

MINUTES
SENATE FINANCE COMMITTEE
March 04, 2004
9:02 AM

TAPES

SFC-04 # 30, Side A
SFC 04 # 30, Side B
SFC 04 # 31, Side A

CALL TO ORDER

Co-Chair Gary Wilken convened the meeting at approximately 9:02 AM.

PRESENT

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

Also Attending: DEB DAVIDSON, Staff to Co-Chair Green; JANET CLARKE, Director, Division of Administrative Services, Department of Health and Social Services; PETE KELLY, former Senator, and Director, State Relations, University of Alaska; LINDA PEREZ, Administrative Director, Division of Administrative Services, Office of the Governor; DAN SPENCER, Director, Division of Administrative Services, Department of Public Safety; MIKE MAHER, Director, Division of Information and Administrative Services, Department of Environmental Conservation; DAN EASTON, Director, Division of Water, Department of Environmental Conservation; LARRY DIETRICK, Director, Division of Spill Prevention and Response, Department of Environmental Conservation;

Attending via Teleconference: From an offnet location: PAT PITNEY, Director of Budget Development and Institutional Planning, University of Alaska

SUMMARY INFORMATION

SB 1-INCREASE AMT OF BASE STUDENT ALLOCATION

The Committee adopted an amendment. The bill was held in Committee.

SB 35-APPROPRIATIONS: K-12, UNIVERSITY, CBRF

The Committee adopted a committee substitute and reported the bill from Committee.

SB 257-APPROP: CAPITAL PROJECTS

The Committee heard presentations from the Department of Health and Social Services, the University of Alaska, the Office of the Governor, the Department of Public Safety and the Department of Environmental Conservation on their budget requests. The bill was held in Committee.

Co-Chair Green recommended Committee members begin budget subcommittee work.

Senator Bunde asked the timeframe for presenting subcommittee budget closeouts to the full Committee.

Co-Chair Green stated she would provide that information, noting that scheduling adjustments were necessary due to the Legislature's commitment to address Alaska Permanent Fund matters the week of March 15.

#SB1

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 1

"An Act relating to the base student allocation used in the formula for state funding of public education; and providing for an effective date."

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

Co-Chair Wilken stated this bill "increases the student dollar in our base student allocation in our foundation formula." He remarked, "all of us have heard the school bell; it's rung" and that that this legislation is the start of addressing the need of adequate funding for education.

AMENDMENT #1: This amendment increases the base student allocation from the existing \$4,169 currently provided in AS.14.17.470 and the \$4,263 amount proposed in the bill, to \$4,576.

Co-Chair Green moved for adoption and commented that although she

supports this legislation, this amendment would be an improvement.

AT EASE 9:05 AM / 9:06 AM

Co-Chair Wilken objected for an explanation.

Co-Chair Green noted this amendment would increase the base student allocation, and result in an approximately \$82 million increase to the foundation funding formula distributed across the state over the FY 04 budget year.

Senator Bunde asked the increase per student over the current funding amount.

Co-Chair Green replied \$407.

Senator Bunde asked the reason for this amount of increase.

Co-Chair Green relayed concerns expressed regarding funding for each school district, along with the unanticipated increased costs of the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS) and increased insurance expenses of up to ten percent, which the school districts could not control. She shared that she has received comments from some districts that she has never before heard from, that despite efforts to control costs, increased funding for these expenses are necessary. She informed that this funding increase would allow districts to budget for the next two years.

Senator Bunde remarked that his was "well aware" of the PERS/TRS "problem" but expected it should be funded separately rather than "lock it in" to the base student allocation. He supported utilizing the earnings reserve fund for these expenses. He also noted that although this increase would eliminate the budget deficit of the Anchorage School District, it would also increase the allowable local contribution. He characterized this proposal as "good news/bad news."

Co-Chair Green hoped that most of the districts that have requested the legislature solve the funding problem understand that this proposed increase would increase the local funding limits and allow districts to increase local contributions. She remarked that this would allow community members to "participate" in the fiscal situation of their school districts. She also expressed that no funding increases would be requested the following year, given the total increase of the foundation funding formula and funds generated locally. She predicted this increase would address the PERS/TRS situation for one to two years, although she understood

that a multiple year solution of five to twenty years would be required. She remarked that this increase should convey that the legislature is accepting responsibility and that local government taxpayers and citizens should also accept responsibility.

Senator Bunde pointed out that 24 districts would not provide increased local contributions because they make no contributions currently.

Co-Chair Wilken commented that some school districts do not contribute to the education expenses in their community and therefore those districts would not receive increased local funding.

Senator Hoffman asked if the intention is that the PERS/TRS expenses would be addressed within the base student allocation funding, and whether this funding would be sufficient according to school districts' estimates. He understood from meetings with some school district representatives that this funding plus an additional one-time allocation is necessary.

Co-Chair Green shared that the funds indicated by district representatives as necessary for the PERS/TRS and other increases would be provided for in the amendment. She predicted that these funds would be adequate for most of the larger school districts but qualified that some smaller districts could have an anomaly and require a different solution. She stated that this amendment would provide funding necessary for the PERS/TRS increased expense in those districts she addressed.

Senator Hoffman pointed out this funding increase would be statutory and does not address the operating budget. He asked how this proposal compares to Governor Murkowski's budget request and his plans, noting that the Governor has announced he would support a draw from the CBR of no more than \$400 million for FY 05 and that the legislature must generate an additional \$200 million in revenue, while this amendment would increase the budget \$82 million. Senator Hoffman asked if the intent would be that the legislature would increase the amount of revenue generated to \$282 million, or reduce other appropriations to accommodate this increase. He recalled the Governor's comments to the Conference of Alaskans emphasizing his adamancy about dramatic budget reductions. Senator Hoffman asked Co-Chair Green if the intent is to meet the Governor's expectation of withdrawing no more than \$400 from the CBR.

Co-Chair Green replied that this amendment this is the first portion of the budget process and represents an \$88 million

increase for education. She anticipated that the Governor would support this funding increase because he supports education; she anticipated "great cooperation".

Senator Hoffman supported the concept of this amendment; however he countered that the Governor also supports operating government without withdrawals from the CBR. He pointed out that the governor has a "red pen" i.e. authority to exercise the line item veto on appropriation legislation and has the final say unless the legislature overrides the veto with a three-quarters majority vote. Senator Hoffman remarked this is a high standard. He emphasized that he supports education funding but needed assurance from Co-Chair Green that the governor would also support an increased budget and not exercise the line item veto authority to limit the CBR draw to \$400 million.

Co-Chair Green reiterated this is the first portion of the budget process and that more would be known in the coming weeks. She informed that she has been in discussions with the Governor.

Senator Hoffman asked if Governor Murkowski exercised the line item veto, whether the legislature would "take a stance" and override those vetoes.

Senator Hoffman agreed with this increased funding for education and that it should be appropriated before the end of the legislative session, provided that the Senate Minority's goal to spend monies from the CBR as a last option is achieved.

Senator Bunde noted he has heard this amendment would cost \$82 million and also \$88 million and asked the correct amount.

Co-Chair Wilken stated that the cost of SB 1, as amended would be \$82 million.

Co-Chair Wilken removed his objection and the amendment was ADOPTED.

Co-Chair Wilken noted those present to testify to this bill.

Co-Chair Wilken ordered the bill HELD in Committee.

AT EASE 9:23 AM / 9:23 AM

#SB35

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 35

"An Act making appropriations for the operating and loan

program expenses of state government, for certain programs, and to capitalize funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

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

Co-Chair Wilken noted this legislation, sponsored by the Senate Rules Committee at the request of the Governor, proposes the FY 04 operating budget and was first heard in the Senate Finance Committee on April 14, 2003. He noted the distribution to members of a proposed committee substitute, Version "U".

Senator Hoffman distributed a legal opinion issued by Tamara Cook, Director of the Division of Legal and Research Services, dated March 3, 2004, relating to the principles of the Public Meetings Act, specifically to adequate notice of hearings on legislation.

Senator Hoffman commented to the importance to the public to know which legislation would be heard in a committee. He understood that a bill could be brought before a committee without advance notice if that bill had been previously noticed for a hearing; however, he remarked it is unreasonable to expect the public to adequately track each bill that has had a previous hearing.

Senator Hoffman was unaware that this bill would be brought up until late the previous night and cited the last paragraph of the aforementioned memorandum as follows.

The Select Committee on Legislative Ethics is charged with determining how the legislative ethics statutes, including AS 24.60.037, apply to certain fact situations. (AS 24.60.160) I, frankly, have no idea whether any subject matter notice of a meeting is required under AS 24.60.037 or, if it is, whether the notice provided in the situation you describe is inadequate for purposes of adhering to open meetings principles. In any case, advice I might give is not binding on the Select Committee. (AS 24.60.158)

Senator Hoffman stated that as a layperson, he was unsure that consideration of this bill would meet the requirements of the Open Meetings Act, so he therefore requested a determination by the Select Committee on Legislative Ethics. He therefore requested that no action be taken on this legislation until adequate notice has been provided.

Co-Chair Green moved to adopt CS SB 35, 23-GS1002\U, as a working document.

Co-Chair Wilken objected for an explanation.

Co-Chair Green explained this committee substitute provides an increase to the education foundation funding formula.

AT EASE 9:28 AM / 9:28 AM

DEB DAVIDSON, Staff to Co-Chair Green, detailed that the committee substitute appropriates funds for K-12 education and the University of Alaska in the amount requested by Governor Murkowski in his proposed FY 04 budget. She furthered that Section 3 of the committee substitute contains standard language to transfer funds from the Constitutional Budget Reserve (CBR) fund. Section 4, she concluded, provides language stipulating that contingent upon approval of access to the CBR with a three-quarter-majority vote of both bodies of the legislation; an additional appropriation could be made to K-12 education and the University of Alaska.

Senator Bunde asked the amount of funding for FY 04 requested by the Governor.

Ms. Davidson replied that the allocations provided in Sections 1 and 2 for K-12 education and the University of Alaska are the amounts requested by the governor based on the current foundation funding formula.

Senator Bunde identified the \$82 million referenced earlier and asked if \$5.8 million was the intended appropriation for the University of Alaska.

Ms. Davidson affirmed.

Senator Bunde asked the reason for this amount.

Co-Chair Green responded this funding is intended to offset increased University expenditures for the Public Employees Retirement System (PERS) and the Teachers Retirement System (TRS).

Senator Bunde asked if the PERS/TRS cost to the University is \$5.8 million.

Co-Chair Green answered the cost is higher, and that this appropriation would provide a portion of the necessary funds.

Senator Bunde commented that this appropriation would not fund the entire amount, despite the challenge to raise the remaining funds necessary.

Co-Chair Green replied that certain employees of the University might not be included in the PERS/TRS programs, and instead hold federally funded or grant funded positions.

Senator Hoffman requested an explanation of Section 4 of the proposed committee substitute.

Ms. Davidson explained that the provision of Section 4 is contingent upon the approval of this bill by a three-quarter vote of the legislature. She furthered that the amount of money appropriated in this section occurs only upon legislative approval to access funds from the CBR.

Senator Hoffman asked if only \$82 million would be withdrawn from the CBR.

Ms. Davidson could not say the exact amount that would be appropriated from the CBR. She noted that the CBR draw would be the difference in the total amount appropriated in the FY 05 budget and the amount of revenues received. She stated that if the difference is larger than \$82 million, the full amount might be withdrawn from the CBR, but if the budget gap were smaller, less would be required from the CBR.

Senator Hoffman reiterated his comments in support of the committee substitute to SB 1, but cautioned against spending from the State's savings account before having a complete understanding of the total financial position. He stated that spending from the general fund is better policy. He noted that the legislature would be addressing the operating budget over the next few months and recommended that decisions on this matter be delayed for a few days for further review.

Senator Olson remarked that the matter in which this committee substitute is presented is uncommon. He pointed out that Section 5 provides that authority to withdraw funds for the increased education appropriation from the CBR would be retroactive to July 1, 2003. He noted this would affect two budget cycles, although the time period to consider this action is limited.

Co-Chair Wilken affirmed.

Senator Olson found this "highly unusual".

Co-Chair Wilken removed his objection and the committee substitute was ADOPTED.

Co-Chair Green remarked that the public is "fully aware" of the dynamics of funding budgets each year. She expressed intent to pass a budget that "fully funds [education] very early". She disputed Senator Hoffman's comments regarding spending from the State's savings account first. She cited Ms. Davidson's testimony that revenue in relation to expenses is considered first. She informed that currently the amount of revenue generated is strong and if it continues to increase, further discussion of an "ominous draw" from the CBR would not be an issue. She noted that economists and revenue forecasts predict continued revenue increases, which would provide adequate funds to fully fund the education increase. She spoke to the need to "hold down" special interest requests that would impact the CBR. She stressed that if funds were withdrawn from the CBR they should be for education expenses. She stated this is the reason for the provisions in the committee substitute. She expected that school districts would be appreciative of this legislation after many years of requests. She suggested that if some Committee members require additional time to consider this proposal, they have not been listening to the needs of districts for several years.

Senator B. Stevens supported modification of SB 1 and he supported an appropriation bill that provides for the funding increase for K-12 education. He remarked that this concept "puts forward" the priority of the twenty-third legislature, which is Kindergarten through University of Alaska education. He was willing to commit up to 42 percent of the budget "up front" to education to allow educators to "know their budget" and to eliminate the question of whether adequate funding is available for the increased base student allocation. He accessed that adequate funding would be available in the State budget to fund this increase in FY 05 and future years. He pointed out that multiple funding sources are available to the legislature to appropriate. He reiterated that increased funding for education is "priority number one" and once addressed would allow consideration of other matters.

Senator Hoffman "wholeheartedly" agreed, funding education makes good public policy; however, he stressed that general funds should be used. He questioned a proposal to utilize CBR funds when general funds were available. He suggested that if increased education funding is the number one priority, then it should be funded from the general fund with only a simply majority vote of the legislature, rather than from the CBR, which requires a three-quarter majority vote of the legislature to authorize. He announced he would likely vote in favor of this bill, but against the motion

relating to the effective date. He indicated he would then reconsider the proposal after the bill passed the House of Representatives and was before the Senate again.

Senator Hoffman recalled the initial legislation that established the CBR account, noting he served as chair of the House Finance Committee when it was debated and was therefore informed on the subject. He stressed the intent that the CBR be utilized as a savings account only after all aspects of the budget are considered, including public safety and health care appropriations.

Senator Olson also supported increased funding for education but found the proposal to appropriate from CBR objectionable. He acknowledged that the public might be aware of the budgetary process, but pointed out that not permitting public testimony on the matter prevents the legislature from being fully aware of the situation.

Senator Bunde relayed discussions he has had with school board representatives in which he learned that districts are required to issue "pink slips" to staff and employees if adequate funding for positions is in question. He stressed the benefit of providing assurance of this funding as soon as possible.

Senator Bunde continued that the oil and revenue forecasts predicting the future of the CBR have always been incorrect. He doubted that an annual budget would not require funding from the CBR, and therefore argued that the issue of granting access to withdraw funds from the CBR is irrelevant.

Senator B. Stevens pointed out this legislation does not specify an amount that would be withdrawn from the CBR, but rather provides for a withdrawal of the amount necessary.

Co-Chair Green offered a motion to report CS SB 35, 23-GS1002\U from Committee with individual recommendations.

Senator Hoffman objected and spoke to the Public Meetings Act. He charged that adequate public notice was not provided and asked why action could not be delayed until the following Monday.

Co-Chair Wilken noted the original version of SB 35 was the proposed FY 04 operating budget, and that this committee substitute is a simple appropriation that does not require several days to understand. He stressed the importance to expedite the legislation and assured that opportunity would be available to further consider the legislation.

Senator Dyson commented that he prefers a significant amount of time to consider matters, but was satisfied that the education funding increase is near the amount the Governor has proposed for education funding and therefore did not require additional time to review the legislation. He added that he considers amendments offered on the Senate floor to be questionable in their adherence to the public notice provisions of the Public Meetings Act, given that Senators are provided no time to consider the implications. He surmised that the offering of this committee substitute is not a unique practice.

SFC 04 # 30, Side B 09:50 AM

Co-Chair Wilken asked if Senator Dyson was speaking to the motion to report the bill from Committee.

Senator Dyson replied that he was speaking to the objection to the motion. He informed that he tried to attend and participate in a Minority Caucus meeting that had been publicly noticed, but was asked to leave.

Co-Chair Wilken directed the Members to cease commenting on the Open Meetings Act.

Co-Chair Green told of "endless" correspondence relaying "pleas" from many organizations representing education and children. She remarked that this legislation represents the requests and would allow districts to plan their budget year.

Senator Hoffman removed his objection citing his earlier comments.

Senator Olson pointed out that Section 3 of the bill does not specify the amount that would be withdrawn from the CBR and expressed his apprehension of "signing a blank check".

Co-Chair Wilken commented this Committee has "heard the school bell; it's been rung." He continued, " This legislation is the way that we can answer the call.

There was no objection and CS SB 35 (FIN) MOVED from Committee.

AT EASE 9:53 AM / 9:55 AM

#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 third hearing for this bill in the Senate Finance Committee.

The Committee continued hearing overviews of capital budget requests.

Department of Health and Social Services

Emergency Medical Services Ambulances and Equipment Statewide-Match for Code Blue Project

\$325,000 ASLC Dividend

Reference No.: 33797

Category: Health/Human Services

Location: Statewide

Election District: Statewide

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

State Match Required

On-Going Project

The request will provide funding to match federal dollars and other funding to purchase ambulances and other emergency medical equipment needed in rural Alaskan communities.

JANET CLARKE, Director, Division of Administrative Services, Department of Health and Social Services,

AT EASE 9:56 AM / 9:56 AM

Ms. Clarke noted that extensive information about this program has been provided to the Committee in the past. She reminded that this funding would be utilized to purchase lifesaving equipment for volunteers.

Senator Dyson asked if the Department of Transportation and Public Facilities owned these vehicles.

Ms. Clarke answered no. She described the grant program in which local governments or volunteer emergency organizations have ownership of the vehicles.

E-Grants

\$204,000

\$67,300 Federal Receipts
136,700 G/F Match
Reference No.: 39148
Category: Health/Human Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2009
State Match Required
Phased Project - New
Design and build an automated system for the management of all aspects of grant administration, including on-line grant application, award and reporting.

Ms. Clarke indicated she had provided members with detailed information outlining the intended use of this appropriation [copy on file.]

Ms. Clarke informed that the Department provides over \$165 million in grants to local non-profit organizations, which is a "very paper intensive" process. She told of funding that would be requested for FY 06 to complete this project.

Co-Chair Wilken asked whether this project is modeled after other states.

Ms. Clarke replied that the Department surveyed other states and found that many have not undertaken these efforts. She reported that the Department has been reviewing those that have implemented an automated system and that sufficient information is available on the procedures and software programs employed.

Denali Commission Grants for Non-Primary Care Facility Improvements
\$10,000,000 Federal Receipts
Reference No.: 39823
Category: Health/Human Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2009
On-Going Project
This request will provide funding for rural hospitals, behavioral health facilities and assisted living homes for planning, design, medical equipment, and construction. This request consists of federal funds that are granted to the Department of Health and Social Services from the Denali Commission.

Ms. Clarke informed that the Denali Commission requested that the

Department administer approximately \$3.5 million granted to hospitals across the State, as the Denali Commission was unprepared to interact directly with hospitals. The Denali Commission, she stated, therefore requested to "tap into" the Department's grant administration infrastructure. She noted that the Denali Commission has agreed that a portion of the \$10 million could be utilized to fund an additional staff position within the grant management section.

Co-Chair Green asked whether utilizing a State agency to administer federal grants and subsequently receive a percentage of the grant funding, is a new concept in state government. She asked how this program would evolve, expressing concern that if the grants were discontinued, whether the Department would be forced to eliminate the federally funded position.

Ms. Clarke replied that the funding source for this staff position is categorized as CIP receipts, and that the intent is to maintain a core staff within the agency that could be funded with capital funds. She assured that the Department avoids over-staffing, and that in the event of a reduction in capital infrastructure development, staff holding certain positions are aware that their positions would be eliminated.

Co-Chair Green acknowledged this is the "factual side", but that reality is different. She exemplified other pilot projects in which federal funding was used to establish a program, but were not provided to continue the services. In these instances, she contended that the State is "seen as the bad guy" when the legislature does not appropriate State funds. She cautioned against allowing this to occur with this proposal. She recognized a division between the State and the Denali Commission, acknowledging that the efforts of the Denali Commission have received acclaim, but are not included in the State budget. She wanted to insure against interdependency.

Co-Chair Wilken furthered that many items in the State budget rely on "outside money" and that programs remain even if those funds are no longer available. He agreed that if this proposal is a pilot project, it should be ensured that federal funding would continue once the program is established.

Senator Olson noted the project description for this item indicates the Department intends to utilize up to two-percent of the funds for administrative costs associated with administering the grants. He asked the percentage of the funds that would be utilized for hospital and non-primary care facilities.

Ms. Clarke replied that the amount would be the difference between the \$10 million appropriation and the two percent withheld for administrative expenses.

Senator Olson calculated the amount differently.

Ms. Clarke responded that two percent is an estimate negotiated with the Denali Commission and that the difference is likely a "rounding issue".

Replacement of the Public Health Center and Pioneers' Home Telephone Systems

\$206,400

\$21,400 Federal Receipts

185,000 G/F Match

Reference No.: 37964

Category: Health/Social Services

Location: Statewide

Election District: Statewide

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

State Match Required

One-Time Project

The phone systems in the Fairbanks, Mat-Su and Interior Health Centers and the Sitka, Ketchikan and Juneau Pioneers' Homes are over 10 years old and in need of replacement. These facilities are public facilities that provide vital medical services and residential services. These facilities need to have reliable phone service in order to serve the public and their clients on a daily basis. This request provides funding to replace the aging phone systems in six facilities.

Ms. Clarke informed that when the Department began planning to implement telemedicine systems, they were directed to delay purchase of new phone systems. She emphasized the dependence of these facilities on phone systems.

Juneau Family Birth Center Land Purchase

\$150,000 ASLC Dividend

Reference No.: 39287

Category: Health/Human Services

Location: Juneau Areawide

Election District: Juneau Areawide

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

One-Time Project

This request will provide grant funds directly to the Juneau Family Birth Center to purchase land for construction of a new community family center in Juneau.

Ms. Clarke directed attention to an aerial photograph showing the land in question [not provided]. She stated it was deemed important that this project have State investment given other partners the Center is seeking and the design of the project. She assured Senator Dyson that this facility does not perform abortions. She also noted that 80 percent of the facility's revenue is generated from billings with the remainder received in grants.

Co-Chair Wilken pointed out that this appropriation is necessary to secure additional funding from the Rasmussen Foundation and the Murdock Foundation. He asked whether this appropriation is "good faith money".

Ms. Clarke affirmed.

Mental Health - Deferred Maintenance and Accessibility Improvements

\$400,000 Mental Health Trust Authority Authorized Receipts (MHTAAR)

Reference No.: 33670

Category: Health/Human Services

Location: Statewide

Election District: Statewide

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

On-Going Project

This program makes capital funds available on a competitive basis to Mental Health Trust service provider agencies for deferred maintenance and accessibility improvements for program facilities.

Ms. Clarke reminded that this item has been included in the capital budget for several years.

Mental Health - Essential Program Equipment Grants to Service Providers

\$350,000 MHTAAR

Reference No.: 33672

Category: Health/Human Services

Location: Statewide

Election District: Statewide

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

On-Going Project

The request will provide capital equipment grants through competitive RFP [request for proposals] process for agencies providing services, activities and programs for Mental Health Trust beneficiaries. Priority would be made to fund providers who do not have the minimum of computer equipment to be able to adequately manage the new Alaska Automated Information

Management System for behavioral health.

Ms. Clarke noted this item has also been included in the capital budget for many years. She told of the requests received by senior citizens and disabled for these grants.

Mental Health - Van/Vehicle and Housing Modifications for Families or Individuals

\$300,000 MHTAAR

Reference No.: 33671

Category: Health/Human Services

Location: Statewide

Election District: Statewide

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

On-Going Project

This project provides housing and vehicle modification funds for people with special needs. Vehicle modification funds are for individual with developmental disabilities or special needs for their families for modifications to make their vehicles accessible.

Ms. Clarke stated this special appropriation is not related to the Department of Transportation and Public Facilities special transportation coordination program. Rather, she explained program is directed to undertaking vehicle modifications for those with special disabilities along with housing modifications. She stated these efforts allow the recipients to remain in their homes and subsequently provide the Department "a lot of bang for the buck."

Senator Hoffman requested a list of communities that have received these funds and the specific years of the allocations.

Ms. Clarke pointed out that this budget request shows anticipated State general fund and mental health matching funds of \$300,000 for the years of FY 05 through FY 10. However, she noted that the full amount has not always been appropriated in the past. She responded to Senator Olson's request informing a bi-annual list has been maintained, but not an annual list.

Mental Health - Transitional Housing

\$500,000 MHTAAR

Reference No.: 38368

Category: Health/Human Services

Location: Statewide

Election District: Statewide

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

On-Going Project

The project will fund capital construction costs to build

services enriched transitional housing for individuals recovering from substance abuse disorders.

Ms. Clarke explained this funding would be used on a thorough competitive basis for nonprofit organizations to provide transitional housing. She informed that some form of transitional housing is necessary for recovery of some patients. She stated that the Mental Health Trust Authority supports this use of funds.

Mental Health - Fairbanks Detoxification Unit Expansion and Renovation

\$1,450,000 Federal Mental Health Funds

Reference No.: AMD38366

Category: Health/Human Services

Location: Fairbanks (Fairbanks/Fort Wainwright)

Election District: Fairbanks/Fort Wainwright

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

One-Time Project

This project will provide capital funding to expand detoxification services in the Fairbanks area to those unable to obtain medical detoxification services due to the current limited capacity. This population is largely composed of Mental Health Trust beneficiaries under the Chronic Alcoholism with Psychosis criteria.

Ms. Clarke informed that the amendment to this project would require a title change to the project description. She characterized this as a federal project utilizing Denali Commission funding. She stated this proposal would utilize funding appropriated the previous year for consideration of a new facility.

Mental Health - Treatment-Based Special Needs Housing Program
\$400,000

\$250,000 Alaska Housing Finance Corporation (AHFC)
Dividend

150,000 MHTAAR

Reference No.: 37901

Category: Health/Human Services

Location: Statewide

Election District: Statewide

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

On-Going Project

The Department of Health and Social Services program provides funding to develop special needs housing for Trust beneficiaries that cannot be funded under AHFC because of statutory limitations.

Ms. Clarke explained that the AHFC is statutorily unable to fund

these projects directly because of treatment programs operated within the facilities.

Mental Health - Consumer Designed and Managed Projects
\$250,000 MHTAAR
Reference No.: 34042
Category: Health/Human Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2009
On-Going Project
Proposals request funds to plan or carry out consumer-run facility and community projects.

Ms. Clarke gave as an example the program operated at the Polaris House and Ionia, Inc. in which participants learn to determine appropriate mental health treatment. She indicated she has photographs showing the success of this program, which she could provide if requested.

Senator Hoffman asked the communities where these facilities are located.

Ms. Clarke responded Ionia Inc. is located in Kasilof and the Polaris House is located in Juneau and that she would provide information on other locations.

Mental Health - Medicaid Review and Enhancement Project
\$300,000 MHTAAR
Reference No.: 39033
Category: Health/Human Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2009
One-Time Project
Medicaid Review and Enhancement Project for all four beneficiary groups. Approximately 50% of the funding will be limited to the Division of Senior and Disability Services.

Ms. Clarke read a portion of the project description justification language as follows.

This project will explore, develop, and implement ways to use Medicaid to fund new services or maximize resources for existing services to underserved beneficiaries.

Ms. Clarke emphasized any recommendations would have to comply with the cost containment directive from the legislature.

Mental Health - Provider Resource Sharing and Coordination
\$150,000 MHTAAR

Reference No.: 34039

Category: Health/Human Services

Location: Statewide

Election District: Statewide

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

On-Going Project

Fund will be used to pilot recommendations at the local or regional provider level and provide resources to make changes at the State level (i.e. regulatory changes).

Ms. Clarke stated the intent of this item is to investigate methods to engineer and re-engineer the delivery of services and coordination between nonprofit organizations.

Mental Health - Update Issues Affecting Economic Well-Being of Alaska Seniors

\$30,000 MHTAAR

Reference No.: 39029

Category: Health/Human Services

Location: Statewide

Election District: Statewide

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

One-Time Project

This request will fund a study that will determine the impact of a reduction in senior income and the resulting effect on the safety net to provide senior services.

Ms. Clarke explained this project would update a report undertaken a few years prior.

University of Alaska

PAT PITNEY, Director of Budget Development and Institutional Planning, University of Alaska, testified via teleconference from an offnet location and referenced the publication titled "Fiscal Year 2005 Operating & Capital Budget Requests, Executive Summary" [copy on file], which she stated represents the Board of Regents' budget proposal.

It was determined that Committee Members would identify project requests they wished to have overviewed.

Co-Chair Wilken asked if the projects were listed in the publication in priority order.

Ms. Pitney affirmed.

Integrated Science Facility
UAA, Anchorage
State Appropriation: \$13,600,000
Total Project Cost (FY 05-10): \$46,400,000

Ms. Pitney informed that this project is the Board's highest priority. She reported that the first phase was funded through bonds approved by voters in the general election of two years prior. She said the funds requested for the next phase would provide necessary classrooms vital to health and science courses and classroom laboratories. She noted that current activities are "very constrained". She stated that the estimated total project cost increased to \$70 million with \$46.4 million remaining. She noted the original cost estimate was \$54.8 million

PETE KELLY, former Senator, and Director, State Relations, University of Alaska, added that \$8.4 million has already been appropriated from the general obligation bonds approved by voters two years prior. He relayed these funds could be utilized for some planning and construction expenses.

Senator B. Stevens commented this was the first he heard of increase cost of the project, and asked the reason.

Ms. Pitney replied that the increased costs were identified as the planning process progressed. She noted that the Board of Regents only recently approved the increase.

Senator B. Stevens pointed out the increase is almost 30 percent and he requested an itemized presentation of the changes. He asked when the original cost estimates were calculated.

Co-Chair Kelly responded that design changes are necessary to accommodate a larger influx of students than anticipated three years ago. He also noted constructions costs in the State have increased substantially.

Co-Chair Wilken requested a further outline of this project.

Replacement of Research Vessel
\$80,000 Federal Receipts
Reference No.: 38921
Category: University
Location: Juneau Areawide
Election District: Juneau Areawide
Estimated Project Dates: 07/01/2004 - 06/30/2009

One-Time Project

The request is for federal receipt authority for a federal appropriation to replace the Alpha Helix Research Vessel.

Senator Dyson asked the source of the federal funding.

Ms. Pitney answered the funds would be appropriated from the National Oceanic and Atmospheric Administration (NOAA). She added that the University of Alaska would become the administrator and manager of the ship. She told of the use of the ship by NOAA and the process in which the University serves as the agent of the ship.

Senator Dyson asked if the University of Alaska becomes the owner of the ship.

Ms. Pitney affirmed and noted the University conducts research utilizing the vessel as well.

Senator Dyson asked when the ship would be commissioned.

Ms. Pitney replied it would be commissioned three years from now.

Senator Dyson commented that the research vessel program has undertaken "wonderful projects". He requested specifications and preliminary drawings and the plans for manning the new vessel, as well as the plans for the current ship once it is replaced. He also asked where the new vessel would be home ported.

Ms. Pitney replied the new vessel would be home ported in Seward, noting that the existing dock must be modified to accommodate the new vessel.

Senator Dyson understood that the use of federal funds for State vessels often contains provisions to allow the vessel to be used during a state of emergency. He asked if this provision is included in this project as well.

Office of the Governor

National and International Marketing and Development of Alaska
Resources and Products
\$1,000,000 AHFC Dividend
Reference No.: 39284
Category: Development
Location: Statewide

Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2007
One-Time Project
Promotions, research and development of Alaska's resources and products including oil and gas.

LINDA PEREZ, Administrative Director, Division of Administrative Services, Office of the Governor, reminded that \$1.02 million was appropriated in 1997 for this purpose, and that a balance of \$113,000 remains. She informed that the intent is to "replenish this fund to support the Governor's priorities to expand and develop Alaska's resources".

Co-Chair Wilken asked if a business plan indicating how these funds would be spent has been developed.

Ms. Perez replied one has not been developed but offered to provide a history of past expenditures.

Senator B. Stevens requested a breakdown of the resources and markets that would be targeted.

Ms. Perez stated she would provide this information.

Arctic National Wildlife Refuge Oil and Gas Development
\$500,000 ASLC Dividend
Reference No.: 39283
Category: Development
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2007
On-Going Project
Advocate the state's interest in opening the Arctic National Wildlife Refuge to oil and gas development.

Ms. Perez reported that a fund intended to promote ANWAR development was established in 1993 and this request is to replenish the account, given that efforts are still underway.

Pacific Coastal Salmon Recovery Fund
\$20,868,000 Federal Receipts
Reference No.: AMD33647
Category: Natural Resources
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2008
On-Going Project
Federal fiscal year 2004 (FFY04) appropriations legislation

contains funding for the Pacific Coastal Salmon Recovery Fund (PCSRF). Coordination of individual state funding is through the respective Governor's offices. The Alaska portion of the FFY04 appropriation is \$20.9 million. Funding comes to the state through a Memorandum of Understanding with the U.S. Department of Commerce designating the Alaska Department of Fish and Game as the program manager.

Ms. Perez reminded that the Department of Fish and Game has testified to this item.

Replace the Voter Registration and Election Management System (VREMS)
\$5,450,000 Election Fund
Reference No.: 39040
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2007
Phased Project - Underway
Replace the Voter Registration and Election Management System (VREMS) and continue meeting the mandates of the Help America Vote Act of 2002 (HAVA).

Co-Chair Wilken asked if this project would utilize the remainder of the federal funds appropriated for the implementation of HAVA.

Ms. Perez answered it would not.

Co-Chair Wilken pointed out expenditures to date has been \$14 million.

Americans with Disabilities Act Compliance Projects
\$100,000 General Funds
Reference No.: 6391
Category: Health/Human Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2006
On-Going Project
This project continues the removal of physical barriers to persons with disabilities within state-owned facilities as required by Title II of the Americans with Disabilities Act, Public Law 101-336. Funding covers the cost of design, project administration, and construction. Aside from the legal requirements, removal of physical barriers will negate the need for temporary program modifications which are currently required of the facilities' occupants. Office of Management

and Budget allocates available funding to the Department of Transportation (DOT) for state facility ADA compliance projects based upon DOT's prioritized project list. The requested FY 2005 funds will continue work from the statewide priority list.

Ms. Perez stated this funding has been included in the budget for many years.

DELETE: Vessel and Aircraft Maintenance for ADF&G and DPS

\$0

Reference No.: AMD39282

Category: Public Protection

Location: Statewide

Election District: Statewide

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

On-Going Project

Original vessels and aircraft deferred maintenance funding placeholder project of \$899,600 is now split between the Departments of Fish and Game and Public Safety and project funding requested by those departments.

Ms. Perez explained the request was included in the original Office of the Governor budget proposal.

Co-Chair Wilken commented this item has been overviewed in the budget requests of other departments.

Department of Public Safety

Law Enforcement Equipment Replacement

\$600,000 General Funds

Reference No.: 37774

Category: Public Protection

Location: Statewide

Election District: Statewide

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

On-Going Project

Purchase of new and replacement law enforcement equipment used by the Alaska State Troopers. The Division of Alaska State Troopers which now includes the Alaska Bureau of Wildlife Enforcement, rely upon capital improvement project funding for those types of equipment purchases for day-to-day operations.

DAN SPENCER, Director, Division of Administrative Services, Department of Public Safety, outlined this request.

Aircraft and Vessel Repair and Maintenance

\$749,600 General Funds
Reference No.: AMD6121
Category: Public Protection
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2005
On-Going Project

The Department of Public Safety annually requests repair and maintenance funds for the DPS aircraft and vessels. These funds are for the repair, replacement and maintenance requirements of this department's aircraft and vessel fleet. For example, the funds will be used to rebuild vessel and aircraft engines and components when they reach the limits of safe useful life. Large marine diesel engines and aircraft engines require expert vendors to rebuild them. Many other components of vessels and aircraft must be maintained or replaced routinely to ensure safe operating conditions and comply with various safety regulations.

Mr. Spencer noted this request was originally included in the Governor's proposed budgets for the Office of the Governor, the Department of Fish and Game and the Department of Public Safety. He outlined this annual project for keeping aircraft and vessels operational and to meet Federal Aviation Administration (FAA) standards.

Public Safety Aircraft, Vessel and Parts Sales
\$572,900 General Fund/Program Receipts
Reference No.: AMD38439
Category: Public Protection
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2008
One-Time Project

Sale of four aircraft and surplus aircraft parts and accessories and thirteen vessels and surplus vessel parts and accessories.

Mr. Spencer informed that this item is a companion to Reference Number 6121, Aircraft and Vessel Repair and Maintenance. He explained this item would allow the revenue from the sale of aircraft and surplus parts to fund maintenance and repair of retained equipment.

Firefighting Breathing Apparatus Replacement
\$112,500 General Funds
Reference No.: 37785
Category: Public Protection

Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2005
One-Time Project

Purchase 45 self contained breathing apparatus (SCBA) and related equipment used to conduct basic and advanced fire training at the three state operated regional training centers in Anchorage, Fairbanks and Juneau. These new units are necessary to comply with national equipment standards and OSHA regulations.

Mr. Spencer reminded that one-half of the requested funds were appropriated for this project the previous fiscal year. He stated that due to the importance of this equipment the Department is requesting the remaining funds in this budget.

Rural Trooper Housing Repairs and Renovation
\$147,500 General Funds
Reference No.: 38995
Category: Public Protection
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2005
On-Going Project

The Department's Rural Trooper Housing program provides state owned employee housing in rural Alaska locations where housing is traditionally scarce. This project will fund repairs and renovation of these state-owned units, all of which were built 30 years or more ago.

Mr. Spencer reported that 15 housing units are old and have not been maintained. He warned of the expensive repair costs in rural areas if pipes freeze and break.

Senator Dyson asked whether local craftspeople and contractors would be employed to undertake these maintenance and repair projects.

Mr. Spencer was unsure the residency of previous workers, but assumed local contractors and laborers would be utilized because of faster response times.

Senator Dyson asked if the contracts for these projects are subject to labor agreements.

Mr. Spencer indicated he would research the matter.

Training Academy Handgun Range Repairs

\$45,000 General Funds
Reference No.: 39000
Category: Public Protection
Location: Sitka
Election District: Sitka/Wrangell/Petersburg
Estimated Project Dates: 07/01/2004 - 06/30/2005
One-Time Project
This project funds needed repairs to the Department of Public Safety Training Academy's handgun range.

Mr. Spencer reported that officers must undergo updated training operations. He told of the bullet holes at the facility and the necessity to shoot in certain directs to avoid those holes.

SFC 04 # 31, Side A 10:40 AM

Statewide Facilities Maintenance
\$37,500 General Funds
Reference No.: 38976
Category: Public Protection
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2009
On-Going Project
Facilities Maintenance for DPS occupied, state-owned buildings in 14 communities throughout Alaska.

Mr. Spencer commented on the insignificant amount of this request.

Additional Village Public Safety Officers for Rural Bootlegging Prevention & Enforcement Activities
\$2,000,000 Federal Receipts
Reference No.: ADM39352
Category: Law and Justice
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2009
Federal funding to hire and equip additional Village Public Safety Officers to engage primarily in bootlegging prevention and enforcement activities.

Mr. Spencer informed that up to ten-percent of this appropriation would be retained by the Department for administrative expenses.

Co-Chair Wilken asked if the expectation is this program would be ongoing.

Mr. Spencer was unsure.

Senator Bunde remarked that some federal grants for law enforcement activities create an obligation for the State to continue funding programs and positions. He asked if this is the case with this grant.

Mr. Spencer was not aware that the State would be required to assume financial responsibility in this instance.

Rural Law Enforcement Training and Equipment
\$2,000,000 Federal Receipts
Reference No.: 38479
Category: Public Protection
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2004 - 06/30/2006
One-Time Project

The Department of Justice, Office of Community Oriented Policing Services, is expected to award the Department of Public Safety \$2,000,000 to train law enforcement personnel in rural locations to increase their ability to deal with crisis situations and to purchase equipment for better responses to emergencies.

Mr. Spencer noted this funding would allow rural law enforcement to be as well equipped as possible.

Co-Chair Wilken asked if these efforts have always been funded with federal appropriations.

Mr. Spencer answered yes.

Statewide Illegal Drug and Alcohol Use
\$2,000,000 Federal Receipts
Reference No.: 38477
Category: Public Protection
Location: Statewide
Election District: Statewide
Estimated Project Dates: 10/01/2004 - 06/30/2006
One-Time Project

Rural Alaska continues to suffer serious, life threatening effects from use of illicit drugs and alcohol. This federal grant will allow the state to enhance the efforts of state troopers, local law enforcement, and community policing teams to reduce illicit drugs and alcohol. The use of these illicit substances increases the prevalence of violent crimes such as

homicide, sexual assaults, robberies, burglaries, and serious domestic violence assaults.

Mr. Spencer stated the State has received this grant funding for a couple of years. He reported that bootlegging continues to be a big issue in the Bush. He stated that the Department of Public Safety, in conjunction with the Department of Law to dedicate a prosecutor position as a member of the team addressing these matters.

Marine Fisheries Patrol Improvements
\$1,080,300 Federal Receipts
Reference No.: 35825
Category: Public Protection
Location: Statewide
Election District: Statewide
Estimated Project Dates: 10/01/2004 - 06/30/2005
On-Going Project

The Alaska State Legislature urged the division to seek additional funds for its patrol efforts in federal waters of the North Pacific Ocean and Bering Sea. This project is a result of lengthy negotiations with the National Marine Fisheries Service. Federally regulated marine fisheries occur on a year-round basis in the coastal and offshore waters of the State of Alaska. Both the federal and state governments share an interest in ensuring these fisheries are protected.

Mr. Spencer explained the federal funds are utilized to support the costs of enforcement, noting that the Alaska Bureau of Wildlife Enforcement addresses both State and federal matters.

Emergency Vehicle Operation Drivers Training Range
\$650,000 Federal Receipts
Reference No.: 38998
Category: Public Protection
Location: Sitka
Election District: Sitka/Wrangell/Petersburg
Estimated Project Dates: 10/01/2003 - 06/30/2006
One-Time Project

This project allows use of federal funds expected to be available for planning and construction of an emergency vehicle operation drivers training range at the Public Safety Training Academy in Sitka.

Mr. Spencer expressed the intent is to acquire land adjacent to the Academy and construct a driving course. He told of emergency responses and the higher incidences of crashes due to the type of driving required. He stressed the need to provide the best training possible, adding that emergency workers in rural communities are

unable to practice high speed driving. He also shared that the Department is attempting to secure federal funding to purchase a simulator, but informed that simulators are not as effective for training as actual driving.

AT EASE 10:45 AM / 10:46 AM

Department of Environmental Conservation

Co-Chair Wilken referenced a report issued by the Division of Legislative Audit and a spreadsheet outlining the allocation of funds to the Village Safe Water Program since 1985.

MIKE MAHER, Director, Division of Information and Administrative Services, Department of Environmental Conservation, testified that the budget request for FY 05 is reduced from the current year by approximately \$24 million and also contains no general funds. He reminded that the previous budget was funded with AHFC Dividend funds, noting that this request also includes ASLC Bond funds.

Village Safe Water Project Administration

\$2,125,900

\$ 531,500 AHFC Dividend

1,594,400 Federal Receipts

Reference No.: 33820

Category: Health/Human Services

Location: Statewide

Election District: Statewide

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

State Match Required

On-Going Project

This proposed project provides funding for the operating costs of the Village Safe Water Program. It contributes to the agency's End Result 2 -- Citizens are Protected from Unsafe Sanitary Practices. Drinking water and sewerage facilities constructed with grant funds protect rural residents from unsafe sanitary practices.

DAN EASTON, Director, Division of Water, Department of Environmental Conservation, reminded that this program issues grants to the State's smallest communities for water projects. He pointed out the program utilizes 70 percent federal funding and that the amount is the same as the previous year. He stated that this funding is included in the operating budget, as it is utilized for engineers travel expenses and other operational costs.

Senator Dyson asked if the Village Safe Water projects were listed in priority order.

Mr. Easton answered the projects are listed in alphabetical order.

Senator Dyson expressed concerns about the oversight of the administration of the program as identified in the Division of Legislative Audit report. He wanted assurance that the problems do not exist or that they are being addressed.

Statewide Contaminated Sites Cleanup
\$3,000,000 Oil/Haz Fund
Reference No.: 33826
Category: Health/Human Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2005 - 06/30/2009
On-Going Project

This project funds assessment and cleanup of highest priority state-owned sites or sites where the responsible party is unknown or has refused to take appropriate action. Work includes assessment, clean up, monitoring, and site closure. These projects will contribute directly to the department's end result of protecting the environment by cleaning up historical contaminated sites.

LARRY DIETRICK, Director, Division of Spill Prevention and Response, Department of Environmental Conservation, stated these funds would address 29 priority sites, 22 of which are State-owned facilities. He stated that the remaining seven sites have been identified as high priority, although securing funding for this effort from the responsible parties has been determined to be unfeasible. He noted this request is \$2 million lower than the amount appropriated the previous year due to a declined balance of the Oil and Hazard Fund.

Spill Response VHF Communications Upgrade
\$300,000 Oil/Haz Fund
Reference No.: 38899
Category: Health/Human Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2005 - 06/30/2010
Phased - New Project

This project provides funding to replace an aging VHF two-way radio communications system. The system includes handheld radios, vehicle radios and repeaters in Prince William Sound and Cook Inlet that were installed in the late 80's and are nearing the end of their life expectancy. Spare parts are no longer available. This project contributes to Department of

Environmental Conservation's end result of protecting the environment by making timely response and cleanup of pollution possible. As the State's primary response agency for oil and hazardous materials incidents, Department of Environmental Conservation must have a reliable communications system to ensure responders quickly deploy spill resources, mitigate environmental damage, and enhance recovery of damaged areas.

Mr. Dietrick reported that the current system is so old that replacement parts are not longer available.

Statewide Hazardous Materials Response

\$300,000 Oil/Haz Fund

Reference No.: 38898

Category: Health/Human Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2005 - 06/30/2010

One-Time Project

This project protects public health and the environment by making timely response and cleanup of hazardous materials possible. It provides funding to sustain the Statewide Hazardous Materials Response Team by; maintain readiness/response capabilities for primary teams located in Anchorage, Fairbanks, Valdez and Southeast Alaska; provide training classes and exercises in communities at risk from a release of toxic chemicals; conducting a major joint federal/state/local hazardous materials response exercise to test capabilities and increase awareness; and funding training and equipment replacement/upgrades.

Mr. Dietrick stated this project would relieve the State from primarily undertaking these efforts, and instead allow participation from federal and local entities.

Mr. Dietrick informed that chemical releases from canneries are a high risk. He added that this funding represents the State contribution to maintain the capability.

Municipal Water, Sewer and Solid Waste Matching Grant Projects
\$6,742,600

\$6,498,100 ASLC Bonds

244,500 Federal Receipts

Reference No.: 33824

Category: Health/Human Services

Location: Statewide

Election District: Statewide

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

State Match Required
On-Going Project

This proposed project provides funding for grants to communities to construct water, sewer and solid waste facilities. It contributes to the agency's End Result 2 -- Citizens are Protected from Unsafe Sanitary Practices. Drinking water and wastewater facilities constructed with grant funds protect citizens from unsafe sanitary practices.

Mr. Easton misspoke and stated the amount of this appropriation at \$7.8 million.

Mr. Easton stated that unlike the Village Safe Water Program, this item relates to projects undertaken in larger communities. He noted this program requires up to 15 percent matching funds from the local government, depending upon the population of the community. He also pointed out this funding request is approximately \$2.7 million less than the current fiscal year appropriation.

Co-Chair Wilken pointed out that although no general funds are requested for capital projects for FY 05, general funds are anticipated for this and other items in future years.

Senator B. Stevens asked the amount of general funds utilized for this project in previous years. He also requested a breakdown of funding to be requested in future years for projects undertaken in the prior four years.

Mr. Easton replied he would gather that information.

Village Safe Water Feasibility Studies
\$1,222,500

\$305,800 AHFC Bonds

916,700 Federal Receipts

Reference No.: 33821

Category: Health/Human Services

Location: Statewide

Election District: Statewide

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

State Match Required

On-Going Project

This proposed project provides funding for grants to small communities to plan water and sewer facilities. It contributes to the agency's End Result 2 -- Citizens are Protected from Unsafe Sanitary Practices. Drinking water and sewerage facilities constructed with grant funds protect rural residents from unsafe sanitary practices.

Mr. Easton noted this funding request is a decrease of approximately \$1.4 million from the current fiscal year appropriation. He explained this item relates to the engineering studies that "form the basis" of the Village Safe Water Program and are used to match communities with appropriate projects.

Senator Bunde asked if local matching funds are required to receive these grants.

Mr. Easton replied that no local matching funds are required for the Village Safe Water Program.

Village Safe Water Projects

\$78,046,800

\$19,512,500 AHFC Bonds

58,534,300 Federal Receipts

Reference No.: 33822

Category: Health/Human Services

Location: Statewide

Election District: Statewide

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

State Match Required

On-Going Project

This proposed project provides funding for grants to small communities to design and construct water and sewer facilities. It contributes to the agency's End Result 2 -- Citizens are Protected from Unsafe Sanitary Practices. Drinking water and sewerage facilities constructed with grant funds protect rural residents from unsafe sanitary practices.

Mr. Easton informed this funding request is approximately the same as the appropriation for the current fiscal year. He noted the individual projects are detailed in 46 budget allocation requests.

Co-Chair Wilken referenced the aforementioned spreadsheet detailing the funding allocated to various projects. He asked if the database includes previous projects and planned projects.

Mr. Easton affirmed and noted previous funding amounts are included in the database.

Co-Chair Wilken acknowledged the efforts of the Division to organize and detail the projects.

Co-Chair Wilken recalled concerns expressed by Co-Chair Green resulting in the Division of Legislative Audit report. He relayed that Co-Chair Green requested the budget subcommittee review the audit and identify ways to "fix...some past transgressions and past

practices" that were perhaps "inappropriate or well managed". He surmised Co-Chair Green's intent is that this review effort be ongoing in future years.

Mr. Easton commented that the Village Safe Water Program "is not a stranger to audits." Most audits of the program, he noted, focus on accounting of funds and whether funds are properly appropriated, and that the findings have indicated no discrepancies. He disputed much of the findings in the current audit, opining that auditors have trouble understanding construction and the confusion results in recommendations the Division does not always agree with. He noted that Senator Dyson has requested a more detailed response to the audit.

Senator Dyson reiterated that the Department disagrees with much of the findings of the audit.

Mr. Maher reported that since audit was issued the Department has considered more involvement of the Division of Administrative Services as well as establishing a procurement position within the Division to oversee appropriations. He qualified that such oversight is not always appropriate. He assured that internal methods to address the issue are under consideration.

Senator B. Stevens noted that as a member of the Legislative Budget and Audit Committee he is satisfied with the Village Safe Water Program. He understood that abuses occurred in the past and he wanted assurances that they would not reoccur. He also stressed the importance that these issues are addressed, cautioning that abuses jeopardize the entire program.

Senator Bunde furthered that the abuses referenced by Senator B. Stevens could not be considered acceptable construction procedures. He contended that the discrepancies in the audit are not because auditors do not understand construction practices.

Mr. Maher shared that the Department directed the Human Resources Manager to review the audit and identify any ethical violations. The review, according to Mr. Maher found no such violations. He assured the Department is taking the information in the audit seriously.

Co-Chair Wilken stated that the audit would not be debated at this time; rather, the budget subcommittee would review the matter under the direction of Senator Dyson.

Senator Dyson commented he did not "want to raise the level of expectations." He explained that the budget subcommittee would be

unable to fully investigate the matter without significant resources.

The bill was HELD in Committee.

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ADJOURNMENT

Co-Chair Gary Wilken adjourned the meeting at 11:07 AM