

MINUTES
SENATE FINANCE COMMITTEE
March 14, 2005
9:36 a.m.

CALL TO ORDER

Co-Chair Wilken convened the meeting at approximately [9:36:39 AM](#).

PRESENT

Senator Gary Wilken, Co-Chair
Senator Fred Dyson
Senator Bert Stedman
Senator Donny Olson

Also Attending: SENATOR GARY STEVENS; CHERYL SUTTON, Staff to Senator Ben Stevens; FRANK HOMAN, Limited Entry Commission; JOE CHILDERS, Executive Director, Western Gulf of Alaska Fishermen's Association, and Vice President, United Fisherman of Alaska; ERIC SWANSON, Director, Division of Administrative Services, Department of Administration; STAN HERRERA, Director, Enterprise Technology Services, Department of Administration; KIM GARNERO, Director, Division of Finance, Department of Administration;

Attending via Teleconference: From Kodiak: DON ROBERTS

SUMMARY INFORMATION

SB 63-USE SEAT BELT ROAD SIGNS

The Committee heard from the sponsor and a member of the public. The bill was reported from Committee.

SB 93-FISHING PERMIT AND VESSEL LICENSE FEES

The Committee heard from the sponsor, the Commercial Fisheries Limited Entry Commission and an industry association. The bill was held in Committee.

SB 46-APPROP: CAPITAL BUDGET

The Committee heard presentations on the appropriation requests of the Department of Administration. The bill was held in Committee.

#SB63

9:38:00 AM

SENATE BILL NO. 63

"An Act relating to road signs encouraging the use of safety belts."

CS FOR SENATE BILL NO. 63 (TRA)

"An Act relating to road signs encouraging the use of safety belts."

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

Co-Chair Wilken stated this bill, "Allows the Department of Transportation [and Public Facilities] to erect and maintain road signs that encourage the use of seat belts at the site of a fatal motor vehicle accident."

CHERYL SUTTON, Staff to Senator Ben Stevens, asserted that this bill "serves great purpose". She read letter to the editor of a newspaper from Carol Kampen, the mother of a man killed in a motor vehicle accident who was not wearing a seatbelt, as follows.

It seems there may be some confusion over Ben Stevens' Senate Bill 63. This is legislation allowing the erection of a roadside memorial sign encouraging the use of seat belts. In the Daily News article "Buckling up high on legislators to-do list" Feb. 9, it states there are six House members who are opposed to this legislation. A roadside memorial sign program is already available to the public; you know the little blue signs that say "Please Don't Drink and Drive" or "Please Drive Safely" and under the sign it lists the name or names of people who have lost their lives. Why would they oppose something that really isn't going to cost anything and will draw attention to the terrible loss of life due to lack of wearing seat belts?

I lost my youngest son, Nathan Kampen, in a car accident. He was not wearing his seat belt. When I requested a memorial sign saying "Please Buckle Up" or something similar, I was told it was not available. So I presented by problem to Ben Stevens, and he was kind enough to help. I truly see no reason to oppose this legislation. I could always put up one of the other signs available, but my hope is to remind our young people to "Buckle Up."

Ms. Sutton added her astonishment in learning that over 50 percent of motor vehicle related fatalities in Alaska could have been prevented if the individual had been wearing a seatbelt.

Senator Olson noted numerous testimony in opposition to this legislation and asked the reason.

Ms. Sutton knew of no reason, and surmised that the objection was to separate legislation sponsored by Senator Bunde relating to the use of seatbelts.

DON ROBERTS testified via teleconference from Kodiak that he supported the enforcement of laws requiring seatbelt use. However governance of road signs is an administrative function and the legislative process should not be hampered with these types of issues.

Ms. Sutton informed that Mrs. Kampen attempted unsuccessfully for months address this matter through the Department of Transportation and Public Facilities before she requested assistance from Senator B. Stevens. The Department does not oppose this bill.

Co-Chair Wilken considering version "G"

Senator Dyson offered a motion to report SB 63, 24-LS0363\G, from Committee with individual recommendations and accompanying fiscal note.

Without objection, SB 63 MOVED from Committee with fiscal note #1 from the Department of Transportation and Public Facilities in an indeterminate amount.

#SB93

[9:44:13 AM](#)

SENATE BILL NO. 93

"An Act relating to commercial fishing permit and vessel license fees; and providing for an effective date."

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

Co-Chair Wilken stated this bill "increases the annual license fee for commercial fishing vehicles based on the overall length of the boat. Commercial Fisheries Entry Commission proposed regulatory fee structure for limited entry permits is estimated to increase annual

revenue by about \$2.1 million."

Co-Chair Wilken noted a new fiscal note dated 3/11/05 from the Department of Fish and Game.

CHERYL SUTTON, Staff to Senator Ben Stevens, referenced handouts [copies on file] and read testimony into the record as follows.

AT EASE [9:46:11 AM](#)/[9:47:20 AM](#)

Senate Bill 93 addresses the Commercial Fisheries Entry Commission. The first fact we need to understand about the commission is that they are totally fee-based funded. They receive no general funds. From the charts in your packets you can see that the commission has been on a downward trend in revenue and that revenues and operational costs will soon meet and revenues will continue in the downward trend under the current fee structure. This is in spite of the fact that the commission has greatly reduced their work force. Some of the contributing factors are the Carlson case, the decline in value in certain fisheries, and the consolidation of various fisheries.

Senate Bill 93 accomplishes several purposes. It will bring the state into compliance with recent rulings in Carlson v. State of Alaska. The Carlson case was a class action brought against the state by nonresident fishermen who claimed that the fee structure was not lawful. The state had charged a 3 to 1 fee differential for nonresidents. The court agreed that the fees could not be established in this manner and issued a mandated formula that is now calculated by OMB. I have the information of what is included and how the fees are calculated if the committee members would like to review it.

The major component contained in Senate Bill 93 is the removal of the \$300 cap for annual permit renewal currently in statute. This is an artificial cap because the statute states that the base fee must "reasonably reflect the different rates of economic return for different fisheries." The cap results in fisheries with a very high economic return being charged fees that are disproportionately low. This bill asks you to remove the \$300 cap and the commission will develop regulations for the categories and fees through a public hearing process.

The other Carlson compliance element clarified in the bill is to charge a nonresident fee differential of \$115 only one time regardless of how many permits a nonresident is issued. The

court said that the state could only charge the differential once and the commission has been complying with this mandate. Another nonresident element pertains to those who qualify for a reduced, or "poverty" fee. These individuals would still be required to pay the full nonresident differential.

The vessel license fees are also addressed in the bill. A modest modification is proposed. The 6 vessel length categories are maintained and the fees are raised by \$15, \$30, \$60, \$75, and \$90 respectively.

Ms. Sutton relayed that the United Fishermen of Alaska organization supports this legislation. The Commission would address the concerns of those who deem the proposed changes as unfair. She exemplified that the fee increases for smaller vessels would be reconsidered.

Senator Olson asked for an explanation of chart titled, "CFEC Revenue Received Compared To Authorized Receipt Supported Services Budget." This chart plots data for the years FY 98 through FY 10. One line represents Alaska State Accounting System (AKSAS) Actual Revenue; another line represents Total Commercial Fisheries Entry Commission (CFEC) Receipt Supported Services Obligation (includes Lease, Fishermen's Fund and Commercial Fisheries Division); and the third line represents CFEC Receipt Supported Services Budget and Fishermen's Fund. He noted the revenue would match the obligation amount then dip below a certain threshold.

Ms. Sutton informed that the Commission is obligated to contribute a fee to the Fishermen's Fund, under the Department of Labor and Workforce Development. This fee is calculated at 39 percent of the first \$60, which is approximately \$24 for resident fisheries and 39 percent of \$175 for nonresident fisheries, which is approximately \$68.25.

FRANK HOMAN, Limited Entry Commission, testified that as recently as 1998, the difference between the obligations and revenue was approximately \$2 million, with the balance deposited to the State general fund. By FY 08 the revenue would be \$800,000 less than the fiscal obligations and increase to over \$1 million by FY 09. Regardless of the adoption of this bill and the additional \$2.3 million generated revenue, the downward trend would continue. The amount of the deficit could not be calculated.

Mr. Homan stated that in the year 2000 the legislature authorized the Department of Fish and Game to use excess revenues of the Commission for fishery related projects. The authorization amounts have been higher than the actual excess revenues and therefore the

Department has never received the entire authorized amount. He spoke to the gap between the total CFEC obligation including the appropriation to the Division of Commercial Fisheries and the base obligations of the DFEC of its operating budget and fees to the Fishermen's Fund.

Mr. Homan pointed out that Commission estimates that by the FY 06 the revenues would be less than the total DFEC obligation including the appropriation to the Division and the approximate \$400,000 annual fee to the Fishermen's Fund. The obligation includes a lease payment for office rent.

Co-Chair Wilken clarified that if this legislation passed the Commission would receive an additional \$2.3 million in FY 06.

Mr. Homan affirmed.

Co-Chair Wilken asked if the revenue line should not reflect this increase to \$5.7 million.

Mr. Homan agreed, but cautioned that if the trend continued the revenue amounts and obligation amounts would converge again in about six or seven years.

Co-Chair Wilken clarified this would occur if this legislation were not adopted.

Mr. Homan responded that without this legislation revenues would be below obligations in FY 06.

Co-Chair Wilken pointed out that with the passage of this legislation, the Commission would have a \$2 million surplus in FY 08.

Mr. Homan affirmed the Commission would have a surplus of approximately \$2 million for the first couple years after this bill was implemented; however, the downward trend would resume. The proposed elimination of the fee limitation would result in increased revenues.

Co-Chair Wilken surmised that the revenues would remain \$5.7 million and by FY 15, the Commission would again be in the current situation with an impending deficit.

Co-Chair Wilken and Mr. Homan continued deciphering the information contained on the graph and the projected fiscal impact of this legislation.

Senator Stedman requested additional explanation of the continual bias of the downward trend line in relation to the apparent market value of these adjustments.

Mr. Homan replied that a combination of factors cause the downward trend. The decision in Carlson vs. State of Alaska is a significant factor because "the three-to-one was eliminated as a fee." This legislation would reduce the \$115 non-resident differential to a one-time annual fee with no regard to the number of permits owned. These factors would cause the trend to continue downward. Other factors include consolidation in the fisheries, particularly in halibut and black cod. That would continue downward. Also consolidation in the fisheries in halibut and black cod at the federal level has resulted in the State selling fewer permits. The downward trend in salmon permit values of the past several years is another factor because the fees are based on the value of the permit. Limitation of fisheries imposed by the State has also contributed to the downward trend. The combination of these factors has resulted in significant decline in the last five years. The Commission hoped that fisheries values would improve, but the trend line must be realistic.

Ms. Sutton opined that the Senate has benefited from the excess revenues of the Commission generated from fees assessed to the industry. The Legislature has often appropriated these funds for projects in which general funds were not otherwise available. Those participating in the fishing industry appreciate this. Continuation of the surplus would be beneficial. The industry is improving; particularly the salmon industry, and the situation could change.

Senator Stedman referenced the proposed fee structure, noting the "40 basis points off of the value of the permit" and asked if this is also used for "the final entry." He asked if the calculations remain the same for the proposed increase from \$300 to \$1,500 or almost \$4,000.

Mr. Homan replied that the two formulas utilized include the four-tenths of one percent of the permit value in a limited fishery, and four-tenths of one percent of the gross earnings in an unlimited fishery. The fisheries Senator Stedman indicated are unlimited fisheries.

Senator Stedman understood this is a proposed schedule and that if this legislation passes, the Commission would undertake a public process to determine the actual fees. Public concerns would be addressed and considered at that time.

Mr. Homan affirmed the information provided is a proposal. Upon

passage of this legislation the Commission would develop a formal proposal and hold public hearings. The Commission is already communicating with fishermen about the fee amounts. He noted the backup information indicates questions raised with regard to the finfish category. The removal of the existing maximum fee provision would result in increased fees. Fishermen have requested the Commission consider adjusting fees to be based on vessel length with lower fees for smaller boats.

SENATOR GARY STEVENS understood the fee-based issue, the Carlson case and the removal of the maximum fee provision. However he noted the significant excess revenue that would be generated in the first few years after the enactment of this legislation, thus over funding the Commission. He suggested fees could be increased gradually in phases as needed, which would be more equitable.

Mr. Homan responded that the Commission has historically generated \$2 to \$3 million more than the budgetary needs. The Commission's budget needs are "fairly level". The Legislature has appropriated the additional revenue to fund other commercial fishery projects. This option would remain. The Commission is only authorized to expend the amount appropriated by the Legislature.

Ms. Sutton furthered that the addition of the lease payment obligation could cause some difference in the amount of the total obligations.

Mr. Homan spoke to the increased obligation resulting in the transfer of the office lease payment from the Department of Fish and Game to the Commission. The Department has historically included the lease in its budget utilizing revenue from the Commission. This year the component would be transferred.

Senator G. Stevens opined that the Department supports funding projects from sources other than the general fund. He expressed concern about overcharging industries.

Ms. Sutton asserted that the industry supports these projects and does not oppose the fees. The industry intends the Commission to remain functional. The Commission would maximize efforts to work with each fishing group to address concerns and to make the fees as reasonable as possible.

Mr. Homan addressed the suggestion to increase the fees in phases. This option could be addressed in the Commission's public hearing process. This may be more functional than requesting additional statutory action in the event the trend continues downward.

Senator Olson asked why the Department does not address the underlying problem through this legislation rather than delay implementing a solution.

Mr. Homan responded that the "hope" is that the current trends developing would "pull us out of that". He exemplified the positive trends in the salmon business and the marketing. Pricing has improved for some fisheries. Power troll "is looking good". The State has embarked on a major marketing effort. These would be beneficial, although increases would not be realized before FY 06 and the downward trend that would occur at that time. In the long term, "it will turn around" and much of the problem would be solved.

Senator Olson countered that the witness was more optimistic than he was, particularly concerning the fisheries in his district. Senator Olson predicted that a significant increase would exacerbate the situation, as fishermen would become discouraged and demoralized by the additional overhead expense.

Mr. Homan spoke to the current fee structure and indicated that the rates would not increase significantly for most salmon fisheries.

Senator Stedman noted the basis on permit value and gross revenue, pointing out that gross revenue fluctuates every year and permit values change somewhat as well. He asked if the fee structure would be reviewed annually.

Mr. Homan agreed the values fluctuate and informed that the Commission reevaluates the fees each year.

Senator Stedman asked about the substantial number of permits held by the State and asked how these would be affected by this legislation.

Mr. Homan replied that the Division of Investments within the Department of Commerce, Community and Economic Development holds the permits. The permits are not fished.

Senator Stedman asked if fees are levied against these inactive permits that are held as collateral.

Ms. Sutton responded that the fees are only charged when a permit is renewed.

Mr. Homan "suspected" the number of permits in State possession was not more than "a few dozen".

Senator Olson asked how the fees are determined. He noted that smaller operators would pay the majority of the increase. The proposed fees for vessels under 25 feet in length would be a 75 percent increase. Vessels 25 to 50 feet in length would have a 60 percent increase. However, vessels over 250 feet would have increased fees of only 12 percent. He asked how to respond to smaller vessel owners' complaints of being overcharged.

Mr. Homan replied this pertains to a "different category" of vessel license, which are established in statutes. The Commission has less discretion with these fees. The majority of the commercial fishing fleet in Alaska is comprised of smaller vessels; however, the proposed fee increase is "fairly modest" of \$15 to \$30. There has been no fee increase for ten years. The fee structure could be changed to provide no increase for the smaller vessels and a higher increase for larger vessels; however 26 vessels are in the longer length category and 5,000 shorter-length vessels. Therefore the fees for the larger vessels must be increased significantly to offset the revenue that would not be generated from increases of fees for the smaller vessels.

Ms. Sutton informed that she is a commercial fisherman and that her vessel is less than 25 feet in length. She has no objection to the proposed increase. She understands the efforts of the Commission, although she also understood Senator Olson's concerns. She interacts with other fishermen frequently and realized the impact of any increased expenses.

Senator Olson remarked that the fishermen operating in the election district he represents are "adamantly opposed" to this legislation. He questioned the testimony regarding the position of the United Fishermen of Alaska (UFA).

Ms. Sutton replied that the UFA endorsed this bill. She was unsure if any fishermen from Senator Olson's area are represented on the board of UFA. She offered to speak to any interested parties on this matter.

Senator Stedman assumed that the Division of Investments and the Commercial Fishing and Agricultural Bank (CFAB) and other lenders held only a dozen permits outside of the fishing marketplace due to foreclosure. He has been told that a substantial number of permits are held out of the marketplace because reissuing them would suppress the value of active permits. He asked if a permit is not fished, whether the annual fee is still required.

Mr. Homan replied that only two organizations could hold a permit: the Division of Investments and CFAB. He agreed that because of

difficult seasons in the salmon fishing industry, the market had no demand for these permits. He did not deem the number of these permits to be significant. Statute provides that any permit not paid for two years would revert to the State. Some permit holders do not pay permit fees for two years and do not fish. However if the permit holder decides to fish the permit again, the fees must be paid.

Senator Stedman asked if the fee payments are then paid retroactive.

Mr. Homan affirmed.

JOE CHILDERS, Executive Director, Western Gulf of Alaska Fishermen's Association, and Vice President, United Fisherman of Alaska, testified that the UFA did endorse this bill because it was believed that the funding must continue for fisheries management in Alaska. Some funds are transferred to other divisions. The UFA also supported efforts of the Division of Commercial Fisheries. The Commission assured the UFA that the proposed fee increases would undergo an extensive administrative hearing process.

Mr. Childers next spoke in his capacity of the Western Gulf of Alaska Fishermen's Association. The members of this group are primarily involved in ground fish fisheries, but participate in many fisheries, including squid, sardines and pea cod in Alaska and the West Coast. They include long-line, purse seine, trawl and pot fishing. Approximately 80 percent of the fleet is comprised of vessels 60 feet in length or less. Many members were concerned about the proposed fee increase for the miscellaneous finfish statewide category, which includes all trawl fishery vessels. The current fees are based on the value of the permit of the fishery, which is a reflection of possible net profit. The limited entry system has changed the fisheries from "input control" to "output control quota share programs." He exampled a member of the Association who was fully vested as a long line fisherman, maximizing quotas for several fisheries. His gross earnings for sablefish and halibut fisheries are likely significantly over \$1 million annually. The license fees for these fisheries are relatively low; however the proposed fee increases for trawl fisheries would be almost \$4,000, although trawl fisheries generate significantly less income.

Mr. Childers also relayed Association concerns with fees based on vessel length of more or less than 60 feet. This delineation is irrelevant. Instead, horsepower is a more significant factor in the ability to increase income. Many vessels participating in the salmon fishery are 58 feet in length with "tremendous" horsepower,

and are able to hold 168,000 pounds of fish. This is compared to 74-foot vessels with less horsepower and able to hold only 110,000 pounds of fish. Therefore, fees imposed based on vessel length do not reflect actual earnings potential. As fisheries "migrate away" from entry permits to quota share systems, taxing output of fisheries must be considered.

Mr. Childers warned that the proposed system of fees based on vessel length would "lead to the demise" of smaller vessel operators participating in commercial fishing. This has occurred in the Bering Sea Pollock fishery. It is economically efficient to maximize the use of vessels and the licenses are based on vessels. This would result in fewer vessels. The fees should be modified to tax quota shares instead.

Mr. Childers stated that UFA and the Association support this legislation because they expect extensive dialog with the Commission.

Senator Dyson agreed with the witness' comments. He spoke of the history in Alaska in taking arbitrary actions to attempt to accomplish social and local goals. The issue of vessel length categorization is an example of unintended consequences, in that vessels have been constructed of poor design, are not safe and could not be utilized for other fisheries. The legislature must "get out of the business of designing boats" and allow the marketplace and the fisherman flexibility needed.

Senator Olson asked the witness' opinion of the demise of the smaller operators' involvement in the industry. He asked how could the downward trend be reversed.

Mr. Childers recommended a system of licensing or a fee structure based on actual output from a fishery. He has been a fisherman since 1966 and currently salmon trolls and has a halibut quota in Southeast. This qualifies him as a smaller vessel operator, although he informed he operated large vessels in the past. The penalty to marginal producers is high, especially if the fees increase. "If you can't afford to fish, you certainly can't afford to pay a fee increase"; however more lucrative fisheries could absorb large increases of 500 percent.

Senator Olson questioned why the organizations did not assist in proposing legislation that could provide a realistic and practical solution rather than the current proposal.

Mr. Childers replied that the Association initially had misgiving about this bill. UFA endorsed this bill because they determined

that a fee increase is necessary for current and future operations. Another approach to this issue is necessary and he was hopeful that the administrative hearing process, as well as debate on this bill, would result in solutions.

Co-Chair Wilken ordered the bill HELD in Committee.

#SB46

[10:42:40 AM](#)

SENATE BILL NO. 46

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

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

The Committee heard presentations on the Governor's capital funding requests for the Department of Administration.

Department of Administration

State of Alaska Network Security Infrastructure Upgrades

\$3,537,500 Info Svc fund

Reference No.: AMD40606

Category: General Government

Location: Statewide

Election District: Statewide

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

On January 18, 2005 the State of Alaska Wide Area Network was the target of a cyber attack which resulted in the defacement of a web server owned by the Department of Health and Social Services. Upon further investigation, it was determined the extent and scope of the cyber attack was much larger than to a single device. In a cooperative effort with SOA agencies, approximately 110 servers appeared to have experience[d] similar "signatures" of this attack. The significance of these attacks prompted notification to the MS.-ISAC (multi state information sharing and analysis center.)

ERIC SWANSON, Director, Division of Administrative Services, Department of Administration, testified this project is an extension of the \$5 million FY 04 supplemental appropriation for security activities.

STAN HERRERA, Director, Enterprise Technology Services, Department

of Administration explained that a portion of these funds would be expended to assist in addressing system vulnerability. The remainder of the funds would be utilized to complete the project undertaken with the FY 04 supplemental appropriation to purchase hardware and software in response to the cyber attack identified by a federal task force.

[10:46:24 AM](#)

Alaska Land Mobile Radio (ALMAR) Infrastructure Upgrades
\$6,405,000 general funds
Reference No.: AMD40605
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2005 - 06/30/2010
Phased-underway
Funding in the amount of \$6.175 million is needed in FY 05 to uphold the State of Alaska's obligation to the Department of Defense in a joint partnership for the Alaska Land Mobile Radio (ALMR) Project.

Mr. Swanson noted an upcoming presentation to the Committee on this project.

[10:47:07 AM](#)

Statewide Administrative System Replacement Phase 1 - Human Resources and Payroll
\$20,000,000 Debt Fin fund
Reference No.: 40081
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2005 - 06/30/2009
One-Time Project
The Department of Administration is responsible for operating statewide payroll and accounting systems. These systems are aging, and need to be replaced.

Mr. Swanson outlined this request.

KIM GARNERO, Director, Division of Finance, Department of Administration, read a statement into the record as follows.

When I came to this job 6 years ago, I recognized the vulnerability we have with our existing payroll system. At that time there were just over 100 licensed users of Tesseract

software, and now there are less than 50. The days of this software product's viability are numbered, and that is something that impacts almost all of state government. This application processes payroll for the court system, the legislature, and the executive branch, including most of the corporations (all but University, RR, AHFC).

Replacing the payroll system for an organization as large and complex as the State of Alaska is major undertaking. We received capital appropriations to begin the process in FY 2003 and FY 2004. We've spent about half of the \$900,000 appropriated to date, mostly on this business case. The work underlying this document took about a year to complete and the scope was not just payroll and human resources, but all statewide administrative systems. We included accounting, and procurement, and budget functions and involved the business process owners for each function. The business case was completed in September 2003 and it is available on the Division of Finance website.

Reading it, you'll find our administrative systems need serious overhaul.

- Our accounting system is 20 years old, written in COBOL, and becoming more difficult to maintain.
- Our human resource systems are a mix of standalone databases.
- We have no statewide system for procurement whatsoever.
- And the systems we do have, don't talk together well.

Over the next several years, we are faced with the job of implementing current technology to address these deficiencies.

We decided to start with the payroll and human resources systems, because that is where our greatest risk lies. A necessary related project is a reporting database that will contain information from both the old and new systems for historic and management needs. The eventual goal *is* for the reporting database to include data from multiple administrative functions, which would be a great improvement over our current reporting capabilities.

Our plan is to work through the complicated task of defining our requirements, choosing the best solutions, and negotiating long-term contracts that we can afford. The actual nature and cost of the solutions will not be known until we work through the process, and we can't work through the process without an appropriation to fund it.

Co-Chair Wilken noted the funding source is "debt financing" and asked if this is a line of credit.

Ms. Garnero understood the same.

[10:50:39 AM](#)

Public Building Facilities Projects

\$9,902,000

\$6,902,000 Bond Funds

\$3,000,000 Public Bldg fund

Reference No.: 39025

Category: General Government

Location: Statewide

Election District: Statewide

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

On-Going Project

Funding is necessary for continued maintenance of state owned facilities that make up the group know as Public Building Fund facilities. These facilities include the State Office Building, the Alaska Office Building, the Community Building, the Douglas Island Building, the Atwood Building, the Fairbanks Regional Office Building, the Court Plaza Building, and the Dimond Court House.

Mr. Swanson reported that priority deferred maintenance needs have been identified for all the buildings. He noted this list changes as boilers malfunction or other emergency repairs become necessary.

Co-Chair Wilken asked if the bond funds are related to the settlement from the case involving Amerada Hess Corporation and other oil producers.

Mr. Swanson answered yes.

Co-Chair Wilken clarified that the public building fund is the account paid into by agencies occupying space in the included facilities.

Mr. Swanson affirmed.

[10:52:31 AM](#)

Enterprise IT Projects

\$3,706,000 Info Svc fund

Reference No.: 40437

Category: General Government

Location: Statewide

Election District: Statewide
Estimated Project Dates: 07/01/2005 - 06/30/2010
One-Time Project

This category consists of the 10 IT implementation projects developed with a contract with Unisys Corporation, and other enterprise projects requested by State agencies.

Mr. Herrera told of the IT projects and operations constructed for various departments that total approximately \$260 million. This request would implement systems that would increase efficiencies to the State and include a server consolidation, help desk consolidation, and asset management.

[10:53:32 AM](#)

Data Center and Equipment Upgrades
\$3,297,000 Info Svc fund
Reference No.: 40435
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2005 - 06/30/2010
Phased - new

The purpose of these projects is to upgrade the outdated PBX phone systems; upgrade the failing environmental systems in the data centers such as air conditions, fire suppressant, and power distribution; update the Anchorage Data Center to make it "production ready" for Anchorage based hosting and to mirror Juneau operationally for 24x7 backup purposes; and to replace the IBM Mainframe serve as it is projected to reach processing capacity in early FY06.

Mr. Swanson overviewed this item.

Mr. Herrera stated this request is for funding for the establishment of a disaster recovery system. The State operates two data centers, one located in Juneau the other located in Anchorage.

Co-Chair Wilken asked if Reference No. 40437 is a phased new revenue project.

Mr. Herrera affirmed.

[10:54:48 AM](#)

Maintenance Projects for Facilities Outside the Public
Building Fund
\$3,098,000 Bond Funds

Reference No.: 39034
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2005 - 06/30/2007
On-Going Project
Funding is necessary for maintenance projects in facilities outside the public building fund.

Mr. Swanson gave examples of facilities not included in the Public Building Fund. A list of priority projects has been compiled for these facilities.

Senator Olson asked why these buildings are not included in the Public Building Fund.

Mr. Swanson replied that the Public Building Fund was initially established as a pilot project and included eight buildings. The program has been successful and considerations are underway to include additional buildings.

Senator Olson asked if funds would be more readily available for these projects if the facilities were included in the Public Building Fund.

Mr. Swanson responded that the manner of funding would change with rent being charged to the State agency occupants of the buildings. Some buildings, such as the Governor's residence would be addressed individually.

Senator Stedman asked if the funding for this item relates to the fund source referred to as Amerada Hess, as well.

Mr. Swanson answered yes.

[10:56:57 AM](#)

State of Alaska Telecommunication System (SATS) Projects
\$1,615,000 Info Svc fund
Reference No.: 40438
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2005 - 06/30/2010
One-Time Project
These projects will provide maintenance on the degraded SATS infrastructure which is the backbone of the state Wide Area Network (WAN) and the Alaska Land Mobile Radio (ALMR)

projects. Also included is an inventory of all equipment per site and an assessment of structural integrity and performance.

Mr. Swanson overviewed this request.

Mr. Herrera explained this funding would be utilized for various projects, including purchasing battery upgrades for 12 sites, and SATS test equipment replacement at approximately 128 sites. Some of these sites are over 30 years old and site assessments must be completed to determine necessary upgrades. The project would determine the users of the systems and reinstate the chargeback method that was eliminated at the time the State entered a contractual agreement with a telecommunications company. That contract has since been terminated and the chargeback method is again necessary.

[10:58:40 AM](#)

Mr. Swanson clarified that the Governor's proposed FY 06 operating budget contains a section that capitalizes the funds proposed for these capital projects.

[10:59:09 AM](#)

License Plates, Tabs, and Manuals
\$385,000 Rcpt Svcs fund
Reference No.: 40440
Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2005 - 06/30/2010
On-Going Project
Funding will provide for the purchase of license plates and tabs to maintain statewide inventory levels necessary for their required continued issuance. The division is required by statute (AS 28.10) to issue plates and tabs and cannot run out. The funding also provides for the purchase of the four different driver manuals and law books that must be available at all DMV offices.

Mr. Swanson read the summary information.

[10:59:45 AM](#)

DMV Take-a-Number System
\$100,000 Rcpt Svcs fund
Reference No.: 40073

Category: General Government
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2005 - 06/30/2007
Phased-new Project
Expansion of the take a number system used in the Anchorage office.

Mr. Swanson explained this system allows customers to "take a number" and know the amount of time before they would be served. This also provides a method to determine the amount of time taken to provide services.

[11:00:56 AM](#)

AOGCC Leasehold Improvements
\$75,000 AOGCC Rcpt funds
Reference No.: 40072
Category: General Government
Location: Anchorage Areawide
Election District: Anchorage Areawide
Estimated Project Dates: 07/01/2005 - 06/30/2007
One-Time Project
Funds will be used to purchase a space saving filing system and to purchase and install a ventilation system for the confidential samples storage room.

Mr. Swanson explained that the space would be remodeled and reconfigured to allow for the new filing system. Also, because the mineral samples held in the office emit toxic odors, a ventilation system would be installed for the comfort of staff.

Co-Chair Wilken ordered the bill HELD in Committee.

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ADJOURNMENT

Co-Chair Wilken adjourned the meeting at 11:02 AM