

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**March 1, 2005**  
**9:06 a.m.**

**CALL TO ORDER**

Co-Chair Green convened the meeting at approximately [9:06:19 AM](#).

**PRESENT**

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

**Also Attending:** REPRESENTATIVE RALPH SAMUELS; CHERYL FRASCA, Director, Office of Management and Budget, Office of the Governor; KEVIN BROOKS, Deputy Commissioner, Department of Administration; NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities; JOHN MACKINNON, Deputy Commissioner of Highways & Public Facilities, Department of Transportation and Public Facilities

**Attending via Teleconference:** There were no teleconference participants.

**SUMMARY INFORMATION**

HB 47-EXTEND BOARD OF REAL ESTATE APPRAISERS

The Committee heard from the sponsor and reported the bill from Committee.

SB 51-PUBLIC ASSISTANCE PROGRAMS

The Committee adopted one amendment and reported a committee substitute from Committee.

SB 98-SUPPLEMENTAL APPROPRIATIONS: FAST TRACK

The Committee reviewed but did not adopt a committee substitute and discussed proposed amendments from the Administration. The bill was held in Committee.

SB 97-SUPPLEMENTAL APPROPRIATIONS/CBR

The Committee heard a budget overview from the Department of Transportation and Public Facilities. The bill was held in Committee.

#HB47

CS FOR HOUSE BILL NO. 47(FIN)

"An Act extending the termination date of the Board of Certified Real Estate Appraisers; and relating to the requirements for membership on the Board of Certified Real Estate Appraisers."

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

REPRESENTATIVE RALPH SAMUELS, the bill's sponsor, characterized this as being "a straight forward" bill. He noted that a revised Department of Commerce, Community and Economic Development fiscal note has been provided.

Co-Chair Green reminded the Committee that the original Department of Commerce, Community and Economic Development fiscal note, Fiscal Note #1 dated January 20 2005, did not reflect the FY 06 operating expenses associated with the legislation. The Department's new fiscal note, dated February 22, 2005, specifies that FY 06 expenses would amount to \$32,800.

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

There being no objection, CS HB 47 (FIN) was REPORTED from Committee with new \$32,800 Department of Commerce, Community and Economic Development fiscal note, dated February 22, 2005.

#SB51

SENATE BILL NO. 51

"An Act relating to contracts for the provision of state public assistance to certain recipients in the state; providing for regional public assistance plans and programs in the state; relating to grants for Alaska Native family assistance programs; relating to assignment of child support by Alaska Native family assistance recipients; relating to paternity determinations and genetic testing involving

recipients of assistance under Alaska Native family assistance programs; and providing for an effective date."

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

Co-Chair Green stated that this legislation would expand the Temporary Assistance for Needy Families program to new groups desiring to participate in the Tribal Communities program. Some of these programs have experienced "diminished" federal funding, and therefore, the concern is that the State might be required to both supplant further federal funding decreases and increase State funding in order to continue the programs.

Amendment #1: This amendment inserts a new section into the bill on page nine, following line 18 as follows.

(p) Nothing in this section requires the department to continue to fund an Alaska Native family assistance grant program at a level funded before the current grant period or to replace federal funds for the program with state funding.

Co-Chair Wilken moved to adopt Amendment #1.

Co-Chair Green read the Amendment language.

Senator Olson asked whether alternate plans have been developed through which to assist families were federal funding discontinued.

Co-Chair Wilken responded that, in that event, the program would either require adjusting or alternate funding must be identified. He expressed concern that were the federal funding for this and other programs to continue to erode, that "the default position of this Committee" would be to "just automatically backfill with general fund money." Were a reduced funding situation to arise, it should be understood that instead of being the time to write checks, it would be the time to re-analyze the program, its funding mechanisms, and its funding levels. This amendment would allow that process to begin.

Senator Olson asked whether the adoption of the amendment would preclude the State from providing replacement funding.

Co-Chair Green clarified that rather than prohibiting that from occurring, the language would clarify that there would be "no assumption that the State will continue the program to the extent in that current period." Diminishing federal support of programs

would continue to place "tremendous pressure" on the State's general fund.

There being no objection, Amendment #1 was ADOPTED.

Co-Chair Wilken moved to report the bill, as amended, from Committee with individual recommendations and accompanying fiscal notes.

There being no objection, CS SB 51(FIN) was REPORTED from Committee with four Division of Public Assistance, Department of Health and Social Services fiscal notes, dated December 10, 2004: Fiscal Note #1 in the amount of \$4,093,800, Tribal Assistance Program; Fiscal Note #2 in the amount of negative \$1,346,400, Work Services Program; Fiscal Note #3 in the amount of negative \$6,727,000, the Alaska Temporary Assistance Program (ATAP); and Fiscal Note #4 in the amount of negative \$931,500, Child Care Benefits Program.

AT EASE: [9:13:10 AM](#) / [9:14:40 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 fourth hearing for this bill in the Senate Finance Committee.

Co-Chair Wilken clarified that while department overviews pertaining to the fast track supplemental bill have concluded, several amendments from the Governor Frank Murkowski Administration have been received and would be explained to the Committee. After the bill was heard, the Committee would recess until late afternoon in order to allow Members to further review the legislation.

Co-Chair Wilken reviewed the committee substitute work draft Version 24-GS1133\F and its accompanying spreadsheet dated March 1, 2005 [copies on file], and limited his remarks to those requests to which changes had been made.

[NOTE: Confusion occurred as to whether the February 7, 2005 spreadsheet [copy on file] or the March 1, 2005 spreadsheet was

being referenced. The following Sections are as depicted in the February 7, 2005 spreadsheet.]

[9:16:53 AM](#)

Department of Commerce, Community and Economic Development  
Section: 2(a)  
RDU: Community Advocacy  
Supplemental Need: Small city energy assistance program  
\$6,450,000 General Funds

Co-Chair Wilken stated that a change to this Section would be that the specified \$25,000, \$50,000, or \$75,000 community allocation would be used to pay toward the community's outstanding debt to the State's Bulk Fuel Loan Program. Any balance remaining after that payment could be applied toward the purchase of more fuel, with the condition that the invoice be submitted to the State. This money would lapse on June 30, 2005.

Senator Olson understood therefore that a community whose debt exceeded its allocation would not have funds with which to buy more fuel.

Co-Chair Wilken replied that that is correct. For example, a community with an allocation of \$50,000 and an outstanding debt of \$126,000, would have \$50,000 paid towards its debt.

Senator Olson asked whether any provisions have been included through which a community could acquire more fuel.

Co-Chair Wilken responded, no.

Department of Corrections  
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

Co-Chair Wilken explained that the Department of Corrections would address the Section 3(a) funding request via the use of available FY 05 lapsed funds.

AT EASE [9:20:17 AM](#) / [9:20:17 AM](#)

Department of Corrections

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

Co-Chair Wilken stated that Section 3(b) was zeroed out with the understanding that the e-procurement application system being furthered by the Department of Transportation and Public Facilities would be successfully developed and implemented in other departments.

Department of Education and Early Development

Section: 4(b)

RDU: Mt. Edgecumbe Boarding School

Supplemental Need: Residential operating costs related to expanded student population

\$800,000 General Funds

Co-Chair Wilken stated that Section 4(b) has been zeroed out. It was "quite clear" last year when this issue was initially discussed that the Committee did not favor such an appropriation. However, the Administration made the decision to expend the money. Therefore "it is incumbent upon the Administration to find out how to pay for it." The Committee has continued to uphold its previous position.

Senator Stedman voiced the expectation that funding for the School would be included in the FY 06 operating budget.

Co-Chair Wilken remarked that this discussion pertains to the FY 05 supplemental request for the School. Funding is included in the FY 06 regular budget proposal.

Senator Stedman, while recognizing "the merits of the table", voiced support for retaining the funding request. He acknowledged the School's funding inclusion in the FY 06 budget.

Department of Environmental Conservation

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

Co-Chair Wilken noted that while this request would be fully funded at the \$855,000 level, there would be a fund source change in that it would be supported entirely with General Funds.

Department of Military and Veterans Affairs  
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 Funds

Co-Chair Wilken stated that the 2004 Bering Straits storm, the Interior Earthquake shortfall, and the Kaktovik Winter Storm expenses would be provided for; however, the \$1,000,000 base capitalization request was denied.

Co-Chair Wilken commented that further discussion in this regard would transpire, as the Department has raised concern regarding the absence of the capitalization.

[NOTE: Further clarification regarding the spreadsheets occurred. From this point forward, the March 1, 2005 spreadsheet is referenced.]

AT EASE [9:24:47 AM](#) / [9:25:44 AM](#)

Co-Chair Wilken stated that in order to avoid further confusion, he would reference Section numbers in his remarks.

[9:26:24 AM](#)

Department of Administration  
Section: 7(a)  
RDU: Capital  
Supplemental Need: AOGCC costs for gas pipeline reservoir studies and depletion plan evaluations.  
\$900,000 General Funds  
\$300,000 Permanent Fund Corporation Receipts  
Total Funds: \$1,200,000

Department of Law

Section: 7(b)  
RDU: Civil Division, Oil, Gas and Mining  
Supplemental Need: Legal costs for work related to the state gas pipeline and to bringing North Slope natural gas to market, and other oil and gas projects for FY 05 and FY 06.  
    \$6,750,000 General Funds  
    \$2,250,000 Permanent Fund Corporation Receipts  
Total Funds: \$9,000,000

Department of Natural Resources  
Section: 7(c)(1)  
RDU: Capital  
Supplemental Need: Gas pipeline risk analysis and royalty issues.  
    \$1,875,000 General Funds  
    \$ 625,000 Permanent Fund Corporation Receipts  
Total Funds: \$2,500,000

Department of Natural Resources  
Section: 7(c)(2)  
RDU: Capital  
Supplemental Need: Gas Pipeline corridor geologic hazards and resource evaluation.  
    \$1,500,000 General Funds  
    \$ 500,000 Permanent Fund Corporation Receipts  
Total Funds: \$2,000,000

Department of Revenue  
Section: 7(e)  
RDU: Capital  
Supplemental Need: Commissioner's Office - Work related to the state gas pipeline and to bringing North Slope natural gas to market.  
    \$3,975,000 General Funds  
    \$1,325,000 Permanent Fund Corporation Receipts

Department of Revenue  
Section: 7(f)  
RDU: Capital  
Supplemental Need: Alaska Natural Gas Development Authority increased workload for gas pipeline  
    \$1,627,500 General Funds  
    \$ 542,500 Permanent Fund Corporation Receipts  
Total Funds: \$2,170,000

Co-Chair Wilken stated that while these projects would be fully funded, the recommendation is that the "expenditures be run through" the Legislative Budget & Audit (LB&A) committee.

Department of Natural Resources  
Section 7(d)(1)  
RDU: Operating  
Supplemental Need: Gas pipeline Bullen Point Road right-of-way  
permitting.  
    \$2,400,000 General Funds  
    \$ 800,000 Permanent Fund Corporation Receipts  
Total Funds: \$3, 200,000

Department of Natural Resources  
Section 7(d)(2)  
RDU: Operating  
Supplemental Need: Division of Oil and Gas increased workload  
for gas pipeline.  
    \$2,025,000 General Funds  
    \$ 675,000 Permanent Fund Corporation Receipts  
Total Funds: \$2,700,000

Department of Natural Resources  
Section: 7(d)(3)  
RDU: Operating  
Supplemental Need: Commissioner's Office increased workload  
for gas pipeline.  
    \$150,000 General Funds  
    \$ 50,000 Permanent Fund Corporation Receipts  
Total Funds: \$200,000

Co-Chair Wilken stated that Sections 7(d)(1), 7(d)(2), and 7(d)(3) would be funded and would include a provision of an FY 06 lapse date. These requests would not be addressed through LB&A. He recalled that, three years prior, expenditures associated with another resource development project had been addressed through LB&A and, as per Senator Gene Therriault, LB&A chair that "worked out fine." LB&A has assured him that routing the gas pipeline expenditures through LB&A would not slow the State's gas pipeline efforts.

Co-Chair Green noted that utilizing Permanent Fund Corporation receipts in this fashion is not a new process and has been utilized many times in the past.

Co-Chair Wilken expressed that the use of Permanent Fund Corporation receipts as the designated Other Funds for resource development project such as the gas pipeline is a funding investment that would be reimbursed back into the Permanent Fund were the project successful. The gas pipeline funds would amount to 25-percent, or approximately \$7,100,000, of the overall funding

request. Therefore, this request has a Fund Source change in that General Funds would be partially replaced with Permanent Fund Corporation receipts.

Senator Olson understood that Permanent Fund earnings would be utilized as a funding mechanism for the gas pipeline requests.

Co-Chair Wilken affirmed. "We've done that in the past for resource development issues that come back in resource development receipts."

Senator Stedman asked for confirmation that this would be the Permanent Fund Earnings Reserve Account.

Co-Chair Wilken replied that, "technically, its Corporation receipts," but it is the Earnings Reserve Account.

Co-Chair Green noted that this would be "in the same relationship as the deposit would be made from Revenue."

Co-Chair Wilken communicated that it would be 25-percent, with the knowledge that the 25 percent would be returned. "That investment will pay itself off in multiples."

Office of the Governor

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.

\$375,000 General Funds

\$125,000 Permanent Fund Corporation Receipts

Total Funds: \$500,000

Co-Chair Wilken stated that, similarly to the gas pipeline funding, Permanent Fund Corporation Receipts would be utilized to partially fund efforts to open the Arctic National Wildlife Refuge (ANWR).

[NOTE: The following Section is as depicted in the February 7, 2005 spreadsheet.]

Department of Health and Social Services

Section: 9(c)

RDU: Health Care Services: Women's and Adolescents Services

Supplemental Need: Feds reduced FFY 05 funding in the Breast and Cervical Cancer screening program. The fund source change will allow services to 1600 enrolled women that otherwise would not be served due to federal funding reductions. Funds will be required by late March or early April to continue the

program.  
\$500,000 General Funds  
(\$500,000) Federal Funds  
Total Funds: 0.0

Co-Chair Wilken stated that Section 9(c) was not funded for the three reasons: in an effort to reduce costs, the Department is being asked "to raise the threshold of acceptance for those women that are at risk" to 40 years of age rather than accepting any female, regardless of age; further clarification as to whether the federal funds being eliminated were specifically directed to breast and cervical cancer support or were a general erosion of federal funds of which the Department chose to remove from this program; and finally, as reflected in the Committee's recent adoption of Amendment #1 for SB 51, the desire is to further clarify that, rather than the expectation being that the State would automatically offset further diminished federal funding of programs with general funds, re-evaluation of such an affected program should occur.

[NOTE: The following request is as depicted in the March 1, 2005 spreadsheet.]

Department of Military and Veterans Affairs  
Section: 11  
RDU: National Guard Military Headquarters  
Supplemental Need: National Guard Audit Disallowance - Federal auditors have disallowed state expenditures in FFY 05 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 FFY 06. The department estimates they will run out of general funds by the end of March.  
\$297,300 General Funds

Co-Chair Wilken noted that the original \$446,000 request has been pared down to \$297,300, as it was determined that this level would be sufficient to address FY 05 actual needs. The FY 06 budget would address FY 06 funding requirements.

Co-Chair Wilken expressed that this would conclude the changes made to SB 98. The original SB 98 General Fund request amounted to \$97,082,200; this amount has been reduced to \$87,656,000. Federal funds would amount to \$99,380,800 and Other Funds would amount to \$24,492,000 for a total amount of \$211,529,700. These amounts are depicted on the March 1, 2005 spreadsheet.

Co-Chair Wilken requested the Committee to review the Version "F"

committee substitute, and submit any proposed amendments by three o'clock. The intent is that the Committee would recess and reconvene later in the day to further address the bill.

Co-Chair Wilken ordered the bill HELD in Committee.

AT EASE: [9:33:50 AM](#) / [9:33:53 AM](#)

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."

Co-Chair Wilken stated that the bill is again before the Committee in order to hear information regarding the Administration's proposed amendments to SB 98. The amendments are detailed in a handout dated February 28, 2005 from Cheryl Frasca, Director, the Office of Management and Budget addressed to the House and Senate Finance Committee Co-Chairs [copy on file]. Upon the conclusion of the overview, the amendments would be incorporated into a forthcoming committee substitute.

CHERYL FRASCA, Director, Office of Management and Budget, Office of the Governor, stated that the proposed amendments would amount to approximately \$9.5 million in general funds, five million dollars in Other Funds, and \$8.7 million in Federal Funds. She reviewed the requests depicted in the handout as follow.

FAST TRACK SUPPLEMENTAL AMENDMENTS

Amend. Sec. 1, Department of Administration, by adding new subsections to read:

(b) The sum of \$5,003,000 is appropriated from the information services fund to the Department of Administration for State of Alaska network security infrastructure upgrades.

KEVIN BROOKS, Deputy Commissioner, Department of Administration, reminded the Committee that the State experienced "a cyber attack on its network system in mid-January" 2005. This event has underscored the fact that efforts must be advanced "to solidify" the State's telecommunications and Information Technology infrastructure, and therefore, while \$17 million was included in the Department's original FY 06 request to address this and other things, \$5 million is being requested via this legislation to

immediately address network deficiencies. He noted that federal agencies are involved in the investigation regarding the January attack.

Co-Chair Wilken asked how the inclusion of this request in SB 98 would affect the Department's FY 06 network security budget request.

Mr. Brooks stated that were this request included in the supplemental bill, a \$12 million request rather than a \$17 million request would be included in the FY 06 Capital budget.

(c) The sum of \$6,175,000 is appropriated from the general fund to the Department of Administration for Alaska land mobile radio (ALMR) infrastructure upgrades.

[9:38:36 AM](#)

Mr. Brooks explained that this new \$6.1 million general fund request would provide infrastructure upgrades to the Alaska Land Mobile Radio project (ALMR), which is a joint project being conducted with the federal Department of Defense (DOD). There are approximately 87 radio sites located between Kodiak and Fairbanks, which provide communications for voice data video. The request would provide enhanced service to the Department of Public Safety, the Department of Military and Veterans Affairs, and the Department of Administration to fulfill the State's obligation regarding its agreement with DOD "to shore up this network."

Mr. Brooks stated that this money would allow the State to meet some May 2005 contractual deadlines. A similar amount of money would be requested in the FY 06 budget to continue these upgrades. The federal government has provided approximately \$43 million to purchase equipment for these sites, and in addition, has pledged an additional \$100 million investment in this regard.

Senator Dyson asked how this request would impact the FY 06 budget.

Mr. Brooks stated that the total ALMR funding would amount to approximately \$12,400,000. Were this request granted, the \$6,400,000 balance would be included in the FY 06 capital budget.

Senator Dyson surmised therefore that this six million dollar increment would be in addition to the Department of Military and Veterans Affairs' proposed FY 06 budget.

Mr. Brooks clarified that this request would be included in the Department of Administration's FY 06 capital budget.

Ms. Frasca noted that a budget amendment to this effect was recently submitted.

Mr. Brooks expressed that while work on the ALMR project has been conducted for several months, the request was not been submitted earlier as details were too vague.

Senator Olson asked what benefits would be provided by the upgrades.

Mr. Brooks explained that each of the sites, ranging from road to mountaintop sites, has a communications tower and an approximate ten by twenty foot housing structure for the radio equipment, generators, and batteries. The current equipment is old and must be updated for compatibility and security reasons. An upcoming military exercise would require communication component enhancements that would be supplied by the military.

Senator Olson asked the reason State funding is being requested if the federal government is supplying the equipment.

Mr. Brooks expressed that the military would be supplying equipment specific to their needs. The State funds being requested would provide for the upgrades for the multitude of State agencies that utilize the network. This would include first responders, the Department of Transportation and Public Facilities, the Department of Health and Social Services, and the Alaska Railroad. Once the upgrades were in place, DOD would further commit to paying for on-going operating and maintenance expenses associated with these sites.

Co-Chair Wilken understood that the reason this amendment is being proposed "is because the federal government did something to jumpstart us."

Mr. Brooks replied "not exactly". The agreement between the State and DOD has existed for several years. The driving force behind this amendment is to coordinate the needs of the various State departments and DOD and to upgrade "42 of the most critical sites" in order to have them tested and functioning before the beginning of the August 2005 military exercise. The request was delayed in order to provide updated and accurate information.

Co-Chair Wilken stated that, considering the amount of money involved, an ALMR briefing would be appreciated.

Mr. Brooks stated that a briefing could be conducted.

Amend sec. 6, Fund Transfers, by amending subsection (a) and adding a new subsection to read:

(a) The sum of \$10,004,200 [\$6,813,300] is appropriated from the general fund to the Alaska marine highway system fund (AS 19.65.060(a)).

Ms. Frasca stated that this amendment would increase the general fund appropriation to the Alaska Marine Highway System Fund to provide for the monetary terms of the Inlandboatmen's Union of the Pacific contract, which is further specified in Amendment sec. 13 on page two of the handout. Approximately \$3.2 million would be required to address the costs of the FY 05 contract. Two sections in the Administration's amendments pertain to this contract.

Co-Chair Wilken noted that the packet contains a January 26, 2005 memorandum [copy on file] from Ray Matiashowski, Commissioner of the Department of Administration to Senate President Senator Ben Stevens regarding the specifics of the contract.

(c) The sum of \$5,003,500 is appropriated from proceeds of the State of Alaska master lease line of credit program to the information services fund (AS 44.21.045(a)) for purposed of financing the following Department of Administration fiscal year 2005 capital project request:

PROJECT		AMOUNT
State of Alaska	Infrastructure	\$5,003,500
Network Security	Upgrades	

Ms. Frasca stated that Sec. 6, subsection (c) relates to the financing mechanism being proposed to pay for the five million dollars of network security infrastructure upgrades previously discussed in Amend. Sec. 1, subsection (b). This line of credit, which had been included in the FY 06 budget, would be moved forward to fund FY 05 network expenses with the intent to bill agencies through the "EPR rate" in order to access both "State and non-State fund sources to repay this line of credit over time."

Co-Chair Wilken understood that this money was part of the original \$17 million request.

Ms. Frasca affirmed.

Amend sec. 8, Office of the Governor, by adding a new subsection to read:

(b) The sum of \$160,000 is appropriated from the general fund to the Office of the Governor, division of elections, for increased costs for the fiscal year ending June 30, 2005.

Ms. Frasca stated that this amendment would provide funds to the Division of Elections to address increased costs associated with such things as the AccuVote voting machines maintenance and lease cost increases in FY 05. Postage and shipping costs, unassociated with separate Division of Election legislation that had previously reported from Committee, would also be provided for.

Amend sec. 13, Salary and Benefit Adjustments, by adding new subsections to read:

(d) The sum of \$3,190,000 is appropriated from the Alaska marine highway system fund (AS 19.65.060(a)) to the Department of Transportation and Public Facilities, marine vessel operations, in order to implement the monetary terms of the collective bargaining agreement for the Inlandboatmen's Union of the Pacific, representing the unlicensed marine unit, for the fiscal year ending June 30, 2005.

(e) If the appropriation made by (d) of this section takes effect, it takes effect on the date the collective bargaining agreement listed in (d) of this section is ratified by the membership of the respective collective bargaining unit.

Ms. Frasca stated that this request would address FY 05 expenses associated with the collective bargaining agreement for the Inlandboatmen's Union of the Pacific, which was previously discussed. "This is the actual appropriation from the Marine Highway System Fund to make those payments."

Amend sec. 15(a), Department of Transportation and Public Facilities Federal Projects, to read:

Sec. 15. DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES FEDERAL PROJECTS. (a) The appropriation to the Department of Transportation and Public Facilities for the Airport Improvement Program made by sec. 1, ch. 159, SLA 2004, page 35, line 22, is increased by appropriating from federal receipts an additional \$14,285,000[\$5,850,000], to be allocated as follows:

(1) Kotzebue: Obstruction Removal and Safety Area (HD 40)	\$5,300,000
(2) Tenakee Springs: Seaplane Float Rehabilitation (AD 5)	550,000
(3) Cold Bay: Airport Terminal Master	

Plan (HD 37)	200,000
<u>(4) Deadhorse: Airport Runway Safety Area Expansion (HD 40)</u>	<u>8,000,000</u>
<u>(5) Unalaska: Airport Terminal Master Plan and Improvements (HD 37)</u>	<u>500,000</u>

Ms. Frasca stated that this is the Administration's final amendment to the Fast Track Supplemental bill. These three capital projects being added could get underway in March or April 2005, provided the authorization is given to spend the federal funds early.

Co-Chair Wilken calculated that the State would be realizing an additional nine million dollars in federal funding.

Ms. Frasca deferred to the Department of Transportation and Public Facilities in order to ascertain whether this would be additional funding.

Co-Chair Wilken asked whether funding for this request would replace other projects.

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities, stated that this amendment regards federal airport improvement funding. Some of the funding is discretionary in that it is additional funding that was made available to the State from the Federal Aviation Administration (FAA). Approval of this amendment would not result in replacing any other funds that the Department would receive in its regular entitlement program.

Co-Chair Wilken asked regarding the reference to HD 40 and HD 5.

Ms. Frasca clarified that "HD" is a reference to House District.

Amend sec. 17(a), Lapse of Appropriation, to read:

(a) The appropriations made by secs. 1(b), 1(c), 7(a), 7(c), 7(d), and 7(e) of this Act are for capital projects and lapse under AS 37.25.020.

Ms. Frasca expressed that this technical amendment would specify that the funds being requested in Section 1(b) and 1(c) for the ALMR and network security upgrade requests would not lapse.

Ms. Frasca stated that this concludes the Administration's amendments to the Fast Track Supplemental bill.

Co-Chair Wilken ordered the bill HELD in Committee.

#SB97

SENATE BILL NO. 97

"An Act making supplemental, capital, and other appropriations, and reappropriations; amending appropriations; making appropriations to capitalize funds; making an appropriation under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

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

Co-Chair Wilken stated that the Department of Transportation and Public Facilities would be continuing its overview of its Regular Supplemental bill requests.

AT EASE: [9:51:53 AM](#) / [9:53:09 AM](#)

Item 124

Section: 17(i)

RDU: Central Region Highways and Aviation

Supplemental Need: Anchorage snowhaul and equipment fuel, utilities, sand and steel cost increases.

\$1,374,400 General Funds

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities stated that these request is the result of fuel, utility, and commodity price increases as well as an increase of approximately \$130,000 relating to Anchorage snowhauling expenses. Fuel expenses have increased approximately 30-percent or \$500,000; utility expenses have increased approximately six-percent or \$70,000; and steel price increases have directly impacted the Department's ability to replace grader blades, culverts, and road signs. Sand, salt and chemical costs have also increased. Commodity increases amount to approximately \$680,000. The Department's FY 05 Anchorage downtown area snowhauling budget had been reduced "a little too aggressively" by \$250,000.

Item 125

Section: 17(j)

RDU: Northern Region Highways and Aviation

Supplemental Need: Equipment fuel, utilities, and steel cost increases.

\$1,399,500 General Funds

Item 126

Section: 17(k)

RDU: Southeast Region Highways and Aviation

Supplemental Need: Equipment fuel, sand, chemicals and steel cost increases.

\$263,400 General Funds

Co-Chair Wilken noted that Sections 17(i), 17(j), and 17(k) depict similar expenses for other regions of the State. Continuing, however, he asked the reason Anchorage snowhauling expenses were considered part of the Central Region rather than the Interior Region.

Ms. Slagle informed that the State has assumed responsibility for downtown Municipality of Anchorage roads' snowhauling as State roads transit through the Municipality. She pointed out that snow removal in Anchorage "is more of an issue" than it is in other communities through which State roads travel. The State's Anchorage snowhauling budget was reduced in the FY 05 budget, based on historical snowfall records; however, snowfall has exceeded those averages.

Ms. Slagle concurred that Sections 17(i), (j), and (k) are similar in nature.

Section: 17(l)

RDU: State Equipment Fleet Administration

Supplemental Need: Fuel increases - credit card expenditures reimbursed by user agencies.

\$1,100,000 Highway Working Capital Fund

Ms. Slagle stated that this Fund authorization is specifically related to fuel cost increases. The State equipment fleet contracts out the amount of fuel that is utilized, and the various State agencies are provided a credit card through which consumption charges are tracked. The bills are submitted to the State Equipment Fleet, which in turn, bills the agencies for reimbursement. This request pertains to the authorization to expend those reimbursed monies.

Senator Stedman asked whether the State could track fuel consumption by vehicle.

Ms. Slagle responded that the process is designed to track by credit card rather than by vehicle. Since the credit cards could also be used for bulk purchases, it would be difficult to track a specific vehicle's consumption unless a credit card was

specifically used for one vehicle. Mileage and maintenance costs, however, are tracked per vehicle in the fleet.

Senator Olson asked how the Department addresses the rising expenses of non-State employees who are under contract to service Bush Alaska airports.

Ms. Slagle asked for whether the question regards general maintenance contracts that are in affect for Rural airports.

Senator Olson affirmed that this concern regards those responsible for such things as snow removal in places like Savoonga and Shaktoolik.

Ms. Slagle understood that such contracts are bid out and re-negotiated on a regular basis of approximately two years. This provides the ability to address increasing expenses.

Senator Olson stated therefore, that when the airport manager at Salmon Bay contacts him and relays "that the price of fuel just jumped" by a certain percent that his response would be that he had to abide by a Department of Transportation and Public Facilities contract that would be re-negotiated every few years. He asked whether provisions have been made to address such a scenario.

Ms. Slagle replied that further information regarding pricing indexes for Rural Alaska would be provided. While the Department does have the ability to incorporate such cost increases into the contracts for Rural areas, there is no specific need to address this currently as, had the situation been different, a request of that nature would have been brought forward. Therefore, she assumed that such matters are being addressed internally.

Senator Olson voiced that rather than his concern being about the contracts, his concern is about the increased fuel costs to those independent contractors.

Ms. Slagle responded that in several instances, independent contractors utilize State equipment for Rural airport maintenance. She was uncertain as to whether the fuel used in those cases was included in the contract conditions or whether the State was responsible for it. She would clarify this.

Section: 17(m)

RDU: Statewide Information Services

Supplemental Need: Funding for telecommunications chargeback costs. FY 04 supplemental funding was not built into FY 05 budget, thereby causing a shortfall.

\$659,600 General Funds

Ms. Slagle explained that this request is associated with the amount of funds that the Department pays to the Department of Administration for its Enterprise Productivity Rate (EPR) usage, which is specifically associated with technology that the Department of Administration is providing to the Department. These rates have been increasing over the years and a similar request was before the Committee in the FY 04 Supplemental legislation. The Department's budget has not been adjusted to accommodate this expense. Some "shifting of rates" did occur; however it did not alleviate the pressure on the Department's budget as was intended.

Co-Chair Wilken asked the reason that this sort of request is specific to the Department of Transportation and Public Facilities and not to others.

Ms. Slagle responded that these expenses relate to the usage of computers and associated peripherals such as printers. The current formula, which the Department of Administration developed a few years prior, is based on department position counts. This has "greatly impacted" the Department of Transportation and Public Facilities as it has equipment operators and over 1,800 Marine Highway vessel employees who work in the field and do not have access to computers or telephones. Another consideration is that many of the Department's operations are conducted 24-hours a day. The combination of these things incurs more of these expenses on the Department of Transportation and Public Facilities than other departments.

Co-Chair Wilken asked what would occur were this request unfunded.

Ms. Slagle responded that the Department would be required to make "drastic changes between now and the end of the year." The money would be drawn from other programs, specifically the highways and aviation program as those are the programs that have general fund dollars.

Senator Olson asked whether not funding this request might result in "risk to life or limb."

Ms. Slagle stated that the response to that question is difficult. Funding it with existing program general fund dollars would negatively affect the Department's ability to adequately address Spring road issues.

Co-Chair Green asked whether general fund dollars were the only funding option; specifically whether federal funds might be

utilized.

Ms. Slagle stated that federal funds could be utilized for general administrative support as well as for indirect cost allocation plan (ICAP) funding which are those funds not designated for a specific project. However, the Department has utilized available ICAP funds to the maximum level and there is no further flexibility.

Co-Chair Green asked whether other non-federal funding options might be available.

Ms. Slagle responded that ICAP funds are calculated as a percentage of each construction project, whether the funding source is federal, State, or International Airport Bond Funds. The Department endeavors to maximize all funding sources.

Section: 17(n)

RDU: Central Region Highways and Aviation

Supplemental Need: King Salmon air traffic control current year contract.

\$68,000 General Funds

Ms. Slagle stated that these funds are in addition to the \$44,500 request included in the Fast Track Supplemental bill that was specific to FY 04 expenses. This request pertains to the costs associated with the King Salmon Airport Control Tower for FY 05.

Senator Olson commented that funding of this request is imperative as, from personal experience, he characterized the airport as resembling a busy mosquito beehive. He noted that this funding might have averted the incident in which an aircraft had knocked down the control tower a few years earlier.

Co-Chair Wilken stated that this request would advance.

Section: 17(o)

RDU: Human Resources

Supplemental Need: Shortage in realizing savings due to delay in implementing electronic timesheets.

\$140,000 Various Funding

Ms. Slagle informed that funds had been reduced in the Human Resources component of the Department's FY 05 operating budget due to anticipation that the implementation of an electronic timesheet would reduce expenses. However, the implementation of that system has been delayed and the Department has been required to pay the Department of Administration for Human Resources services.

Co-Chair Wilken understood therefore that the FY 05 budget reflected the decrement relating to this system.

Ms. Slagle communicated that a \$160,000 decrement was reflected in the FY 05 budget. A \$20,000 general fund decrement of that amount is not being requested.

Senator Bunde observed that, on numerous occasions, the savings anticipated to result from consolidation or improved technologies have not been realized. To that point, he asked whether this endeavor "would eventually save money."

Ms. Slagle assured that it would, as an electronic timesheet system would avoid the process of duplicating data entries by staff as well as any associated errors that might occur in the current payroll process.

Senator Bunde asked when the anticipated savings would be realized.

Ms. Slagle responded that no related funding is requested in the FY 06 budget, as the system should be in operation.

Senator Bunde hoped this issue would not resurface in the FY 06 supplemental request legislation.

Section: 18(a)

RDU: Capital

Supplemental Need: Airport Improvement Program increase of \$18 million in federal funds as allocated.

Total Funds: zero

JOHN MACKINNON, Deputy Commissioner of Highways & Public Facilities, Department of Transportation and Public Facilities, specified that this request is the result of additional federal funds being realized late in FY 05. The projects provided for by this funding would be of Statewide significance and would not displace existing projects.

Item: 138

Section: 18(b)(4)

RDU: Capital

Supplemental Need: Statewide: Emergency Bridge Replacement \$800,00 Federal Funds

Co-Chair Wilken asked the location of the bridge addressed by this request.

Ms. Slagle expressed that, rather than being a specific bridge,

this request would allow the Department to temporarily stockpile goods in Anchorage and Fairbanks. The Department currently has sufficient material to replace an approximate 100-foot bridge; however, double that amount of material is required.

Co-Chair Wilken understood therefore that no specific bridge would be addressed by this request.

Item 136

Section: 18(b)(2)

RDU: Capital

Supplemental Need: Statewide: Comprehensive Highway Safety Plan.

\$500,000 Federal Funds

Ms. Slagle stated that Congressional re-authorization legislation being considered would require states to develop a comprehensive safety plan. This funding would further this plan, which would include crash data, crash patterns, safety and education issues, and the potential implementation of methods through which to address these and other issues. She noted that the FY 06 budget contains a similar request.

Senator Bunde asked whether federal funding would also support the FY 06 request.

Ms. Slagle concurred.

Co-Chair Green asked when the Safety Plan project began.

Ms. Slagle voiced the understanding that this project has not, of yet, begun and that this funding would allow for its development.

Co-Chair Green recalled a Committee discussion in which it was determined that only continuing projects could be included in the supplemental bill.

Co-Chair Wilken asked the Department's understanding of whether new programs could begin in a supplemental bill.

Ms. Slagle understood otherwise.

Co-Chair Wilken commented that this might be a policy decision.

Co-Chair Green understood the definition of a supplemental request to be limited to continuing programs only. To that point, she asked whether this project could be delayed until FY 06.

Co-Chair Wilken additionally asked whether this request would require a State match.

Ms. Slagle stated that a State match would be required, and that the Department does have adequate funding available in its FY 05 match program. Several of the associated projects have begun or are in the Environmental Impact Study (EIS) stage. The Department has not followed "any type of guideline or policy" that would prohibit a new project from coming forward. The money is available and the construction portions of the project could be advertised and begun as early as May. Beginning projects early in the construction season would be beneficial "in the long run."

Co-Chair Wilken asked regarding the Match level.

Ms. Slagle responded that the match would be approximately 4.5 percent, provided this was a Surface Transportation Program (STP) project.

Co-Chair Green noted that a nine percent minimum State match might be required.

Ms. Slagle voiced that the Department has a variety of federal highway funding options available, each with different match rate requirements. The bridge has a 20-percent match rate. Regular STPs require a 4.5 percent match level.

Co-Chair Wilken stated that this concludes department presentations on both SB 97 and SB 98.

The bill was HELD in Committee.

#

Co-Chair Wilken announced that the Committee would recess until later in the day, with the intent to address any forthcoming amendments and report SB 98 from Committee.

RECESS: [10:18:30 AM](#) / [3:00:19 PM](#)

Co-Chair Wilken announced that the meeting, which had been intended to continue at five o'clock, has been cancelled. The intent of the Chair is to include the amendments proposed by the Administration in a committee substitute for SB 98 that would be addressed at the March third Committee hearing. Members' amendments would be considered at that time, with the intent to report the bill from Committee.

**ADJOURNMENT**

Co-Chair Wilken adjourned the meeting at 03:01 PM.