

HOUSE FINANCE COMMITTEE
February 16, 2006
1:43 p.m.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:43:56 PM](#).

MEMBERS PRESENT

Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Richard Foster
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Beth Kerttula
Representative Carl Moses
Representative Bruce Weyhrauch
Representative Mike Chenault, Co-Chair

MEMBERS ABSENT

Representative Jim Holm

ALSO PRESENT

Nancy Slagle, Director, Division of Administrative Services, Department of Transportation and Public Facilities; Cheryl Frasca, Director, Division of Management & Budget, Office of the Governor; Tom Lawson, Director, Administrative Services, Department of Community and Economic Development; Bill Rolfzen, Local Government Specialist, Department of Commerce, Community and Economic Development; Robin Taylor, Deputy Director, Alaska Marine Highway System, Department of Transportation and Public Facilities; Sharleen Griffin, Director, Division of Administrative Services, Department of Corrections; Samuel Thomas, Director, Division of Administrative Services, Department of Commerce, Community and Economic Development; Larry Ostrovsky, Assistant Commissioner, Division of Finance, Department of Health and Social Services; Kathryn Daughhetee, Director, Administrative Services Division, Department of Law; Doug Wooliver, Administrative Attorney, Alaska Court System; Bill Popp, Kenai Economic Development, Arctic Winter Games Committee; Laura Baker, Budget Chief, Division of Administrative Services, Department of Health and Social Services; John Cramer, Director, Administration Services Division, Military and Veterans Affairs; Nico Bus, Acting Director, Division of Administrative Services, Department of Natural Resources; Linda Perez, Administrative Director, Office of the Governor; Pat Pitney, Associate Vice President, University of Alaska Southeast

PRESENT VIA TELECONFERENCE

Kristin Ryan, Director, Division of Environmental Health, Department of Environmental Conservation; Sarah Fisher-Goad, Alaska Industrial Development and Export Authority; Mark Smith, Crowley Marine, Anchorage

SUMMARY

HB 421 "An Act making supplemental appropriations, capital appropriations, and other appropriations; amending appropriations; making appropriations to capitalize funds; and providing for an effective date."

HB 421 was heard and HELD in Committee for further consideration.

HB 369 "An Act making special, supplemental, capital, and other appropriations, amending appropriations, and making appropriations to capitalize funds; and providing for an effective date."

HB 369 was heard and HELD in Committee for further consideration.

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HOUSE BILL NO. 421

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

DEPARTMENT OF TRANSPORTATION

Section 9(a) Capital - Highways and Aviation

Whittier Tunnel portal jet fan replacement due to catastrophic failure of the #2 portal jet fan. Jet fans are necessary to operate the Whittier Tunnel as they force the carbon monoxide gases out of the tunnel. There are two fans at each end of the tunnel - one is for normal use and the other is required backup during repair or failure of the other. Without this second fan, the tunnel must be closed to accommodate any maintenance of the remaining fan. \$504.2 GF

NANCY SLAGLE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, explained that request 9(a), for the replacement of a backup

jet fan in the Whittier Tunnel, is a safety issue. The fan has been ordered and needs to be in place before the high-traffic season.

Section 9(b) Capital - Airport Improvement Program
Appropriation

The Airport Improvement Program Appropriation will increase by \$15,100.0 from \$470,150.1 to \$485,250.1 because of the increases in the allocations listed below:

Section 9(c) Capital - Airport Improvement Program
Allocation

Amended: Cordova: Airport Runway Safety Area Expansion
\$3,000.0 FF

Section 9(d) Capital - Airport Improvement Program
Allocation

New: Unalakleet: Airport Paving \$12,100.0 FF

Ms. Slagle reported that 9(c), the airport improvement program in Cordova, is a Federal Aviation Administration (FAA) special project, which provided grant funds last August. The runway safety area is deficient, and FAA is constructing an arresting system rather than increasing the size of the runway. The grant also provides for snow removal equipment and warranty for repairs. The plan is to install the system in April with completion sometime in July.

Co-Chair Meyer asked if this item requires a state match. Ms. Slagle replied that it does. She explained how the match is achieved. Co-Chair Meyer asked if the money is being taken from another project. Ms. Slagle said it is not.

Ms. Slagle spoke to 9(d), which involves paving the Unalakleet airport runway. This project was also funded by a FAA two-year grant received in August. She pointed out that degradation of the runway has caused jet engine damage and Northern Air Cargo will not land there anymore. Advertising has been sent out and the project has to be completed within the two-year time frame.

Section 9(e) Capital - Surface Transportation Program
Allocation

The Surface Transportation Program appropriation will increase by \$15,000.0 from \$373,604.7 to \$388,604.7 because of the increase to the allocation listed below:

Section 9(f) Capital - Surface Transportation Program
Allocation

Amended: National Highway System (NHS) and Non-NHS
Pavement and Bridge Refurbishment \$15,000 FF

Ms. Slagle explained that 9(e) is the appropriation level for 9(f). She related the types of repair work covered in this preventative maintenance program. Examples of these projects include Homer area paving, Palmer roads, Seward Highway, Fairbanks ditches and storm drains, Tok cutoff, Steese expressway, Chena road, Wrangell roads, Petersburg roads, and Yakutat paving.

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Co-Chair Meyer asked if there is a state match on that item as well. Ms. Slagle said the state match is less than 10 percent.

Representative Hawker asked if the federal government had earmarked those projects. Ms. Slagle said no. The Department of Transportation determined that those projects were cost beneficial and needed the most. Representative Hawker requested information on the evaluation process to choose the projects. Ms. Slagle explained the evaluation process and offered to provide more information on the criteria. Representative Hawker asked if the determination involved public input. Ms. Slagle explained the project review process.

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Ms. Slagle explained the amendment proposed on 2/06/06, DOT A, \$1,500.0 Federal Funds, regarding the Kotzebue sand building. Early approval of this project will allow a contract to be awarded in April 2006. Then there will be time for the contractor to order, obtain, and barge the materials before freeze up in 2006 to avoid losing a season of construction time. Ms. Slagle related that because of delays in the Nome airport project, flexibility in the program allowed this project to be added. This grant project is also a match.

HB 421 was heard and HELD in Committee for further consideration.

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Co-Chair Chenault presided over HB 369.

HOUSE BILL NO. 369

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

CHERYL FRASCA, DIRECTOR, DIVISION OF MANAGEMENT & BUDGET, OFFICE OF THE GOVERNOR, reported that HB 369 was the first supplemental introduced the first week of session. Early introduction was important because HB 369 addresses high energy costs experienced around the state. She spoke of the requests as assistance to individuals and local governments for high-energy costs. A large share of community assistance is the Small Municipal Energy Assistance Program agreed upon last session. This one-year program is being considered for a second year. Power Cost Equalization and the Bulk Fuel Bridge Loan Program are also up for reconsideration.

Ms. Frasca highlighted the Low Income Home Energy Assistance Program (LIHEAP), a state contribution to a federally funded program. She overviewed various assistance programs covered by this legislation. She pointed out that \$23 million would go to state agencies. The largest amount of that is for the Alaska Marine Highway System, almost \$15 million, and is time-critical. There is \$6.5 million for gas line work. \$500,000 is for the Artic Winter Games due to timing of the games in early March. There have been several amendments made since the bill was written.

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DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT

Section 3 - Community Advocacy

Bulk Fuel Bridge Loan Program \$500.0 GF

SAMUEL THOMAS, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, explained that rural Alaskan communities are highly dependent on petroleum products. He explained that many of the problems stem from high heating costs. He mentioned the Power Cost Equalization Program and the Alaska Energy Authority Program. Last year the legislature approved the Small Municipality Assistance Program to help communities meet their needs. Each program has its limitations. This year the legislature came up with the Bulk Fuel Bridge Loan Program designed to help the communities that don't qualify for a fuel loan administered by Alaska Energy Authority to receive a short-term loan. Since the program was started, most communities have repaid the loan. The Rural Alaska Field Service program (RAFS) really helped to administer the loan. He spoke of

additional funds requested to run RAFS. It all comes down to high fuel costs.

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Co-Chair Chenault asked if one of the programs was designed to try to keep the costs of fuel at the cost of what it was two years ago. He shared an example of rising heating costs in his area. Mr. Thomas said that is the intent of the Department of Commerce.

Section 1 - Community Advocacy

Small Municipality Energy Assistance Program - SMEAP
\$6,405.2 GF

Mr. Thomas explained that the SMEAP grant serves 135 small cities in rural Alaska for the repayment of any indebtedness to the bulk fuel revolving loan fund and for the purchase of fuel.

Co-Chair Chenault responded that there are currently many communities affected by this program, which was supposed to be a one-year program. He wondered what the difference is between Power Cost Equalization (PCE) and SMEAP.

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BILL ROLFZEN, LOCAL GOVERNMENT SPECIALIST, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, clarified the difference between SMEAP and other programs. PCE is used to benefit individual residents to reduce the high cost of electricity, and SMEAP is a fuel program for municipalities.

Representative Kelly asked why schools were missing from the list of recipients of fuel aid. Mr. Rolfzen replied that most of the municipalities are too small to support a school district. The program did not look at if the city had a school or not, it only considered size. With the elimination of revenue sharing, these communities rely on funding for up to 40 percent of their operating budget.

Representative Kelly asked if there was any accounting for alternative fuel sources. Mr. Rolfzen replied that only population was considered.

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MARK SMITH, CROWLEY MARINE, ANCHORAGE, spoke in support of the municipal funding part of the bill. He maintained that this money is critical for communities that depend on these funds, many of which are in financial distress.

Section 7 - Capital - Grant to "2006 Arctic Winter Games Host Society"

Funding for the Arctic Winter Games that take place
March 5-12, 2006. \$500.0 GF

BILL POPP, KENAI ECONOMIC DEVELOPMENT, ARCTIC WINTER GAMES COMMITTEE, explained how the Arctic Winter Games are run. He spoke about the history of the games, its goals, and obstacles to those goals. He related how the games are funded. In 1996 when the games were held in Eagle River, it was a \$1.2 million line item for the State of Alaska. The current budget is at \$5 million. He shared information about funding sources. The private sector has come up short with contributions this year due to the Katrina effect. He requested an appropriation of \$500,000 for the games in March.

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Co-Chair Chenault asked about Department of Defense (DOD) money. Mr. Popp responded that in late December his committee was told that DOD funds were not available, which had been previously earmarked for the Arctic Winter Games.

DEPARTMENT OF CORRECTIONS

Section 4(1) - Institutional Facilities

Fuel Cost Increase \$405.0 GF

SHARLEEN GRIFFIN, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF CORRECTIONS, spoke of a request for funds to cover the cost of increased fuel prices for propane, natural gas, and heating fuel.

Ms. Griffin explained DOC A, 1/30/06, an amendment which deals with the overcrowding situation in Fairbanks and the need to convert a vacant building to house prisoners. Fairbanks has the capacity of 211 offenders and is currently running at 222 to 300 inmates. She spoke of increased transport costs as a result of the overcrowded conditions. In response to a question by Co-Chair Chenault, Ms. Griffin replied that a tent was used last year, but was destroyed in an escape attempt.

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Representative Stoltze referred to fuel cost increases and asked if there are any Cleary vs. State of Alaska issues that limit fuel efficiencies. Ms. Griffin spoke to Cleary recommendations regarding temperature ranges. She noted that Cleary is no longer a driving force due to the Personal Litigation Act.

Ms. Griffin, referring to a previous question by Co-Chair Meyer, related that the cost of in-state care per day was \$110.08 until December 31, and now it is at \$107.42 per day.

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DEPARTMENT OF COMMERCE

Section 2(a) - Power Cost Equalization and Rural Electric Capitalization Fund

Capitalization of the Power Cost Equalization Fund to fully fund program. \$5459.9 GF

Section 2(b) - Alaska Energy Authority (AEA) Power Cost Equalization

Full funding of the Power Cost Equalization (PCE) program. \$5817.9 PCE Fund

SARAH FISHER-GOAD, ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY, reference a spreadsheet, "Power Cost Equalization Funding and Pro Rata Levels". (copy on file) She explained that the requested funding would allow AEA to pay PCE at approximately 99 percent of the full-funding level for FY 06. The second column shows the current funding level of \$18,700.0 and the estimated average pro rata level. The average pro rata level will be 75 percent for FY 06. Currently, the pro rata level is at 78 percent, and 66 percent is expected in March. The remaining columns show the history of PCE funding.

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DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Section 4(2) - DEC Buildings Maintenance and Operations

Annualizes fuel and utilities costs for new Environmental Health Lab. The original fiscal note for construction of the Environmental Health Laboratory included estimates for out year operating costs. Changes have occurred since the fiscal note was first prepared in FY 02 in both the cost of utilities (fuel and electricity), and the amount of energy consumed by technologies employed in the laboratory. \$98.8 GF

KRISTIN RYAN, DIRECTOR, DIVISION OF ENVIRONMENTAL HEALTH, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, explained the increased costs to heat the new Environmental Health Laboratory.

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DEPARTMENT OF HEALTH AND SOCIAL SERVICES

Section 4(3)(A) - Alaska Psychiatric Institute

Fuel Cost Increase \$89.0 GF

Section 4(3)(D) - Pioneer Home

Fuel Cost Increase \$308.0 GF

Section 4(3)(E) - Probation Services

Fuel Cost Increase \$176.8 GF

Section 4(3)(F) - Public Health Laboratories

Fuel Cost Increase \$55.1 GF

LAURA BAKER, BUDGET CHIEF, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, provided an introduction to the Department Health and Social Services' fuel increase estimates in 24-hour facilities. A 28 percent fuel cost increase is projected for FY 06. Ms. Baker listed the cost by facility.

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Responding to a question by Co-Chair Meyer, Ms. Baker clarified that the nursing fuel increase and state facility rent costs are calculations provided by the Department of Administration and are for state-leased buildings.

Section 4(3)(B) - Energy Assistance Program

Adds state funds to the federal Low Income Home Energy Assistance Program (LIHEAP). Application period runs from September 1, 2005 - April 30, 2006 and are 18 percent higher than last year at this time (department had projected a 1.6 percent increase). \$8,800.0 GF

Ms. Baker went on to discuss LIHEAP, a federal program which provides heating fuel assistance for families demonstrating need. She noted that fuel costs in the state had increased by 90 percent in the past two years. She informed the committee that a portion of the appropriation would be directed toward the state LIHEAP program and another portion toward a Native LIHEAP program.

Representative Foster asked about the actual poverty level in Alaska. Ms. Baker clarified that for a family of four, \$36,000 would represent 150 percent poverty level.

Co-Chair Meyer requested information about the formula for federal funding. Ms. Baker responded that LIHEAP is 100 percent federally funded at \$11.3 million. The state LIHEAP program receives \$7.8 million and \$3.4 million goes to tribal providers. She also responded that there was no funding in the budget for the following year.

Co-Chair Meyer observed that the amount seemed significantly high.

Representative Joule commented that in Kotzebue the elderly were surveyed regarding their heating needs. The survey revealed that their heating systems were very old, and they could not afford to purchase more than 55 gallons of fuel at a time. He also noted that in addition to those who don't meet the poverty standard, there are those who also need assistance.

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Representative Hawker asked why the 24-hour facilities operated statewide are not asking for supplemental appropriations. Ms. Baker replied that those facilities that traditionally have concerns were looked at. She also clarified that juvenile justice systems are included in probation services.

Responding to a question by Representative Hawker regarding full funding for juvenile justice systems, Ms. Baker said she would need to follow up on the question.

Representative Hawker observed that the Department of Health and Social Services has a \$1.8 billion dollar budget and yet is still asking for supplemental appropriations. He suggested that there was not enough effort to conserve.

Co-Chair Chenault referred to the total of \$1.23 million requested by the Department. He recalled that legislators had requested initial numbers for 2005/06, which he stated were estimated at \$365,800. He asked for the reason for this discrepancy between the OMB fuel costs.

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Ms. Baker referred to the cost comparison, which did show a 17.8 percent increase. She clarified that the cost analysis of electricity, natural gas, propane, and heating oil, actually totals a 20.7 percent increase. If only 24-hour facilities are considered, it comes out to a 28 percent increase based on a 17 percent increase the prior year, and 26 percent this year. She noted that the legislature had funded a supplemental increase last year.

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MILITARY AND VETERANS AFFAIRS

Section 4(4)(A) - Army Guard Facilities Maintenance

Fuel and Utility Increases
\$684.6 GF and \$7.8 Inter-Agency
Receipts

Section 4(4)(B) - Air Guard Facilities Maintenance

Fuel and Utility Increases \$100 GF, \$300 FF

Section 4(4)(C) - Alaska Military Youth Academy

Fuel and Utility Increases \$32.2 GF

JOHN CRAMER, DIRECTOR, ADMINISTRATION SERVICES DIVISION, MILITARY AND VETERANS AFFAIRS, noted that the first request is for 216 Army Guard facilities with utilities, most in rural locations. He explained that the second request is for 50 Air National Guard facilities for heating costs and utilities. The third request is for 23 Alaska Military Youth Academy facilities. He noted that the request represents a 33 percent increase.

Co-Chair Chenault again compared the OMB summary to the agency request, which varied by \$700,000. He noted that percentages were different from agency to agency and needed further attention.

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DEPARTMENT OF NATURAL RESOURCES

Section 4(5) - Parks Management

Fuel and Utility Increases \$92.0 GF

NICO BUS, ACTING DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF NATURAL RESOURCES, requested \$92,000 of additional funding for Park facilities throughout the state. He noted that Park facilities depend on fuel, and the request represents a 30 percent increase in costs. Other programs fall under Resource appropriations, but Parks is in a unique and single appropriation, experiencing not only energy problems, but also problems in collecting needed revenues.

Representative Hawker asked what services would be reduced if the funding were not approved.

Mr. Bus noted that a number of activities in the 121 Park units would be minimized. He offered to go through a list

of these services with legislators. There are 397 buildings to maintain with utilities.

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DEPARTMENT OF TRANSPORTATION

Section 4(6)(A) - Central Region Facilities

Heating Oil and Electricity Price Increase \$433.8 GF

Section 4(6)(B) - Northern Region Facilities

Heating Oil and Electricity Price Increase
\$469.2 GF, \$155.1 Inter-Agency Receipts

Section 4(6)(C) - Central Region Highways and Aviation

Diesel Fuel and Gasoline Price Increase \$806.9 GF

Section 4(6)(D) - Northern Region Highways and Aviation

Diesel Fuel, Heating Oil, and Electricity Price
Increase \$768.8 GF

Section 4(6)(E) - Southeast Region Highways and Aviation

Diesel Fuel and Gasoline Price Increase \$75.0 GF

Section 4(6)(F) - Anchorage International Airport Facilities

Electricity, Natural Gas/Propane Price Increase
\$555.9 International Airports Revenue Fund

Section 4(6)(G) - Anchorage International Airport Field and
Equipment Maintenance

Utility and Equipment Fuel Price Increase
\$186.6 International Airports Revenue Fund

Section 4(6)(H) - Marine Vessel Operations

Fuel Price and Usage Increase \$14,774.9 GF

NANCY SLAGLE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES spoke to Section 4(6), a requested increase for utilities and equipment fuel. She explained that (A) and (B) are for Central and Northern Region facilities components, responsible for maintaining 600 to 700 buildings with increased heating fuel, electricity, water, and sewer costs.

Ms. Slagle referred to (C) and (D), specific to equipment fuel needed for heavy and light duty equipment used to

maintain road systems. She predicted approximately \$2.65 per gallon, averaging prices from various areas statewide. She noted that prices were different in the northern and central regions.

Ms. Slagle referred to (F) and (G) which pertain to the Ted Stevens Airport. She noted that they were anticipating an increase of 20 percent for electricity, natural gas, and equipment fuel.

Ms. Slagle noted that (H) is the largest request, which would cover the increased cost of fuel for marine vessel operations.

ROBIN TAYLOR, DEPUTY DIRECTOR, ALASKA MARINE HIGHWAY SYSTEM, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, stated that the Marine Highway replacement fund has been exhausted and stressed that the current appropriation was time critical.

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Section 8(a) - Capital - Congressional Earmarks

Increase Congressional Earmarks appropriation of \$69,469.6 by \$9 million Federal funds to \$78,469.6 for the Ketchikan: Shipyard Improvements project allocation below. \$0.0 GF

Section 8(b) - Capital - Ketchikan: Shipyard Improvements

New ship lift to accommodate construction of Expeditionary Craft (E-Craft) for the Office of Naval Research (ONR), a \$30.0 million contract. DOT's proposed FY 07 capital budget includes \$42.5 million in Federal funds, but \$9.0 million is required earlier for March 2006 construction bid (FY 07 capital budget will be amended to reduce by the \$9.0 million). This is a SAFETEA-LU Earmark.

Ms. Slagle went on to describe Section 8 as a reauthorization bill for work on the Ketchikan shipyard. She explained that the shipyard needed a ship lift in order to meet a deadline to build a \$30 million vessel. She stated that bids would be awarded in March, in order to advertise for the project. She also stressed that the funding was time critical.

Representative Hawker asked if this was part of federal highway appropriations. Ms. Slagle noted that this project existed outside of the regular entitlement program. She stated that she would follow up with Representative Hawker on whether it had been earmarked for this purpose.

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OFFICE OF THE GOVERNOR

Section 6(a) - Executive Office

Work related to the state gas pipeline and to bringing
North Slope natural gas to market for FY 06 and FY 07.
\$1,000.0 GF

LINDA PEREZ, ADMINISTRATIVE DIRECTOR, OFFICE OF THE GOVERNOR, explained that the request covers costs for travel, consultants, staff resources, and negotiation meetings. This request was amended on 2/6/06 to reduce the amount from \$1 million to \$500,000 and deleting the FY 07 lapse date.

Representative Stoltze asked if the use of the governor's jet was paid for from these funds. Ms. Perez stated that was not the case.

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UNIVERSITY

Section 4(7)(A-0) - Various Campuses

Fuel and Utility Increases \$2,800.0 GF

PAT PITNEY, ASSOCIATE VICE PRESIDENT, UNIVERSITY OF ALASKA SOUTHEAST, stated that the University request was directly related to fuel cost increases. She noted that these costs of \$2.8 million were not funded in the previous year's budget.

Ms. Pitney referred to a comparison between actual and projected costs. She related that there was a 2.8 percent increase, and emphasized that January might prove more expensive due to cold weather. Ms. Pitney noted constant energy efficiencies, such as turning the heat down when not needed.

Co-Chair Chenault pointed out a typographical error stating a \$22 million increase.

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COURT SYSTEM

Section 4(8) - Trial Courts

Fuel Cost Increase \$87.1 GF

DOUG WOOLIVER, ADMINISTRATIVE ATTORNEY, ALASKA COURT SYSTEM referred to the request of \$87.1 for energy cost increases, most of which come from the Anchorage, Palmer, and Fairbanks facilities.

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DEPARTMENT OF LAW

Section 6(b) - Oil, Gas, and Mining

Will exhaust FY 06 funding by March 2006. Anticipate expenditures of \$3.9 million for the remainder of FY 06 and \$1.5 million in FY 07. Funds for actual pipeline negotiations and other oil and gas projects (Federal Energy Regulatory Commission (FERC), Exxon Royalties).
\$5,400.0 GF

LARRY OSTROVSKY, ASSISTANT ATTORNEY GENERAL, DEPARTMENT OF LAW, noted in regard to prospective royalty litigation, there was a long history of such disputes, predominantly handled in house. He pointed out that if the issues at stake are significant, royalty owners use outside counsel. He explained that although many staff were knowledgeable in these areas, it would be inefficient to litigate these cases in house. He related current and past cases and their outcomes.

Mr. Ostrovsky addressed tariff matter cases and the need for outside counsel. He related a current case regarding interstate and intrastate tariffs.

Mr. Ostrovsky spoke of two outside contractors hired for gas line negotiations. Outside contractors are used for gas line negotiations because instate firms lack experience in this area. He compared the gas pipeline negotiations to creating an "Alyeska" to ship gas, a complex undertaking. He detailed many of the issues involved. He stressed the importance of hiring expert legal counsel to ensure good value for money spent.

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Representative Kelly asked how contracts with firms are managed. Mr. Ostrovsky replied that parameters are established before going into the process.

Representative Hawker asked why \$1.5 million for FY 07 is included in this supplemental request. Mr. Ostrovsky deferred to Ms. Daughhete.

KATHRYN DAUGHHETEE, DIRECTOR, ADMINISTRATIVE SERVICES DIVISION, DEPARTMENT OF LAW, explained that it involved looking at a need for money for the gas pipeline project,

which has not been included in a capital request or in the operating base for the first six months of FY 07. The estimate for FY 06 and FY 07 are bundled together.

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DEPARTMENT OF FISH AND GAME

Amendments ADFG (A-F) dated 2/16/06

Increased fuel and utility costs \$223.0 GF

TOM LAWSON, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT DEPARTMENT OF FISH AND GAME, explained the reasoning behind the request for \$223,000 as submitted by amendments dated 2/16/06. The budget is project-based and six months of data determined a need for an increase in fuel and utility cost funding.

HB 369 was heard and HELD in Committee for further consideration.

ADJOURNMENT

The meeting was adjourned at 3:39 PM.