

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**March 11, 2003**  
**9:07 AM**

**TAPES**

SFC-03 # 17, Side A  
SFC 03 # 17, Side B  
SFC 03 # 18, Side A

**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, Vice Chair  
Senator Ben Stevens  
Senator Lyman Hoffman  
Senator Donny Olson  
Senator Robin Taylor

**Also Attending:** REPRESENTATIVE BRUCE WEYHRAUCH; DAVID TEAL, Legislative Fiscal Analyst, Legislative Finance Division; NICO BUS, Acting Director, Division of Support Services, Department of Natural Resources; JOHN MACKINNON, Deputy Director of Highways & Public Facilities, Department of Transportation and Public Facilities; KAREN MORGAN, Director, Division of Administrative Services, Department of Public Safety; NICO BUS, Acting Director, Division of Support Services, Department of Natural Resources; JANET CLARKE, Director, Division of Administrative Services, Department of Health and Social Services; NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities; JEFF OTTESON, Statewide Planning Chief, Division of Statewide Planning, Department of Transportation and Public Facilities

**Attending via Teleconference:** From Mat-Su: JIM SYKES; GARVAN BUCARIA; From Fairbanks: FRED G. BROWN, Fairbanks Central Labor Council; DEBBIE MILLER; From Anchorage: MATTHEW FAGNANI; BARBARA HUFF-TUCKNESS, Legislative Director of Governmental Affairs, Teamsters Local 959; KIM DUKE, Executive Director, Arctic Power; JAMES ARMSTRONG, Manager, Transportation Planning, Municipality of

Anchorage; TED VOLIN

**SUMMARY INFORMATION**

HB 100-SUPPLEMENTAL APPROPRIATIONS: FAST TRACK  
HB 101-APPROP: GRANT TO ARCTIC POWER FOR ANWR

The Division of Legislative Finance, the Department of Transportation and Public Facilities, the Department of Natural Resources, the Department of Public Safety, and the Department of Health and Social Services responded to questions regarding the bill. Additionally, the Committee heard public testimony, incorporated HB 101 into HB 100, adopted three of four amendments, and reported HB 100 from Committee.

SB 71-TRANSPORTATION ENHANCEMENT PROJECTS

The Committee heard from the sponsor, the Department of Transportation and Public Facilities, and the Municipality of Anchorage. The bill reported from Committee.

#hb100  
#hb101

CS FOR HOUSE BILL NO. 100(FIN)

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

CS FOR HOUSE BILL NO. 101(FIN) am

"An Act making special appropriations to promote the opening of the Arctic National Wildlife Refuge for oil and gas exploration and development; and providing for an effective date."

This was the first hearing for HB 100 in the Senate Finance Committee, and the second hearing regarding HB 101.

Co-Chair Wilken moved to adopt SCS CS HB 100(FIN), 23-GH1061\S, as the working document.

Senator Hoffman objected for explanation.

Co-Chair Green referred the Committee to the worksheet titled "Senate Finance Committee Supplemental CS Worksheet - Changes from the HFC Committee Substitute to the SFC Committee Substitute" [copy

on file]. She noted that the worksheet depicts the Governor's original Supplemental Budget recommendations, the House of Representatives committee substitute recommendations, and the Senate committee substitute recommendations. She specified that the Senate worksheet budget recommendations are included in the Version "S" committee substitute.

Section 1(a)

Department of Administration

Office of Public Advocacy

Program shortfunding was estimated to be \$2,200,000 in May. Caseload growth has added an additional \$1,100,000. An additional \$2,473,500 is requested to meet the total need of \$3,300,000.

Governor's Supplemental Budget:

\$3,300,000 general funds

House of Representative Committee Substitute:

\$2,200,000 general funds

Senate Committee Substitute:

\$3,300,000 general funds

Co-chair Green expressed that the Senate committee substitute has adopted the Governor's budget for this item. Co-chair Green expressed that, by providing this funding, the Senate would not entertain additional supplemental requests for this program, as opposed to the House position of providing a lesser supplemental amount with the provision that additional supplemental requests would be entertained.

Section 1(d)&(e)

Department of Administration

Public Defender

Program shortfunding was estimated to be \$1,000,000 in May. Caseload has added an additional \$157,000. Funding is also included to continue the mental health court attorney.

Governor's Supplemental Budget:

Total Funds: \$1,230,000

\$1,157,000 general funds

\$ 73,000 MHTAAR

House of Representative Committee Substitute:

\$1,000,000 general funds

\$ 73,000 other funds

Senate Committee Substitute:

\$1,000,000 general funds

\$ 73,000 other funds

Co-chair Green explained that through discussions with the Public Defender's Agency, it has been determined that the House and Senate funding levels would be adequate.

Department of Administration  
Senior Services  
Caseload for general relief program is lower than anticipated.  
(Funds to help offset Finances' supplemental.)

Governor's Supplemental Budget:  
(\$300,000) general funds  
House of Representative Committee Substitute:  
\$0 funds  
Senate Committee Substitute:  
\$0 funds

Co-chair Green informed that the Senior Services program would lapse at the end of the current fiscal year.

Section 2(c)  
Department of Community and Economic Development  
Alaska Science and Technology Foundation  
Supplemental to appropriate grant repayments to the endowment principal.

Governor's Supplemental Budget:  
\$0 funds  
House of Representative Committee Substitute:  
\$130,000 other funds  
Senate Committee Substitute:  
\$130,000 other funds

Section 2(d) & (e)  
Department of Community and Economic Development  
Alaska Science and Technology Foundation  
Income is insufficient to fund appropriation due to stock market declines. Fund source switch from income to endowment and a reduction of \$6,418,600 in the appropriation, leaving authorization of \$4,100,000.

Governor's Supplemental Budget:  
(\$6,418,600) Sci/Tech Endowment funds  
House of Representative Committee Substitute:  
\$0 funds  
Senate Committee Substitute:  
(\$6,418,600) other funds

Co-chair Green informed that a forthcoming amendment to the

committee substitute would retain the original language regarding this section; however, she noted, the intent language regarding the funding would change.

Senator Hoffman questioned the rationale for funding the Alaska Science and Technology Foundation while lapsing the senior citizen program.

AT EASE 9:13 AM / 9:16 AM

DAVID TEAL, Legislative Fiscal Analyst, Legislative Finance Division, Legislative Affairs Agency, explained that the FY 02 Operating budget specified approximately \$10 million from the earnings endowment for the Alaska Science and Technology Center (ASTC) operations and grant funds for various entities. Unfortunately, he continued, as a result of the downturn in the Stock Market, the foundation "actually lost money during the year and none of the \$10 million materialized." He explained that these items would replace the \$10 million with \$4,100,000 "straight from the endowment itself" to fund approximately \$1 million in operational expenses and \$3 million worth of grants.

Senator Hoffman asked the reason for funding the Center when the Governor intends to terminate it.

Mr. Teal replied that this funding provides for the FY 03 operational costs of the program as well as the various grants that have been awarded. He expressed that a forthcoming amendment would clarify that the ASTF is "winding down."

Department of Community and Economic Development  
International Trade

Authority to receive and expend registration receipts from the Korea USA economic conference. The 2002 conference was held in Korea; 2003 will be in Anchorage. Subsequent years' conferences will be held in other western states.

Governor's Supplemental Budget:

\$115,000 Statutory Designated Program Receipts

House of Representative Committee Substitute:

\$ 0 funds

Senate Committee Substitute:

\$ 0 funds

Co-Chair Green informed that this item was deleted at the Department of Community and Economic Development's request.

Section 3(c)

Department of Corrections

Inmate Health Care

Prior year bill for dialysis services for an inmate in FY 2002. The vendor inadvertently billed a wrong party and recently discovered the error. An appropriation is needed in order for the department to pay the bill of \$187,680.05

Governor's Supplemental Budget:

\$187,700 general funds

House of Representative Committee Substitute:

\$100,000 general funds

Senate Committee Substitute:

\$100,000 general funds

Co-chair Green noted that the Senate accepts the House of Representatives reduced funding level for this item.

Section 5

Division of Motor Vehicles

Disaster Relief Fund

Capitalize the fund for declared disasters: earthquake \$5,086.4 GF and \$14,848.1 Fed; interior flood \$1,268.0 GF and \$4,541.2 Fed; NW Arctic Borough fall sea storm \$851.0 GF; Kenai Peninsula flooding \$3,571.0 GF and \$11,704.5 Fed. Funding for \$830.0 GF and language for core emergency services was deleted with the understanding it would be included in the FY04 operating budget.

Governor's Supplemental Budget:

Total Funds: 42,700,300

\$11,606,400 general funds

\$31,093,900 Federal funds

House of Representative Committee Substitute:

\$10,776,400 general funds

\$31,093,900 federal funds

Senate Committee Substitute:

\$10,776,400 general funds

\$31,093,900 federal funds

Co-chair Green noted that the Senate accepts the House of Representatives reduced funding level for this item. She noted that the \$851,000 general fund specified in the Supplemental need language is identified as FY 04 services and should not be included in this request.

Department of Education and Early Development

Foundation

General fund reduction due to preliminary actuals for

foundation program that reconciles initial October student count to the electronic data.

Governor's Supplemental Budget:  
(\$6,728,800) general funds  
House of Representative Committee Substitute:  
\$0 general funds  
Senate Committee Substitute:  
\$0 general funds

Co-chair Green stated that this item would allow the funds to lapse at the end of the fiscal year.

Section 8(c)  
Department of Health and Social Services  
Subsidized Adoptions & Guard  
Formula program shortfunding \$2,000,000 and caseload growth \$833,300. Current funds projected to be fully expended in April.

Governor's Supplemental Budget:  
\$2,833,300 general funds  
House of Representative Committee Substitute:  
\$2,000,000 general funds  
Senate Committee Substitute:  
\$2,000,000 general funds

Co-chair Green informed that the Senate committee substitute accepts the House of Representative's funding allocation. She continued that the Department has been directed to monitor the foster care program for further savings.

Section 8(h)  
Department of Health and Social Services  
Vital Statistics  
Operating costs driven by increased number of licenses and certificates, including non-permanent positions to deal with backlogs. Also covers rent as were able to move into new facility earlier than anticipated.

Governor's Supplemental Budget:  
\$ 195,000 Statutory Designated Program  
House of Representative Committee Substitute:  
\$ 100,000 other funds  
Senate Committee Substitute:  
\$ 100,000 other funds

Co-chair Green stated that the Senate committee substitute accepts

the House of Representatives reduced funding level. She explained that while the increased operating costs were approved, the \$95,000 moving expense was not. She stated that the Department must absorb that expense.

Section 8(i)  
Department of Health and Social Services  
Medicaid Services  
Claims growth and match rate adjustment

Governor's Supplemental Budget:  
Total Funds: 10,991,300  
    \$28,055,800 general funds  
    (\$16,064,500) federal funds  
    (\$1,000,000) Statutory Designated Program  
House of Representative Committee Substitute:  
    \$23,200,000 general funds  
    (\$16,064,500) federal funds  
    (\$ 1,000,000) other funds  
Senate Committee Substitute:  
    \$23,200,000 general funds  
    (\$16,064,500) federal funds  
    (\$ 1,000,000) other funds

Co-chair Green expressed that the Senate accepted the House of Representatives' reduced funding level with the anticipation that internal Department cost controls would make up the difference.

Department of Health and Social Services  
Kenai Peninsula Youth Facility  
Funds to hire superintendent and unit leader and provide other operating funds needed to open the facility that will be completed April 15, 2003

Governor's Supplemental Budget:  
    \$ 155,200 general fund  
House of Representative Committee Substitute:  
    \$ 0 funds  
Senate Committee Substitute:  
    \$ 0 funds

Department of Health and Social Services  
McLaughlin Youth Facility  
Population increase of 18.9% has resulted in increased overtime of \$16,7 and laundry, food, and clothing costs of \$9.1. FY2002 average population was 179.6 while FY2003 has averaged 198.3

Governor's Supplemental Budget:

\$ 25,800 general funds  
House of Representative Committee Substitute:  
\$ 0 funds  
Senate Committee Substitute:  
\$ 0 funds

Department of Health and Social Services  
Fairbanks Youth Facility  
Extraordinary medical costs including MRI, extensive brain  
testing, weekly allergy shots, and surgery

Governor's Supplemental Budget:  
\$ 20,000 general funds  
House of Representative Committee Substitute:  
\$ 0 funds  
Senate Committee Substitute:  
\$ 0 funds

Department of Health and Social Services  
Johnson Youth Facility  
Medical costs for physical therapy for 1 youth

Governor's Supplemental Budget:  
\$ 11,500 general funds  
House of Representative Committee Substitute:  
\$ 0 funds  
Senate Committee Substitute:  
\$ 0 funds

Department of Health and Social Services  
Bethel Youth Facility  
Population increased 34.7% over Fy2002 and extraordinary  
medical costs estimated at \$35.0

Governor's Supplemental Budget:  
\$ 66,100 general fund  
House of Representative Committee Substitute:  
\$ 0 funds  
Senate Committee Substitute:  
\$ 0 funds

Co-chair Green stated that both the House of Representatives and  
the Senate denied the youth facility funding.

Department of Law  
Fourth Judicial District  
Fairbanks DA office had unexpected move and lease costs due to  
the Department of Transportation and Public Facility's closure

of Fairbanks court building.

Governor's Supplemental Budget:

\$ 95,000 general fund

House of Representative Committee Substitute:

\$ 0 funds

Senate Committee Substitute:

\$ 0 funds

Co-chair Green stated that the Senate joined with the House of Representatives in denying funding for this item.

Section 14(a)

Department of Public Safety

Fish and Wildlife Protection

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

Governor's Supplemental Budget:

\$229,300 general funds

House of Representative Committee Substitute:

\$189,100 general funds

Senate Committee Substitute:

\$ 189,100 general funds

Co-chair Green voiced that the Senate committee substitute concurs with the House of Representative budget reduction. She stated that the Department has specified that this amount is sufficient provided that one vessel be dry-docked.

Section 14(b)

Department of Public Safety

Criminal Records

Decrement to offset DCED Div. Of Insurance Increment

Governor's Supplemental Budget:

Receipt Supported Services

House of Representative Committee Substitute:

(\$100,000) other funds

Senate Committee Substitute:

(\$100,000) other funds

Co-chair Green explained that this is an authorization to collect and transfer fees to the Division of Insurance. She stated that the Senate accepts the House of Representatives budget amount.

Department of Public Safety

Fish and Game Fund

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.

Governor's Supplemental Budget:

\$0 funds

House of Representative Committee Substitute:

\$0 funds

Senate Committee Substitute:

\$0 funds

Co-chair Green reminded the Committee of the Department's testimony regarding the amount of fines and penalties levied verses the amount collected by the Court System. She specified that the Department should work with the Department of Law and the Court System to determine the actual fine amounts collected.

Section 16(o)

Department of Transportation and Public Facilities

Central Region Highways and Aviation

Carry forward excess Whittier Tunnel toll revenue above FY 2002 appropriation to comply with federal code requiring all toll revenue to be spent on the toll facility.

Governor's Supplemental Budget:

\$819,100 Receipt Supported Services

House of Representative Committee Substitute:

\$819,100 general funds

Senate Committee Substitute:

\$819,100 general funds

Co-chair Green announced that the Senate restored the excess toll money collected by the Whittier Tunnel operation and specified its usage for tunnel maintenance.

Section 16(q)

Department of Transportation and Public Facilities

Regional Admin Services

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

Governor's Supplemental Budget:

Total funds: \$72,600

\$25,700 general funds

\$46,900 other funds

House of Representative Committee Substitute:

\$46,900 other funds  
Senate Committee Substitute:  
\$46,900 other funds

Co-chair Green noted that the Senate accepts the House of Representatives' reduction of \$25,700.

Section 17(b)  
State Debt  
Debt  
Reduce debt retirement fund appropriation for school debt reimbursement by amount of FY2002 cigarette tax carry forward and increased tax collections.

Governor's Supplemental Budget:  
(\$2,593,900) Debt RF  
House of Representative Committee Substitute:  
(\$2,593,900) other funds  
Senate Committee Substitute:  
(\$2,593,900) other funds

Section 17(b)  
State Debt  
Debt  
Increase School Fund appropriation for school debt reimbursement by amount of FY2002 cigarette tax carry forward and increased collections.

Governor's Supplemental Budget:  
\$2,593,900 School Fund  
House of Representative Committee Substitute:  
\$2,593,900 other funds  
Senate Committee Substitute:  
\$2,593,900 other funds

Co-chair Green explained that these items reflect "a duplication and correcting entry."

Section 18  
Miscellaneous Claims  
Fish and Game  
Admin Support  
Miscellaneous Claims and Stale-dated Warrants \$3,000.00.  
Feb 25 Amd. Increase by \$254.31 to \$3,254.31

Governor's Supplemental Budget:  
\$3,300 general funds  
House of Representative Committee Substitute:

3,300 general funds  
Senate Committee Substitute:  
\$3,300 general funds

Co-chair Green explained that this item addresses an additional claim that was presented.

Section 20(b)  
Department of Community and Economic Development  
Named Recipient AS37.05.316  
Grant to Arctic Power for educational efforts to open ANWR

Senate Committee Substitute:  
\$1,100,000 general funds

Section 20(c)  
Department of Community and Economic Development  
Grant to Municipality AS37.05.315  
Grant to City of Kaktovik for educational efforts to open ANWR

Senate Committee Substitute:  
\$50,000 general funds

Section 20(d)  
Department of Community and Economic Development  
Named Recipient AS37.05.316  
Grant to Native Village of Kaktovik for educational efforts to open ANWR

Senate Committee Substitute:  
\$50,000 general funds

Section 20(e)  
Office of the Governor  
Support for efforts to open ANWR

Senate Committee Substitute:  
\$100,000 general funds

Co-chair Green expressed that these four items have been incorporated into the Senate committee substitute with the intent to fund Arctic Power in the supplemental budget.

Co-chair Green mentioned that there is a technical error in Section 21 whereas the date should be correctly identified as FY 2003 rather than FY 2002. She noted that this would be corrected in the forthcoming version of the bill.

Senator Hoffman questioned the reason the increased youth population at the Nome Youth Facility, as specified in Section 8(g), warranted funding, while the Bethel Youth Facility, which similarly experienced the same but "substantially higher" average daily population problem, was denied funding. He opined that if Nome receives funding then Bethel should be funded accordingly. The identified sections read as follow.

Section 8(g)

Department of Health and Social Services

Nome Youth Facility

Staff for population increase. Average daily population has increased 36% over FY 2002. Facility capacity is 6. Average population in FY 2002 was 6.9 while FY 2003 average population has been 9.3

Governor's Supplemental Budget:

\$100,800 general funds

House of Representative Committee Substitute:

\$100,800 general funds

Senate Committee Substitute:

\$ 100,800 general funds

Department of Health and Social Services

Bethel Youth Facility

Population increased 34.7% over FY 2002 and extraordinary medical costs estimated at \$35.0

Governor's Supplemental Budget:

\$ 66,100 general fund

House of Representative Committee Substitute:

\$ 0 funds

Senate Committee Substitute:

\$ 0 funds

Co-chair Green declared "that corrective work" on the committee substitute would begin once the committee substitute is adopted.

Senator Hoffman withdrew his objection to the committee substitute.

There being no further objections, Committee Substitute, Version "S" was ADOPTED as a working draft.

Co-Chair Green restated Senator Hoffman's concern, and she explained that the Bethel funding request was generated by medical treatment for a single youth.

Senator Hoffman agreed that medical treatment generated the \$35,000

portion of the request; however, he noted, the request additionally includes \$31,102 to provide for expenses generated by the increased facility population. He stated that "this is exactly the same justification" for funding the Nome facility, which did not have as great a percent increase in occupants as Bethel did. He continued that the Department indicates that it could not absorb this expense.

Co-Chair Green announced that Committee members' questions would be entertained before any amendments would be presented.

Senator Taylor inquired regarding the Herbert River pass through grant specified in Section 13(c) that reads as follows:

Section 13(c)  
Department of Natural Resources  
Capital  
National Coastal Wetlands Conservation grant pass thru to  
Juneau for purchase of wetlands near Herbert River

Governor's Supplemental Budget:  
\$553,000 federal funds  
House of Representative Committee Substitute:  
\$553,000 federal funds  
Senate Committee Substitute:  
\$553,000 federal funds

Senator Bunde understood that the City & Borough of Juneau (CBJ) is providing a local match amount.

NICO BUS, Acting Director, Division of Support Services, Department of Natural Resources, informed that this request involves a federal pass through grant to the CBJ for the sole purpose of purchasing this parcel of land. He noted that the Members' packets contain a letter [copy on file] addressed to Co-chair Green and Co-chair Wilken, dated March 4, 2003 from the CBJ Mayor regarding this item, and he continued that the CBJ recently approved the local match funds.

Senator Taylor asked for further information about the parcel of land being purchased.

Mr. Bus explained that the CBJ was interested in acquiring the land which adjoins Amalga Harbor and the Boy Scout Camp and that the local owner was interested in selling it. He shared that the CBJ applied for and was awarded a federal grant; however, he continued, because this federal grant money cannot be provided directly to the City, the arrangement was made to process the grant through the

Department of Natural Resources.

Senator Taylor expressed that this transfer would change the status of privately owned, municipal-taxable land to public land. Additionally, he asked the size of the parcel of land.

Mr. Bus replied that he is unsure of the size of the parcel; however, he explained that when the CBJ originally decided to expand the Herbert River Park System, this small parcel of land that is currently owned by a local contractor, was overlooked. He shared that local citizens spoke against the private development of this property, as it is located within the park unit. He continued that the purchase of the parcel would allow the current city park to be expanded.

Senator Taylor asked for confirmation that the private landowner was prohibited from developing the land as he intended.

Mr. Bus responded that, "the local government and citizens decided that development of the land "was not the best use of the land." He continued that the owner agreed to sell the land to recoup his investment.

Senator Taylor proclaimed that were the landowner prohibited from developing the land "then the only option would be to sell it." He declared that inclusion of this item indicates that the Legislature is supportive of the CBJ's curtailment of private development "wherever it feels like stopping development." He voiced that he does not support this item.

Co-Chair Wilken asked that the location and size of the parcel of land be provided to the Committee.

Co-Chair Green referenced the letter from the CBJ Mayor.

Senator Bunde communicated that the parcel of land is located near Eagle Beach and comprises less than 100 acres.

Senator Taylor asked that the Department of Transportation and Public Facilities provide further information regarding the Juneau West Douglas Highway Extension specified in Section 16(c) that reads as follows.

Section 16(c)  
Department of Transportation and Public Facilities  
Capital  
Title change: Juneau West Douglas Highway Extension to Juneau:  
Gastineau Channel Second Crossing

JOHN MACKINNON, Deputy Director of Highways & Public Facilities, Department of Transportation and Public Facilities responded that this request transfers a \$1,660,000 appropriation from the Juneau West Douglas Highway Extension to the Gastineau Channel Second Crossing. He stated that this money was originally appropriated a few years prior to allow the Department of Transportation and Public Facilities, the CBJ, and Goldbelt Native Corporation to cooperatively develop a road in order to develop West Douglas Island land. He stated that a master plan that included a road right-of-way corridor and other preliminary planning was developed. However, he continued, subsequent to this endeavor, Goldbelt determined that continuation of the project was not the best use of their resources at the time. Thus, he specified, the request to transfer the remaining funds to the Gastineau Channel Second Crossing Environmental Impact Statement (EIS) project was developed.

Co-Chair Green concluded, therefore, that this request is a language change.

Senator Taylor asked why the Second Crossing was chosen to receive these funds rather than the project to extend the Juneau road system 3.5 miles to Cascade Point.

Mr. MacKinnon asked for clarification as to whether Senator Taylor was referring to the road project or to a project EIS that was previously funded.

Senator Taylor voiced uncertainty to the specifics of the project; however, he continued, the project's discussion included the road extension, ferries, and ferry terminals.

Mr. MacKinnon understood that the Cascade Point Road extension EIS has been completed and "the right-of-way is laid out." He stated that were \$5.8 million funding provided, the project could proceed.

Senator Taylor expressed therefore, that rather than dedicating the \$1.6 million to the Gastineau Channel Second Crossing, that amount could be transferred to the Cascade Point Road extension. He asked whether the Department could identify additional federal funding authority to support this effort.

Mr. MacKinnon responded that he is unsure.

Senator Taylor expressed frustration with the delay regarding the extension of the Cascade Point Road. He asked the Department to investigate options toward developing a ferry terminal at Cascade

Point.

Mr. MacKinnon stated that updated information regarding the status of Cascade Point would be provided.

Senator Hoffman asked "the logic" of the aforementioned \$40,000 reduction for Department of Public Safety in Section 14(a).

Co-Chair Green restated the Department's position that the reduced budget amount would be sufficient provided that a Department fishery enforcement boat were dry-docked.

KAREN MORGAN, Director, Division of Administrative Services, Department of Public Safety agreed that were the FY 04 budget approved, additional money would not required, provided that the fisheries patrol vessel, the P/V Woldstad, is dry-docked "at the end of the season." She communicated that the House of Representatives budget proposal specifies that additional funding would be considered for the Department "at the end of session" were the Governor's budget proposal for this item not adopted.

Senator Olson asked for further information regarding the marine component funding as the backup material for this item specifically mentions aircraft and vehicles without mention of marine equipment.

Ms. Morgan acknowledged that this is correct. She explained that interagency transfers would be required to transfer the marine equipment funding to the vehicle and aviation components.

Senator Hoffman asked how "the necessary enforcement" of the fisheries "in the vast area" of the Bering Sea would be provided were the P/V Woldstad dry-docked on a long-term basis.

Ms. Morgan replied that sufficient fuel funding would be provided for other vessels, including the P/V Stimson, to provide the fishery's enforcement coverage. However, she expressed, that were the P/V Woldstad dry-docked, some areas' coverage would be negatively affected, and she continued, the Department is developing plans to determine "which fisheries would be covered and which ones would not be."

Senator Hoffman asked the length of time required for the P/V Stimson to travel from Kodiak to the Pribilof Island area.

Ms. Morgan voiced uncertainty to the length of the trip; however, she specified that this issue would be addressed in the fishery enforcement planning discussion.

Senator Hoffman declared that because of the large fisheries enforcement coverage area, the Department's plan to use one patrol vessel "does not make sense." He stressed that "the vast distance" between Kodiak and the Pribilof area is an argument in support of maintaining two patrol vessels rather than one.

Senator B. Stevens informed that a voyage from Kodiak to the Pribilofs would take approximately five days. He voiced concern regarding the Department's plan to transfer marine equipment component funding to vehicle, heating oil, and aviation.

Ms. Morgan verified that it is correct that available monies in the marine component would be transferred to the other components.

Senator B. Stevens surmised that dry-docking the P/V Woldstad prior to the end of the FY 03 fiscal year would save the Department approximately \$40,000 in budgeted refueling expenses. Therefore, he continued, this is the amount of funds that would be transferred to the other components.

Ms. Morgan confirmed that the boat would be dry-docked "empty;" however, she informed that rather than dry-docking the vessel on June 30<sup>th</sup>, the process would be coordinated with fishery openings in the region. Therefore, she clarified, the dry-docking could occur prior to that date.

Senator Olson asked whether normal dry-docking procedures include dry-docking a boat void of fuel.

Ms. Morgan understood this to be normal procedure.

Senator B. Stevens communicated that this practice is typically referred to as "mothballing" rather than "dry-docking" as the latter term signifies that a vessel would be undergoing maintenance and repair work.

Ms. Morgan concurred.

Senator Olson expressed that rather than storing a vessel without fuel, in his experience, the preference is to store a vessel fueled in order to avoid condensation and other problems in the fueling system.

Senator Taylor opined that the Department "appears" to be planning to eliminate a boat.

Ms. Morgan responded that the Department would be considering this option during the upcoming evaluation process of Department vessels

and aircraft to determine the best use of equipment for air and sea patrols.

Co-Chair Green informed the Committee that each of the State's departments has been requested by the Murkowski Administration to conduct a complete equipment inventory to verify that each piece of equipment is efficiently used and maintained. She noted that inventory reductions as well as lease and contractual services would be considered as options. She clarified that the Department of Natural Resources has not, as yet, determined that a fisheries enforcement vessel should be eliminated, but rather that it is being considered as part of the inventory evaluation process.

Senator Hoffman stated that this legislation does not provide funds for leasing. He asked whether mothballing the vessel would produce additional savings, specifically personnel savings.

Co-Chair Green specified that, initially, the review is concentrating on an equipment review.

Senator Hoffman understood, but he furthered that encompassing conversations should be conducted prior to, rather than after, decisions are made.

Co-Chair Green specified that these conversations would be conducted during FY 04 budget sessions rather than at the supplemental budget meetings.

Ms. Morgan asked that the Senate provide consideration, as the House of Representatives has, for additional funding "if the plan does not move forward" and it is proven infeasible to dry-dock the vessel.

Co-Chair Green declared, "this is a reasonable request."

Co-Chair Green announced for clarification, that HB 101 has been incorporated into HB 100.

Co-chair Green stated that public testimony, with a three-minute time limit, would be taken.

JIM SYKES, testified via teleconference from Mat-Su, and cited an article titled "Pulling Strings From Afar" from the February 2003 AARP Bulletin [copy on file] that conveys that Arctic Power "contributed \$181,000 to a drug industry front group to generate some letters of support for the opening of the Arctic Refuge." He voiced that rather than being the recipient of more public money, Arctic Power should be audited. He likened funding of Arctic Power

to funding "Microsoft to sell software..." He noted that British Petroleum (BP) is not financially supporting Arctic Power, and he asserted that BP, Exxon Mobile and Conoco Phillips, combined, "have more money for public relations and lobbying activities than any company or industry on earth." He voiced that the Committee should fund alcohol, drug abuse and health care programs rather than Arctic Power, and he voiced support of developing a Windfall Profits tax system and the development of State land and resources rather than contributing funds to Arctic Power.

FRED G. BROWN, Fairbanks Central Labor Council, testified via teleconference from Fairbanks, in support of funding Arctic Power. He stated that citizens and labor groups throughout the State have worked in support of opening ANWR for oil exploration. He opined that the growing national support of this endeavor could be attributed to the educational efforts of Arctic Power.

DEBBIE MILLER testified via teleconference from Fairbanks and spoke in opposition to funding Arctic Power. She stated that this funding would be better utilized to fund "true" K-12 educational needs.

SFC 03 # 17, Side B 09:58 AM

Ms. Miller continued that Arctic Power's lobbying efforts have "a poor track record" with money being spent on "direct lobbying" rather than educational efforts. She stated that she is not opposed to funding development efforts on State land and other specified national land areas; however, she is opposed to oil exploration in the Arctic Refuge. She stressed that no money should go to Arctic Power.

MATTHEW FAGNANI, Employee, NANA Development Corporation and Member, Arctic Power Board of Directors, testified via teleconference from Anchorage and voiced support of funding Arctic Power, as it would be beneficial to Alaska. He stated that development of Area 1002 of ANWR would create jobs, allow "the resource State of Alaska" to develop and explore its natural resources, provide lease and royalty payments to the State's budget, and contribute to the nation's need for oil. He stated that the support of opening the 1002 area of ANWR is growing and funding of Arctic Power would further support the goal of opening the area.

BARBARA HUFF-TUCKNESS, Legislative Director of Governmental Affairs, Teamsters Local 959, testified via teleconference from Anchorage to voice support of funding Arctic Power on behalf of the 7,000 Teamster members in the State and the many non-union workers

who would be affected by the ANWR issue. She commented that providing jobs by encouraging development of the State's resources would provide revenue the State needs to operate. She stated that Arctic Power's education efforts, even with a limited budget, are effective.

GARVAN BUCARIA, testified via teleconference from Mat-Su and voiced opposition to the use of public funds to further the lobbying efforts of Arctic Power. He avowed that Arctic Power's lobbying efforts, that have "consumed \$8.3 million of public funds, to date, is a waste of public funds." He noted that in addition to the National Petroleum Reserve -Alaska (NPRA), oil companies are furthering exploration efforts on a global scale, and "the likelihood of oil companies to explore here [ANWR] is questionable."

Co-Chair Wilken chaired the following portion of the meeting.

KIM DUKE, Executive Director, Arctic Power, testified via teleconference from Anchorage and affirmed "Arctic Power has fully complied with all State requirements with our funding to provide monthly reports and yearly audits." She stated that "the single mission" specified for the organization when it was founded in 1992, was "to open the coastal plain of ANWR." She stated that upon completion of this mission, "the organization would be dissolved." She reminded the Committee that oil pipeline flow from the North Slope is currently at half capacity and that the industry is in decline. She stated that the goal of developing the resources of ANWR would change this trend and provide the State with additional funding.

AT EASE 10:09 AM / 10:11 AM

Co-chair Green resumed chairing the meeting.

Amendment #1: This amendment inserts a new section into the bill on page 2, between lines 29 and 30. The intent language reads as follows.

This amended appropriation funds the Alaska Science and Technology Foundation program through May 15, 2003. It is the intent of the Legislature that all grants and contracts be terminated promptly and that payments be settled and made prior to May 15, in order to facilitate the shutdown of ASTF program operations by May 15, 2003.

Co-Chair Wilken moved for the adoption of Amendment #1.

Co-Chair Green explained that, at the request of the Governor, this amendment provides for the "wind down and shutdown of the ASTF program by May 15, 2003."

Amendment #1 was ADOPTED without objection.

Amendment #2: This amendment adds a new subsection to the bill on page 4, line 22. The new language reads as follows.

The sum of \$66,100 is appropriated from the general fund to the Department of Health and Social Services, Bethel Youth Facility, for the fiscal year ending June 30, 2003, for additional operating costs.

Senator Hoffman moved for adoption of Amendment #2.

Co-Chair Green objected for explanation; however, she noted that this amendment addresses Senator Hoffman's earlier concern that the Bethel Youth Facility, which incurred increased occupancy rates similar to the Nome Youth Facility, was insufficiently funded to provide for increased occupancy operational expenses.

JANET CLARKE, Director, Division of Administrative Services, Department of Health and Social Services, explained that a Department memorandum [copy on file], dated March 3, 2003 and addressed to the Co-Chairs, provides answers to a variety of questions that arose during the March 3<sup>rd</sup> meeting.

Ms. Clarke commented that both the Nome and Bethel Youth Facility Resident Bed Count issue is addressed on page three of the letter. She expressed that the Bethel Bed Count reflects a 46 percent increase over the previous year and the Nome Bed Count reflects a 44 percent increase. She voiced that the overcrowding situation at these facilities is of concern; particularly as the eight-bed detention and eleven-bed treatment facility at Bethel houses some "very serious crimes against persons" offenders. She voiced support for the amendment.

Co-chair Green asked whether the youth who required medical assistance while at the Bethel facility qualified for Native Health coverage.

AT EASE 10:14 AM / 10:17 AM

Ms. Clarke responded that this issue is addressed, on page three of the memorandum, which reads as follows.

Is DJJ obligated to pay for what ever a youth in detention

needs? Is there a medical review group that makes a decision on what DJJ will pay for? What is the policy on paying for medical items? Aren't most of the kids in Bethel covered under IHS (not Medicaid IHS, but regular IHS); why do we have to pay for the medical care?

DJJ pursues other forms of payment for resident health care if/when possible, including checking with parents to determine if they have health insurance to pick up the cost. The division's facilities do not have a medical review team that makes a decision on what we will pay for. The system that each facility utilizes is to have the DJJ facility nurse examine the youth to determine if there is a medical problem. If the nurse determines that there is a serious medical concern that requires physician follow-up, the nurse refers the youth to the contracted medical doctor. Each DJJ youth facility adheres to a set of policies and procedures. Although there are slight variations in wording for the different facility policies, I have included the relevant medical policies from both the Bethel Youth Facility and the McLaughlin Youth Center's policies and procedure manual.

As for whether Alaska Native residents in secure youth facilities are covered by the Indian Health Service, we have verified that "IHS is payer of last resort under federal law (including Medicaid). The basic concept is that American Indians and Alaska Natives (AI/AN) are state residents in the manner as others living in a state and so if the state covers health care for other residents (state facilities - like API - corrections, juvenile justice, CAMA) that the AI/AN populations must be treated as others are treated and that IHS is not required to pay for health care." This information from Medical Assistance is consistent with DJJ's experience, which has been that Indian Health Service does not pay for resident care when they are in secure youth facilities.

Senator Hoffman asked whether the child requiring medical treatment was Alaska Native.

Ms. Clarke believed the youth to be Alaska Native, but stated she would verify the information.

Ms. Clarke informed the Committee that the memorandum provides additional information regarding the bed count for both Nome and Bethel. She reiterated that the Department considers the Bethel occupancy situation as "serious."

Ms. Clark continued that, while the Department has, at times,

transferred youth from an over-capacitated facility to another facility, the expense of transporting youth and their escort back to Bethel for required court dates "is not cost effective."

Co-Chair Green withdrew the objection.

Without further objection, Amendment #2 was ADOPTED.

Co-Chair Wilken moved to report SCS for CS HB 100(FIN), Version S from Committee with individual recommendations and attached fiscal notes.

Senator Taylor objected. He voiced dissatisfaction with the responses to his concerns regarding the Herbert River land transfer or the title change request for the West Douglas Island road extension to the Gastineau Channel Second Crossing.

[Note: The motion to report the bill from Committee is removed later in the hearing.]

Amendment 3: This amendment deletes Sections 13(c) and 16(c).

Senator Taylor moved for adoption of Amendment 3.

Senator Green objected for explanation.

Senator Hoffman requested that the amendment be divided to address each section separately.

Senator Taylor agreed.

[Note: Rather than dividing the amendment, it was replaced with Amendments 3 and 4.]

Amendment #3 (as amended): This amendment deletes Section 13(c) of the bill that reads as follows.

(c) The sum of \$553,000 is appropriated from federal receipts to the Department of Natural Resources for a United States Department of the Interior coastal wetlands grant to be passed through to the City and Borough of Juneau to go toward the purchase of a Herbert River parcel.

Senator Taylor moved for adoption of Amendment #3 as amended.

Senator Olson inquired as to whether prohibiting this pass-through grant would benefit the State.

Senator Taylor clarified that rather than preventing the grant from occurring, he is requesting that the grant be addressed in the FY 04 regular capital budget rather than in the fast track FY 03 supplemental budget. He stated that this delay would provide time to receive further information regarding the reason to remove private land from the municipal tax roll in addition to the reason for prohibiting the owner to develop the land.

Senator Bunde asked for confirmation that both the fast track supplemental request and the regular supplemental request are now incorporated into one bill.

Co-chair Green affirmed that this is correct.

Senator Bunde objected to Amendment #3. He stated that he is a strong proponent of local government control and if the citizens of Juneau wish to proceed with this project, he could not oppose it.

Senator Hoffman voiced support of local control; however, he noted that Senator Taylor's question should be "satisfactorily" answered before the project should proceed.

AT EASE 10:24 AM / 10:28 AM

REPRESENTATIVE BRUCE WEYHRAUCH shared that the federal grant for this property results from efforts of the Southeast Alaska Land Trust efforts, and that the CBJ recently appropriated its portion of the funds required to purchase the property from "the willing seller." He stressed that this transaction is not the result "of a forced sale." He voiced that the purchase of the property would allow the area to be developed for more recreational opportunities, and he stated that the City has identified this purchase as a priority.

Senator Taylor inquired as to the title-holder of the Herbert River parcel of land.

Representative Weyhrauch responded that Mr. Tonsgard and Channel Construction Company own the land.

Senator Taylor asked how Mr. Tonsgard has used the land.

Representative Weyhrauch understood that logging has occurred on a portion of the property.

Senator Taylor inquired as to whether the owner submitted development plans to the CBJ.

Representative Weyhrauch responded that other than a dispute between the City and Mr. Tonsgard regarding access to the Boy Scout Camp, he is unaware of any development plans being submitted. He stated that acquisition of this land has been a long-term goal of the City.

Co-chair Green asked when Mr. Tonsgard acquired the property.

Representative Weyhrauch was unaware of the acquisition date, but commented that the date could be provided to the Committee.

Senator Olson understood that, rather than removing the item in its entirety from the budget, the intent of the amendment is to clarify the reason for including this item in the supplemental budget rather than in the FY 04 budget.

Representative Weyhrauch replied, "time was of the essence to move this forward" as the acquisition hinged on a number of variables. He stated that the acquisition was previously delayed until the federal funding was secured. Now that that is in place, he continued, the City is moving quickly to finalize the purchase.

Co-Chair Green asked whether a federal grant lapse issue or another similar issue is the primary reason this item is included in the supplemental budget rather than in the FY 04 budget.

Representative Weyhrauch replied that this information would be forthcoming.

Senator Hoffman informed that the backup information specifies that Channel Construction has applied for permits to harvest timber, extract gravel, and process minerals on site as well as a land use zoning change. He stated that the requests remain "under the City's preview."

Senator Taylor requested that additional review time be allowed for this item, and he voiced that its inclusion in the FY 04 capital budget rather than in the supplemental budget would be appropriate.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman, Senator Olson, Senator Taylor, Co-chair Wilken and Co-chair Green

OPPOSED: Senator Bunde and Senator B. Stevens

The motion PASSED (5-2)

Amendment #3 was ADOPTED.

Co-chair Green reminded the Committee that the Herbert River item is a confidential item and is subject to amendment on the floor.

Amendment #4: This amendment deletes Section 16(c) that reads as follows.

(c) Section 1, ch.135, SLA 2000, page 33, lines 15 and 16, is amended to read:

ALLOCATIONS

Juneau: Gastineau Channel Second Crossing [WEST DOUGLAS HIGHWAY EXTENSION] (ED 3-4) \$1,660,000

Senator Taylor moved for adoption of Amendment #4. He explained that as presented, this item would allow funding allocated to the extension of the North Douglas Highway to be transferred to fund a study for a second crossing on Gastineau Channel; however, he requested that inclusion of this item be removed from the supplemental budget and considered as a FY 04 capital budget item.

Co-chair Green asked the Department whether this is a time sensitive item.

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities explained "that this name change would bring the appropriation in line with a Congressional high priority," earmarked project. She stated that the CBJ is currently undertaking preliminary design work for this project, and she informed that \$600,000 funding was made available for the project in FY 03 in a similar name change process. She stated that this funding would provide for a continuation of the process, without delay.

Co-Chair Green asked the status of the West Douglas Highway extension.

Senator Taylor responded that due to the Native Corporation's shift in project emphasis, the road is not an immediate need. He asserted that "expediting" the extension of the Juneau road system to Cascade Point should be a top priority as it would provide new jobs, a better Southeast Alaska transportation system, and would reduce ferry system expenses by allowing two round trips daily up northern Lynn Canal. He stressed that this is more important than providing convenience to the residents of Douglas Island.

Ms. Slagle clarified that the road extension to Cascade Point is on hold until completion of the Juneau Access Environmental Impact

Statement (EIS) fragmenting the project would jeopardize federal highway funding, and therefore she declared, the Department could not proceed with the project. However, she advised, the Native Corporation could proceed. She stated that while the Gastineau Channel Crossing is on the CBJ project list, the Cascade Point project is not.

Senator Taylor asked for verification that the funds appropriated by the Legislature to the Cascade Point Road approximately four years earlier, could not be utilized until the entire EIS, "which includes a 90-mile road via Lynn Canal to Skagway," is completed.

Ms. Slagle affirmed that the Federal Highway Administration mandates that an EIS be completed before construction could begin on any portion of the project. She stressed that any construction "would taint" the project by implying that the Department has made decisions regarding the project in advance of an EIS being finalized.

Ms. Slagle stated that the legislative Cascade Point appropriation "is still sitting there," and has not been incorporated into the Statewide Transportation Improvement Program (STIP).

JEFF OTTESEN, Acting Director, Division of Statewide Planning, Department of Transportation and Public Facilities confirmed that the project is pending upon completion of the federal requirement for an EIS. However, he noted the Juneau Access project has recently "been reactivated," and he attested, upon completion of the EIS, the Department would appropriate funds for design and development.

As a point of order, Co-Chair Wilken withdrew the motion to report the bill from Committee.

There being no objection, the motion was removed from consideration.

Co-chair Green stated that the bill and amendments are before the Committee for discussion.

Co-Chair Wilken asked whether a Gastineau Channel Second Crossing EIS is being conducted.

Mr. Ottesen stated that a Request for Proposal (RFP) for an EIS is currently being conducted.

Co-chair Wilken asked the anticipated completion date for the EIS.

Mr. Ottesen responded that typically a project of this magnitude would take up to three years to be completed.

Senator Taylor further questioned the inclusion of the project in the supplemental fast track request, considering that the EIS on the second bridge crossing would not be completed for several years.

Ms. Slagle clarified that this funding would provide for the EIS process.

Co-Chair Green asked whether this item could be addressed in the FY 04 budget.

Ms. Slagle informed that this item is included in the Supplemental Budget at the request of the CBJ in order to receive the funding authority and continue the EIS process. She expressed that this is an "appropriate" item for the supplemental.

AT EASE: 10:31 AM / 10:31 AM

Senator Bunde opined that the Anchorage Coastal Trail is a similar situation, and he urged support for local preference.

Amendment to Amendment #4: This amendment additionally deletes the project title change section involving the Nondalton Airport project, the Anchorage Muldoon Road Landscaping and Pedestrian Improvements project, and the Nunapitchuk Airport Relocation project as specified in Sections 16 (a)(b)(d) and (e).

Senator B. Stevens moved to amend Amendment #4. He asserted that were the Committee to eliminate one project title change item then consideration should be given "to remove all title changes in the supplemental budget."

Senator Olson objected. He stated that some of these projects are time critical.

AT EASE: 10:34 AM / 10:34 AM.

A roll call was taken on the motion to amend Amendment #4.

IN FAVOR: Senator B. Stevens, Senator Bunde, and Senator Hoffman

OPPOSED: Senator Olson, Senator Taylor, Co-chair Wilken, and Co-chair Green

The motion FAILED (3-4)

The motion to amend Amendment #4 FAILED.

Amendment #4 was again before the Committee.

A roll call was taken on the motion.

IN FAVOR: Senator Taylor and Co-chair Green

OPPOSED: Senator Hoffman, Senator Olson, Senator B. Stevens,  
Senator Bunde, and Co-chair Wilken

The motion FAILED (2-5)

Amendment #4 FAILED to be adopted.

Co-chair Wilken moved to report SCS CS HB 100, Version 23-GH1061\S,  
as amended, from Committee with individual recommendations.

There being no objection, SCS CS HB 100 (FIN) reported from  
Committee.

AT EASE 10:40 AM / 10:42 AM

#sb71

CS FOR SENATE BILL NO. 71(TRA)

"An Act relating to funding for transportation projects; and  
providing for an effective date."

This was the first hearing for this bill in the Senate Finance  
Committee.

[NOTE: The initial portion of the sponsor's testimony was not  
recorded due to recording technicalities. In lieu of verbal  
testimony, Senator B. Steven's Sponsor's Statement is incorporated  
into the minutes as follows.]

Sponsor Statement  
Committee Substitute for SB 71:  
Transportation Enhancement Projects.

Federal law, TEA-21, and its predecessor, ISTEA, mandate that  
states expend at least 10% of federal Surface Transportation  
Program funds on enhancement such as trails and landscaping.  
Over the past several years, the State of Alaska has expended  
amounts well beyond the minimum requirements for enhancement  
projects that could otherwise be applied to roadway

construction and improvement projects. CS for Senate Bill 71 decreases the amounts allocated for the TRAAK program and other enhancement projects to be in line with federal minimum requirements to free up millions of dollars to be available for roadway construction and improvement projects.

The committee substitute for Senate Bill 71 proposes to reduce the Department of Transportation's allocation of non-restricted federal apportionments to projects classified under the Trails and Recreational Access Program (TRAAK). Under current DOT regulations, the department allocates at least 8% percent to TRAAK projects; CS for SB 71 reduces the allocation to not more than 4%. The bill redirects the other 4% into the DOT allocation for projects classified under the Community Transportation Program, increasing this program's allocation to 37%.

Administrative Order #161 of the previous administration in 1996 established the Trails and Recreational Access for Alaska (TRAAK) program to address features such as trails, scenic highways, recreational access points and interpretive facilities. From 1998 to 2003, over \$150 million was allocated for the TRAAK projects while the federal minimum for transportation enhancement (i.e. trails, landscaping scenic beautification) expenditures was \$43 million; more than a 200% increase. These expenditures do not include separate bike paths or waysides that were included in individual construction projects in the National Highway System program, the Alaska Highway system or Community Transportation Program.

Only a municipality that is federally recognized as a Municipal Planning Organization (MPO) would be impacted by this section (c) of this legislation, which are Anchorage and Fairbanks. In 1998, the Anchorage Metropolitan Area Transportation Solutions (AMATS) adopted a policy of programming 15% of its transportation funding allocation for enhancements. The three-year average at 15% for transportation enhancements from 2000-2002 Transportation Improvement Program averaged roughly \$5.5 million. The Department of Transportation is expecting the Anchorage share of TEA-21 federal-aid transportation funds to increase within the next Statewide Transportation Improvement Program. With the anticipated overall increase, 10% of the three-year average of federal-aid highway funds allocated to AMATS during 2004-06 will be roughly \$5.8 million, slightly more than what was allocated during 2000-2002.

[Note: Recording resumes.]

Senator B. Stevens directed the Committee to a spreadsheet titled "Comparison of Minimum TE Expenditures Required Under Federal Law, and Total Level of TRAAK Project Funding 1998-2003," [copy on file] provided by the Department of Transportation and Public Facilities. He explained that this information depicts the federal surface transportation funding, the federal and State funding allocation, and the total TRAAK Program allocation for the years 1998-2003. He summarized that the federal and State ten percent match for these years totaled approximately \$43 million; however, he declared, the State spent in excess of \$150 million.

Senator B. Stevens advised that Section 1(a) of the bill addresses the federal and State funding levels, and Section 1(c) addresses AMATS. He stated that the spreadsheet titled, "Comparison of the Anchorage Metropolitan Area Transportation Solutions (AMATS) Enhancements Allocation at 10% and 15%," [copy on file] provided by that AMATS 2001-03 TIP and Draft 2004-06 TIP depicts the year 2000-03 AMATS allocations, the actual amounts allocated, and the 15 percent and ten percent funding levels. He referenced the proposed year 2004-06 program funding increases at the 15 percent and ten percent levels, and he argued that, rather than remove money from the Anchorage trail system, the ten percent level of funding specified in this bill would allow the recent average of funds to be maintained or increased while allowing more funding to be allocated to actual road projects which, he advised, should be a priority of the State.

Senator B. Stevens referred the Committee to the pie chart titled "Distribution of Federal-Aid Transportation Formula Funds Per 17 AAC 05.155-200" within the "Trails and Recreation Access for Alaska (TRAAK) Program" pamphlet provided by the Department of Transportation and Public Facilities. He explained that the larger of the two pie charts reflects that 41 percent of the federal funding is allocated to fund the CTP (Community Transportation Program) that funds the STIP. He stated that eight percent of the total 41 percent funding is designated for TRAAK with the remaining 33 percent designated to fund the MPOs and all other State transportation projects.

Senator Stevens summarized that Section 1(b) reduces the level of TRAAK funding to four percent thereby increasing the CTP to 37 percent, which would benefit all statewide road projects.

Senator Olson commented that while he understands the concern regarding road project funding needs, he asked whether this legislation would affect rural trail funds. He emphasized the importance of rural trails, which serve as the primary

transportation link for many communities

SFC 03 # 18, Side A 10:58 AM

Senator Olson continued that snow machine trail markings provide an "essential link for people traveling between villages" in rural areas of the State.

Senator B. Stevens stated that the intent of the bill is to continue to fund TRAAK trail needs at the four percent level. He stated that some of the projects on the "Tentative Advertising Project Schedule as of Friday March 7, 2003" [copy on file] provided by the Department of Transportation and Public Facilities are not trail enhancement projects "but are actually large road projects that are being funded." He pointed out that Item #12 is a highway and that Items #13 and #14 are road rehabilitations. He asserted that the TRAAK program should continue to provide funding for "rural transportation corridors."

Senator Olson clarified that while he understands the intent of the bill, he is requesting verification that the rural trails would not be negatively impacted by this legislation.

JAMES ARMSTRONG, Manager, Transportation Planning, Municipality of Anchorage, testified via teleconference from Anchorage and voiced support for the bill. He noted that the March 3, 2003 letter from the Municipality of Anchorage Mayor, George Wuerch, to Senator Ben Stevens [copy on file] endorses the legislation.

TED VOLIN testified via teleconference from Anchorage to voice support of the four percent TRAAK funding level as specified in the bill.

Senator Hoffman voiced concern that, while this legislation would result in more dollars being available for road improvement needs, federal standards might prevent the money from being spent in rural areas. Therefore, he suggested that consideration be given to specifying an allocation for Rural projects.

Senator Hoffman asserted that restrictions should be imposed on the TRAAK program to prevent further abuses in the program; specifically to ensure that urban road projects should be required "to vie" for designated road project funding rather than TRAAK funds. He expressed that, without restrictions, rural areas would be required "to compete" against larger community "mega-projects" for funds of "a smaller pie."

Senator B. Stevens voiced that this legislation would provide an additional \$13 million "to meet all other State and local needs," which, he argued, would include Rural needs.

Mr. Ottesen voiced that the issue of whether rural trails that are used by machines should be viewed as TRAAK or CTP projects has been debated for years. He voiced the position that rural trails should be recognized as part of the CTP program "as they are moving people and their goods for the sake of commerce and daily living," rather than being used "as a recreational asset." Therefore, he continued they would be "more adequately funded" than they currently are if the CTP funding increases from 33 percent to 37 percent.

Senator Hoffman countered that the Department's "ranking criteria" rates Rural projects "very low" and "favors" higher service areas.

Mr. Ottesen assured that the formula would be revisited when the next STIP is developed. However, he continued, that while many Rural trails have been funded, the Department has experienced a backlog of projects due to the difficulty in implementation. He stressed that the Department supports village trail projects "as they save lives," they help people move food and fuel from community to community, and "they are a highway in the very real sense of the word."

Senator Bunde understood that, were this bill adopted, \$3 million of AMATS funding and four percent of TRAAK funding, amounting to approximately \$13 million, would be available for road projects.

Senator B. Stevens clarified that the total amount of federal funding would remain the same; however, he continued, four percent, rather than the current eight percent, would be allocated for TRAAK funding. He stated that this would result in additional CTP funds.

Mr. Ottesen verified that were the percent allocated to TRAAK reduced to four percent, an additional \$13 million would be available for road projects in FY 04.

Senator Bunde surmised, therefore, that approximately \$15 million would be made available to transport people above the current allocation.

Mr. Ottesen agreed.

Senator Olson asked whether this legislation would affect marine transportation; specifically channel markings.

Mr. Ottesen explained that the State is unable to use federal highway funds for ports or navigation aides. He voiced optimism that, through the Denali Commission, these types of projects might be eligible for funding, and he noted that the Department, in anticipation of this funding, is supplying the Denali Commission with pertinent information "on the types and needs that exist."

Senator Olson asked who is currently responsible for the maintenance of channel markers in rivers.

Mr. Ottesen responded that "aides to navigation" are currently the responsibility of the US Coast Guard.

Co-Chair Wilken asked the Department's position regarding the legislation.

Mr. MacKinnon responded that the Department has issued a "Best Interest Finding" from Commissioner Mike Barton, signed in January 2003, that reflects a Department funding reduction to TRAAK by approximately \$11.5 million for remaining half of federal fiscal year 2003.

Senator Hoffman reiterated his concern that rural projects would be competing for fewer TRAAK dollars; therefore, he asked whether the additional monies available for CTP could be specified to address rural needs. He further inquired as to whether language could be added to the TRAAK program to ensure that the "mega-projects, particularly the road projects," do not absorb the available funding.

Mr. Ottesen conveyed that this money is designated as Transportation Enhancement (TE) funding. He communicated that rural projects are eligible through CTP and TRAAK; however, he noted, the State has spent beyond the federal TE specifications for TRAAK which has allowed for rural boardwalks and trail markings. Therefore, he suggested, "a better approach might be to revisit" the State formula to ensure that rural projects could "compete on a even basis with more urban and suburban projects."

Senator B. Stevens moved to report CS SB 71(TRA) from Committee with previous fiscal note and individual recommendations.

Senator Hoffman objected. He requested that the issue of rural trail funding be addressed as the bill proceeds through hearings in the House of Representatives.

Senator Hoffman withdrew his objection.

Without further objection, the bill REPORTED from Committee with previous fiscal note #1, from the Department of Transportation and Public Facilities.

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**ADJOURNMENT**

Co-Chair Gary Wilken adjourned the meeting at 11:14 AM.