

MINUTES
SENATE FINANCE COMMITTEE
March 3, 2005
9:04 a.m.

CALL TO ORDER

Co-Chair Wilken convened the meeting at approximately [9:04:26 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: KAREN REHFELD, Deputy Commissioner, Department of Education and Early Development; TIM GRUSSENDORF, Staff to Senator Hoffman; EDDY JEANS, Manager, School Finance and Facilities Section, Education Support Services, Department of Education and Early Development;

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

SB 98-SUPPLEMENTAL APPROPRIATIONS: FAST TRACK

The Committee heard from the Department of Education and Early Development. A committee substitute was adopted, four amendments were considered with two adopted. The bill was reported from Committee.

#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 fifth hearing for this bill in the Senate Finance

Committee.

Co-Chair Green moved for adoption of CS SB 98, 24-GS1133\Y, as a working document.

Without objection the amendment was ADOPTED.

Co-Chair Wilken outlined changes in this committee substitute compared to the previous committee substitute, Version "F".

[9:06:23 AM](#)

Section: 1(b)
Request Delivery Unit (RDU): Department of Administration, Capital
Supplemental Need: State of Alaska Network Security Infrastructure Updates
\$5,003,500 Information Services Fund

Co-Chair Wilken remarked that it appears the State must take additional precautions to protect against hacking into the State system.

[9:07:08 AM](#)

Section: 1(c)
RDU: Department of Administration, Capital
Supplemental Need: Alaska Land Mobile Radio (ALMR) for Infrastructure Upgrades
\$6,000,000 general funds

Co-Chair Wilken noted that the federal government has increased its activities with anticipation of certain factors, one of which is Northern Edge, in August 2005. This has provided enough information to upgrade existing sites and begin installment of new sites. The initial request was \$6.175 million; this committee substitute appropriates \$6 million with the remaining \$175,000 allocated for the e-commerce project of the Department of Corrections.

[9:07:57 AM](#)

Section: 3(b)
RDU: Department of Corrections, 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
\$190,000 general funds

Co-Chair Wilken informed this restores \$190,000 to the e-commerce project. The Department also has lapse funds available, to allow a total of \$200,000 for this purpose.

[9:08:36 AM](#)

Section: 6(a)
RDU: Fund Capitalization, Marine Hwy Stabilization
Supplemental Need: Fuel cost and contract increases
\$10,004,200 general funds

Co-Chair Wilken noted the original request was for funds to address fuel cost increases. This committee substitute added funds to cover increased costs associated with the contract reached with the Inland Boatmen's' Union.

[9:09:19 AM](#)

Section: 6(b)
RDU: Fund Capitalization, Disaster Relief Fund
Supplemental Need: Base capitalization of fund %500,000; 2004 Bering Strait Sea Storm \$4,054,400; Interior Earthquake shortfall \$259,300; and Kaktovik Winter Storm \$2,363,500.
\$7,177,200 general funds

Co-Chair Wilken reminded that the previous committee substitute proposed not funding this item; however the Department demonstrated a need. The committee substitute restores a portion of the original request.

[9:09:48 AM](#)

Section 6(c)

Co-Chair Wilken explained this would capitalize the fund for the network security project outlined in Section 1(b).

[9:10:07 AM](#)

Section: 8(b)
RDU: Governor, Elections
Supplemental Need: Additional increased operating costs for Accu-Vote maintenance; lease cost increases; list maintenance costs; additional postage and shipping, printing, training, archiving and destruction costs.
\$160,000 general funds

Co-Chair Wilken stated this appropriation is for unexpected expenses resulting from the latest general election.

[9:10:19 AM](#)

Section: 13(d)
RDU: Salary & Benefits Adj., Executive Branch
Supplemental Need: FY 05 costs for the IBU collective bargaining agreement.
\$3,190,900 AMHS Fund

Co-Chair Wilken explained this item, along with Section 6(a), is also in relation to the Inland Boatmen's Union collective bargaining agreement.

[9:11:04 AM](#)

Section: 15(a)(3)
RDU: Transportation, Capital
Supplemental Need: Cold Bay: Airport Terminal Master Plan - funding is now expected to be available in April
\$200,000 federal funds

Section: 15(a)(4)
RDU: Transportation, Capital
Supplemental Need: Deadhorse: Airport Runway Safety Area Expansion - FAA is providing discretionary funds to expand the safety area
\$8,000,000 federal funds

Section: 15(a)(5)
RDU: Transportation, Capital
Supplemental Need: Unalaska: Airport Terminal Master Plan and Improvements - FAA is providing the FFY05 earmark funds in April
\$500,000 federal funds

Co-Chair Wilken reminded that these relate to requests brought by the Administration at the previous hearing and provide authorization for three projects at a total \$8.7 million. The projects are ready to proceed.

[9:11:41 AM](#)

Section 17

Co-Chair Wilken pointed out this contains traditional language utilized to authorize receipt of funds from the Constitutional

Budget Reserve (CBR) fund if necessary for this appropriation legislation.

[9:12:11 AM](#)

Amendment #1: This amendment adds a new subsection to Section 4. Department of Education and Early Development., on page 7, line 18 to read as follows.

(c) The sum of \$400,000 is appropriated from the general fund to the Department of Education and Early Development, Mt. Edgecumbe boarding school, for increased residential operating costs for the fiscal year ending June 30, 2005.

Senator Stedman moved for adoption.

Co-Chair Wilken objected for discussion.

Senator Stedman read the language of the amendment. He explained the issue relating to the Murkowski Administration's proceeding with the expansion of the school, although funding was not authorized for this purposed by the legislature. The school is subsequently "caught" between the Administration and the legislature. This amendment represents one-half of the originally requested supplemental appropriation amount. The legislature could then address in the FY 06 operating budget, the broader issue of retaining budgetary oversight over the executive branch.

Co-Chair Green recalled that the legislature was clear in its direction last year. Questions had been raised about the readiness of this project with regard to student accommodations. She asked how the legislature is to be assured that this project is ready to proceed and requested the school administration apprise the Committee of the project goals and status. She did not support this appropriation; however, Senator Stedman made a compelling argument and she would not oppose the adoption of the amendment.

Co-Chair Wilken cited Committee minutes from the hearing of April 28, 2004, in which the Committee denied this funding request. The issue is not the Mt. Edgecumbe project, but rather the budgetary process and interaction between the legislative branch and another branch of State government. He understood this conflict has caused difficulty for the school.

Co-Chair Wilken noted that the school has operated for many years with little legislative intervention. Recently, federal funding has become available for expansion projects, necessitating the legislature to become more apprised. He requested the Department of

Education and Early Development give a presentation of the history and future goals of the school.

Co-Chair Wilken withdrew his objection to the adoption of the amendment.

Senator Dyson asked Senator Stedman opportunity to secure this funding if the Committee did not adopt this amendment.

Co-Chair Wilken noted the Governor's proposed FY 06 operating budget includes \$1 million for the school. Co-Chair Wilken surmised the request could be made to the House of Representatives to include funding in the FY 05 supplemental appropriation. He did not favor expending \$800,000 general funds for the expansion project in FY 05.

Co-Chair Green informed that the school district in her community has increased by 300 students since October 2004. The Mt. Edgecumbe school is requesting additional funding for 60 new students. She questioned the disparity and asserted the funding formula is flawed.

Co-Chair Green withdrew her objection to the adoption of the amendment.

Co-Chair Wilken commented he has received pressure regarding this matter from both those supporting a supplemental appropriation and those opposing it. Therefore, it is important that the legislature become more knowledgeable about the boarding school program.

Senator Bunde remarked that the decision rendered in the lawsuit filed by Molly Hootch was to result in the elimination of boarding school institutions. He echoed Senator Stedman's concerns voiced at previous hearings about the difficulty in containing budget expenditures given the multiple supplemental appropriation requests.

KAREN REHFELD, Deputy Commissioner, Department of Education and Early Development, testified this funding is requested for inclusion in the fast track supplemental reason because the Administration admitted the additional students and the housing, staffing and other costs have been incurred. The Department is unable to cover these costs.

Senator Bunde asked if the Murkowski Administration and the Mt. Edgecumbe school administration unaware that the legislature refused to fund this project in the initial FY 05 budget.

Ms. Rehfeld relayed that upon adjournment of the previous legislative session and it was understood that the legislature would not fund this project the Governor gave a directive to enroll the additional students. The Department followed the directive. The dispute was the legislature's intent that the project should be delayed one year, while the Governor insisted the project should be done during the current year.

Senator Bunde suggested funding this item from the Office of the Governor budget.

Senator Bunde remarked this situation could establish an "interesting precedence" allowing the administration to expend funds for a project and thus obligating the legislature to appropriate those funds. He asserted he did not accept the adoption of this amendment as setting precedence.

Senator Olson favored this amendment. He agreed the situation involves two issues, the school and a conflict between two branches of government. The governor is active year round and therefore has a better understanding of the issues.

Senator Olson spoke to the benefits of the boarding school program, including the high scores its students score on the exit examinations. He expounded upon his experiences at a boarding school and noted the accomplishments of graduates of the Mt. Edgecumbe school. He cautioned against causing struggle for the students in an attempt to influence the Governor.

Co-Chair Green calculated the per student allotment for Mt. Edgecumbe students at \$5,120. She suggested that if this amount were allocated for students in her district their test scores would be higher as well.

There was no further objection and the amendment was ADOPTED.

Amendment #2: This amendment adds a new subsection to Section 4. Department of Education and Early Development., on page 7, line 18 to read as follows.

(c) The sum of \$800,000 is appropriated from the general fund to the Department of Education and Early Development, Mt. Edgecumbe boarding school, for increased residential operating costs for the fiscal year ending June 30, 2005.

Senator Olson announced this amendment would be NOT OFFERED.

[9:27:12 AM](#)

Amendment #3: This amendment inserts a new subsection to Section 2. Department of Commerce, Community and Economic Development., on page 6, following line 19 to read as follows.

(f) Section 62(f), ch. 159, SLA 2004, is amended to read:

(f) Subject to (a) of this section, the sum of \$1,560,000 is appropriated from the general fund to the Department of Commerce, Community and Economic Development for payment as a grant under AS 37.05.315 to Dillingham City Schools for expenses incurred on or after April 1, 2004, for middle school roof replacement and high school design, engineering, and roof and structural repairs.

This amendment also provides that the appropriation is retroactive to April 1, 2004.

Senator Olson moved for adoption.

Co-Chair Green objected.

Senator Olson outlined accompanying explanatory language, which reads as follows.

This request on behalf of the City of Dillingham School District is to allow the District to be reimbursed expenses incurred on a school project prior to July 1, 2004. Due to the emergency nature the District spent funds on design prior to July 2004 to ensure the project would be done in time for opening day of school.

This language would cover expenses incurred on or after April 1, 2004 for this specific appropriation.

Co-Chair Wilken clarified this issue relates to a timing change in the funding.

Co-Chair Green asked if this relates to replacement of the gym floor.

TIM GRUSSENDORF, Staff to Senator Hoffman, described the mold problems in the gym at the high school.

Co-Chair Green asked if the mold was contained in the floor.

Mr. Grussendorf replied that the mold was actually in the walls, but subsequent damage caused the floor to become unusable. The original appropriation was intended for replacement of the ceiling

in the district's middle school; however, if the mold in the high school were not immediately addressed, the high school would have to have been closed.

Co-Chair Green heard reports that the removed wood from the gym floor was transferred to the local dumpsite where it was recovered by residents and reused in their homes. Given that the materials were still usable, she surmised this project should have received additional scrutiny.

Mr. Grussendorf responded that the wood had buckled and was unusable as a floor. He could not speak to its suitability for other uses.

Co-Chair Green understood that the damage was limited to one portion of the gym floor and that the entire floor did not require replacement. She stated that residents recovered the wood, sanded and refinished it and built good floors in their homes. She reiterated that some projects should receive more diligent review.

Co-Chair Green removed her objection to the adoption of the amendment.

Senator Bunde asked why this funding is necessary in the fast track supplemental appropriation.

Mr. Grussendorf replied that the funds have been expended.

Senator Stedman asked if a maintenance fund exists to address temporary repairs, or if the problems are allowed to worsen until a total rebuild is necessary.

EDDY JEANS, Manager, School Finance and Facilities Section, Education Support Services, Department of Education and Early Development, testified he was not aware that Dillingham has a supplemental fund source for these issues. He detailed the capital project process involving submittal of proposals, approval and prioritization, and eventual appropriation of funding for specific projects.

Senator Stedman suggested the Committee review and consider existing and possible mechanisms for addressing necessary repairs to avoid major renovations.

Co-Chair Wilken agreed and requested the Department address this matter at a future hearing.

Without further objection the amendment was ADOPTED.

[9:34:11 AM](#)

Amendment #4: This amendment inserts a new subsection to Section 2. Department of Commerce, Community and Economic Development., on page 6, following line 15 to read as follows.

(f) The sum of \$1,000,000 is appropriated from the general fund to the Department of Commerce, Community and Economic Development, Alaska Energy Authority, for the power cost equalization program for the fiscal year ending June 30, 2005.

Senator Olson moved for adoption.

Co-Chair Wilken objected.

Senator Olson outlined the accompanying explanatory language, which reads as follows.

In recent years, the Power Cost Equalization Program has not been fully funded so that subsidies to electricity consumers in high cost communities have necessarily been pro rated in order to meet the appropriated funding level.

In FY 04, the pro ration averaged 82% for the year, with the latter months April and May at 75% and June at 63%.

For FY 05, increase[d] fuel costs have significantly increased the cost of electrical generation in these areas resulting [in] further pro ration to the consumers. Currently, the pro ration is at 65% and is expected to erode further for these last 4 months.

From conversation with AEA, they estimate that supplemental funding of \$1 million would bring the program pro ration up to 76% for this year, if it is provided in a timely manner.

Co-Chair Green asked if different funding sources, such as the federal National Petroleum Reserve-Alaska (NPR-A) funds, have been considered as a funding option for the Power Cost Equalization (PCE) program.

Senator Olson responded that NPR-A funds have been considered for this program, as the purpose of those funds is to offset the impacts of resource development within the Reserve. However, this suggestion has not been favored.

Co-Chair Wilken remarked that he does not support the \$6.45 million

appropriated to the PCE program. He has attempted to provide a method for small communities to repay debt incurred for fuel expenses. He stressed that this appropriation however, "totally ignores" the impact on those residents paying a 10 percent premium on all items transported north from Anchorage.

Co-Chair Wilken pointed out that PCE members consumed three percent more electricity and four percent more fuel. The appropriated contained in the committee substitute is "very generous" and additional funding would be "unacceptable". He maintained his objection to the adoption of this amendment.

Senator Olson countered that the referenced \$6.5 million was intended for something other than PCE. He disputed the 12 percent increase figure of energy in rural Alaska.

Co-Chair Wilken reiterated that all goods delivered to the Interior region incur a 10 percent surcharge compared to the 12-20 percent increase that is limited to energy expenses.

A roll call was taken on the motion.

IN FAVOR: Senator Olson

OPPOSED: Senator Bunde, Senator Dyson, Senator Stedman, Co-Chair Wilken and Co-Chair Green

ABSENT: Senator Hoffman

The motion FAILED (1-5-1)

The amendment FAILED to be adopted.

AT EASE [9:41:19 AM](#) / [9:44:23 AM](#)

Senator Olson expressed disappointment that this supplemental appropriation relays the message that prevention and foresight are not a priority. He specified the absence of funding for the breast and cervical cancer screening program. He stressed for the record that he supports this program and spoke of the impacts of these cancers on members of the Committee as well as Iditarod musher Deedee Jonrowe.

Co-Chair Green offered a motion to report CS SB 98, 24-GS1133\Y as amended, from Committee with individual recommendations.

Co-Chair Wilken thanked staff for assistance on this legislation.

There was no objection and CS SB 98 (FIN) MOVED from Committee.
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ADJOURNMENT

Co-Chair Wilken adjourned the meeting at 09:47 AM