

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**February 21, 2003**  
**9:07 AM**

**TAPES**

SFC-03 # 6, Side A  
SFC 03 # 6, Side B

**CALL TO ORDER**

Co-Chair Lyda Green convened the meeting at approximately 9:07 AM.

**PRESENT**

Senator Lyda Green, Co-Chair  
Senator Gary Wilken, Co-Chair  
Senator Con Bunde  
Senator Lyman Hoffman  
Senator Donny Olson

**Also Attending:** SENATOR ROBIN TAYLOR; CHERYL FRASCA, Director, Office of Management and Budget, Office of the Governor; NICO BUS, Acting Administrative Services Manager, Division of Support Services, Department of Natural Resources

**Attending via Teleconference:** There were no teleconference participants.

**SUMMARY INFORMATION**

SB 75-SUPPLEMENTAL APPROPRIATIONS: FAST TRACK  
SB 76-SUPPLEMENTAL APPROPRIATIONS

The Committee heard an overview of the supplemental budget requests from the Office of Management and Budget, and detailed requests from the Department of Natural Resources relating to fire suppression activities. The bill was held in Committee.

#SB75  
#SB76

SENATE BILL NO. 75

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

SENATE BILL NO. 76

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

CHERYL FRASCA, Director, Office of Management and Budget, Office of the Governor, testified that the total FY 03 supplemental request is \$63.3 million, with \$9.3 million of that included in the fast track request. She stressed that the recently formed Murkowski Administration "focused on the spending side of the fiscal gap", in preparing the supplemental budget request. She explained the review process in determining why the departmental requested funding was needed. She shared that in some instances, it was learned that supplemental requests submitted by departments were proposed only because the Legislature did not appropriate funding the previous legislative session. She furthered that some requests were not actually supplements to the original appropriations, but rather to fund unanticipated events and that other "options to cover the costs" were identified. Therefore, she assured that the supplemental budget request presented to the Legislature is "scrubbed down".

Ms. Frasca divided the supplemental budget requests into "three major groupings". The first she identified as \$15 million for caseload growth in formula programs. She informed that the actual caseload growth expense is approximately \$12 million and that this amount was offset by other savings: fewer students than projected in the K-12 foundation funding formula, and current year requirements for school debt reimbursement.

Ms. Frasca next listed \$31 million general funds and \$31 million federal funds for disasters and fire suppression as the group comprising the largest amount of requested supplemental funds.

Ms. Frasca listed the third grouping of programs "habitually short funded" in the regular operating budget and thus requiring approximately \$7 million in supplemental funds. She listed the Office of Public Advocacy (OPA); the Public Defenders Agency (PDA); foster care programs and subsidized adoptions.

Ms. Frasca added that approximately \$11 million is requested for other purposes.

Senator Bunde asked the Administration's desired timeline in receiving funds requested in the fast track supplemental and those

requested in the regular supplemental legislation.

Ms. Frasca requested receipt of funds included in the fast track legislation in March 2003, advising that funding for some programs could be depleted by that date. She stated that the items included in the regular supplemental request could be funded at the end of the legislative session, as in past years.

Senator Hoffman directed attention to the \$3.3 million supplemental request for the OPA and commented that during the previous legislative session, the Senate Minority was criticized for proposing an increase of \$2.3 million to the initial appropriation. He therefore asserted that amendments offered to the FY 04 operating budget should receive serious consideration.

Senator Hoffman next addressed funding to offset the federal government denial of the State's use of the Fair Share provision to partially fund the Medicaid program, which is not included in either supplemental budget request. He understood that legal issues were involved, but stressed that the State is obligated to provide services. He asked when these expenses would be paid.

Ms. Frasca detailed the identification of the relationship between tribal hospitals and the State, and the intention to utilize \$50 million federal funds for Medicaid expenses under the Fair Share provision. She reported that the federal agency disallowed this usage and the State has appealed this decision, although she cautioned that the federal agency has history of not overruling decisions made within that agency. If the appeal is lost, she continued, the matter would be taken to court. She remarked that the Murkowski Administration is meanwhile operating on the assumption that the State is "within the regulation" and therefore funding is not requested in this supplemental budget. She informed that if the final ruling were against the State, the issue of appropriating State funds would be addressed at that time. She predicted funds might be procured from the Constitutional Budget Reserve (CBR) fund.

SB 76  
Section 7  
Department of Natural Resources  
Fire Suppression  
Fixed costs and fire suppression costs incurred to date  
\$19,033,800 general funds

NICO BUS, Acting Administrative Services Manager, Division of Support Services, Department of Natural Resources, provided a booklet titled, "Wildland Fire Management, The Basics" [copy on

file.]

Mr. Bus reminded the Committee that the initial FY 03 appropriation was \$3 million for fire suppression. He recounted that historically the annual general fund expenses have been approximately \$14 million.

Mr. Bus reported that at the start of FY 03, fire activity and subsequent expenses were higher than average due to "very extraordinary" weather conditions, including minimal snow the prior winter. He described the dry conditions in the spring, which continued late into the summer. He stated that the larger fires, those exceeding \$1 million to suppress and defined by the Department as "project fires", occurred in July and August.

Mr. Bus told of the classification of areas of the State into four broad protection levels at the start of the fire season: critical protection, full protection, modified protection and limited protection. He said this dictates how the fire season is managed by the Department of Natural Resources and federal agencies. He applied critical protection status to those areas important for life and property, full protection to areas of historical sites and other property "important to protect", modified protection to areas where a designation would be determined in the event of an actual fire, and limited protection to areas of low value, in which fires would be allowed to burn.

Mr. Bus related that over the past several years, there has been pressure on the Department to categorize as much land as possible for limited protection without jeopardizing the protection of life and property. He spoke to the Department goal and legislative directive relating to the size of fires and their classification, noting that in FY 02, the goal was exceeded. He remarked that confining fires to areas of less than ten acres reduces the cost of fire suppression.

Mr. Bus described the conditions during the past summer, including one day in which 7,000 lightning strikes occurred. He coupled this with fuel conditions in explaining the difficulty of fire fighters to contain fires. He reported that once the initial \$3 million FY 03 appropriation was exhausted the Department issued an emergency disaster declaration on July 19, 2002. The additional expenses incurred after that date he estimated at \$7.5 million. He continued that weather conditions in late July and early August created other "flare ups of fire activity", although this is normally the end of the fire season. As a result, he said, another emergency disaster declaration was issued on August 19, with \$11 million expended. He disclosed these expenditures comprise the \$19 million supplemental

budget request.

Mr. Bus was uncertain whether this amount would fund fire suppression activities through the end of the fiscal year on June 30, 2003. He explained that if fire occurrences are minimal the expenses could be absorbed; however, any large project fires would require another emergency disaster declaration and additional funding.

Co-Chair Green requested the average costs for fire suppression during the months of May and June in the past five to ten years.

Mr. Bus stated he would provide this information to the Committee. He predicted the cost for the upcoming spring would be higher than average, given the low snow pack.

Senator Hoffman asked the relationship between the State of Alaska and the federal government in fighting fires located on federally owned lands. He also wanted to know if fire activity on federal land was over-budgeted for FY 03.

Mr. Bus replied that the State is divided into two fire protection zones, with the federal Bureau of Land Management (BLM) responsible for fire suppression activities in all lands in the northern portion of the state plus most of Southeastern Alaska and a portion of Southcentral Alaska. Fire suppression in central and western portions, and a small portion of Southeastern Alaska is the responsibility of the state Division of Forestry, Department of Natural Resources. [Map indicating these areas is located on page 8 of the aforementioned handout.] He commented that the majority of the population resides in the areas under State control.

Mr. Bus then explained that regardless of the landowner, the State and federal governments are responsible for fighting the fires located within their fire protection boundaries. He furthered that once a fire is extinguished and the cost is calculated, land ownership is determined and that party is liable for the expenses. He exemplified a fire located on federally owned land within the fire protection boundary of the Division of Forestry. He stated that at the conclusion of the fire season, the State charges the federal government for reimbursement, and conversely the State reimburses the federal government for expenses incurred fighting fires on state-owned land located in the BLM fire protection zone. He detailed the timeframe in reconciling the charges, with the final settlement completed in March of the following year.

Co-Chair Green commented that this is an on-going process.

Senator Bunde asked if the State charges private landowners for fire suppression efforts on their property.

Mr. Bus responded that if the State conducts fire suppression on Native-owned land, the BLM reimburses the State for the expenses. He continued that if the fire began on privately owned land, the Department considers the cause of the fire and if negligence is found, the State attempts to recoup the costs from the landowner. He admitted that actual collection of these expenses is "not very good."

Senator Bunde commented that the population in the State continues to grow and is redistributed. He asked if a procedure exists to reclassify the priority of fire suppression in areas as population concentrations changes. He also asked whether the lands classified for limited protection should be increased to reduce fire suppression costs.

Mr. Bus relayed that the Murkowski Administration is "eager" to review the classifications and amend contractual relationships to attain the most economical system. He qualified that agreements must be reached between the landowners. He exemplified that a portion of State-owned land could be classified for limited protection yet is adjacent to land under different ownership that has a higher classification.

It was established that representatives of the Division of Forestry would provide further details at a later time.

Co-Chair Green asked if the classifications are internal decisions made within the Division of Forestry, or whether statutory guidelines apply.

Mr. Bus told of annual landowner meetings whereby discussions are held to determine classifications. Conversely, he stated that if a fire occurred in an area under State jurisdiction and the Department did not respond adequately, the State could be held liable for damages.

Senator Bunde asked if a cabin were constructed in a non-protection area and the land was not reclassified, could the State be held liable in the event of fire damage.

Mr. Bus replied that property owners could attempt to obtain restitution and the State would be required to defend against the litigation.

Senator Bunde recommended that the Legislature should be involved

in making the classification determinations.

Mr. Bus referenced the aforementioned handout in commenting that the inter-agency agreement on classification of land partially determines how the Department responds to fire situation. He stressed that although the total cost of fire suppression is the responsibility of landowner, if no action is taken on State-owned land and the fire spreads to land under other ownership with a higher protection value, the State becomes liable for the damage done on that land. He relayed such an instance of the previous summer in which the State was required to pay \$1.2 million.

Co-Chair Wilken spoke of a situation along the Chena Hot Springs Road the prior year and he thanked the Division for its efforts. He opined that this situation "had all the components of being a disaster," but noted the disaster was averted.

Co-Chair Wilken next told of an instance in the fall of 2002 whereby a fire burned to the property line of a private landowner. Co-Chair Wilken stated this landowner requested assistance from the Department, but that request was denied. He asked the witness' assessment of the situation.

Mr. Bus was unaware of the details of the situation.

Co-Chair Wilken asked how the State is compensated for the State-employed firefighters sent to other states to assist in fire suppression.

Mr. Bus replied that these expenses are reimbursed 100 percent. He pointed out that the fire season in Alaska is generally May through July and after it has been determined that the Alaska fire season is concluded, equipment could be "released" for use in other states. He informed that these expenses are reimbursed as well, and therefore, some of the Department's fixed costs are reimbursed. He listed an average of \$8 million federal reimbursement funds garnered, approximately \$5 million of which is for out-of-state fire suppression activities. He noted that village crews are employed in this manner and this contributes to village economies.

Co-Chair Wilken and Mr. Bus further discussed the accounting of the reimbursements into the State general fund and the logistics of loaning equipment.

Senator Olson questioned the loan of certain aircraft to other states, noting that other aircraft is less expensive to operate.

Mr. Bus replied that the federal government prefers this aircraft

and utilizes them almost immediately upon release by the Department. He noted that as a result, the federal government pays the majority of the fixed costs of these aircraft.

Mr. Bus told of other federally owned aircraft utilized by the State that has since been returned at the request of the federal government.

Co-Chair Wilken asked what is done with the State-leased fire suppression aircraft during the winter.

Mr. Bus replied that the aircrafts undergo maintenance and are parked.

Senator Taylor asked about efforts to salvage timber in areas of fire activity. He surmised that between two and three million acres of land is burned annually.

Mr. Bus answered that no commercial market exists for burned timber from Interior Alaska. He understood that local residents obtain a conditional use permit to utilize some of this timber for personal use.

Senator Olson pointed out the request of \$48,000 for fire weather forecasting. He asked the reason for this item.

Mr. Bus replied that weather is a significant factor in fire activity and forecasts are utilized in determining suppression activity. He exemplified the decision to "attack less aggressively" a fire when rain is forecasted.

Senator Olson wanted to know why the federal weather bureau forecasts are not utilized, as this service is free of charge.

Mr. Bus indicated he would research the matter.

Senator Olson next referenced the airport use fees of \$111,000 in FY 02 compared to \$33,000 in FY 03.

Mr. Bus told of erosion at the McGrath airport and the emergency temporary repairs that were required during FY 02. He informed that the federal government issued an emergency declaration and rebuilt the airfield. However, he said the State was responsible for the cost of the emergency repairs.

Senator Olson understood the process of reimbursement from different agencies, and asked the reimbursement process in the event an aircraft crash starts a fire. He wanted to know if the

State collects from the pilot's insurance carrier.

Mr. Bus replied that the possibility of collecting from private insurance companies is under consideration. He was unsure the number of fires caused by downed aircraft.

Co-Chair Green commented that a number of pilots fly without insurance coverage.

Senator Olson relayed an incident of a helicopter crash near Galena, which started a tundra fire. He understood that the insurance company was billed for the cost of fire suppression and as a result, the company ceased issuing new policies in Alaska.

Mr. Bus stated he would provide further information on the matter.

Senator Bunde suggested an initially appropriating \$6 million for fire suppression to cover the fixed costs, rather than \$3 million with an expectation for a supplemental appropriation.

Mr. Bus agreed to this approach. He noted the average annual fire suppression expense is \$14 million and that projecting the actual budget requirement would be difficult. He stated this has been an issue for the previous ten years. However, he asserted that an appropriation sufficient to cover fixed costs would be appreciated.

Senator Bunde spoke of "unfortunate accidents" the previous summer involving air tankers. He surmised this would impact the number and types of air tankers available for the upcoming year. He asked the Department's plan given this situation.

Mr. Bus affirmed that aircrafts are scarce. He told of the process undertaken to obtain additional aircraft for the upcoming fire season.

Senator Taylor asked to what extent Native corporations participate in the expense of fire suppression activities on Native-owned land.

Mr. Bus responded that the federal BIA reimburses the entire amount of fire suppression expenses to the State.

Co-Chair Green noted the discussion on fire suppression would continue. She indicated intent to change the process of funding this item and others to minimize the amount of supplemental appropriations necessary.

SFC 03 # 6, Side B 09:54 AM

Co-Chair Green continued that this would be applied to other departments as well.

Senator Taylor compared the State's philosophy of fighting fires to those practiced in British Columbia and Alberta, Canada. He informed that in these provinces, fires are suppressed immediately and not allowed to spread from one area to another. He suggested the system practiced in Alaska is "set to fail". He surmised that if the fire located near McGrath had been contained immediately, the expense would have been between \$2 and \$3 million lower.

Co-Chair Green stated the Department would respond to these comments as the first order of business in the next meeting.

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**ADJOURNMENT**

Co-Chair Lyda Green adjourned the meeting at 09:56 AM