

MINUTES
SENATE FINANCE COMMITTEE
March 02, 2004
9:03 AM

TAPES

SFC-04 # 25, Side A
SFC 04 # 25, Side B
SFC 04 # 26, Side A

CALL TO ORDER

Co-Chair Gary Wilken convened the meeting at approximately 9:03 AM.

PRESENT

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Con Bunde, Vice Chair
Senator Fred Dyson
Senator Lyman Hoffman
Senator Ben Stevens
Senator Con Bunde

Also Attending: CHERYL FRASCA, Director, Office of Management and Budget; NICO BUS, Administrative Services Manager, Division of Support Services, Department of Natural Resources; BOB LOEFFLER, Director, Division of Mining Land and Water, Department of Natural Resources; ERIC SWANSON, Director, Division of Administrative Services, Department of Administration; STAN HERRERA, Director, Enterprise Technology Services Division, Department of Administration; TOM LAWSON, Director, Division of Administrative Services, Department of Community and Economic Development; JERRY BURNETT, Director, Division of Administrative Services, Department of Corrections;

Attending via Teleconference: From an off net site: ROD COMBELLICK, Acting Director, Division of Geological and Geophysical Surveys, Department of Natural Resources; JEFF JOHNSON, Boating Law Administrator, Office of Boating Safety, Division of Parks and Outdoor Recreation, Department of Natural Resources

SUMMARY INFORMATION

SB 257-APPROP: CAPITAL PROJECTS

The Committee heard an overview of the Governor's proposal from the Office of Management and Budget and presentations of the requests by the Department of Natural Resources, the Department of Administration, the Department of Community and Economic Development, and the Department of Corrections. The bill was held in Committee.

#SB257

SENATE BILL NO. 257

"An Act making capital appropriations and supplemental appropriations; capitalizing funds; making other appropriations; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date."

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

Co-Chair Wilken announced the Committee would begin hearing overviews of the projects by various departments as well as an overview from the Office of Management and Budget.

CHERYL FRASCA, Director, Office of Management and Budget, testified that the FY 05 capital budget, as originally proposed by the Governor was \$1.5 billion. After submission of a number of amendments, she listed the revised amount at \$1.6 billion. She acknowledged this amount is significant, but pointed out that most of the funds are federal. She stated that this proposal "took the opportunity" to leverage State funds rather than issue bonds, of approximately \$50 million from the Alaska Student Loan Corporation (ASLC). She reminded that the enabling legislation passed from Committee.

Ms. Frasca furthered that Alaska Housing Finance Corporation (AHFC) debt capacity would also be utilized to fund the FY 05 capital budget: approximately \$25 million in bonds primarily for water and sewer projects. She spoke of legislation pending in the Senate Finance Committee, SB279 that would enable the issuance of these bonds.

Ms. Frasca also relayed that the Administration had anticipated utilizing \$40 million, categorized as general funds, generated from the purchase by AHFC of State-owned assets. However, she stated that upon review, this option was not chosen. She said that instead, original proposal to appropriate \$20 million AHFC bond

proceeds would be increased to \$40 million. She informed that available funding for the initial FY 05 capital budget was calculated to be short \$73 million, and that the decision to not purchase State-owned assets by AHFC, makes the budget short another \$20 million. She noted this information is based on the December 2003 revenue forecast.

Co-Chair Wilken clarified the amount of funds for the proposed capital budget is short \$20 million general funds.

Ms. Frasca affirmed.

Ms. Frasca listed transportation as the top priority of the proposed budget, consisting of about 72 percent or \$1.2 billion. She stated that the original budget proposal contained \$115 million, which is approximately \$286 million higher than the FY 04 appropriation.

Ms. Frasca pointed out that funding for University of Alaska capital projects would be the second largest expenditure at \$153 million total funds, with the third largest expenditures of \$148 million planned for Department of Health and Social Services projects.

Ms. Frasca noted that approximately \$1 billion contained in the proposed capital budget is federal highway project funding, although the US Congress has not approved appropriation of approximately \$900 million of that amount.

Ms. Frasca stated that several of the proposed projects relate to Governor Murkowski's infrastructure development program for rural Alaska, including industrial road programs, development on the North Slope, and an access road. She noted \$12 million is requested to rebuild bridges along the Richardson Highway, which is part of a national security project for the natural gas pipeline project. She also listed the proposed Gravina Island Crossing project and the Juneau Access road project.

Ms. Frasca directed attention to an amendment to the proposed budget related to the municipal and unincorporated community capital matching grant programs. She explained this amendment "relies" on the "reversal of the sweep" i.e., a combination of funds "swept into" the Constitutional Budget Reserve (CBR) fund, and balances in the accounts allocated to several communities. She noted that much of the unallocated funds were not allocated because the Governor vetoed the appropriation. This amendment, she informed would allow appropriation of the available funds.

Co-Chair Wilken stated the Committee would discuss this matter further with Department of Community and Economic Development staff.

Department of Natural Resources

NICO BUS, Administrative Services Manager, Division of Support Services, Department of Natural Resources, noted the projects of this Department are listed in priority order.

Northern Region (Fairbanks) Office Building Roof
\$374,000 AHFC Bonds
Reference No.: 38873
Category: General Government
Location: Fairbanks Areawide
Election District: Fairbanks Areawide
Estimated Project Dates: 07/01/2004 - 06/30/2005
Phased - Underway Project

This project funds roof replacement for the Northern Region Office of the DNR which houses five divisions, will protect structural and equipment assets, repair damage caused by an old and deficient roof, and extend the life of the DNR Fairbanks Office, a DNR-owned building. This project also enhances energy efficiency and brings the building into closer compliance with building codes. Currently, roof leaks require stopgap measures of buckets on floors, and garbage bags tied to ceiling joists in areas including conference rooms, files, electrical equipment and public offices. This project will allow all departmental offices to meet the mission of providing services to the public in a warm, safe, dry environment.

Mr. Bus outlined this item.

Forestry Building Repairs to Correct Fire and Life Safety Deficiencies
\$311,700 AHFC Bonds
Reference No.: 38879
Category: Natural Resources
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2006
On-Going Project

This project protects State assets by correcting priority Building Fire and Life Safety deficiencies identified in the 2002-03 Forestry Building Conditions Survey, and identifies the location and extent of hazardous materials in Forestry buildings. Safety systems including detectors and alarms will

be improved and installed; electrical circuits will be properly grounded and bonded; and emergency lighting and signage will be acquired and installed. These fire and safety code compliance improvements will be made in Forestry structures statewide, where the public visits and where staff regularly works. The project ensures cost-effective management of State structures with a replacement value exceeding \$14M.

Mr. Bus informed that these proposed projects were recommended by a consultant and identified many code violations and involved several buildings. He explained the categorization of the projects based on the severity of risk.

Royalty Oil Settlement Price Reopeners
\$200,000 Alaska Student Loan Corporation (ASLC) Dividend
Reference No.: 31371
Category: Development
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2008
On-Going Project

One of the Department's missions is to maximize revenues from oil and gas production. This CIP will allow the Division to monitor and reopen existing royalty settlement agreements to assure that the formulas contained in those agreements reflect the full value of royalty production. Funds will be used to retain experts to analyze and evaluate oil and gas values and tanker, pipeline, field, and processing costs, as well as to train the Division's commercial analysts and auditors in these matters.

Mr. Bus told how under the terms of the lease contracts, either party could open negotiations on the terms and conditions. He stated that the Department is currently involved in such actions with Exxon, and the funds would be utilized to employ expert witnesses and other expenditures for supporting the State's position. He noted the potential revenue increases of several million dollars from these re-openers.

Co-Chair Wilken pointed out funding for several proposed projects using ASLC or AHFC dividends for the first year and general funds in future years.

Co-Chair Green asked if the Department costs of these re-opener activities is ever reimbursed from the producers though the negotiated contracts.

Mr. Bus answered no, that the producers are on the "other side" and

would not want the Department to have the information sought through these efforts.

Accelerating and Promoting Alaska Peninsula Lease Sale and Exploration License
\$340,000 ASLC Dividend
Reference No.: 38871
Category: Development
Location: Bristol Bay Borough
Election District: Bristol Bay/Aleutians
Estimated Project Dates: 07/01/2004 - 06/30/2005
One-Time Project

This project will allow the Division to (1) accelerate critical path processes in order to meet 2004-2005 Alaska Peninsula Exploration License and Lease Sale, (2) promote the proposed oil and gas lease sale on the Alaska Peninsula, tentatively scheduled for October 2005, at industry gatherings, (3) conduct community informational meetings and public hearings, and technical meetings with Bristol Bay Native Corporation (honoring intent of our Memorandum of Understanding), and (4) obtain gravity data in order to model the basin configuration.

Mr. Bus read the project description into the record.

Oil and Gas Seismic, Well and Lease Data Acquisition
\$320,000 general funds
Reference No.: 33977
Category: Development
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2005
On-Going Project

Proper management and oversight of oil and gas exploration, leasing and development activities on State lands requires that the Division maintain a degree of technical parity with explorers, lessees and operators. The Division's mission of responsibility managing and encouraging development of the State's petroleum resources requires that it have funding to acquire, analyze, preserve, protect and distribute oil and gas exploration and development data; to maintain the geoscientific and engineering skills and applications necessary to do so and to electronically distribute appropriate technical and lease data to the public to encourage and accelerate additional development of the State's petroleum resources.

Mr. Bus expressed that in order to properly manage oil and gas resources and gather site data on State-owned lands, higher

technical parity is needed. He stated this funding would be utilized to purchase seismic, well or lease data, to strengthen the State's position in lease negotiations. He added that these funds would allow be utilized to upgrade software equipment to current technology.

Senator B. Stevens compared this request to the request of the previous fiscal year, notably the \$98,000 requested both years for the purchase of equipment. He asked if new equipment is purchased each year.

It was established that no representative from the Division of Oil and Gas was available to address this question.

Mr. Bus indicated the Department would provide a response.

Senator B. Stevens commented that this request indicates sequential increases at least until the year 2009, although the request of the prior year indicated decreased annual requests. However, the backup data is the same for both years' requests.

Unified Permitting Process Phase 1
\$983,700 general funds
Reference No.: 37782
Category: Development
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2006
Phased-New Project

This CIP develops an interactive application system for the Department of Natural Resources to guide individuals and businesses to the correct authorization application and guide them to supply the correct information for that application. This general fund component of the unified interactive permit application would first focus on application types within the Division of Mining, Land and Water. The federal component focuses on the consistency review process for the Alaska Coastal Management Program. Subsequently the base system created will extend to other relevant authorization applications within the Department, including Title 41 permits administered by the Office of Habitat Management and Permitting.

Mr. Bus noted this requests the largest amount of general funds. He informed that currently many developers must deal with multiple divisions within the Department and that this project would streamline the process and would allow businesses to submit one permit application. He detailed how this system would guide the

applicants through the process. He also noted this would combine databanks within the Department.

Co-Chair Wilken asked if this program would replace an existing system and if so, why that system requires changing.

Mr. Bus told of the land administration system installed in 1986. Although updates have been implemented to make the process "more friendly", he stated that the outdated system has never been replaced.

Co-Chair Wilken asked if this is addressed in the Project Description/Justification statement accompanying this budget request.

Mr. Bus replied that the intent is that the State accounting system would be upgraded and that the revenue and billing functions of this project could be integrated.

Co-Chair Wilken noted that this project is listed as phased, but that the Project Description/Justification statement provides no indication of future funding requests. He suggested that an outline of proposed future expenditure be included.

Mr. Bus listed the various programs this project would affect. He stated the intent is to complete as much of the project as possible with this appropriation, but was unsure whether it would be completed with one appropriation. He relayed this would depend upon the capabilities of private contractors and the ability to utilize "off the shelf" software. He was uncertain how many future appropriations would be requested nor the amount necessary to complete the project.

Co-Chair Wilken again asked if the Project Description/Justification statement indicates this.

Mr. Bus answered it does not.

Co-Chair Wilken directed future statements to include this information.

Senator Hoffman asked if any of the funds be expended for personnel costs.

Mr. Bus replied that the intent is to utilize private contractors to implement the new system. He furthered that Department staff would then be educated on the system to provide future maintenance.

Senator Hoffman asked why an outline of the portion of these funds that would be expended for personnel, travel and other costs was not provided.

Mr. Bus explained that several reviews were underway when this project was originally drafted, including the implementation of an updated coastal management program and the acquisition of the habitat permitting functions. He informed that the original estimated cost of this project was \$2 million, and that attempts were made to determine the maximum amount that could be accomplished with \$1 million.

Senator Hoffman requested the breakdown of expenditures of the \$2 million intended for the completed project.

Oil and Gas Reservoir Potential for Gas in the Brooks Range Foothills Phase 2

\$190,000 general funds

Reference No.: 37736

Category: Development

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2004 - 06/30/2005

Phased-Underway Project

This project seeks to catalyze private-sector gas exploration and production in the Brooks Range foothills by providing critical data for several prospective reservoir intervals. The Brooks Range foothills belt may contain over 30 trillion cubic feet of gas, however, potential gas reservoirs in the region are poorly understood and pose significant exploration and production challenges. Low permeabilities in potential reservoirs encountered in some North Slope wells raise important questions on gas deliverability. Critical data needs include a subsurface stratigraphic framework tied to surface exposures and reservoir quality information. Detailed geological information will be a key to developing this resource.

Mr. Bus read the summary statement into the record.

Co-Chair Wilken reminded that this project was fully funded the previous year at \$50,000 and was listed as a one-time project. He asked why the designation has changed to a phased-underway project and what the expectations of funding are for future years.

Mr. Bus responded that the designation of one-time project was an error, and that the intent has always been that this would be an on-going project costing a total \$250,000. He furthered that the

original request for FY 04 was \$250,000, but the Governor reduced the request to \$50,000.

ROD COMBELLICK, Acting Director, Division of Geological and Geophysical Surveys, Department of Natural Resources, testified via teleconference from an offnet site that the intent is this project would be completed with this appropriation.

Co-Chair Wilken clarified the phases of the project are FY 04 and FY 05.

Mr. Combellick affirmed.

Oil and Gas Leasing and Accounting Systems Integration Phase 2
\$100,000 general funds
Reference No.: 37969
Category: Natural Resources
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2003 - 06/30/2006
Phased-Underway Project
Phase 2 of this project is requested to meet a critical need to redesign and expand the existing Oil and Gas Royalty Accounting System (OGRA) capabilities. The Division of Oil and Gas Management and Commercial Analysts have a need to extract royalty accounting and lease data. This FY 05 capital project will complete the redesign of the existing Accounting and Lease Systems to eliminate duplications between the two systems and to enhance reporting and audit capabilities. A September 2002 completed external review verified the internal assessment by the Department that the database needs to be redesigned in order to meet current and expected needs of the State, and maximize revenue generation and valuation.

Mr. Bus informed that the review was completed and a contract would be rewarded as part of the first phase of this project.

Recorder's Office Film Conversion Phase 2 (Completion)
\$250,000 Receipt Services
Reference No.: 37732
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2005
Phased-Underway Project
One of the primary statutory functions of the Recorder's/UCC component is to provide its customers with easy access to the permanent public records. This project supports this statutory

function in two ways: (1) it enables the component to complete the project started in FY 04 to digitize document images from existing film records for the past ten years statewide; and (2) it enhances the mainframe based indexing system by providing a direct link to the document images, thereby replacing the cumbersome and time-consuming microfiche process currently used for customer research and retrieval of these older records.

Mr. Bus pointed out this project has been fully funded from receipts generated from the Recorder's Office. He reminded that beginning in the year 2001 new recordings were done electronically, and industry has requested that recordings up to ten years prior be converted to electronic format. He stated this undertaking would eliminate the need to manually review microfiche files in the Recorder's Offices.

Senator Bunde asked about previous reluctance of service providers to participate in this project due to the pricing of bulk film, and asked how this project would change the pricing.

Mr. Bus responded that the filming process is antiquated and that information could be processed on compact discs inexpensively and quickly. He also relayed that the Department solicited input from businesses to test the new system told of a title company located in Ketchikan, which contributed funding to lower the pricing.

Senator Bunde asked the actual cost to purchase database information.

Mr. Bus was unsure.

No representative from the Recorder's Office was present to respond.

Co-Chair Wilken requested a follow up.

Senator B. Stevens pointed out this request is identical to a request of the previous year except the amount was \$380,000.

Mr. Bus agreed this is the same project, but informed that only one-third of the necessary funding was appropriated in FY 04.

Remote Recreational Cabins Survey and Appraisals
\$550,000 State Land Funds
Reference No.: 38480
Category: Natural Resources
Location: Statewide
Election District: Statewide

Estimated Project Dates: 07/01/2004 - 06/30/2009

On-Going Project

This CIP authorizes DNR to appraise and contract for surveys of Remote Recreational Cabin properties. This program contributes to the development of Alaska's land through the transfer of land into private ownership. This CIP authorizes DNR to spend money already being collected from applicants. Remote Recreational Cabins is a stake-it-yourself program. After applicants stake their parcels, DNR issues a lease and collects lessee's money to pay for surveys and appraisals. Department of Natural Resources contracts with one survey firm and one appraiser to survey/appraise multiple parcels, thereby ensuring that surveys are coordinated, completed, and done efficiently. An estimated 125 parcels will be staked in FY 05.

Mr. Bus overviewed this request.

Senator Hoffman asked the length of the leases.

Mr. Bus answered three years.

Senator Hoffman asked whether the leases are renewable.

BOB LOEFFLER, Director, Division of Mining Land and Water, Department of Natural Resources, explained the three year process developed with former Senator Torgerson, with surveys conducted in the first year, appraisal conducted in the second year and the land purchased in the third year. He qualified that statute provides an option for lease renewal, but remarked that it is expected the sites would be purchased rather than leases renewed.

Senator Hoffman asked if the appraisals are conducted by the State or contracted to another party.

Mr. Loeffler replied that the State contracts or conducts itself, a "key parcel appraisal" to give potential buyers an idea of the general prices. For some parcels, he stated the Department applies factors to determine a final appraisal and others are contracted out. He stressed that all surveys are contracted to a private party.

Senator Hoffman asked the number of acres parceled out to date.

Mr. Loeffler qualified the program was implemented in the year 2001, and therefore the first parcels would be leased this year. He listed the average parcel size at 14 acres.

Land Disposals (New Subdivisions; Kobe North and Fish Creek Ag

Sales)
\$1,975,000 State Land Fund
Reference No.: 38886
Category: Development
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2006
One-Time Project

This project would authorize the Department of Natural Resources to proposed, design, develop, survey, and, if required by municipal platting authorities, build roads for new subdivisions and agricultural sales. This CIP would authorize DNR to spend money from previous land sales that has been deposited in the LDIF. Lands would be offered to the public by auction. If this project and the operating budget increment are fully funded, DNR intends to offer at least 100 new parcels for sale in FY 05, 200 in FY 06 and 300 in FY 07. The land sale program continues to the development of state land by giving Alaskans an opportunity to purchase land, while creating an income base for the State.

Mr. Bus remarked that this project is self-funded. He explained that revenue from land sales is reinvested.

Co-Chair Wilken asked if the revenue is generated from the operating fund then deposited into the State land fund.

Mr. Loeffler replied, "the money comes out of the land disposal income fund then flows back, and then the revenues and profits go back in the land disposal income fund."

Co-Chair Wilken asked the source of funds in the land disposal income fund.

Mr. Loeffler replied these funds as the revenues from land sales. He characterized this as working capital, which is used to achieve the highest level of return.

Mr. Bus furthered that statute imposes a limit on the balance of this fund at \$5 million. Any additional revenue, he stated, is deposited into the State general fund.

Co-Chair Wilken asked if the program is working as envisioned.

Mr. Loeffler answered it is.

State Park Emergency Repairs
\$300,000 Receipt Services

Reference No.: 6843
Category: Health/Human Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2005
On-Going Project

The project will promote the Department's mission of providing outdoor recreational opportunities by funding emergency repairs to park units to protect visitor health and safety by providing safe, clean, and well-maintained units. Projects will upgrade or replace basic facilities at parks including ranger stations, outhouses, drinking water systems, trails, and camping sites so that these items will not be added to the existing deferred maintenance backlog.

Mr. Bus stated these projects would be funded from revenues collected from park user fees, and would address any emergency within the State's 121 park units.

Airborne Geological and Geophysical Mineral Inventory
\$200,000 general fund
Reference No.: 6852
Category: Development
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2006
On-Going Project

The Airborne Geophysical/Geological Mineral Inventory project seeks to catalyze private-sector mineral development investment. Alaska State lands that: 1) have major economic potential; 2) can be developed in the short term to provide high quality jobs for Alaska; and 3) will provide economic diversification to help offset the loss of Prudhoe Bay oil revenue. Mineral resources comprise a major part Alaska's economic assets, yet the location and magnitude of these resources are largely unknown. Knowledge of the State's mineral resources is a key to orderly development of the State and maintenance of a stable economy.

Mr. Bus stated this is "repeat project". He noted this request is "modest" compared to previous appropriations.

Co-Chair Wilken recalled that the funding was not appropriated for this project the previous year to allow the program to "catch up with itself".

Mr. Bus affirmed that the last appropriation was made in FY 03.

Co-Chair Wilken commented this has been a successful program in the interior and southeast regions of the State.

Alaska Cadastral Project
\$400,000 Federal Receipts
Reference No.: 37768
Category: Natural Resources
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2006
Phased Project

The goal of this project is to create an integrated system for sharing land parcel information between federal, state, local, and Native organizations. The Alaska Cadastral Project will enable anyone to access current rights, interests and boundary information involving real property. The project builds partnerships for the collection, management, standardization, and sharing of Alaska's land parcel information to improve business processes and support decision making. The project offers several strategic areas for improving the services of State and local government by improving the quality and accessibility of essential business information related to real property. See the project web site <http://cadastral.info>

Mr. Bus outlined this request.

National Historic Preservation Fund Federal Grant Program
\$950,000 Federal Receipts
Reference No.: 6865
Category: Natural Resources
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 09/30/2006
State Match Required
On-Going Project

The National Historic Preservation Fund (NHPF) is a federal matching grant project with a 60% federal and 40% State match. It provides the State a basic historic preservation program including planning, survey, inventory, project review and public education. Cooperative agreements with federal agencies and grants from federal programs, which do not require match, fund cultural resource management projects. The historic preservation program contributes to the Department's mission through the development, conservation and use of Alaska's heritage properties which is consistence with the public interest and the Alaska Historic Preservation Act.

Mr. Bus remarked that this project has been highly successful.

Co-Chair Wilken asked if the funding to provide the necessary 40 percent match is included in the proposed FY 05 operating budget.

Mr. Bus answered it is.

Alaska Minerals Information At Risk Program: Mining and Lands
Records Integration Completion
\$500,000 Federal Receipts
Reference No.: 34095
Category: Development
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2006
Phased Project

This project seeks to expand opportunities for exploration and development of mineral resources in Alaska. It will develop a new public interface to a wide range of multi-agency information on mineral resources and mining properties via the Internet. Agency business practices are being modified to assure that timely updates are rapidly incorporated into the system.

Mr. Bus read the summary into the record.

State Park Deferred Maintenance
\$50,000 Receipt Services
Reference No.: 38878
Category: Natural Resources
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2006
On-Going Project

State Parks has identified over \$42 million in deferred maintenance needs. This project will promote the Department's mission of providing outdoor recreational opportunities by funding deferred maintenance repairs to park units to protect visitor health and safety by providing safe, clean, and well maintained units. Projects will upgrade or replace basic facilities at parks including ranger stations, outhouses, drinking water systems, trails and camping.

Mr. Bus stated this funding would be utilized to address the most critical deferred maintenance needs.

Co-Chair Wilken asked how this request differs from #6843, State Park Emergency Repairs.

Mr. Bus replied the first item addresses the critical projects.

Co-Chair Wilken clarified both would be supported with user fees.

Mr. Bus affirmed.

Senator B. Stevens referenced the Project Description/Justification statement claim that repairs of the identified projects could no longer be made using only duct tape and bailing wire. He commented that such repairs are indicative of Alaskan ingenuity.

Alaska Mineral, Energy and Geohazards Inventory Federally
Funded Projects

\$2,410,000 Federal Receipts

Reference No.: 38144

Category: Development

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2004 - 06/30/2007

On-Going Project

The Alaska, Mineral, Energy, and Geohazards Inventory federally funded project comprises a group of geological data generation, organization, and public data delivery tasks that are directly tied to geological inventory mandates in AS 41.08, the legislatively designated outcome measures for DGGS. This project provides receipts authority for committed Federal funds specifically directed towards making Alaska geological information more widely available and more easily accessible.

Mr. Bus referenced the Project Description/Justification listing of the proposed projects.

Senator Bunde understood that matching funds are not required to receive federal funding for all the proposed projects. He asked if for those projects requiring matching funds, whether in-kind services could be substituted.

Mr. Bus replied that in-kind services could be utilized and performed by the Department, other State agencies, and other organizations.

Senator Bunde pointed out that the previous request, #38878; users of the State parks would pay the cost of the project through fees. He asked if those parties that would undertake mining activities pay the costs of this project.

Mr. Bus countered that many projects are "aimed at industries" that do not have the resources to undertake these projects. He also

pointed out that because these are prospective projects, the actual users are not yet known.

Senator Bunde characterized this project as an on-going subsidy.

SFC 04 # 25, Side B 09:50 AM

Federal and Local Government Funded Forest Resource and Fire Program Projects

\$3,800,000

\$2,800,000 Federal Receipts

\$1,000,000 Statutory Designated Program Receipts (SDPR)

Reference No.: AMD37769

Category: Natural Resources

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2003 - 06/30/2006

On-Going Project

This project provides receipt authority for federal and local government funds including federal National Fire Plan allocations to Alaska. Funding provides specific support including the ability of the State and local government to educate, mitigate, prepare for and respond to threats of wildland fire. This authority will allow State direction to cooperative forestry projects in which State, federal and local governments have mutual interest to participate. Projects also include forest health initiatives, insect and disease examination, internships, and community and urban forest inventories; and, local government funding for hazard fuels reductions, fuels treatment, and forest stewardship projects.

Mr. Bus outlined this request.

Cooperative Forestry and Fire Pass-Through Federal Grants

\$800,000 Federal Receipts

Reference No.: 6883

Category: Development

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2004 - 06/30/2006

On-Going Project

The Division of Forestry utilizes federal funds for pass-through grants to achieve improved local capabilities for wildland fire suppression; enhanced local community environmental conditions w/tree planting and community

forestry; increased productivity from non-industrial private forest land holdings. Federal fund pass-through grants enhance local communities' and local governments' self-sufficiency and self-reliance.

Mr. Bus reminded that this project is repeated every year.

Senator B. Stevens referenced #AMD37769, Federal and Local Government Funded Forest Resource and Fire Program Projects, and asked if this project had been undertaken in past years.

Mr. Bus responded that the Kenai Peninsula Borough collects the statutory designated program receipts, as a federal grant, for this project and the Department has anticipated the funds would be needed for FY 05 and FY 06.

Abandoned Mine Lands Reclamation Federal Program

\$1,500,000 Federal Receipts

Reference No.: 6855

Category: Public Protections

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2004 - 06/30/2007

On-Going Project

The Legislature enacted the Alaska Surface Coal Mining Control and Reclamation Act in 1983 (AS 27.21). One of the main purposes of the Act was to promote the reclamation of areas mined and left without adequate reclamation before enactment of the federal Surface Mining Control and Reclamation Act of 1977. These mined areas endanger public health and safety, substantially degrade the environment and prevent the beneficial use of or cause damage to land and water resources. This program will employ up to 50 Alaskans in private sector jobs as part of the reclamation efforts. As a result of the reclamation effort, State lands that are currently not usable will be made available for development and use by Alaskans.

Mr. Bus informed that each year sites are selected and contracted out for reclamation.

Senator Bunde asked the locations of sites identified for reclamation.

Mr. Bus stated he would provide the information.

Senator Bunde asked if this project would extend to reclamation of lands on the North Slope damaged from oil exploration activities.

Mr. Bus replied that this program pertains primarily to surface mining activities.

Co-Chair Wilken asked whether privately operated mines have access to these funds.

Mr. Bus responded that the businesses are levied the federal Abandoned Mined Land fee and that the federal government makes determinations of eligible recipients of the funds.

Senator Bunde observed that efforts are made in some instances to preserve historical mining sites.

Land and Water Conservation Fund Federal Grants
\$1,250,000 Federal Receipts
Reference No.: 32552
Category: Development
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2007
On-Going Project

LWCF is a 50/50 matching grant program that provides funding for the development of outdoor recreation areas and facilities. More than any other state in the union, Alaskans recreate outdoors. LWCF is consistent with DNR's mission in that, in terms of outdoor recreation, it develops, conserves and maximizes Alaska's natural (outdoor recreation) resources consistent with the public interest.

New or rehabilitated LWCF projects increase the number of park visits, furthering a desired end result. Privatizing the management of a LWCF assisted site is consistent with LWCF policy, addressing a second desired end result. LWCF program staff is responsible for monitoring compliance with LWCF regulation and policy.

Mr. Bus told how local communities could apply for the establishment of parks within their boundaries. He explained that a board reviews proposals for approval.

Co-Chair Wilken asked the source of the necessary matching funds.

Mr. Bus replied that organizations, such as soccer clubs and other local groups, provide these funds.

Co-Chair Wilken asked if distribution of these grants would be prorated if the legislature did not appropriate the entire amount of matching funds required.

Mr. Bus clarified that the State does not provide the matching funds, but rather acts as a pass-through entity to appropriated the federal funds to local communities that contribute the required match.

Senator Hoffman asked the historical average of the requests for these programs.

Mr. Bus replied that the success rate to participate is high and dependant upon the proposal and ability to provide the necessary matching funds.

Alaska Boating Safety Program
\$600,000 Federal Receipts
Reference No.: 32553
Category: Health/Human Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2007
State Match Required
On-Going Project

Under [AS] 41.21.010 and 41.21.020 the Department is, among other things, responsible for fostering the growth and development of recreational opportunities for the health, welfare, education and enjoyment of the public, providing consulting services to develop recreational activities and programs, providing programs and clearinghouse services on park and recreation matters, and other duties as prescribed by law. The program contributes to this mission (and the additional responsibilities prescribed by law under AS 05.25) by working to reduce recreational boating facilities and accidents, and promoting safe, enjoyable recreational boating in Alaska, primarily through boater education.

Mr. Bus informed this program is intended to reduce fatality rates.

Co-Chair Wilken asked how the State matching funds are generated.

Mr. Bus was unsure.

JEFF JOHNSON, Boating Law Administrator, Office of Boating Safety, Division of Parks and Outdoor Recreation, Department of Natural Resources, testified via teleconference from an unspecified location, that State matching funds are required to receive the U.S. Coast Guard funds, and have been garnered from various sources.

Senator Bunde recalled recent legislation relating to collection of

boat registration fees and asked if these funds would be used for the State match.

Mr. Johnson replied that the Division of Motor Vehicles collects over \$400,000 in boat registration fees, of which \$380,000 is utilized for the registration expenses and the remainder is deposited into the general fund.

Senator Bunde asked if any of the revenue collected from boat registration fees could be utilized for the State match required for this project.

Mr. Johnson answered it could.

Snowmobile Trail Development and Program Grants
\$200,000 Receipts Services
Reference No.: 33690
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2007
On-Going Project

Snowmobiling is one of Alaska's fastest growing outdoor recreation activities. Funds are needed to develop and maintain trails and trailheads to provide for safe riding opportunities and to educate riders about safety concerns. Funds for this program are provided by snowmobile registration fees paid by Alaskans. Funds are distributed in the form of matching grants for trail and trailhead development and maintenance, safety education, and trail identification.

Mr. Bus outlined this item.

Co-Chair Wilken requested a list of recipients of these funds the previous year. He noted the "Project Support" list included in the Project Description/Justification statement and asked the percentages of distribution to the listed parties. He remarked that users want assurance that snow machine activities receive the benefits of the \$25 user fees.

National Recreational Trails Federal Program
\$695,000 Federal Receipts
Reference No.: 6854
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2007
On-Going Project

Alaskans rely on trails for recreation, subsistence, and travel between communities. These trails need maintenance to ensure safe passage and to ensure that they remain open and available for use. Funds are distributed by 80-20 matching grants for recreational trail and trailhead development and maintenance, and for education programs relating to trail safety and environmental protection. Grants are awarded to organizations, agencies and local governments.

Mr. Bus stated this is a recurring project.

Forest Legacy Federal Grant Program in Wood-Tikchik State Park
\$4,500,000 Federal Receipts
Reference No.: 34881
Category: Natural Resources
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2006
On-Going Project

The Forest Legacy Program provides federal funding for acquisition of high-value private forestland that is threatened with conversion to non-forest use. Legislative intent targets private in-holdings adjacent to, or within existing conservation units (parks, refuges, etc.) that are primarily used for fish and wildlife habitat, outdoor recreation and traditional access that would be disrupted, destroyed, or degraded if the private property were to be converted to non-forest use. This allows the conservation unit manager, such as State Parks, to conserve the land for outdoor recreation opportunities and maximize the use of critical areas for all members of the public.

Mr. Bus informed that a Native corporation owns the land proposed for acquisition and is willing to sell the land for conservation purposes.

Co-Chair Wilken clarified that at a cost of \$4.5 million in federal funds 1,153 acres of land would be removed from the tax base.

Coastal Wetlands Grant - Nushagak Bay Watershed Conservation
Phase 1
\$1,000,000 Federal Receipts
Reference No.: 39042
Category: Natural Resources
Location: Aleknagik
Election District: Bristol Bay/Aleutians
Estimated Project Dates: 07/01/2004 - 06/30/2005
One-Time Project

In Phase I of this project (the FY 05 request), the Alaska Division of Parks and Outdoor Recreation will acquire, either by perpetual conservation easement or fee simple, 7,000 acres of wetland in-holdings within Wood-Tikchik State Park, including the four-mile long Agulowak River, associated uplands and approximately 12 miles of freshwater shorelines within the Nushagak Bay Watershed. The principal objective of this project is to protect a major anadromous fish system and perpetuate the fish, wildlife, habitat and public benefits they support within and outside the Park.

Mr. Bus outlined this project.

Co-Chair Wilken clarified the total cost of this project would be \$3 million and that a total of 7,000 acres would be purchased.

Mr. Bus affirmed.

Co-Chair Green pointed out this funding would pay the purchase cost, but no maintenance expenses.

USGS Streamgaging Cooperative Program

\$230,000 SDPR

Reference No.: 37762

Category: Development

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2004 - 06/30/2006

On-Going Project

DNR will accept funds from the private sector, local government and other state agencies, and pass those funds through to USGS as part of its stream gaging coop program. Industry, State and local government often asks, and pays for, the USGS to install and operate a stream gage. The information is necessary for resource development and for permitting projects such as mining, hydroelectric, or public water supply which fits into DNR's overall mission. If the private sector pays the USGS directly, USGS can't provide matching funds. But if the funding is passed through a State agency, the funds can be matched at 100% by the federal government.

Mr. Bus read the summary statement into the record.

Mental Health Trust Land Development

\$650,000 Mental Health Trust Authority Authorized Receipts (MHTAAR)

Reference No.: 6853

Category: Development

Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2007
On-Going Project

The Trust Land Office (TLO) will contract for services to supplant its core operations. Typically the services are related to nonrecurring projects such as the administration of a large timber sale, the evaluation of a particularly complex transaction, development of an asset management plan for certain trust lands or resources or significant improvements to the TLO's information management system. The TLO, supported by funds derived from Trust Income, manages and develops Alaska Mental Health Trust lands on behalf of the Alaska Mental Health Trust Authority. Our mission is to protect and enhance values of and maximize revenues from Alaska Mental Health Trust Land.

Mr. Bus outlined this request.

Agriculture Industry Federally Funded Project Opportunities
\$750,000 Federal Receipts
Reference No.: 39269
Category: Development
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2007
One-Time Project

This project will incorporate several feasibility studies for various segments of agriculture production and contribute to the Department's mission by creating opportunities to benefit the agriculture industry. This will result in increased sales statewide and provide export possibilities.

Mr. Bus gave examples of reindeer and ethanol as agriculture products these funds would be utilized to promote.

Co-Chair Wilken clarified this is intended to be a one time project.

Mr. Bus replied this is the intent to date.

Senator Bunde questioned the feasibility of encouraging the development of ethanol that would require continued subsidies, as this product has never "paid for itself". He also opined that once ethanol was developed, it not be marketed due to high shipping costs.

Mr. Bus explained this project would provide for feasibility

studies to determine whether certain agricultural ventures would be viable in Alaska.

Co-Chair Wilken informed that this issue arose because the Director of the Division of Agriculture was directed to identify new ways to develop agriculture in the State.

Plant Material Center Shop and Storage Shed Planning and Design

\$375,000 Federal Receipts

Reference No.: 39270

Category: Natural Resources

Location: Palmer (Greater Palmer)

Election District: Greater Palmer

Estimated Project Dates: 07/01/2004 - 06/30/2005

One-Time Project

The Alaska Plant Materials Center (PMC) is in dire need of a replacement repair shop and equipment shed. The building being used for most of these functions is well over 60 years old. The Alaska Plant Materials Center supports many federal projects in the State. The equipment used on federal programs needs protection from the weather and is in need of constant repair, requiring shop space. A new facility will provide space for both storage and repair. This project funded by the USDA Natural Resource Conservation Service funds planning and design for a new building, not the actual construction. Federal funding for constructed may be pursued after the results of the planning and design are completed.

Mr. Bus informed that federal Occupational Safety and Health Administration (OSHA) inspections found many safety issues.

Co-Chair Wilken asked the estimated cost of a new building.

Mr. Bus answered the amount would likely be a couple million dollars.

Co-Chair Wilken requested maps of the affected areas of land subject to conservation purchase in #34881, Forest Legacy Federal Grant Program in Wood-Tikchik State Park, and #39042, Coastal Wetlands Grant - Nushagak Bay Watershed Conservation Phase 1.

Mr. Bus indicated he would provide this information.

Senator Hoffman asked if the Department's proposed budget includes any capital projects intended to deliver natural gas resources to market.

Mr. Bus answered there are no such capital projects included in this budget request. He noted that the Department is defining the requirements and would submit project proposals in the future.

Department of Administration

ERIC SWANSON, Director, Division of Administrative Services, Department of Administration, noted the Department has submitted funding requests for eight projects totaling \$6.9 million, of which \$250,000 is general funds.

Labor Contract Negotiations and Arbitration Costs

\$500,000 ASLC Dividends

Reference No.: 39014

Category: General Government

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2004 - 06/30/2006

Phased-Underway Project

Funding is necessary for continued negotiation with most or all bargaining representatives and anticipated interest arbitration with ASEA and potentially other units requiring significant travel, expert witnesses, wage and benefit analysis, and other expenses not normally incurred in the Division's routine operations.

Mr. Swanson reported that the State is currently negotiating employment contracts with all 12 bargaining units. He stated this funding would be utilized to continue the process.

Senator Bunde questioned the inclusion of this item in the capital budget, characterizing the expense as operating.

Mr. Swanson replied this would be a special appropriation that is "project nature" and not a regular component of the operating budget. He noted the \$150,000 appropriation in the FY 04 operating budget.

License Plates, Tabs, and Manuals

\$385,000 Receipt Services

Reference No.: 38867

Category: General Government

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2004 - 06/30/2006

On-Going Project

Funding will provide for the purchase of license plates and tabs to maintain statewide stockage levels necessary for their

required continued issuance. The Division is required by statute (AS 28.10) to issue plates and tabs and cannot run out. The funding also provides for the purchase of the four different driver manuals and law books that must be available at all DMV offices.

Mr. Swanson noted this is an annual request.

Maintenance Projects for Facilities Outside the Public Building Fund
\$250,000 general funds
Reference No.: 39034
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2006
On-Going Project
Funding is necessary for maintenance projects in facilities outside the public building fund.

Mr. Swanson informed that the Department of Administration provides maintenance for six buildings located in Juneau: the Governors Mansion, the third floor of the Capitol Building, Diamond Courthouse, Archives and Records Center, the Alaska State Museum, and the Support building. He stated this funding request would be utilized for exterior repairs to the Diamond Courthouse.

Juneau Support Remediation Survey
\$30,000 ASLC Dividends
Reference No.: 39036
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2005
One-Time Project
Funds are necessary to determine the project scope and plan for remediation of the Juneau Support Building, which is located on land owned by the Alaska Mental Health Trust Authority (AMHTA). The AMHTA has advised the Department of Administration that it will not renew the land lease beyond FY 05.

Mr. Swanson pointed out the lease for this facility expires at the end of the upcoming fiscal year, at which time the building would be demolished. The State, he reported, is responsible for addressing asbestos or soil contaminations found during the demolition. He remarked that the building is "World War II vintage" and therefore the extent of contaminants is unknown.

Alaska Land Mobile Radio
\$400,000 ASLC Dividend
Reference No.: 39024
Category: Development
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2005
Phased-Underway Project
Funding will be used to continue the process of converting Federal, State, and local emergency communications systems to technology that will provide for interoperability (the ability of different agencies with different communications systems to communicate across jurisdictions and with each other).

Mr. Swanson qualified this expense is more accurately an operating budget item, however, the project is not expected to continue in perpetuity. He stated the completion date is estimated to be during 2007, at which time this funding would no longer be needed.

Senator Dyson asked whether this funding would be utilized to construct repeater stations, or to purchase radios.

Mr. Swanson replied that most of this funding would be allocated to the salaries of staff working on this project. He explained that other funding sources, including federal funds, are utilized for purchasing the equipment.

Senator Dyson assumed much of the costs of maintaining the sites, and the individual radios would be borne as a homeland security expense.

Mr. Swanson stated that the project director would be better informed on this matter is unavailable.

Co-Chair Wilken asked the total estimated cost of the entire Alaska Land Mobile Radio system.

Mr. Swanson deferred to the unavailable staff.

Co-Chair Wilken characterized this project as a "moving target for several years". He offered to invite Jack Phelps to give a presentation on this project to the Committee.

STAN HERRERA, Director, Enterprise Technology Services Division, Department of Administration, testified that several cost estimates have been made and that he would provide the most current estimate.

Co-Chair Wilken commented that this request is only a portion of the \$20 million to \$30 million cost of the project.

Mr. Herrera replied this is likely true.

Enterprise Technology Services Equipment Replacement Fund
\$1,814,000 Information Services funds
Reference No.: 39286
Category: Development
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2005
On-Going Project

The purpose of this project is to purchase/lease the top priority equipment and services that will meet current and expected customer demand, within the amount collected through ETS chargeback rates for depreciation. These expenditures will maximize federal participation in this internal service fund.

Mr. Swanson noted this is an annual request to replace and refresh computer equipment. He referenced the list of intended purchases included in the Project Description/Justification statement.

Co-Chair Wilken asked if the funding source is from charges assessed to other State agencies for information technology services.

Mr. Swanson affirmed.

Public Building Facilities Projects
\$3,000,000 Public Building funds
Reference No.: 39025
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2005
Funding is necessary for continued maintenance of State-owned facilities that make up the group known as Public Building Fund facilities. These facilities include the State Office Building, the Alaska Office Building, the Community Building, the Douglas Island Building, the Atwood Building, the Fairbanks Regional Office Building, the Court Plaza Building, and the Dimond Court House.

Mr. Swanson noted the funds are collected from State agencies occupying the said facilities.

Central Mail Service Equipment

\$550,000 Inter-Agency (I/A) Receipts
Reference No.: 39035
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2005
Funding is necessary for replacement of mail inserting and
sorting equipment.

Mr. Swanson stated the intent is to accumulate funds to replace
equipment as it becomes obsolete.

Department of Community and Economic Development

TOM LAWSON, Director, Division of Administrative Services,
Department of Community and Economic Development, testified to the
seven projects the Department was requesting funding to undertake.

Re-Engineering Insurance Business Processes
\$525,000 Receipt Services funds
Reference No.: 39280
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2007
One-Time Project
This project will automate and modernize the Division of
Insurance's various on-line systems. The purpose is to
redesign the business processes currently in place to assure
competitive, viable, ethical and lawful insurance is available
to Alaskans.

Mr. Lawson informed this project would be funded with revenues
collected by the Division of Insurance. The result, he stated,
would be a "web based environment" that would allow all Division
offices to interface.

Community Development Grants
\$9,375,000
 \$9,200,000 Federal Receipts
 157,100 ASLC Dividend
 17,900 AHFC Dividend
Reference No.: 38943
Category: Housing/Social Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2009
State Match Required

On-Going Project

Multiple federally-funded programs, enabling DCED to provide grants to communities and non-profit organizations for community development.

Mr. Lawson gave examples of the various projects, including flood plain and erosion management program, economic development, multi-use facilities, and mapping.

Co-Chair Wilken asked if the source of the \$9.2 million federal funds was entirely from the Federal Emergency Management Agency (FEMA).

Mr. Lawson replied that \$300,000 is FEMA funds and \$300,000 is from the US Department of Agriculture, of which both sources require State matching funds. He pointed out that an additional \$8.6 million appropriation of federal Denali Commission funding would not require State Matching funds.

Community Block Grants

\$6,000,000 Federal Receipts

Reference No.: 38946

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2004 - 06/30/2009

On-Going Project

Multiple federally funded programs, enabling DCED to provide grants to communities and non-profits that provide services and/or benefit the low- to moderate-income individuals.

Mr. Lawson stated this project provides funds for use serving low-income residents and includes community services block grants, grants for food programs, and emergency shelter block grants. He listed two major sources of this federal funding: the US Department of Health and Social Services and Housing and Urban Development (HUD).

Language Section: Electrical Emergencies

\$330,000 Rural Electric fund

Reference No.: 32590

Category: Health/Human Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2004 - 06/30/2009

To provide technical support when an electric utility has lost the ability to generate or transmit power to its customers and the condition is a threat to life, health, and/or property in

the rural community.

Mr. Lawson outlined this item.

Language Section: NPR-A Impact Grant Program
\$3,190,170 NPR Fund
Reference No.: AMD38948
Category: Development
Location: Barrow
Election District: Arctic
Estimated Project Dates: 07/01/2004 - 06/30/2009
On-Going Project

This amendment changes the fund source from Federal to NPR [National Petroleum Reserve]. Grants to communities for public facilities and services. Priority is given to those communities directly or severely impacted by the leases and development of oil and gas within the National Petroleum Reserve.

Mr. Lawson pointed out that this item is included in the language section of the Governor's version of the FY 05 operating budget legislation. He characterized the fund source change as technical.

Mr. Lawson informed that this fall applications for projects totaling over \$7.5 million were submitted and that ten projects were chosen, at a cost of \$3,030,000.

Co-Chair Wilken referenced a report [copy not provided] detailing this program.

Co-Chair Wilken remarked that this continues the problem with a funding source that is contrary to the Alaska Constitution. He reported that efforts were undertaken during the previous legislative interim to address this issue.

Federal Energy Projects
\$35,750,000
 \$35,000,000 Federal Receipts
 500,000 I/A Receipts
 250,000 ASLC Bonds
Reference No.: 38950
Category: Health/Human Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2009
State Match Required
2% Minimum State Match Required
On-Going Project

Multiple federally funded energy programs of Bulk Fuel Upgrades, Rural Power Systems Upgrades, Alternative Energy and Energy Efficiency projects.

Mr. Lawson overviewed this item. He pointed out that the majority of funding for these projects would be appropriated through the Denali Commission and referenced the Project Description/Justification statement outlining this.

Morris Thompson Cultural and Visitors Center
\$250,000 ASLC Dividend
Reference No.: 39289
Category: Development
Location: Fairbanks Areawide
Election District: Fairbanks Areawide
Estimated Project Dates: 07/01/2004 - 06/30/2009
One-Time Project
Grant to provide funding for the Morris Thompson Cultural and Visitors Center.

Mr. Lawson stated this request would provide funding to continue the development of the Center. He listed the total cost of this multiple phased project at \$23 million.

Co-Chair Wilken relayed that he attended a presentation given by the Doyon Native Corporation, which provided a \$500,000 donation to begin the fundraising efforts for this project.

Mr. Lawson next addressed two items included in an amendment to the Governor's proposed FY 05 capital budget relating to Municipal Capital Grants and Unincorporated Matching Grants. He explained that these items pertain to balances held on behalf of municipalities and unincorporated communities for certain projects. He stated that these funds "got caught up on the CBR sweep" and were not retained from the previous fiscal year. This amendment, he explained, would reinstate these funds and would allow the communities one year to access and expend them. He pointed out that if the funds were not expended within the one-year time period, they would lapse into the State general fund. He further noted that balances less than \$1,000 would not be reinstated. He qualified this provision is dependant upon passage of SB 283.

Co-Chair Wilken clarified the \$4 million is intended for those communities that "saved money" from prior appropriations, which were eliminated with the CBR sweep. He asked whether this amendment would require additional funds.

Mr. Lawson answered it would not.

Department of Corrections

Deferred Maintenance, Repair, and Renovations
\$2,100,000 ASLC Bonds
Reference No.: 36788
Category: Public Protection
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2009
On-Going Project

JERRY BURNETT, Director, Division of Administrative Services, Department of Corrections, testified that the Department maintains approximately 133 building statewide, all of which are 20 years old or older. He stated this request would allow the Department to address the most essential and critical needs.

Co-Chair Wilken referenced the list of proposed projects in the Project Description/Justification statement and asked whether the projects were listed in priority order.

Mr. Burnett answered they are not.

Senator Dyson informed that he visited the prison facility in Sutton five years prior and learned that staff was attempting to replace defective equipment but were unable to convince management purchase the new equipment. He also stated that more funds are annually spent to keep the existing building alarm system operational than would be required to purchase a new system. He asked the witness the estimated replacement cost of such a system and asked if the legislature "makes it more difficult" to justify capital purchases than request funding to continually repair obsolete equipment.

Mr. Burnett replied he could provide the Department's priority schedule for equipment replacement. He commented that repairs made with bailing wire and duct tape is sometimes appropriate. He understood that the specific equipment Senator Dyson referenced were operational, but qualified that some buildings were past their useful lives.

Senator Dyson remarked that prudent management plans include a rational equipment replacement plan. He encouraged the Department to establish such a replacement plan.

Mr. Burnett informed that the Governor's Chief of Staff established a "lean efficiency team" to review the State's equipment fleet and

the management of that fleet.

SFC 04 # 26, Side A 10:38 AM

Mr. Burnett continued that one function of this team is to review equipment lifecycle and determine whether it is cost effective to maintain certain equipment beyond that lifecycle.

Co-Chair Wilken appreciated Senator Dyson's suggestions.

Senator Hoffman asked if the Murkowski Administration intended to address overcrowding of jails. He asked the priority of this.

Mr. Burnett responded that bills relating to the alleviation of overcrowding were introduced in both bodies of the legislature. He reported that the Administration deemed the matter as "an issue", although he could not speak to the priority order in comparison to other matters.

Senator Hoffman asked if the Administration deems overcrowding is therefore no longer a problem.

Mr. Burnett answered that he "would not say that".

Co-Chair Wilken ordered the bill HELD in Committee.

#

ADJOURNMENT

Co-Chair Gary Wilken adjourned the meeting at 10:40 AM