its work in developing a work plan and analyzing the in-state benefits of a gas project. These are the same federal funds that were described earlier. Ms. Frasca informed the committee that there is an amendment to increase the amount to

\$250,000 and the additional \$50,000 would go to the Department of Natural Resources to support its work with ANGDA.

SENATOR THERRIAULT informed the committee that he has been involved in the development of this RPL and thus he encouraged the committee to view it favorably. He noted that the ANGDA board has related that it would like to proceed with the in-state use benefits analysis, which he believes will be useful information for the legislation in regard to the evaluation of any project that proposes to monetize Alaska's natural gas resource.

CHAIR SAMUELS announced that RPL 04-40127 will be pulled from the consent agenda in light of the request for an amendment, which will require a separate vote.

Number 0373

MS. FRASCA turned to RPL [05]-4-0685, which is a request for the Department of Education & Early Development to increase its authority to receive \$3.5 million for the child nutrition program. In the past, this program was located in the Department of Education along with the childcare program and this program was able to use the federal authority of the childcare programs to cover the level of funding that they have been spending each year. Towards the end of the last fiscal year the childcare programs moved to the Department of Health and Social Services as well as its federal authority. Therefore, this program didn't have sufficient federal authorization to receive the level of funding that the child nutrition program needed. Now that the aforementioned has been realized, it will be reflected appropriately in the FY05 budget. Ms. Frasca informed the committee that the child nutrition program has been growing about 2 percent each year.

SENATOR BUNDE inquired as to how this would be allocated to the various school districts.

MS. FRASCA related that the amount is allocated by eligible children within a school district, a childcare center, or nonprofit organizations. Therefore, there is no list as to how this \$3.5 million will be allocated to all the schools.

SENATOR BUNDE pointed out that the community of Hope is in the Kenai School District and many children in Hope have expressed the desire to have a hot lunch. Therefore, he inquired as to

the chance that some of this money would go to the Kenai School District.

KATHLEEN WAYNE, School Food Coordinator, Teaching and Learning Support, Department of Education and Early Development (EED), said that she is familiar with the Hope school wanting to participate in the district's national school lunch program. She emphasized that it would be the district's decision regarding whether that school will participate in the federal [hot lunch] program.

SENATOR BUNDE asked if the Kenai School District would receive funds so that the Hope school could talk to the district about this.

MS. WAYNE explained that these are entitlement funds for which there is no cap and thus the department reimburses from the previous number of meals served to eligible children. Therefore, if the district decides to allow the Hope school to participate in this program, the department would reimburse the school district for the meals it served.

Number 0420

REPRESENTATIVE HAWKER inquired as to the criteria used to determine an eligible child.

MS. WAYNE answered that the criteria is federal income application information. In Alaska, [a qualifying income] would be 185 percent of the poverty level. Households would have to apply through the school district, which determines the eligibility.

SENATOR BEN STEVENS turned to the fiscal analysis and surmised that [the legislature] is creating authority to receive \$3.5 million in a new department, which he assumed would be in the Department of Health and Social Services. However, he pointed out that he didn't see a reduction in the receipt authority in EED, which is the department from which the program has left.

MS. FRASCA explained that the [administration] hasn't proposed to reduce the federal authority in the Department of Health and Social Services, although she offered to analyze it in order to determine whether the Department of Health and Social Services had excess authority from the child nutrition program that it previously managed.

SENATOR BEN STEVENS requested seeing that transfer of authority and the impact of the shifting.

Number 0469

MS. FRASCA continued with RPL 05-4-0703, which is a request to expend \$1,653,000 of the one-time federal funds in order to begin improvements at Mount Edgecumbe High School. The goal is to increase the number of students that can attend Mount Edgecumbe High School. This is viewed as an opportunity to provide more educational opportunities at Mount Edgecumbe, especially in light of the No Child Left Behind Act. She noted that the desire is to build upon a facility that has shown success. This funding would provide 65-80 more beds in the dorm and five to six new classrooms. In response to Representative Joule, Ms. Frasca related her belief that such action would bring Mt. Edgecumbe's enrollment to over 400. She noted that currently, Mt. Edgecumbe is only able to accept one of every two applications received.

SENATOR THERRIAULT referred to the legislative fiscal analyst's comments that specify that the governor originally reduced the request amount to \$1 million and the legislature further reduced it to \$.5 million. He inquired as to the dynamic of that further reduction by the legislature. Was it caused by the drive to reduce the overall general fund expenditures, he asked.

MS. FRASCA said she would yield to the legislature with regard to why it reduced one of the governor's appropriations. In this case, there is access to federal funds whereas before state funds were being requested. She noted that the department has requested funding for classrooms and renovations, although those requests haven't always been passed on to the legislature. Therefore, there is demand with regard to balancing the priorities the legislature had at the end of session.

SENATOR THERRIAULT expressed the need to be careful when reversing a decision made by the full legislature.

MS. FRASCA interjected that there has been deferred maintenance needs and some of the funding requested has been used for that, although the requests haven't been as much as is necessary. Therefore, any increment would be a "good thing."

SENATOR HOFFMAN commented that he didn't believe [approval of this RPL] would reverse the action because it's looking at a different revenue source. He recalled that the original request

was for general funds while this requests using federal tax relief funds.

SENATOR BEN STEVENS surmised that this RPL would use \$500,000 from the Alaska Student Loan Corporation dividend plus \$1.65 million from the new federal fund. Therefore, the project totals about \$2.1 million.

MS. FRASCA clarified that the \$500,000 from the Alaska Student Loan Corporation was already appropriated this last session. The total project would require about another \$6 million.

Number 0570

REPRESENTATIVE HAWKER said that he isn't familiar with the six-year master plan for Mt. Edgecumbe. He inquired as to how this plan fits into the overall issue of dealing with the cost of education delivery in rural Alaska.

MS. FRASCA deferred to the Department of Education & Early Development, but offered to provide Representative Hawker with a copy of Mt. Edgecumbe's six-year plan.

REPRESENTATIVE HAWKER inquired as to the consequences of deferring action on this RPL.

MS. FRASCA answered that she believes it would be okay given that she understands there will be a meeting in mid-December. However, the governor wanted Mt. Edgecumbe to be open for new students next fall.

CHAIR SAMUELS asked if the money requested in the RPL would result in an increase in potential enrollment at Mt. Edgecumbe. He specifically asked how much money is necessary to finish classrooms and dormitories.

MS. FRASCA replied that it would require the additional monies. This request is really for planning, design, and some renovations. The expansion will require the additional funds.

REPRESENTATIVE HAWKER echoed Senator Therriault's earlier concern with regard to this action overriding decisions made by the larger body.

Number 0625

SENATOR HOFFMAN pointed out that this committee has the ability to take action on behalf of the legislature during the interim. The above concern could be said of any of the RPLs, all of which could be tabled and dealt with by the full legislature. In defense of this appropriation, Senator Hoffman remarked that it is significant in regard to its impact on additional students entering the Mt. Edgecumbe School, which is a successful program for Alaska Native children.

SENATOR THERRIAULT commented that he merely wants the committee to know that it might reverse the legislature's earlier action. Senator Therriault related his understanding that this funding request would address the deferred maintenance. He asked if this funding request would start this next capital expansion.

MS. FRASCA clarified that about \$675,000 would be for renovations. The balance of the money is primarily for planning and design of the additional dorm renovation and classroom expansion. Although waiting until the December meeting to approve this RPL would be okay, it would be unfortunate if [the December meeting] is delayed [until] the legislative session in which case the RPL would be a capital budget process and thus not [completed] until May. In the aforementioned scenario, much time is lost in realizing the ultimate goal of expanding the facility.

SENATOR THERRIAULT turned to the legislative fiscal analyst's comment which says, "The remaining \$978,000 requested in this RPL will fund renovation and classroom expansion of Building 297." He specified that he didn't want to create a situation in which the footings are poured and rebar is in and the project stops. Therefore, he asked if this RPL would just move to the design of the new part.

MS. FRASCA explained that the new part would be only the planning and design related to the classroom expansion.

Number 0693

REPRESENTATIVE JOULE agreed that reviewing the six-year plan would be helpful, as would actually going to the school. He suggested having the next meeting there. He expressed his hope that the committee would approve this RPL.

REPRESENTATIVE HAWKER commented that he anticipates entering next session with a preliminary budget deficit in excess of about \$600 million. This RPL seems to be the first step in

spending about \$8 million and he noted his hesitation in second-guessing the education budget subcommittees of both bodies that had concurred with a slowing of this project.

REPRESENTATIVE JOULE said that he didn't believe that the budget subcommittees take up capital issues. Since this issue is a capital issue, he said he didn't believe the subcommittees even had that discussion.

TAPE 03-8, SIDE B

MS. FRASCA moved on to [RPL 06-4-0161], which would provide funds to the Department of Health and Social Services for programs for co-occurring disorders. This [funding] will provide [services] over five years and no state general funds are required. An additional \$825,000 will be requested in the FY05 budget as a result of this grant.

Number 0765

MS. FRASCA continued with RPL 06-6-0166, which is a request for \$110,000 of the one-time federal fiscal relief dollars. This RPL is related to a project that was included in the capital budget and was approved by the legislature. Through the veto process, the funding was deleted so that the state could save its dollars and, instead, use the federal funds to repair the Fairbanks Public Health Center.

MS. FRASCA explained that RPL 08-4-0076 is a request for \$2.9 million of an additional distribution of the one-time federal fiscal relief dollars. This funding would go to small municipalities so that each would receive a minimum of \$40,000, which would help transition with the veto of the monies with which the state shares with local governments throughout the state. The communities are listed in the attachment.

MS. FRASCA turned to RPL 08-4-0078, which is a request for \$5.2 million in federal dollars that are received through the Denali Commission. This funding would provide grants to eight communities for multi-use facilities. The state has received authority in this fiscal year for almost \$2.5 million for similar facilities in three communities. Therefore, this RPL will allow the funds to be passed through the Denali Commission to the communities listed.

Number 0791

MS. FRASCA addressed RPL 10-4-5035, which is a request for the Department of Natural Resources to receive \$45,000 in statutory designated program receipts from the Tuluksak Native Community. This will fund river stream gaging.

SENATOR BUNDE surmised that this RPL is in regard to concerns about floods.

UNIDENTIFIED SPEAKER, Hydrologist, Division of Mining, Land and Water, Department of Natural Resources, clarified that this RPL isn't concerning floods rather it's for base-line data collection. The [Tuluksak Native Community] is working on a water and sewer project as well as further development of the village. There has been little stream gaging at the location of the community.

MS. FRASCA moved on to RPL 12-4-0114, which requests a little over \$1 million for the Department of Public Safety. Again, the source of these funds are the one-time federal fiscal relief dollars. Furthermore, this is another example in which the governor vetoed funds in order to save state funds so that these federal funds could be used. These funds would repair the roof of the Department of Public Safety's building in Fairbanks. This is another deferred maintenance project.

SENATOR HOFFMAN inquired as to [the total amount used of these one-time federal fiscal relief dollars] in terms of these RPLs and previous action. He also inquired as to the amount left out of the \$50 million. He further asked if the funds left would go through the regular budgetary process.

MS. FRASCA responded that about \$18 million of these one-time federal fiscal relief dollars remain and for which there has been no proposal. Furthermore, there hasn't even been discussion regarding what will be proposed. If there is money remaining during session, then it would go through the regular budget process. Otherwise, there may be some requests in December.

Number 0820

MS. FRASCA turned to RPL 20-4-0045, which is a request for regular federal funds in the amount of \$703,500 for the Serious and Violent Offender Reentry program under the Department of Corrections. This program is primarily for Southeast and Yukon regions of the state. The emphasis of the program is the

reentry of the prisoner [back in to society], specifically in rural communities.

CHAIR SAMUELS announced that RPL 20-4-0045 would be pulled from the consent agenda because it's no longer going through the Department of Administration but rather through the Division of Probation and Parole, Department of Corrections.

MS. FRASCA continued with RPL 20-4-0046, which is also a request for the Department of Corrections. This RPL is a \$125,000 request for a federal grant for sex offender risk management programs that are pilot programs for offenders once discharged into community probation or supervision. The pilot program would be in Bethel and surrounding villages. This funding would provide additional staff and support in the Bethel area.

CHAIR SAMUELS asked if one could assume that use of these funds will illustrate whether or not the program works.

MS. FRASCA agreed that such an assumption could be made. She then turned to RPL 25-4-6715, which is a request for \$6.5 million for the Department of Transportation & Public Facilities for the Ted Stevens Anchorage International Airport. Funding from the Federal Aviation Administration (FAA) was received for a warm storage facility. This project had previously been approved when the airport was going to use airport bond proceeds, but instead these federal funds have been received. These federal funds aren't part of the [one-time federal fiscal relief funds] that the state received.

Number 0856

KIP KNUDSON, Deputy Commissioner of Aviation, Office of the Commissioner, Department of Transportation & Public Facilities, informed the committee that the total bond savings should amount to about \$7.7 million. He specified that these are non-AMT bonds, which will be used toward public construction. With regard to whether these funds could be redirected to the terminal project, Mr. Knudson said that is unlikely. Mr. Knudson related that it's the desire of the signatory airlines and the international airport system that these funds be used to lower a future non-AMT bond. There is a non-AMT bond scheduled for approximately \$58 million in 2007. In response to Chair Samuels, Mr. Knudson confirmed that the bond money saved won't be spent on anything that doesn't go through the regular process.

REPRESENTATIVE HAWKER inquired as to why the related bonds wouldn't be defeased.

MR. KNUDSON said that defeasing doesn't appeal to the commissioner of the Department of Transportation & Public Facilities because it isn't perceived as a good action in the bond market and there are related fees. Furthermore, since there will be regular issue of bonds in the future, it seems simpler to reduce a future [bond].

CHAIR SAMUELS related his understanding that the bond money can be spent on whatever, the [department] doesn't have to go through on a future bond issue.

MR. KNUDSON said that the cash would be in a bank account, but the [department] wouldn't have the authority from the legislature to spend it.

REPRESENTATIVE JOULE surmised then that in order to spend it, the department would have to approach the legislature.

MR. KNUDSON replied yes. Mr. Knudson informed the committee that as part of a deal with the signatory airlines, \$58 million worth of planned projects was deferred and the department doesn't have legislative authority for those projects at this time. Therefore, when those bonds are needed, the department will approach the legislature in order to obtain the authority to spend those bonds and increase the bonding cap.

REPRESENTATIVE HAWKER moved to pull RPL 04-4-0127 for purposes of an amendment and RPL 20-4-0045 for purposes of clarification.

CHAIR SAMUELS asked if there was objection to all the RPLs, except the above two that were pulled.

Number 0905

SENATOR BEN STEVENS objected for discussion purposes. He turned to the RPLs with the funding from the temporary federal fiscal relief and expressed concern that of the seven requests, six seem to be discretionary spending. These funds are being used under a different mechanism than used for [the RPLs] presented at the last meeting. Senator Ben Stevens commented that for the next \$18 million [in federal fiscal relief funds] he wanted to know that it won't be a lot of discretionary projects that this committee is directed to approve without legislative action. Senator Ben Stevens expressed his discomfort with this and said

he would be very uncomfortable doing it with the remaining \$18 million [in federal fiscal relief funds].

MS. FRASCA pointed out that three of the [RPLs that would receive federal fiscal relief funds] were capital projects that were approved by the legislature.

SENATOR BEN STEVENS acknowledged that and highlighted that those were vetoed in conjunction with a mass of capital projects that were vetoed. He noted that he classifies those capital projects as discretionary projects.

CHAIR SAMUELS said he wanted to echo Senator Ben Stevens' concerns. He added that this is unusual for the governor to receive [unrestricted] funds when the legislature is the appropriating body.

SENATOR HOFFMAN noted that he has similar concerns.

SENATOR BEN STEVENS removed his objection.

MS. FRASCA pointed out that with RPL 04-4-0127, the committee could approve it as it is and approve the RPL to address the other \$50,000 for the Department of Natural Resources.

DAVID TEAL, Legislative Fiscal Analyst, Legislative Finance Division, explained that RPL 04-4-0127 can't simply be amended because it is going to a different department and is a different appropriation. Therefore, a separate RPL is necessary.

CHAIR SAMUELS, upon hearing no objection, announced that the following RPLs were approved: 02-4-0022, [03]-4-0139, 04-4-1026, [05]-4-0685, 05-4-0703, 06-4-0161, 06-4-0166, 08-4-0076, 08-4-0078, 10-4-5035, 12-4-0114, 20-4-0046, and 25-4-6715.

REPRESENTATIVE HAWKER moved that the committee approve RPL 04-4-0127 as standing because the amendment will be handled with a separate RPL. There being no objection, RPL 04-4-0127 was approved.

REPRESENTATIVE HAWKER moved that the committee approve RPL 10-4-5037.

MS. FRASCA explained that RPL 10-4-5037 would add [\$50,000] to the \$200,000 going to the Natural Gas Development Authority. The \$200,000 goes to the Department of Revenue to support its work plan and analysis of in-state benefits. The additional

\$50,000 will go to the Department of Natural Resources to support its participation in the aforementioned work plan and analysis.

There being no objection, RPL 10-4-5037 was approved.

CHAIR SAMUELS turned attention to RPL 20-4-0045 and clarified that the appropriation to the Department of Administration has been changed to the Division of Probation and Parole in the Department of Corrections.

REPRESENTATIVE HAWKER moved that the committee approve RPL 20-4-0045, as amended. There being no objection, RPL 20-4-0045 was approved.

REPRESENTATIVE HAWKER made a motion to move to executive session for the purpose of discussing confidential audit reports under AS 24.20.301. There being no objection, the committee went into executive session.

[Upon reconvening, the tape counter numbers begin at zero.]

REPRESENTATIVE HAWKER made a motion to move the committee back into regular, open session. There being no objection, the committee was brought back into regular session.

AUDIT REQUESTS

REPRESENTATIVE HAWKER made a motion for the audit report on the Department of Community & Economic Development Board of Certified Real Estate Appraiser to be released to the public for response. There being no objection, it was so ordered.

REPRESENTATIVE HAWKER made a motion for the preliminary audits be released to the appropriate agencies, which are the Commission on Aging, Department of Health and Social Services; Behavioral Health, Department of Health and Social Services; Board of Dispensing Opticians, Department of Community & Economic Development; Real Estate Commission, Department of Community & Economic Development; Guides and Transporters, Department of Community & Economic Development; Probation Officer Transfer Analysis, Department of Transportation & Public Facilities. There being no objection, it was so ordered.

OTHER COMMITTEE BUSINESS

CHAIR SAMUELS reminded the committee that at the previous meeting the committee gave the chair the authority to enter into a contract with the Alaska Department of Fish & Game and the Department of Natural Resources regarding navigable waters and RS 2477s. Chair Samuels informed the committee that one navigable waters case has been solved and there has been movement with federal legislation. The state has moved forward with the Black River case.

TINA CUNNING, State-Federal Issues Program Manager, Office of the Commissioner, Alaska Department of Fish & Game (ADF&G), in response to Senator Hoffman, specified that the Black River [flows into] the Porcupine River. The (indisc.) and Black Rivers were the three originally filed.

The committee took a brief at-ease.

Number 0041

DENNIS DeWITT, Special Staff Assistant, Office of the Governor, informed the committee that he has been working on the proposal to convert the Palmer Pioneers' Home to a veterans' home. The report done by the McDowell Group specified three alternatives. One alternative was the construction of a facility, which was found to be outside [the state's] economic ability. Another alternative was the conversion of "Wings", which was found to be outside [the state's] managerial and financial ability. The third alternative was the conversion of an [existing] home. As a result of the study, the U.S. Department of Veterans Affairs (VA) was invited to Alaska in order to review the feasibility of converting the Palmer Pioneers' Home. The VA was very excited about the potential of this conversion. The proposal before the committee would develop the information necessary for the final grant application allowing the conversion. Mr. DeWitt informed the committee that 25 percent of those in the home need not qualify as veterans. Furthermore, the state would have full flexibility with regard to the admission criteria for that 25 percent. The intent is to maintain the current admission criteria for pioneers' homes.

MR. DeWITT noted that the discussion with the VA brought up the notion of transition as did the McDowell Group study, which suggested a three-year transition. He noted that the transition period was unexpected because the federal government had said they wouldn't suggest a time-limited transition but rather a transition based on the length of time those in the home are in the veterans' beds. Therefore, federal legal counsel is

discussing whether federal legislation is required to accomplish the aforementioned. The transition issue will assure that no pioneer will be displaced and provides a much longer period in which to transition to a full veterans' home. He related the [administration's] belief that if a second request for proposals (RFP) moves toward the information for final application, it would be complete by about April 15th. If the aforementioned occurs, then hopefully by the fall of next year [the Palmer Pioneers' Home] can begin operation as a veterans' home.

CHAIR SAMUELS mentioned that he met with VA representatives who said that the other options became less and less tenable when reviewing the details. The [McDowell Group] study didn't do justice to the actual costs and operational concerns [of the VA]. Therefore, the conversion of the Palmer Pioneers' Home was cause for excitement. Chair Samuels said that the process is at the point at which a motion is necessary to authorize the chair to put together a committee to work with the administration and the VA to develop an RFP in order to start the design phase of the project.

REPRESENTATIVE JOULE inquired as to how many VA beds the 75 percent would equate.

MR. DeWITT estimated that there would be 58 VA beds and 22 non-VA beds.

CHAIR SAMUELS noted that there has been discussion that some residents in the pioneers' homes may be eligible for VA benefits and don't know it. Therefore, the administration and the VA will work with everyone to create the least disruption possible.

Number 0135

SENATOR THERRIAULT recalled that when the original money for this was made available to the committee, some money was specifically held to take this second step. Therefore, with the results of the McDowell Group study and the discussions with the VA, it's appropriate to move forward. Senator Therriault mentioned that Senator Green had some concerns and questions about this.

MR. DeWITT said that he and Senator Green had a long conversation and she felt positive about the approach being taken. He related that Senator Green had met with the Palmer Pioneers' Home administrator to share that she was fully supporting this.

REPRESENTATIVE HAWKER turned attention to the October 10, 2003, letter from Joel Gilbertson, Commissioner, Department of Health and Social Services. He asked if this letter is accurate with regard to taking the next step.

MR. DeWITT explained that per the request of the chair work was done to ascertain the work necessary to get the proposal ready to the 10 percent design stage, which is required before the VA's final determination. Mr. DeWitt said that [the administration] is very comfortable that this is a lean and doable project.

REPRESENTATIVE HAWKER moved that the committee authorize Chair Samuels to solicit and award a contract for phase two of this study as outlined in the October 10, 2003, letter from Commissioner Gilbertson.

REPRESENTATIVE KOHRING asked if the option of building an entirely new facility with federal funds was considered.

MR. DeWITT acknowledged that could be an option and it was discussed with the VA. However, the cost would probably generate \$10-\$12 million in state costs plus the federal match. Therefore, in the current economic environment an expenditure of \$10 million would be outside the state's ability.

REPRESENTATIVE KOHRING asked if this conversion proposal actually takes existing beds and converts them to veterans' beds or is the facility also being expanded.

MR. DeWITT answered that capital improvements would be made to the Palmer Pioneers' Home in order to bring it up to the level required to be acceptable as a veterans' home.

REPRESENTATIVE KOHRING surmised then that this doesn't expand the number of beds, it merely converts existing pioneers' beds to veterans' beds.

MR. DeWITT replied yes and highlighted that the upgrade will result in a facility that won't have deferred maintenance issues [and costs] for probably eight to ten years. Therefore, the state will have an upgraded facility with a useful life of at least 30 years.

REPRESENTATIVE KOHRING related his understanding that veterans are already eligible to enter [the pioneers' homes] without

special preference related to their veteran status. Representative Kohring expressed concern that this proposal would make it difficult for pioneers who are not veterans to gain access to this facility because there would be fewer beds available once the beds are filled by veterans.

MR. DeWITT informed the committee that currently there are 22 empty [pioneers'] beds that are being filled. Currently, there is an active waiting list of 20 individuals. Mr. DeWitt specified that the intention is to fill those beds and obtain the lengthier transitional language. While Representative Kohring's concern might be an issue, it would be much later before such impacts would occur. This conversion proposal would allow [the state] to secure some federal reimbursement for those veterans' services that are already provided in order to provide better services over the long term.

REPRESENTATIVE KOHRING returned to the issue of the difficulty in raising the funds to build a stand-alone veterans' home. He related his understanding that a stand-alone veterans' home would be funded through the federal government and with U.S. Senator Ted Stevens as the appropriations chair it seems there would be a good opportunity to secure federal dollars to do that.

MR. DeWITT pointed out that a stand-alone veterans' home brings with it federal statute. The probability of a federal grant beyond the federal share prescribed in law would be fairly remote. Additionally, the operational costs supported by the VA simply don't cover the operational costs of veterans' facilities. Therefore, a stand-alone veterans' facility is a much larger investment than it might look initially.

SENATOR BEN STEVENS related his understanding that the reason for a designated veterans' home is so that veterans [existing residents] can use their veterans' benefits to pay for a portion of their retirement home needs.

MR. DeWITT agreed that a [designated veterans' home] would allow veterans to obtain benefits the veterans [in Alaska] currently can't obtain.

SENATOR BEN STEVENS informed the committee that U.S. Admiral Principe has said he isn't in favor of building a stand-alone veterans' facility in Alaska.

CHAIR SAMUELS interjected that under this conversion there is no net loss of beds.

CHAIR SAMUELS, upon hearing no objection to the earlier motion authorizing him to solicit and award a contract for phase two of this study as outlined in the October 10, 2003, letter from Commissioner Gilbertson, he appointed himself, Senator Therriault, David Teal, Pat Davidson, and Henry Webb to develop the RFP.

ADJOURNMENT

There being no further business before the committee, the Joint Committee on Legislative Budget and Audit meeting was adjourned at 4:20 p.m.