

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**February 14, 2005**  
**9:04 a.m.**

**CALL TO ORDER**

Co-Chair Green convened the meeting at approximately [9:04:12 AM](#).

**PRESENT**

Senator Lyda Green, Co-Chair  
Senator Gary Wilken, Co-Chair  
Senator Con Bunde, Vice-Chair  
Senator Bert Stedman  
Senator Donny Olson  
Senator Fred Dyson

**Also Attending:** SHANNON STRAUBE, Staff to Senator Ben Stevens; PAT DAVIDSON, Legislative Auditor, Legislative Audit Division, Legislative Affairs Agency; CHERYL FRASCA, Director, Office of Management and Budget, Office of the Governor; ERIC SWANSON, Director, Division of Administrative Services, Department of Administration; AL CLOUGH, Deputy Commissioner, Department of Commerce, Community and Economic Development; JOELLEN HANRAHAN, Director, Division of Administrative Services, Department of Commerce, Community and Economic Development; PORTIA PARKER, Deputy Commissioner, Department of Corrections; CHARLINE GRIFFIN, Acting Director, Division of Administrative Services, Department of Corrections; KAREN REHFELD, Deputy Commissioner, Department of Education and Early Development; EDDY JEANS, Manager, Education Supports Services, Department of Education and Early Development; KRISTIN RYAN, Director, Division of Environmental Health, Department of Environmental Conservation; NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities; JOHN CRAMER, Director, Administrative Services Division, Department of Military and Veterans Affairs; JOHN MACKINNON, Deputy Commissioner of Highways & Public Facilities, Department of Transportation and Public Facilities

**Attending via Teleconference:** From Offnet Sites: JOHN KATZ, Director of State/Federal Relations and Special Counsel, Washington District of Columbia Office, Office of the Governor; From Anchorage: DAN SEAMOUNT, Commissioner/Chair, Alaska Oil & Gas Conservation Commission, Department of Administration; JACK HARTZ, P.E., Senior Reservoir Engineer, Alaska Oil & Gas Conservation

Commission, Department of Administration; KATE GIARD, Commissioner, Regulatory Commission of Alaska (RCA), Department of Commerce, Community and Economic Development

**SUMMARY INFORMATION**

SB 60-EXTEND SUICIDE PREVENTION COUNCIL

The Committee heard from the sponsor and the Division of Legislative Audit. The bill reported from Committee.

SB 98-SUPPLEMENTAL APPROPRIATIONS: FAST TRACK

The Committee heard fast track supplemental request information from the Office of the Governor; the Department of Administration; the Department of Commerce, Community and Economic Development; the Department of Corrections; the Department of Education and Early Development; the Department of Environmental Conservation; the Department of Transportation and Public Facilities; and the Department of Military and Veterans Affairs. The bill was held in Committee.

SB 97-SUPPLEMENTAL APPROPRIATIONS/CBR

This bill was scheduled but not heard.

#sb60

SENATE BILL NO. 60

"An Act extending the termination date of the Statewide Suicide Prevention Council; and providing for an effective date."

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

Co-Chair Green informed that the intent is to move this bill from Committee today. Therefore, she urged supporters of the bill to submit their comments in writing or via other forms of communication as substantial testimony might impede the bill's forward momentum. She noted that Fiscal Note #1, which specified zero funding requirements for FY 2006 through FY 2011, has been replaced by a revised Department of Health and Social Services fiscal note, dated February 11, 2005, which "properly" depicts zero funding for FY 06 and \$119,000 per year for FY 2007 through FY 2011. The Council would be funded in the Governor's budget in FY 06.

SHANNON STRAUBE, Staff to Senator Ben Stevens, the sponsor of the bill, explained that this legislative would extend the termination date of the Suicide Prevention Council, which was established in 2001, to June 30, 2009. The Division of Legislative Audit's audit regarding the Council, Audit Control Number 06-20037-05 dated November 15, 2004 [copy on file], recommended that the Council be extended. During a Senate Health, Education and Social Services (Senate H&SS) committee hearing on this bill, the development of "measurable performance indicators" was discussed. That recommendation was forwarded to the Council. A letter [copy on file] to Senator Fred Dyson, Chair of the Senate H&SS committee, from Council Chair, Jeanine Sparks, dated Feb. 3, 2005 indicates that the Council would be addressing the recommendation during the quarterly meeting scheduled for February 22 and 23, 2005.

Co-Chair Green understood that the Audit had been thoroughly discussed by the Senate H&SS Committee. The development of performance measures is important and should be furthered.

PAT DAVIDSON, Legislative Auditor, Legislative Audit Division, Legislative Affairs Agency stated that she would be available to answer questions pertaining to the findings and recommendations of the Audit.

Co-Chair Green asked whether Ms. Davidson agreed that the Senate H&SS Audit discussion was thorough.

Ms. Davidson affirmed.

Co-Chair Wilken moved to report the bill from Committee with individual recommendations and new fiscal note.

There being no objection, SB 60 was REPORTED from Committee with a revised zero fiscal note, dated February 11, 2005 from the Department of Health and Social Services.

AT EASE [9:10:43 AM](#) / [9:13:04 AM](#)

Co-Chair Wilken chaired the remainder of the meeting.

#sb98

SENATE BILL NO. 98

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

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

Co-Chair Wilken noted that public testimony would not be entertained today, as the intent is to hear Department presentations regarding the Fast Track Supplemental bill. It was noted that some of the Fast Track Supplemental items were self-explanatory and would not, therefore, be discussed. [NOTE: Co-Chair Wilken inadvertently referenced the Fast Track Supplemental bill as SB 97 rather than SB 98.]

CHERYL FRASCA, Director, Office of Management and Budget, Office of the Governor budget informed that the FY 2006 budget package presented by Governor Frank Murkowski on December 15, 2004, included a \$125 million increment consisting of \$85 million in FY 2005 supplemental requests and \$40 million in Governor's Initiatives. This increment was "identified as a placeholder for additional spending out of current year revenues." There is a substantiated reason for the inclusion of each supplemental request, and while the total supplemental budget exceeds the \$125 million increment by \$17 million, the Administration sought out alternative savings mechanisms such things as changes in formula driven programs to offset the additional expenses.

Ms. Frasca stated that in addition to traditional supplemental requests relating to unanticipated events, \$40 million of Governor's Initiatives for "non-traditional" items is being requested: a \$28 million sum lump amount for additional work relating to the gas pipeline, a significant portion of which would address Department of Law pipeline related expenses; \$6.5 million to support "the Governor's commitment" to assist small cities with elevated fuel costs via the Small City Energy Assistance Program; and another \$5.5 million to provide for Department of Health and Social Services programs the Governor would like to implement prior to FY 2006. In regards to the Small City Energy Assistance Program, it was noted that while escalating market prices for oil increase revenues to the State, "the downside is that it also increases utility costs throughout the State."

Ms. Frasca stated that \$37 million of the approximate \$97 million in general funds being requested would address traditional supplemental needs relating to fire suppression efforts. Cost containment measures being developed by the Department of Health and Social Services to address increased costs associated with the Medicaid program have not been completely finalized, and therefore \$36 million of the Department's total \$39 million supplemental

request is for general funds. Seven million dollars of the \$11 million supplemental request of the Alaska Marine Highway System (AMHS) would address higher fuel costs. Several million dollars would support Department of Transportation and Public Facilities highway and aviation expenses; and \$6.5 million would address such things as legal expenses and the Department of Corrections' contractual obligations relating to out-of-State prison costs.

Co-Chair Wilken noted that the requests being presented are outlined in the eight-page "Summary of Major FY 05 Funding Requests" handout [copy on file], prepared by the Office of Management and Budget on February 7, 2005.

Office of the Governor

Item: 33

Section: 8

RDU: Arctic National Wildlife Refuge

Supplemental Need: Funds for support of national efforts to open ANWR for oil and gas exploration and development  
\$500,000 General Funds

JOHN KATZ, Director of State/Federal Relations and Special Counsel, Washington, District of Columbia Office, Office of the Governor, testified via teleconference from an offnet site and expressed that this is a good time to further Arctic National Wildlife Refuge (ANWR) legislation at the Congressional level because it could be addressed during their Budget Reconciliation Process deliberations. These deliberations are "cleaner and simpler than the normal legislative process and it is not subject to a veto in the Senate." However, passage of a Budget Resolution this year could be questionable due to the potential failure of Congress to agree on issues unrelated to ANWR. Congress has not passed a Budget Reconciliation Bill in two of the last three years. Nonetheless, the fact that the Congressional leadership is supportive of including ANWR legislation in the Budget Reconciliation Bill should be recognized as a major step forward. Deliberations on this bill are "protracted" and could extend through August.

Mr. Katz noted that "the second major vehicle for dealing with ANWR" at the Congressional level is through comprehensive energy legislation. This issue also has some obstacles in its path, unrelated to ANWR. He spoke in support of Arctic Power and stressed that either it or something similar to it would be necessary to further ANWR as "the government does not provide in public policy advocacy; they are the one entity in the process that's supposed to think about ANWR 24/7." Arctic Power "has made major strides forward" in the last few weeks in that there has been improvement

in its coordination with the Alaska Congressional delegation and the Governor's Office; experienced personnel have joined the staff; and improved public policy campaigns have been developed. Nonetheless, discussions are continuing between the State and Arctic Power regarding the State's position that some additional changes must be made. In addition to this \$500,000 Supplemental Budget request, separate FY 06 legislation is being proposed that could provide an additional \$1.1 million or \$1.3 million to Arctic Power. The most prudent manner through which to view the funding for Arctic Power would be to divide it into two components. The first phase would focus on efforts regarding the inclusion of ANWR legislation in the Budget Resolution process. Were the Legislature to appropriate \$500,000, it would be combined with other fund sources consisting of prior State allocations and private funding that could amount to approximately \$225 million. The initial phase of this effort could cost \$750,000. Also occurring during this time would be efforts regarding the energy bill, which would be addressed via the normal Congressional process. "A much better idea of how ANWR and the energy legislation" would be faring in the 109th Congress would be available about the time the Alaska Legislature adjourns in May. At that time, Arctic Power would have "a better handle" on the outcome of its efforts and how to proceed in the future. The second phase would consist of "whatever Arctic Power requires to complete the efforts in the aftermath of Budget Reconciliation."

Co-Chair Wilken asked regarding the projected timeline of the Budget Reconciliation process.

Mr. Katz responded that a timeframe for Budget Reconciliation is difficult to estimate. Were it to operate "in pristine form" a Budget Resolution could be presented to the President in late April or May. However, past history depicts that this process could extend to Congress's August recess or beyond. It is also possible that a Budget bill might not transpire this year. Its status would be clearer in late April or May.

#### Department of Administration

Item: 7

Section: 1

RDU: Non-Public Building Fund Facilities

Supplemental Need: Increased costs for heating fuel and other utilities for Non-Public Building Fund buildings

\$110,000 General Fund

ERIC SWANSON, Director, Division of Administrative Services, Department of Administration stated that this request would provide

funding to address increased fuel and utilities costs. Facilities provided for by this Fund include the Governor's Mansion, the Third Floor of the Capitol Building, the Dimond Courthouse, the Archives and Records Center, the State Museum and Annex, and the Support Building, all of which are located in Juneau. Increased snow removal expenses also impacted the budget.

Item: 24

Section: 7(a)

RDU: Capital

Supplemental Need: AOGCC costs for gas pipeline reservoir studies and depletion plan evaluations

\$1,200,000 General Funds

Mr. Swanson reviewed the supplemental need summary.

DAN SEAMOUNT, Commissioner/Chair, Alaska Oil & Gas Conservation Commission (AOGCC), Department of Administration, testified via teleconference from Anchorage and noted that AOGCC has provided a handout [copy on file], dated February 14, 2005, that describes the duties of AOGCC, the areas of study that are being furthered, the reason for General Fund rather than regulatory cost charge fund support, and the reason for this request being included in the Fast Track supplemental request. The primary issue is the conducting of "a study to evaluate the effects of major gas sales taking reservoir energy off of the Prudhoe Bay reservoir which could result in hundreds of millions of barrels of oil loss if it is not conducted in the correct manner." The purpose of the study would be to determine methods "through which to mitigate the costs." Because studies of this magnitude require approximately three years to complete, AOGCC desires to advance its responsibilities in order to avoid being a "bottleneck" in a project "that is so important to the State."

Co-Chair Wilken, noting that the project is slated to begin on March 1, 2005 and terminate in 2010, asked why this request could not be included as part of the FY 2006 normal budgeting process.

Mr. Seamount responded that AOGCC must complete the required studies it could approve any gas line operators' plans. Once plans are approved, equipment and other essential operational expenses could be ordered. These elements must be addressed years prior to a gas pipeline becoming operational.

Co-Chair Wilken continued to puzzle over the reason that this funding request could not be delayed until the start of the FY 06 fiscal year on July 1, 2005.

Mr. Seamount responded that in order to begin "the planning process on the project," AOGCC must have its budget developed prior to a March 3, 2005 hearing.

Co-Chair Green asked whether any reservoir study expenses have been incurred to date.

Mr. Seamount expressed that "no direct costs" have been incurred.

Co-Chair Green asked whether the studies would be performed in house or by contract.

Mr. Seamount specified that the studies would be contracted out "to experts in these types of reservoir evaluations ... these are very specific kinds of studies."

Co-Chair Green asked whether a Request for Proposals (RFP) for these studies has been developed at this time.

Mr. Seamount answered in the negative.

Co-Chair Green joined Co-Chair Wilken in questioning the reason that this request could not be addressed in the regular FY 06 budgeting process.

Co-Chair Wilken asked the reason for this being a General Fund request.

Ms. Frasca explained that all gas pipeline related expenses, regardless of their timeframes, were included in the Supplemental bill. Each Department could identify which project's funding could be delayed. In other words, "there is some discretion".

Co-Chair Wilken asked the reason that the AOGCC request seeks General Funding.

M. Frasca expressed that because AOGCC is funded by production taxes and these studies are not production related it was deemed inappropriate to utilize that traditional funding source.

Senator Olson questioned what might occur where the request denied.

Ms. Frasca deferred to Mr. Seamount.

Mr. Seamount reiterated that, "AOGCC does not want to be a bottleneck in this very important project." Expediency in undertaking the studies to determine what the reasonable gas production rate would increase the likelihood that the forward

movement of the project would not be impeded.

Co-Chair Wilken asked regarding the aforementioned AOGCC handout.

JACK HARTZ, P.E., Senior Reservoir Engineer, Alaska Oil & Gas Conservation Commission, Department of Administration, testified via teleconference from Anchorage and confirmed that the AOGCC handout was provided to Committee members.

Item: 43  
Section: 13(a)-(c)  
RDU: Salary & Benefits Adj.  
Supplemental Need: FY 05 costs for the General Government Unit collective bargaining agreement.  
    \$2,571,500 General Funds  
    \$1,138,200 Federal Funds  
    \$1,856,500 Other Funds  
Total Funds: \$5,566,200

Mr. Swanson stated that due to the fact that the General Government Unit (GGU) FY 05 contract had not been ratified until after the Legislature had adjourned last year, the monetary terms for FY 05 are included in this supplemental request. These funds would provide for GGU health insurance cost increases.

Co-Chair Green asked for confirmation that the funds were specific to GGU health insurance expenses.

Mr. Swanson affirmed.

Department of Commerce

Item: 8  
Section: 2(a)  
RDU: Community Advocacy  
Supplemental Need: Small city energy assistance program  
\$6,450,000 General Funds

AL CLOUGH, Deputy Commissioner, Department of Commerce, Community and Economic Development stated that this request reflects the Governor's commitment to provide relief funds to offset small communities' high fuel costs. Approval of the request would allow communities to receive shipments of fuel in the Spring when rivers have high water levels as opposed to later in the year when levels are low and harder to navigate. This request also corresponds with efforts being undertaken by the Governor's Energy Council to evolve the energy position of small communities.

Senator Stedman noted that while the title of the request states that this is a Small City Energy Impact Assistance Program, the last line of the description in the SB 98 detailed summary book [copy on file] states that, "the cities may use the monies for any public purpose for which the city has authority to spend." This language insinuates that the money would be provided "with no strings attached." Were that the case, "the title does not match" the usage of the money.

Mr. Clough could not speak to the concern, as he was not the drafter of the language. He allowed that this would provide the communities with flexibility, especially were a community to have such things as federal Internal Revenue Service (IRS) problems that would make it difficult to route energy assistance programs through "without having them attached by the IRS."

Co-Chair Wilken asked whether altering the language to specify that this funding should be "a reimbursement for fuel costs ... would conform with the original intent rather than just a reinstatement of revenue sharing."

Mr. Clough voiced no objection.

Co-Chair Wilken stated therefore that this would be further discussed.

Senator Stedman agreed that specific language would bring the funding "back on point." The current language is "conflicting."

Co-Chair Wilken agreed and stated that the funding should not be approved unless it specifically provided for fuel assistance.

Senator Olson asked the number of communities that have taken advantage of this program.

Mr. Clough replied that this "formula driven appropriation" would be available to 125 communities with small communities each receiving a \$25,000 payment and larger communities each receiving \$75,000. As this is a new program, no funds have, of yet, been appropriated or distributed.

Co-Chair Wilken understood that a maximum of 125 communities would be subject to the legislation. He asked that a list of the affected communities be provided.

Mr. Clough stated that the names of the communities and other associated specifics are included in Section 2(a) beginning on line eight, page one of the bill.

Co-Chair Wilken asked whether this program would continue in FY 2007.

Mr. Clough responded that this would be a policy decision rather than a Department decision. The Department's role in this endeavor is to assist in making "systemic changes" that would, in addition to lowering the cost of delivered fuel to the communities, assist in improving the overall energy costs to these communities. Successes in this regard have been achieved through such mechanisms as the establishment of fuel cooperatives, bulk buying, and bulk management of fuel. Such efforts would, over the long run, provide both "community and economic enhancements throughout the Bush." The savings generated from these endeavors "could allow the program to essentially support itself." The Department views this as "a one-time opportunity to make positive changes."

Co-Chair Wilken noted that, for the past year, any freight transiting through the Port of Anchorage and onto the road system has been assessed a ten-percent fuel surcharge. Therefore, the people of the District he represents have been "paying extra to live in their chosen community." Therefore, he voiced concerned that this program is community specific when fuel expenses have impacted numerous others. He does not support this program, which he viewed as an arbitrary "selective grant" program "with no basis." This "very divisive, very disturbing" request is his "least favorite" request in the Supplemental Bill.

Co-Chair Wilken asked the reason that the funding for this program is not being presented in the FY 06 budget proposal.

Mr. Clough responded that funding this program, which was first presented in the Fall by Governor Murkowski, via the Supplemental approach would allow fuel to be transported in the Spring to take advantage of high water levels. Delaying the funding to FY 06 would eliminate that opportunity, as smaller shipments in the Fall would result. Larger savings would be incurred by Spring transits.

Senator Bunde commented that the detailed summary booklet denotes that this request would assist small cities that "have taken on the financial responsibilities of a city yet lack the population or commercial sector to generate revenue through increasing local fees or taxes." He asked regarding a [unspecified] report that Co-Chair Wilken had, at a separate time, developed regarding the earned income of residents in unorganized areas of the State.

Co-Chair Wilken recalled that 18,000 individuals in unorganized Alaska had earned a total of \$505 million in FY 04.

Co-Chair Green furthered earlier questions regarding the FY 07 funding of this program; specifically whether its funding would be "rolled" into the base funding for FY 06 with the intent of continuing the program in FY 07.

Co-Chair Green observed that Ms. Frasca was "shaking her head, no."

Senator Stedman asked, for procedural clarity, whether line item language changes such as specifying that this funding be utilized specifically "for fuel" is allowable.

Co-Chair Wilken asked the Administration to provide the Committee "with the procedure by which we would restrict this to fuel purchases only."

Senator Olson commented that, due to the high price of fuel, a "large portion of the small communities" he represents "are desperate for some of these funds." He asked whether any studies have been conducted regarding the cost to the State were this funding not forthcoming.

Mr. Clough responded that while no studies have been conducted in this regard, the issue has been discussed. "The basic premise is certainly if small communities do not have adequate fuel; public facilities are at risk." The end result is not good. Acquiring the data for such a study would be a challenge as a lot of the information is antidotal. However, the situation is of concern and therefore, this request is supported by the Department.

Co-Chair Wilken noted that these questions would be further addressed.

Item: 10

Section: 2(c)

RDU: Regulatory Commission of Alaska

Supplemental Need: Legal service costs of \$190.0 provided by the Department of Law were inadvertently omitted from the Regulatory Commission of Alaska's FY 05 budget. \$75.0 for outside counsel costs and \$258.0 to implement the Regulatory Commission of Alaska's improvement initiative to meet its mission more efficiently and effectively are also included.  
\$523,000 RCA Rcpts

JOELLEN HANRAHAN, Director, Division of Administrative Services, Department of Commerce, Community and Economic Development commented that, in addition to providing funding to support legal expenses that were inadvertently omitted from the Regulatory

commission of Alaska (RCA) FY 05 budget, this request would provide funds "for the TAPS appeal on RCA orders" as well as to provide the funding for an Improvement Initiative.

Co-Chair Wilken asked whether this request could be addressed in the FY 06 budget.

Ms. Hanrahan expressed that of the total request, \$190,000 was inadvertently unfunded in FY 05 and the initial phases of the Improvement Initiative should be undertaken now.

KATE GIARD, Commissioner/Chair, Regulatory Commission of Alaska (RCA), Department of Commerce, Community and Economic Development, testified via teleconference from Anchorage and shared that when she was elected to her position as Chair of the Commission on July 1, 2004, unprecedented discussions were undertaken with utility and pipeline companies "to address the issues that seem to come before the Legislature" each time the Commission is due to terminate. Approval of this funding request would provide the Commission, which is due to terminate in 2007, two years in which to re-evaluate, "identify and fix issues" gleaned from the discussions to include: timeliness, accountability, public access, and fair and equitable rates. Continued funding of this Improvement Initiative, which started in 2004, would continue the "significant momentum" towards the goal of addressing concerns before the review of the next RCA extension in 2007. She reviewed some of the issues that are currently being addressed.

#### Department of Corrections

Item: 12

Section: 3(a)

RDU: Office of the Commissioner

Supplemental Need: Support for enhanced correctional officer and probation officer recruiting efforts in urban and rural Alaska. Workplace Alaska alone is not bringing enough applicants. The department will purchase TV and radio spots, and advertisements in smaller publications in locations such as Seward, Bethel, Nome, Kenai, Eagle River and Mat-SU.

\$50,000 General Funds

PORTIA PARKER, Deputy Commissioner, Department of Corrections, explained that this funding would be required to fund an advertising campaign to recruit new correction and probation officers, as the Department is currently experiencing difficulty filling these positions. This is the first time the Department has had to conduct such a campaign.

Senator Dyson questioned the reason for these difficulties, as he understood that these positions' employee contracts are some of "the most attractive" in the State.

Ms. Parker replied that one issue is that people "are unaware of the career opportunities" in the Department of Corrections. The advertising campaign would assist in publicizing that component. In addition to working with the Department of Labor and Workforce Development and the University of Alaska, the Department has conducted, among other efforts, career and job fairs. Nonetheless, it is "still having a difficult time" with receiving a sufficient number of applicants who meet the required qualifications.

Senator Dyson asked the annual salary range of a five-year correctional officer.

CHARLINE GRIFFIN, Acting Director, Division of Administrative Services, Department of Corrections responded that, with benefits, the salary would be approximately \$70,000. She would verify this information.

Co-Chair Wilken asked the Department to investigate whether this funding request could be addressed with annual lapsed funds.

Ms. Griffin responded that "no large" Results Delivery Unit (RDU) lapsed funds are projected this year. A large amount of the Department's money has been expended on overtime due to vacant positions, leave, and worker's compensation situations.

Senator Olson asked about recruitment efforts targeting local hire, specifically in Rural Alaska.

Ms. Porter responded that consistent and strong local hire efforts have been conducted as exemplified by the hiring of seven correctional officers in Nome during the recruitment campaign that was conducted during the Iditarod Sled Dog Race last year. Local hire efforts are also conducted in Bethel, which has an 80-percent local hire rate. The continuance of Rural Alaska local hire recruitment efforts would be enhanced by this advertising campaign.

Item: 13

Section: 3(b)

RDU: Administrative Services

Supplemental Need: The department is seeking an e-procurement application to lower purchasing prices and improve efficiencies within the buying process for commodities, equipment, food, and services.

\$225,000 General Funds

Ms. Griffin noted that the Department developed its FY 05 budget based upon the implementation of "a spend management e-procurement type system" that has not, of yet, come to fruition. An RFP has been developed with the goal of advancing a system akin to either a spend management program or a Procurement Pilot Project in FY 05 that would produce savings and efficiencies in FY 06.

Co-Chair Wilken asked the reason the Department decided to advance its own program rather than to wait for the State's e-commerce pilot program to be developed.

Ms. Griffin responded that both options are being explored, with the possibility that the Department "might end up waiting for that." However, due to the fact that the FY 05 budget was based on the assumption that the Department would be utilizing some type of e-procurement system, funds are unavailable to support any system.

Co-Chair Wilken stated that this request would be further analyzed.

Item: 14

Section: 3(c)

RDU: Out-of-State Contractual

Supplemental Need: The new contract with the Arizona facility started November 1, 2004. With the increased bed cost from \$53.99 to \$57.15 and the projected population at the facility, the department needs additional funds to pay the contractor for housing Alaskan offenders.

\$2,292,900 General Funds

Ms. Porter stated that this request is included in the supplemental bill because negotiations regarding out-of-state correctional facility housing had not concluded until after the FY 05 budget was finalized.

Item: 15

Section: 3(d)

RDU: Parole Board

Supplemental Need: Funding needed to conduct discretion and mandatory parole hearings through the fiscal year. The anticipated savings from conducting hearings telephonically or using video conferencing equipment were insufficient.

\$65,000 General Funds

Ms. Griffin shared that \$75,000 in Travel Funds had been removed from the Parole Board's FY 05 funding due to the understanding that savings would be incurred by conducting hearings telephonically or via video-conferencing. However, this has not proved feasible, as

these systems "do not have the capacity" to support the number of participants who need to or want to attend those hearings. These include such individuals as the family of the offender, the Board, attorneys, and the victims. This money would support the Parole Board's operations through the end of the fiscal year. Absent this money, hearings would not be heard and potentially an additional 20 prisoners could be held in custody rather than possibly being released on discretionary parole. This could incur an additional \$195,000 in expenses to the Department.

Co-Chair Green asked whether the Parole Board must address a parole request within a certain period of time. In addition, she questioned the impact that short funding of the Board might have.

Ms. Griffin responded that short funding would negatively affect the Board. The Board must conduct Mandatory Parole hearings within 120 days of the individual's being remanded. Approximately 425 Mandatory Parole hearings and 175 Discretionary hearings are conducted annually.

Co-Chair Wilken revisited Item 13 and asked whether any of the \$225,000 request for the e-commerce system has been expended to date.

Ms. Portia responded that no expenditures have been made to date.

#### Department of Education and Early Development

Item: 17

Section: 4(a)

RDU: School Finance and Facilities

Supplemental Need: Legal and expert services due to the Noon v. State funding lawsuit; extended lapse date to June 30, 2006  
\$230,000 General Funds

KAREN REHFELD, Deputy Commissioner, Department of Education and Early Development corrected the information in the request in that Moore V. State rather than Noon V. State is the focus of the request. "This lawsuit was filed last Fall challenging the State's public school funding formula." The State has "retained a national firm of experts" to assist State attorneys in their preparations. This request has an extended lapse date into FY 06, as it is anticipated that the case would "take some time."

Co-Chair Wilken asked whether additional funding might be required in FY 06.

Ms. Rehfeld responded that an amendment from the Governor would be

presented in this regard.

Senator Stedman noted that \$800,000 in total costs is anticipated.

EDDY JEANS, Manager, Education Support Services, Department of Education and Early Development, replied that \$800,000 is "the preliminary estimate." It might increase as the case advances.

Co-Chair Wilken understood that this request pertains to a disability rather than an adequacy lawsuit.

Ms. Rehfeld clarified that the Noon V. State lawsuit, which is incorrectly referenced in Item 17, is a disability lawsuit. The correct lawsuit being addressed in Item 17 is the Moore V. State lawsuit.

Co-Chair Wilken understood therefore that the Moore V. State lawsuit is an adequacy study lawsuit.

Ms. Rehfeld concurred.

Co-Chair Green asked for confirmation that this is a General Fund request.

Ms. Rehfeld affirmed.

Co-Chair Green opined that this "sizable amount that could have gone toward increasing" the student allocation funding formula.

Co-Chair Wilken agreed.

Item: 18

Section: 4(b)

RDU: Mt. Edgecumbe Boarding School

Supplemental Need: Residential operating costs related to expanded student population

\$800,000 General Funds

Ms. Rehfeld stated that this expense relates to the Department's Mt. Edgecumbe Boarding School project. This expense is associated with the residential housing program "including food services, dormitory services, janitorial services and supplies" as an additional 30 students are enrolled in the School this year. A corresponding increase for an additional 30 students is requested in the FY 06 budget.

Co-Chair Green asked whether this funding had been requested in the FY 05 budget.

Ms. Rehfeld acknowledged that this is the second time this request had been submitted. The Committee had discussed, but had not approved, a similar request in the budgetary process last year.

Co-Chair Green asked whether "anything happened" that would indicate that the Committee might have changed its position on this issue.

Ms. Rehfeld was uncertain as to whether the Committee's "minds have been changed." The School is serving additional students and does have the additional expenses this year.

Co-Chair Green asked for confirmation that an increase is also anticipated for the next school year.

Ms. Rehfeld affirmed. She noted that the Legislature had approved capital funds for an addition to a classroom building the previous year. In addition, funding has been approved to renovate an older building to serve as a 60-bed dormitory. Discussions have transpired regarding whether or not funding for an additional 30 students should have been included in the FY 05 budget. Currently, students are being housed on the third floor of the Sitka Pioneer Home, which had been vacant. This arrangement "has worked out very well" with both the students and the Pioneer Home residents. The School recently experienced its highest student retention rate with only nine students choosing to leave the School by Christmas time. "There is a lot of excitement and a lot of very positive things happening at Mt. Edgecumbe right now. So the discussion at the table, I think, is about the timing, but we do have the additional costs this year."

Co-Chair Green commented that it would be difficult to approve an \$800,000 increase for this School this year and next year when no other State high school would be receiving a similar funding "boost". She noted that money provided to the school as determined by the number of students attending it should have assisted in covering the operational cost of the facility. She voiced disappointment at receiving this supplemental budget request.

Co-Chair Wilken suggested that a timeline of the decisions that have been made in regards to the School over the last 18 months be developed, as it would assist in understanding how the situation reached this point. He voiced that he was surprised to see this request.

Senator Stedman assumed that the population increase at this School is due to its caliber of performance. He asked whether the

corresponding decrease in the number of students at other schools would assist in offsetting the costs.

Ms. Rehfeld responded that the School's students come from 110, primarily Rural Alaska, communities across the State. While there would be an offsetting decrease in those schools' educational student funding program, the expenses included in this request are for residential program costs, which are not provided for in that funding component. She stressed that this funding request is for residential expenses rather than for educational expenses.

Senator Stedman stated that further information would be gleamed once the afore-requested timeline was developed and discussed. The expenses and offsetting educational components could be addressed. He voiced support for the request.

Senator Olson also spoke in support of the request. Continuing, he asked how not funding this request would affect those 30 additional students.

Ms. Rehfeld responded that, absent this supplemental request funding, the Department's personal services budget in its entirety would be utilized to pay the residential and teaching staff expenses. The students could continue attending the School.

Senator Olson understood that, absent this funding, the School's enrollment would decrease by 30 students the next school year.

Ms. Rehfeld responded that were the Legislature to disallow both this request and the FY 06 operating funding request relating to serving additional students, and, in light of the fact that School Capital expansion projects had been approved, the program should be re-evaluated.

Senator Olson, noting that he was "a product of the boarding school program," stated that in addition to the challenge of having increased enrollment, efforts must be taken to allow those students, especially students from Rural Alaska, "to survive in college."

Senator Stedman noted that housing students on the third floor of the Sitka Pioneer Home should be considered as an offsetting factor relating to the finances of the Pioneer Home.

Ms. Rehfeld characterized the relationship between the School and the Home as "a very good relationship." The utilities and capital improvements associated with preparing the facility to house students has worked out well. Both the students and the Home

residents are happy with the arrangement.

Co-Chair Wilken concluded that more work would be conducted regarding Item 18.

Item: 19

Section: 4(c)

RDU: Museum Operations

Supplemental Need: Funding shortfall due to unanticipated decline in program receipts and increased internal chargebacks.

\$100,000 General Funds

Ms. Rehfeld stated that this request would address the personal costs of operating Alaska State Museums. One attributing factor to this request was a \$48,000 decrease in program receipts, which are a major personal costs funding source, as the beautiful sunny summer experienced in Southeast Alaska negatively impacted the number of museum visitors. Other factors include internal chargebacks for such things as administrative services, Information Technology (IT) support, and Board expenses. Internal chargebacks are becoming more common as Departments have been downsized and general fund support has decreased. There is also a \$30,000 "maximum vacancy" component problem. Replacement funding options are limited and offsetting measures could include closing the museum for periods of time. This however, would further reduce program receipt revenues. She voiced optimism regarding FY 06 funding support for the museum and the State library as depicted in the Governor's proposed budget. However, funding options are limited in FY 05.

Co-Chair Green asked whether the internal chargebacks being referenced are within the Department of Education and Early Development or involve other departments.

Ms. Rehfeld clarified that the internal chargebacks are, for the most part, within the Department of Education and Early Development. There is a small chargeback component associated with the Department of Administration. She noted that relatively little general funds are available within the Department's executive administration or administrative services divisions.

Ms. Rehfeld characterized the Department as "a lean organization" as, during the past few years, eleven positions have been eliminated in its central administrative office, the Commissioner's office, and its Information Technology services components. Resorting to internal chargebacks was necessary in order to cover Department costs. Being responsible for chargebacks prohibited the

Museum from utilizing funds to absorb this personal services shortfall. She reiterated that with both the Legislature and Governor's support, the FY 06 budget would be adequately funded.

Co-Chair Wilken noted, "that as the Department has become less broad with childcare and other issues going to the Department of Labor and Health and Social Services, the indirect costs are being spread across those components that remain." In this regard, the Legislature asked that efforts be made to unburden the remaining components from such things as administrative expenses. These efforts are coming to fruition in the FY 06 budget. The question as to whether the administrative expenses are appropriate is another discussion.

Senator Stedman asked whether the decline in museum visitors was specific to the Juneau museum.

Ms. Rehfeld replied that the funding request was not broken down between the Juneau and Sitka museums. She surmised that the decrease in program receipts was primarily attributable to the Juneau museum as Juneau typically receives a larger visitor population than Sitka; however, she allowed that the weather was as nice in Sitka as it was in Juneau.

Item: 43  
Section: 13(a)-(c)  
RDU: Salary & Benefits Adj.  
Supplemental Need: FY 05 costs for the General Government Unit collective bargaining agreement.  
    \$2,571,500 General Funds  
    \$1,138,200 Federal Funds  
    \$1,856,500 Other Funds  
Total Funds: \$5,566,200

Ms. Rehfeld noted that a small portion of the Item 43 GGU component, which was discussed by the Department of Administration, pertained to the Department of Education and Early Development's GGU employees.

Department of Environmental Conservation

Item: 20  
Section: 5(a)  
RDU: Capital  
Supplemental Need: Due to safety issues relating to emerging bioterrorism threats and animal diseases, changes in design were necessary to meet original intent and provide a safe and secure laboratory facility. This amendment provides additional

funding to cover those design changes and complete construction of the new Environmental Health Laboratory  
\$355,000 General Funds  
\$500,000 Federal Unrestricted Rcpts  
\$855,000 Total Funds

Item: 21

Section: 5(b)

RDU: Capital

Supplemental Need: Agriculture economic disaster match of \$500.0 of federal unrestricted receipts in DNR for non-existent federal funds is reappropriated from sec. 24(n), ch. 159, SLA 2004, page 81, to Department of Environmental Conservation for the Seafood and Food Safety Lab Replacement project.

(\$500,000) Federal Unrestricted Rcpts

KRISTIN RYAN, Director, Division of Environmental Health, Department of Environmental Conservation, stated that these requests, which would complete the construction of the Department's Environmental Health laboratory that is due to open in the Fall, are the result of changes required to respond to today's bio-terrorism climate. These efforts were not a consideration when the building was originally designed. The design changes include providing the State's veterinarian the ability to conduct autopsies on animals for dangerous diseases in that he necropsy tables used for these autopsies had to be relocated to a bio-safety level 3 area of the facility. In addition, the location of the shipping and receiving area was changed in order to accommodate a "safety hood" containment system. These improvements would serve to protect employees, customers, and the community from exposure to dangerous contaminants.

Senator Olson asked how necropsies have historically been conducted.

Ms. Ryan responded that animals were previously autopsied at the State's virology laboratory in Fairbanks. The construction of this facility would provide the State "the capacity" to process such things more expeditiously in Anchorage.

Senator Olson understood that a new laboratory was also slated for Fairbanks. Therefore, he asked whether this might result in a redundancy of biology and technical staff.

Ms. Ryan responded that some redundancy might occur, however, the intention is that animals would be autopsied at the Anchorage environmental health facility and the virology testing would be

confirmed in the Fairbanks virology laboratory. Other benefits of this system would include developing base sampling to which other subsequent testing could be compared.

AT EASE [10:29:00 AM](#) / [10:29:03 AM](#)

Department of Transportation and Public Facilities

Item: 22  
Section: 6(a)  
RDU: Marine Hwy Stabilization  
Supplemental Need: Fuel cost increases  
\$6,813,200 General Funds

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities, stated that this appropriation would provide funds to address the Alaska Marine Highway System's FY 05 increased fuel expenses. The System would experience appropriately "a 90-percent increase" in fuel prices over its FY 05 budget. The System typically consumes 9.5 to 11 million gallons of fuel each year; this request is based upon a usage projection of 10.2 million gallons. A graph titled "AMHS Weekly OPIS Fuel Prices"[copy on file] that depicts fuel prices from FY 99 through FY 05 was distributed.

Co-Chair Wilken understood that rather than lapsing at the end of the fiscal year, the expectation is that this money would be exhausted by June 30, 2005.

Ms. Slagle voiced that this amount should sufficiently provide for FY 05 fuel expenses.

Co-Chair Wilken understood therefore that there are outstanding FY 05 fuel expenses.

Ms. Slagle expressed that the System receives weekly invoices from fuel suppliers.

Co-Chair Wilken asked whether the System "hedges" its fuel.

Ms. Slagle explained that there is a Statewide vessel fuel contract in effect that applies to fuel utilized by all State vessels including the Department of Transportation and Public Facilities and the Department of Fish and Game. Fuel price is dependent on OPIS prices, which change on a weekly basis. In addition, delivery charges are applied based on location.

Senator Bunde voiced the understanding that some Marine Highway

System employees attest that, "due to the light construction" of the new fast ferries they would not operate "as fast as they were intended." To that point, he asked how this would affect future fuel consumption.

Ms. Slagle stated that the Department's fuel consumption projections are based upon the experience to date for the M/V Fairweather. While no change is anticipated regarding the speed at which the vessel would operate, the recent rough sea damage it experienced is being investigated by the Department and the ship builder to determine whether "management changes" might be required. Were the operating speed of the vessel reduced, the amount of fuel required would lower rather than increase.

Senator Stedman stressed "how vital" the ferry system is to Southeast Alaska and its "economic base", and that he supported efforts that would make the System "more effective, and efficient and user-friendly going forward." However, he questioned the reason that fuel consumption projections would continue at the historical nine to eleven million gallon level considering the addition of one "fast ferry that consumes substantially more fuel" with another one anticipated to be in operation shortly. In addition to the amount of fuel that the fast ferry would consume being underestimated, he understood that its associated labor expenses were also underestimated.

Ms. Slagle replied that since the second fast ferry, the M/V Chenega, would not be operational until approximately the end of FY 05 its expenses "would not be taken into account as much." She acknowledged that the System's annual fuel consumption has varied and assured that such things as weather conditions and the larger amount of fuel required by the M/V Fairweather have been factored into the System's projections. While the M/V Fairweather requires "less personal services than" the mainliners, it does require more fuel. The Department is "conservative in its approach" as to how the M/V Fairweather would be operating when placed back in service.

Senator Stedman asked the reason that the fast ferries were furthered since, in the analysis of the entire ferry system, "fuel is an issue of non impact" in that with or absent the fast ferries, fuel consumption is unaffected.

Ms. Slagle asked for further clarification of the question.

Senator Stedman expressed that with the arrival of the fast ferry he would "have expected to see totally higher fuel consumption, regardless of price for the Marine Highway System above and beyond the historical use"

Ms. Slagle clarified that the System is using more fuel with eleven million gallons of fuel being projected for FY 05. Prior to the M/V Fairweather being operational, annual fuel consumption ranged between nine and ten million gallons. She apologized for "misdirecting" the Committee.

Senator Olson asked whether the increase in fuel price has impacted ferry customers' fees.

Item: 44  
Section: 14(a)  
RDU: Marine Vessel Operations  
Supplemental Need: Fuel cost increases and other increasing operating costs.  
\$12,000,000 AMHS Fund

Ms. Slagle stated that the \$12 million increase identified in Item 14(a) reflects the System's fuel and operating cost increases. In addition to a ten-percent fuel surcharge being added to passenger, car deck, and staterooms fares, a seven-percent labor rate increase went into effect in the Summer of 2005. These fee increases are projected to generate \$1.7 million for the System. The System is attempting to increase its revenues to offset higher fuel prices.

Senator Olson questioned the reason for implementing "only" a ten-percent surcharge, as the \$1.7 million it might generate would not offset the System's \$12 million increase in expenses.

Ms. Slagle responded that it is difficult "to determine the elasticity of demand" in that how much could fares increase without the System losing further money due to declining ridership.

Co-Chair Wilken noted that the funding for this item is the Marine Highway Fund. Therefore he asked whether the System is requesting a total of \$18.8 million: \$12 million from the Marine Highway Fund and \$6.8 million from the General Fund. He opined that the AMHS Fund is essentially General Fund money.

Ms. Slagle clarified that the \$12 million Marine Highway Fund request "is the authorization to expend from the Fund itself." Approval of the \$6.8 million general fund request would serve to deposit that money "directly into the Fund." The Marine Highway Fund consists of general fund money as well as revenues generated by the System. Since the Fund had a carry forward amount going into FY 05, "the amount of subsidization" being requested in 6(a) for the Fund is less than the authority to spend as specified in 14(a).

Co-Chair Wilken calculated therefore that the carry forward amount must be approximately five million dollars.

Ms. Slagle concurred.

Co-Chair Wilken stated that the Department of Transportation and Public Facilities' supplemental request presentation would continue following the Department of Military and Veterans Affairs' presentation.

Department of Military and Veterans Affairs

Item: 23

Section: 6(b)

RDU: Disaster Relief Fund

Supplemental Need: Base capitalization of fund \$1,000.0; 2004 Bering Strait Sea Storm \$4,054.4; Interior Earthquake shortfall \$259.3; and Kaktovik Winter Storm \$2,363.5  
\$7,677,200 general fund

JOHN CRAMER, Director, Administrative Services Division, Department of Military and Veterans Affairs, read the Supplemental Need language. The Interior Earthquake shortfall is the result of an earthquake that occurred a few years prior and to which the Department successfully argued "to secure federal funding for some airports." The Kaktovik Winter Storm disaster occurred recently.

Co-Chair Wilken asked regarding the one million dollar capitalization portion of the request.

Mr. Cramer responded that it is prudent to have funds in reserve in order to address a disaster as it arises.

Co-Chair Wilken asked regarding the Kaktovik disaster; specifically as to whether the source of what caused the town's generator to malfunction has been identified.

Mr. Cramer responded that this investigation is continuing.

Co-Chair Wilken hoped that, when finalized, a report would be provided.

Item: 41

Section: 11

RDU: National Guard Military Headquarters

Supplemental Need: National Guard Audit Disallowance - Federal auditors have disallowed state expenditures in FFY05 for a total of \$937,234. This request will cover October 2004 to

June 2005. An amendment will be offered in the FY 06 budget to cover these expenditures for the remainder of FFY05 and FFY06. The department estimates they will run out of general funds by the end of March.

\$446,000 General Funds

Mr. Cramer read the Supplemental Need. The Department would be absorbing a large portion of the total shortfall through such means as not filling vacant positions.

Co-Chair Wilken asked for an example of the things the federal audit disallowed.

Mr. Cramer responded that a large portion "of the fallout" resulted from the disallowance of expenses associated with some "people who provide supervision to the workers that are performing functions at the bases." This supervisory scenario has been routine since 1994. The Department has been working with the auditors for the past two years to "develop methodology that would be more appropriate."

Co-Chair Wilken asked Senator Dyson, the Committee's Chair of the Department of Military and Veterans Affairs subcommittee, to further address this issue and provide a report to the Committee.

Senator Dyson concurred.

Senator Olson asked whether the Department had anticipated that some of the supervisory expenses might be disallowed.

Mr. Cramer responded "no." The Department has been working with the auditors to address this situation. The audit review began in September 2004. In addition, some of the federal money that has been disallowed is the result of the federal fiscal year differing from the State's, which required expenses "to be extrapolated out for the State's fiscal year." The federal fiscal year is October first through September thirtieth.

Senator Olson asked whether significantly smaller supplemental requests would be anticipated in the future due to the negotiations being undertaken.

Mr. Cramer affirmed.

Department of Transportation and Public Facilities

Item: 44

Section: 14(a)

RDU: Marine Vessel Operations

Supplemental Need: Fuel cost increases and other increasing operating costs.  
\$12,000.0 AMHS Fund

Ms. Slagle stated that this request is again the authorization to expend from the AMHS Fund. In addition to providing funds to cover expenses resulting from higher fuel prices, the authorization provides for "unanticipated costs" resulting from such things as the M/V LeConte grounding which required the Department "to contract out services so that we could continue to maintain the level of service that has been provided previously." Other expenses would include approximately \$500,000 in expenses associated with crew training for the new fast ferry, the M/V Chenega in the spring 2005. She noted that federal funding provided for the training expenses associated with the M/V Fairweather. Risk management premium expenses and overall expenses of the M/V LeConte and the M/V Fairweather have also increased.

Co-Chair Green asked for further information regarding the AMHS Fund, as like Co-Chair Wilken, she viewed it as being essentially general funds rather than "a pot of money sitting there waiting to be spent for this." Discussion regarding the Fund should "reflect" this.

Co-Chair Wilken understood that at one time, there was a pot of money as \$100,000,000 had been deposited into the AMHS Fund to support the System. That "has been whittled away" to zero.

Ms. Slagle shared that the AMHS Fund had been established in 1991 and "seeded" with \$41 million "with the intent of providing stability to the AMHS." That amount equated to approximately the revenues the System generated at the time. "The revenues came in and the subsidy went into the Marine Highway Fund; therefore we could have some stability as to the expenditure of those funds over the year, and not have to come back for large amounts of supplementals in the meantime." That balance has been eroded over the years due to such things as "increased costs, loss of revenues, a variety of things." The Fund is "to the point now of just going from year to year almost."

Senator Stedman asked the impact of the M/V LeConte grounding on the risk management insurance premium.

Ms. Slagle informed that the risk management premium increases reflected in this request result from the Department's desire to hold the AMHS accountable for such expenses. Currently the Department's Catastrophic Reserve Fund is being utilized to pay for basic insurance premium coverage as well as the insurance premium

increases. However, with "the reduction of lapsed monies and the availability of funds going into the Catastrophic Reserve Fund" diminishing, the desire is to curtail such expenditures from that Fund and have the AMHS be more accountable for them. She voiced being unsure as to how the M/V LeConte grounding incident would affect premiums. This might be reflected in the next responses to the Request for Proposal (RFP) for risk management insurance coverage contract. Lloyds of London coordinates the insurance coverage for AMHS vessels.

Senator Bunde opined that, as specified in the detailed information regarding this request, applying the term "overhaul" to the work being conducted on the M/V Fairweather, is inappropriate for that insinuates that the vessel has been in operation for a while and is being upgraded. Therefore, he asked whether this term in regards to that new vessel would apply to the repair work being conducted to address the rough sea damage it experienced.

Ms. Slagle responded that it would apply to such things as the vessel's engine replacement and cowling repairs. It would also address the "fix-its:" oil changes and other things that occur in the new vessel, similar to such things experienced when one purchases a new vehicle.

Item: 45

Section: 14(b)

RDU: Central Region Highways and Aviation

Supplemental Need: King Salmon airport - prior year invoices outstanding for air traffic control costs.

\$44,500 General Funds

Senator Olson asked regarding the Control Tower at the King Salmon airport.

Ms. Slagle stated that an agreement was recently reached with the Federal Aviation Administration (FAA) to continue the air traffic control tower at King Salmon, as the FAA had planned to discontinue that service due to the airport's limited number of flights. The State 's position is that this action "would have caused a great deal of problems." In addition to the agreement with the FAA, the Department is paying for a contractor to provide services.

Senator Olson, a pilot, noted that he has flown in and out of King Salmon and Naknek numerous times. He asked the type of problems that not having a control tower there would create.

Ms. Slagle understood that difficulties have been experienced during the fishing season in getting fish to market. Further

information would be provided.

Item: 46  
Section: 14(c)  
RDU: Program Development  
Supplemental Need: Legal costs for defense of SB 260, which changed the membership makeup of the policy board for metropolitan planning organizations.  
\$85,000 General Funds

Senator Bunde asked whether this item might be "premature" as he understood that this legal challenge is pending.

Ms. Slagle replied that the lawsuit concerning SB 260 has been filed, and the State is in the process of delivering a reply brief. This would be the legal cost as estimated by the Department of Law, to address this issue between now and the end of FY 05. The law enacted by SB 260 would become effective July 1, 2005.

Item: 48  
Section: 15(a)(1)  
RDU: Capital  
Supplemental Need: Kotzebue: Obstruction Removal and Safety Area  
\$5,300.0 Federal Funds

Item: 49  
Section: 154(a)(2)  
RDU: Capital  
Supplemental Need: Tenakee Springs: Seaplane Float Rehabilitation.  
\$550.0 Federal Funds

Item: 50  
Section: 15(b)  
RDU: Capital  
Supplemental Need: Surface Transportation Program increase pf \$44,150.0 in federal funds as allocated below:

Item: 51  
Section: 15(b)(1)  
RDU: Capital  
Supplemental Need: Alaska Marine Highways: Coffman Cove Terminal  
\$1,600,000 Federal Funds

Item: 52  
Section: 15(b)(2)

RDU: Capital  
Supplemental Need: Alaska Marine Highways: Mitkof Island;  
South Mitkof Island Terminal  
\$3,500,000 Federal Funds

Item: 53  
Section: 15(b)(3)  
RDU: Capital  
Supplemental Need: Dalton Highway: Milepost 37 to 49  
Reconstruction - Hess Creek to Yukon River  
\$1,400,000 Federal Funds

Item: 54  
Section: 15(b)(4)  
RDU: Capital  
Supplemental Need: Glenn Highway: Milepost 41 - Dogwood  
intersection  
\$1,400,000 Federal Funds

Item: 55  
Section: 15(b)(5)  
RDU: Capital  
Supplemental Need: Haines: Ferry Terminal through town to Old  
Haines Highway  
\$13,000,000 Federal Funds

Item: 56  
Section: 15(b)(6)  
RDU: Capital  
Supplemental Need: Haines Highway: Revetment Reinforcement  
\$2,400,000 Federal Funds

Item: 57  
Section: 15(b)(7)  
RDU: Capital  
Supplemental Need: Ketchikan: Tongass Highway - Third Avenue  
to Tunnel Resurfacing  
\$5,000,000 Federal Funds

Item: 58  
Section: 15(b)(8)  
RDU: Capital  
Supplemental Need: Parks Highway: Milepost 72 to 83  
Reconstruction - Willow Creek to Kashwitna River  
Reconstruction  
\$1,250,000 Federal Funds

Item: 59

Section: 15(b)(9)  
RDU: Capital  
Supplemental Need: Parks Highway: Milepost 204 - Summit  
Railroad Overcrossing  
\$4,900,000 Federal Funds

Item: 60  
Section: 15(b)(10)  
RDU: Capital  
Supplemental Need: Petersburg: Mitkof Highway - Ferry Terminal  
South Resurfacing  
\$1,600,000 Federal Funds

Item: 61  
Section: 15(b)(11)  
RDU: Capital  
Supplemental Need: Richardson Highway: Milepost 341 - Eielson  
Access Ramps  
\$500,000 Federal Funds

Co-Chair Wilken stated that the requests described in Items 48 through 61 would amount to approximately "\$50 million in re-allocated spending."

JOHN MACKINNON, Deputy Commissioner of Highways & Public Facilities, Department of Transportation and Public Facilities, informed the Committee that the Department is processing projects faster and therefore, the authorization to expend these funds is being requested. It is anticipated that the entirety of these projects would be put out to bid before the end of April 2005.

Co-Chair Wilken understood that this funding would not be new money and therefore asked whether approval of these funds would displace other projects.

Mr. MacKinnon responded that no other project would be negatively impacted by this request.

In response to a question from Co-Chair Wilken, Mr. MacKinnon responded that all of these projects have federal match funding.

Co-Chair Wilken asked regarding the federal match for the Kotzebue project, Item 48, Section 15(a)(1).

Mr. MacKinnon responded that its funding would consist entirely of federal funds.

Co-Chair Wilken understood therefore that no general funds would be

required and no other projects would be displaced.

Mr. MacKinnon agreed and reiterated that the basis for this request is that "these projects had moved up in the pipeline in our ability to get these projects out to bid and out to construction quicker."

Co-Chair Wilken asked for assurance that no other project would be displaced.

Mr. MacKinnon affirmed that no other project would be displaced.

Senator Stedman asked for further information regarding the Department's action "that accelerated these projects."

Mr. MacKinnon commented that "to a certain extent," the Department is experiencing increased productivity. Another factor is the endeavor to get these projects "out to bid in the winter" in order to take advantage of short summer construction seasons. Approaching these projects in this manner could speed the completion of the project "up a year" as were these projects put out to bid in the Spring, work could begin in the summer as opposed to being put out to bid in the summer and having to wait until the following year's summer construction season. This timing would save a tremendous amount of administrative expenses associated with the projects.

Co-Chair Wilken asked whether these projects were on a list or were simply ready to go to bid.

Mr. MacKinnon replied that these projects were on the Statewide Transportation Improvement Program (STIP) project list or the State's aviation project list and were ready to bid.

Ms. Slagle noted that many of the projects such as the Haines Highway: Revetment Reinforcement project involve safety issues that should be addressed as expediently as possible. Others such as the Coffman Cove terminal and the South Mitkof Island terminal involve "timing issues", as work must begin in order to accommodate another ferry that the Inter-Island Ferry Authority would be bringing online.

Co-Chair Wilken recalled that the previous Legislative Session, it had been communicated that the federal airport and surface transportation funding "was constricting." This funding was received unexpectedly.

Ms. Slagle acknowledged that the State's federal highway program funding has been in turmoil this past year. It is currently looking "very positive" for the State.

Co-Chair Wilken announced that the bill would be HELD in Committee.  
#

**ADJOURNMENT**

Co-Chair Wilken adjourned the meeting at 11:01 AM.