

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**March 22, 2005**  
**9:05 a.m.**

**CALL TO ORDER**

Co-Chair Green convened the meeting at approximately  
[9:05:22 AM](#).

**PRESENT**

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

**Also Attending:** NICO BUS, Administrative Services Manager,  
Department of Natural Resources; CHRISTINA BLUST; JULIA BLACK;

**Attending via Teleconference:** From an offnet location: MARK MYERS,  
Director, Division of Oil and Gas, Department of Natural Resources;  
BOB LOEFFLER, Director, Division of Mining, Land and Water,  
Department of Natural Resources; LAUREL BURNS, Mineral Resources,  
Division of Geological and Geophysical Surveys, Department of  
Natural Resources; DEAN BROWN, Deputy Director, Division of  
Forestry, Department of Natural Resources; GARY MORRISON, Director,  
Division of Parks and Outdoor Recreation, Department of Natural  
Resources; JEFF JOHNSON, Boating Law Administrator, Office of  
Boating Safety, Division of Parks and Outdoor Recreation,  
Department of Natural Resources; MIKE DAVIDSON, Alaska Professional  
Firefighters Association, and employee, Municipality of Anchorage

**SUMMARY INFORMATION**

SB 141-PUBLIC EMPLOYEE/TEACHER RETIREMENT

The Committee heard public testimony. The bill was held in  
Committee.

SB 46-APPROP: CAPITAL BUDGET

The Committee heard overviews on the capital budget requests from  
the Department of Natural Resources. The bill was held in

Committee.

#sb46

SENATE BILL NO. 46

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

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

Department of Natural Resources

[9:08:18 AM](#)

Oil and Gas Petroleum Basin Studies for AK Peninsula, Bristol Bay and Cook Inlet

\$252,000 general fund

Reference No.: 39992

Category: Development

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2005 - 06/30/2007

Phased-new Project

The administration's policy of accelerate petroleum resource development by attracting new entrants and investment in the state is hampered by a lack of publicly available data, including geological, geophysical and engineering information. This project will obtain and make key information publicly available addressing the geological character and petroleum potential of several petroliferous basins within the state. All proposed studies can be accomplished in conjunction with the DGGs energy program and might attract federal funding and technical support. Early disclosure of the information is essential if new oil and gas companies are to be attracted to the state.

NICO BUS, Administrative Services Manager, Department of Natural Resources, testified that to attract more companies to explore for oil in Alaska more information must be made available to the industry. Significant information exists, but needs to be compiled in a usable format.

[9:09:08 AM](#)

Oil and Gas Seismic, Well and Lease Data Acquisition

\$285,000 general funds

Reference No.: 33977  
Category: Development  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2006  
On-Going Project

This project requires funding to acquire, analyze, preserve, protect, and distribute oil and gas exploration and development data; provide the geoscientific and engineering skills and applications to do so, and; would distribute appropriate technical and leasing data to the public. The project will encourage and accelerate additional development of the state's petroleum resources while protecting the confidential nature of much of that information. Proper management and oversight of petroleum exploration, leasing and development on state lands requires that the Division maintain technical parity with explorers, lessees, and operators when it comes to its information base.

Mr. Bus remarked that this is a successful program. Advancements have allowed the Department to receive and distribute information digitally. The information is also utilized in establishing terms for lease sales.

[9:10:32 AM](#)

Oil and Gas Leasing and Accounting Database and Electronic Signatures  
\$250,00 general funds  
Reference No.: 39991  
Category: Development  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2007  
One-Time Project

This project provides for the electronic means of managing and tracking large volumes of documents critical to maintaining to administrative record of oil and gas transactions. Specifically, the project will allow the Division to manage and track oil and gas related legal documents, contracts, and correspondence received and stored as on individual leases, permits, and royalty reporting. In addition, it will allow for an electronic signature for lease assignments and royalty reporting. This project is critical to the Division's management and commercial analysts in assessing and maximizing current and future revenue owed to the state for its oil and gas resources.

Mr. Bus noted this project "builds on a couple projects" undertaken in the past few years. Completion of this project would expedite the process, ensure accuracy of information, and could increase revenue to the State. A private contractor would be employed to develop software for this project.

Co-Chair Green asked how the process currently operates.

Mr. Bus replied that documents are manually transmitted between the Division and companies.

[9:11:48 AM](#)

Oil and Gas Geologic Data for New North Slope Exploration Targets

\$145,000 general fund

Reference No.: 39988

Category: Development

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2005 - 06/30/2007

Phased-New Project

Alaska's North Slope remains the most promising onshore oil and gas province in North America. However, successful new exploration increasingly depends upon high quality geologic data. This project will investigate the petroleum geology across the central and eastern North Slope, evaluating the potential for new exploration targets. The proposed geologic evaluation will improve our understanding of the petroleum system by integrating new geologic information into a regional framework. Reliable new geologic data will encourage exploration capital investment in the state of Alaska, particularly by smaller independent oil and gas companies who rely heavily on our publicly available technical reports.

Mr. Bus overviewed this request.

MARK MYERS, Director, Division of Oil and Gas, Department of Natural Resources, testified via teleconference from an offnet location that this funding would allow for the continuation of critical fieldwork by the Division. A significant portion of this land is in State ownership. Information specific to the Foothills region is critical to understanding of natural gas development possibilities. It is also important to entice developers to conduct exploration activities.

Mr. Myers noted the expectation that industry funds and federal funds would also be utilized for this project. Helicopters would be

employed to assist in the fieldwork studies.

[9:13:58 AM](#)

Unified Permitting Process Phase 2  
\$1,200,000 general fund  
Reference No.: 38872  
Category: Development  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2004 - 06/30/2006  
Phased-Underway Project

This CIP has two primary goals: to develop an interactive application that simplifies the permitting process for applicants and staff; and to replace the centralized records management system (case, customer, land, revenue and billing) originally built in the 1980s. This is a large project that involves the conversion of 135 Department of Natural Resources business processes defined as case types. A system design for the initial case types is complete; the software for these business systems will be in production in FY 06. This request extends the new system to the next group of authorizations (e.g. water related permits, leases), providing a new application process for the customer, and new internal system capabilities for DNR staff.

Mr. Bus noted a timeline for this project was established the previous year. The intent is to provide an interactive electronic application process. This system would likely become a prototype for future programs including oil and gas and mining claims. The Department staff would work with a private contractor to develop this program.

Senator Hoffman noted the project would interact with the Alaska Coastal Management Program (ACMP) and asked for an explanation.

Mr. Bus replied that the Department interacts with the ACMP to coordinate the permitting process to ensure all parties are included. The ACMP has received a federal grant to participate in this project.

Senator Olson noted the target completion date is January 2005, which has passed. He asked the status of the progress.

Mr. Bus responded that the initial phase was recently completed. The contractor developed a general design and the Department is readying a contract to implement this design.

Senator Olson pointed out that the ACMP is in "flux" due to changes

proposed by Governor Murkowski. These changes conflict with federal requirements and thus threaten the continuation of the ACMP. He asked if receipt of the federal funding for this project would be rescinded if the ACMP were eliminated.

Mr. Bus explained that this project is to automate the project review process for the Department of Natural Resources and the ACMP. Regardless of the existence of the ACMP, the need for coordination with federal agencies and other entities remains.

Senator Olson remarked that of the 35 identified coastal management zones, plans for only a few have been completed. He asked how this factors into this project.

Mr. Bus described the automated questionnaire this project would create in which all parties would be notified of petitioner's proposals. This automated system would provide information to impacted communities in a timelier manner.

Senator Olson questioned how the process could be quicker if a conflict is present.

BOB LOEFFLER, Director, Division of Mining, Land and Water, Department of Natural Resources, testified via teleconference from an offnet location that the process must be automated to allow the adjudicators to spend less time on paperwork. This need exists regardless of the status of the ACMP. If the ACMP continues, it would require this automation as well.

Co-Chair Green directed attention to detail information for this project outlining the symptoms of the problems and the solutions this project would provide.

[9:21:10 AM](#)

Airborne Geological and Geophysical Mineral Inventory  
\$700,000 general funds  
Reference No.: 6852  
Category: Development  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2006  
On-Going Project

The Airborne Geophysical/Geological Mineral Inventory project seeks to catalyze private-sector mineral development investment. Alaska State lands that: 1) have major economic potential; 2) can be developed in the short term to provide high quality jobs for Alaska; and 3) will provide economic

diversification to help offset the loss of Prudhoe Bay oil revenue. Mineral resources comprise a major part of Alaska's economic assets, yet the location and magnitude of these resources are largely unknown. Knowledge of the State's mineral resources is a key to orderly development of the state and maintenance of a stable economy.

Mr. Bus reported that this successful program has been conducting air magnetic surveys for many years in various areas of the State. This funding would be used to target three areas: the mining district near Fairbanks, Valdez Creek and Richardson, and areas of the Seward Peninsula. An advisory board determines the best areas. The work done in this program entices mining companies to undertake exploration activities in certain areas.

Co-Chair Green asked if a direct correlation has been found between the surveys and mining development. She commented on the great success of the program.

Mr. Bus replied that mining claims are often staked in the same areas that surveys were conducted.

LAUREL BURNS, Mineral Resources, Division of Geological and Geophysical Surveys, Department of Natural Resources, testified via teleconference from an offnet location to reaffirm that surveys have increased staking claims. At times the surveys are conducted in areas already staked and assist developers in determining future activities.

Senator Olson asked if a private contractor conducts the airborne work.

Mr. Bus affirmed a private helicopter is contracted to conduct the magnetic beam activities. Department staff then enters the field to complete the project.

[9:24:03 AM](#)

National Historic Preservation Fund Federal Grant Program  
\$950,000 federal receipts  
50,000 G/F Match  
Reference No.: 6865  
Category: Natural Resources  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 09/30/2008  
On-Going Project  
State Match Required - Minimum 40%

The National Historic Preservation Fund (NHPPF) is a federal matching grant project with a 60% federal and 40% state match. It provides the state a basic historic preservation program including planning, survey, inventory, project review and public education. Cooperative agreements with federal agencies and grants from federal programs, which do not require match, fund cultural resource management projects. The historic preservation program contributes to the Department's mission through development, conservation and use of Alaska's heritage properties which is consistent with the public interest and the Alaska Historic Preservation Act.

Mr. Bus explained that the Department administers various preservation projects. Projects are nominated for receipt of these federal funds. A portion of the State funds is used to administer the required historical database.

Co-Chair Green pointed out that the 40 percent State match is not reflected in this request.

Mr. Bus responded that the applicants, including municipalities, contribute the majority of the matching funds. The Department of Natural Resources provides a portion of the matching funds, which are included in the operating budget.

Co-Chair Green surmised the State matching funds should be included in the capital budget rather than the operating budget.

Senator Hoffman asked if the projects receiving these grants are predetermined.

Mr. Bus told of an extensive list of applicants that include local governments and private organizations. A review board makes determinations each year as to which projects would receive the funding. Only a few of the many projects are selected.

Co-Chair Green requested an example of a project receiving these grant funds.

Mr. Bus exemplified the Wickersham House located in Juneau. The local historical society and the Department provided the required State matching funds for preservation of this facility.

[9:26:57 AM](#)

State Park Emergency Repairs  
\$400,000 bond funds  
Reference No.: 6843

Category: Health/Human Services  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2009  
On-Going Project

The project will promote the Department's mission of providing outdoor recreational opportunities by funding emergency repairs to park units to protect visitor health and safety by providing safe, clean, and well maintained units. These projects will fund emergency repairs at park units to protect visitor health and safety. Projects will upgrade or replace the basic facilities at parks including outhouses, drinking water systems, safe access roads and trails, safe shelter from harsh weather, and safe camping sites so that these items will not continue to put the health and safety of our workers and the recreating public at risk.

Mr. Bus informed of the extensive park property consisting of 121 units. This funding would be utilized to address health and safety issues on an emergency basis and avoid liability issues.

Co-Chair Green noted the funding source is indicated as bond funds. She asked if this relates to the proposal to utilize settlement funds received from the litigation commonly referred to as the Amerada Hess case pertaining to royalties on oil development.

Mr. Bus affirmed.

Co-Chair Green asked if these funds would be utilized for a controversial boat launch project located in the Mat-Su area.

Mr. Bus answered that project is not included in this item.

Co-Chair Green asked which item includes that project.

Mr. Bus indicated he would provide the information.

Senator Dyson questioned the "Emergency Repairs" portion of the title of this item. He asked if the proposed repairs are truly emergencies.

Mr. Bus responded that a separate item requests funding for deferred maintenance needs. He gave an example of use of these emergency funds as a furnace that stops working during cold weather and requires immediate repairs.

Senator Dyson spoke to high profile incidences of vandalism to vehicles parked in State parks in the South Central region. He

expected lighting and other remedial action would be taken to reduce these occurrences and asked if the funds for this item could be utilized for this purpose.

Mr. Bus replied this would be an appropriate use of these funds.

Co-Chair Wilken expressed concern with the use of bond funds for some of the proposed projects. He noted that only \$120,000 of the \$400,000 would be expended for materials, with the remainder for salaries. He questioned the payment of salaries and other expenses with a 20-year bond obligation.

[9:30:37 AM](#)

Interior Region Timber Marketing Prospectus  
\$55,400 general fund  
Reference No.: 40236  
Category: Natural Resources  
Location: Interior Areawide  
Election District: Interior Areawide  
Estimated Project Dates: 07/01/2005 - 06/30/2007  
One-Time Project

Timber supply greatly exceeds demand in Interior Alaska. Lack of a market for interior hardwoods impedes forest management throughout the region. The State began efforts to increase investment in local processing by publishing a prospectus for Interior timber. This CIP provides funds to more actively market this initiative, develop supporting data, and post information to the prospectus website. This contributes to Department of Natural Resource's mission by supporting jobs in the timber and allied industries and by managing forests in a sustainable manner. Development of a hardwood processing industry is a key strategy for sustainable forest management and economic development in Interior Alaska.

Mr. Bus relayed that this projects is a coordinated effort with the Fairbanks Economic Development Corporation and the Tanana Chiefs Conference, Inc. to increase demand for this timber and create sales.

Co-Chair Wilken remarked that this is a "great project".

[9:31:37 AM](#)

Forestry Buildings Repairs to Correct Fire and Life Safety  
Deficiencies Phase 2  
\$276,400 bond funds  
Reference No.: 38879

Category: Natural Resources  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2006  
On-Going Project

This project protects State assets by correcting the priority Building Fire and Life Safety deficiencies identified in the 2002-03 Forestry Building Conditions Survey. Safety systems including ventilation and combustion air systems will be installed or improved; seismic bracing for buildings and components will be installed to insure structural integrity; vacuum breaker type hose bibs will be installed to prevent contamination of water systems. These and other safety code compliance improvements will be made in Forestry structures statewide, where the public visits and where staff regularly works. The project ensures cost-effective management of state structures with a replacement value exceeding \$14M.

Mr. Bus stated the Department has worked with a private consultant to review the condition of all forestry buildings and have identified most fire, life and safety issues. This project is in the second of three years and the funding requested for FY 06 would be used to address 19 specific projects, including mechanical repairs and correction of structural problems.

[9:32:43 AM](#)

Forestry Area Offices Hazmat Storage Facilities  
\$90,000 bond funds  
Reference No.: 39973  
Category: Public Protection  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2006  
One-Time Project

The Division of Forestry has the need to appropriately and legally store hazardous materials at its field stations located in McGrath, Fairbanks, Delta, Tok and Glennallen. The Division utilizes several different types of fuel, oil, paint and other industrial solvents in the course of accomplishing its mission. The current method of storage of these hazardous materials is inadequate because the facilities utilized do not meet current state or federal standards and are in some cases unsafe.

Mr. Bus stated that significant quantities of hazardous materials are at these locations and require adequate storage to meet with federal requirements. These funds would be utilized to purchase

storage vaults and transport them to the facilities

[9:33:32 AM](#)

State Park Deferred Maintenance  
\$300,000 bond funds  
Reference No.: 38878  
Category: Natural Resources  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2007  
On-Going Project

State Parks has identified over \$43.0 million in deferred maintenance needs. This project will promote the Department's mission of providing outdoor recreational opportunities by funding deferred maintenance repairs to park units to protect visitor health and safety by providing safe, clean, and well maintained units. Projects will upgrade or replace basic facilities at parks including ranger stations, outhouses, drinking water systems, trails, and camping to keep them from becoming an urgent health and safety hazard.

Mr. Bus reiterated that the State owns 121 park units. These funds would be utilized to undertake septic system replacements, sewer upgrades, heating system repairs, etc. He noted a list of specific projects is available.

[9:34:25 AM](#)

Geological Data Document Conversion and Digital Data Storage  
\$58,000 general funds  
Reference No.: 39989  
Category: Development  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2006  
One-Time Project

AK 41.08.030 instructs the AK Division of Geology and Geophysical Surveys to "...print and publish an annual report and such other special and topical reports and maps as may be desirable for the benefit of the state..." To fulfill this mission, DGGs utilizes a multitude of technological tools to generate, analyze, distribute, and archive geologic information. Hardware/software changes, and exponential increases in digital information volume have caused vulnerabilities to our data storage and distribution infrastructure. To protect the State's digital information investment DGGs needs to upgrade the battery back-up system,

build a PC backup system, and reformat our online image collection from MrSID MP 2 to Adobe PDF.

Mr. Bus stressed that this project is necessary to save data in the event of a catastrophic failure.

[9:35:33 AM](#)

Fire Suppression Engine and Truck Replacements  
\$400,000 bond funds  
Reference No.: 33955  
Category: Public Protection  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2006  
On-Going Project

This project is the continuation of Forestry's multi-year fire truck replacement plan. This project replaces the out-dated fire trucks currently in use with state of the art fire trucks to be used in the initial attack of wildland fires in the full and critical protection lands located in the urban interface areas of the State. Forestry utilizes fire trucks to respond to and control an average of 400 wildland fires each year mostly in the high-value, high-risk urban interface areas of the State.

Mr. Bus informed that the Department has replaced 12 of 18 fire engines. The funding requested for FY 06 would replace three of the remaining six vehicles. The program would continue for one more year. The replaced equipment was manufactured in the 1960s and 1970s.

Co-Chair Green asked if these vehicles are stationed in various areas of the State.

Mr. Bus affirmed and exemplified Tok and Palmer.

[9:36:27 AM](#)

Replace Forestry Trailers at Copper River and Delta  
\$233,600 bond funds  
Reference No.: 39975  
Category: Natural Resources  
Location: Delta Junction (Richardson/Glenn Highways)  
Election District: Richardson/Glenn Highways  
Estimated Project Dates: 07/01/2005 - 06/30/2006  
One-Time Project  
Project funding will be used to replace two dilapidated trailers used as offices for Forest Technicians at two field

stations. Adequate office space must be provided for staff to meet our mission to develop, conserve and enhance natural resources. The current mobile home trailers used as offices fail code compliance and are a risk to health and safety of staff.

Mr. Bus reported that federal inspection of the existing trailers found the trailers out of compliance with federal requirements.

Co-Chair Green asked if the trailers would be replaced with new trailers.

Mr. Bus explained that the replacement facilities would be modular units constructed on foundations and that would meet electrical code requirements. These units would be purchased through an Alaskan vendor and would be constructed in Alaska specific to withstand the Alaskan elements. The project would also provide jobs for Alaskans.

[9:37:52 AM](#)

Rehabilitation of Anchor Point Campgrounds for Private Operations  
\$150,000 bond funds  
Reference No.: 40006  
Category: Natural Resources  
Location: Anchor Point  
Election District: Homer/Seward  
Estimated Project Dates: 07/01/2005 - 06/30/2007  
Phased-New Project  
Alaska State Parks has been tasked with contracting out as many State park units as is feasible. The remaining parks in the system are in need of repair/rehabilitation before they can be offered to the public for operation. The campgrounds are located within the Anchor River State Recreation Area. They are: Silver King Campground, Coho Campground, Steel Head Campground, Slide Hole Campground, and Halibut Campground.

Mr. Bus remarked that the State assumed ownership of campgrounds in the 1970s and 1980s and are in need of repairs and upgrades to meet certain standards. This project would include upgrading drinking water systems, upgrading boat amenities and other activities to bring the parks in to compliance with Americans With Disabilities Act (ADA) requirements. Details on this project are available.

[9:38:55 AM](#)

Byers Lake Campground Rehabilitation

\$100,000 bond funds  
Reference No.: 40005  
Category: Natural Resources  
Location: Trapper Creek  
Election District: Rural Mat-Su  
Estimated Project Dates: 07/01/2005 - 06/30/2008  
Phased-New Project

Byers Lake Campground is located next to the Alaska Veterans Memorial, MP 147 of the Parks Highway. Due to its proximity to Denali State Park and the associated recreational opportunities at Byers Lake, the 73 unit campground is heavily used during the warm summer months. The late 1970s vintage campground is in dire need of a major upgrade to replace worn facilities. The project would refurbish the campsites, upgrade the campground roads and parking areas, and replace the toilets.

Nancy Lake Campground Rehabilitation  
\$300,000 bond funds  
Reference No.: 40003  
Category: Natural Resources  
Location: Nancy Lake  
Election District: Rural Mat-Su  
Estimated Project Dates: 07/01/2005 - 06/30/2007  
Phased-New Project

South Rolly Lake Campground and Nancy Lake SRS Campground are located in the 22,685 acre Nancy Lake State Recreation Area at the end of Nancy Lake Parkway, 6.5 miles from the MP 67.3 of the Parks Highway. South Rolly Lake Campground was constructed in the late 1970s and the Nancy Lake SRS campground was built in the late 1960s. Most facilities within these campgrounds have exceeded their life cycle. This project would refurbish the campsites, upgrade the campground roads, parking areas, and replace the toilets and water wells.

Harding Lake Campground Rehabilitation  
\$200,000 bond funds  
Reference No.: 40004  
Category: Natural Resources  
Location: Harding Lake  
Election District: Richardson/Glenn Highways  
Estimated Project Dates: 07/01/2005 - 06/30/2007  
Phased-New Projects

Harding Lake Campground is located in the 169 acre Harding Lake State Recreation Area, MP 321.4 of the Richardson Highway. Due to its proximity to Fairbanks and its association with the recreational opportunities at Harding Lake, the 81 unit campground is heavily used during the warm summer months.

The late 1970, early 1980 vintage campground is in dire need of a major upgrade to replace worn facilities. The project would refurbish the campsites, upgrade the campground roads and parking areas, and replace the toilets and water wells.

Mr. Bus noted these three projects are similar to the previous project, although located in different areas.

[9:39:26 AM](#)

BLM 2009 Land Conveyances  
\$4,232,000 federal rcpts  
Reference No.: 39994  
Category: Natural Resources  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2010  
Phased-New Project  
No State Match Requirement

The BLM 2009 Conveyance Project is a federal effort with the goal of completing federal land transfers in Alaska by 2009. The project was initiated by the US Bureau of Land Management (BLM) in FY 05 with the objective of accelerating the remaining land transfers, in order of priority, to the individual Alaska Native Allottees, Alaska Native Corporations and the state of Alaska. The conveyances must be completed in this sequence to ensure that entitlement objectives for both the Alaska Native Corporations and the state are achieved. Completing conveyance of the lands is critical to furthering economic development, which in turn will generate additional revenue for the state of Alaska.

Mr. Bus reminded that this project was presented to the Committee the previous legislative session. The project is entirely federally funded with the intent to provide the final entitlement for the State. The funds would be expended through the year 2009. This request would provide spending authority.

Co-Chair Green recalled the discussion on this project held the previous session.

[9:40:22 AM](#)

Land Sales for New Subdivision Development  
\$1,410,000 State Land funds  
Reference No.: 38886  
Category: Development  
Location: Statewide

Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2008  
On-Going Project

This CIP would authorize the Department of Natural Resources to propose, design, develop, survey, and, if required by municipal platting authorities, build roads for new subdivision sales. This CIP would authorize Department of Natural Resources to spend money from previous land sales that has been deposited in the LDIF. Lands would be offered to the public by auction. If this CIP is fully funded, Department of Natural Resources intends to offer at least 300 new parcels for sale in FY 07 and FY 08. The land sale program contributes to the development of State land by giving Alaskans an opportunity to purchase land, while creating an income base for the State.

Mr. Bus explained that a portion of the profits from previous sales would be reinvested into the continuation of this program and the design of new subdivisions. One proposed new subdivision would be located in the Southcentral region, two located in the Northern Region, one located near Tok and three located in the Southeast region. This program has been highly successful in the disposal of State owned land and generation of revenue. Once the land in the new subdivisions is sold, the State would receive funds in addition to those invested.

Co-Chair Green relayed that many requests are made for the continuation of this program.

[9:41:48 AM](#)

State Navigable Waters Recordable Disclaimer Research  
\$1,500,000 federal rcpts  
Reference No.: 39995  
Category: Development  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2007  
One-Time Project

This project would allow the Department of Natural Resources, Division of Mining, Land and Water (DMLS) to receive federal funds from the US Department of the Interior, Bureau of Land Management (BLM) for the purpose of researching and preparing navigability reports for navigable waters in Alaska. The state will use these reports to prepare and submit to the BLM applications for Recordable Disclaimers of Interest for particular waterbodies. These disclaimers are a legal land title document that removes a potential cloud on the State's

ownership of these rivers that were acquired at Statehood.

Mr. Bus stated that the BLM provides this grant and that the Department would coordinate with the federal agency to identify those navigable waters the State would gain title to and subsequently receive authority to develop.

[9:42:30 AM](#)

Remote Recreational Cabins Survey and Appraisals

\$577,500 State Land funds

Reference No.: 38480

Category: Natural Resources

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2005 - 06/30/2009

On-Going Project

Department of Natural Resources appraises and contracts for surveys of Remote Recreational Cabin Site properties. This program contributes to the development of Alaska's land through the transfer of land into private ownership. This CIP authorizes Department of Natural Resources to spend money already being collected from applicants. Remote Rec Cabin Sites is a stake-it-yourself land sale program. After applicants stake their parcels, Department of Natural Resources issues a lease and collects lessee's money to pay for surveys and appraisals. At least 250 staking authorizations will be offered in FY 06, and an estimated 120 parcels will be staked in FY 06.

Mr. Bus clarified that the applicants submit funds to the Department, which the Department utilizes to employ surveyors and appraisers to conduct this work for a group of applicants at a lesser cost to the applicants than if applicants secured this service individually.

[9:43:10 AM](#)

Alaska Cadastral Project

\$200,000 federal rcpts

Reference No.: 37768

Category: Natural Resources

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2005 - 09/30/2007

Phased Project

This funding request is for the completion phase of this federal grant. The goal of this project is to create an

integrated system for sharing land parcel information between federal, state, local, and Native organizations. The Alaska Cadastral Project will enable anyone to access current rights, interests and boundary information involving real property. The project builds partnerships for the collection, management, standardization, and sharing of Alaska's land parcel information to improve business processes and support decision making.

Mr. Bus stated this project has been highly successful. It involves making plat and survey data available on lands of different ownership. This information previously had to be secured in hard copy format; the information is now being made available through the Department's website. The Department is partnering with municipalities and Native corporations on this project.

[9:44:08 AM](#)

Recorder's Office Aperture Card Conversion to Digital Images  
\$265,000 Rcpt Svcs

Reference No.: 39996

Category: Natural Resources

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2005 - 06/30/2007

One-Time Project

One of the primary statutory functions of the Recorders/UCC component is to provide customers with easy access to the permanent public records. This project will convert an entire record series of aperture cards used by the Recorders/UCC component for a seven year period (approximately 1970 to 1977), to digital images through a contract with the private sector. A direct line to the document images will be provided by the mainframe index, thereby replacing the cumbersome and time-consuming process for customers to locate and view images on aperture cards.

Mr. Bus noted the funding source is receipt-supported services.

Co-Chair Green clarified that customers pay for this conversion.

Mr. Bus explained that receipts collected from services provided by the Recorder's Office are used for this project. Currently, customers must come to a Recorder's Office location to access this information. Upon conversion of these records, they are made available for access online.

[9:45:12 AM](#)

Recorder's Office Equipment Upgrades and Records Preservation  
\$300,000 Rcpt Svcs

Reference No.: 33980

Category: General Government

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2005 - 06/30/2007

On-Going Project

A portion of this project (\$250.0) covers replacement and upgrade of approximately 30% of the State's land records system infrastructure in thirteen recording locations statewide, UCC Central File, and the Archive unit. Aging and failing equipment affects the component's ability to meet its statutory mandate to provide access to recorded and filed documents. The remainder of the request is for the completion of an ongoing project to scan and film approximately 6,000 historic original books that have sustained severe damage and deterioration due to aging, acidic papers and inks, and external conditions.

Mr. Bus stated the Recorder's Office began scanning and indexing records in the year 2001 using "starter type" equipment and initially in conjunction with the State Archives office. Digital scanning technology is now available and the process has shifted to that method. The intent is to replace the scanning equipment in 2006. Approximately 2,000 books have been completed. The historical books were printed as early as the 1800s.

[9:46:49 AM](#)

Federal and Local Government Funded Forest Resource and Fire  
Program Projects

\$2,900,000 federal rcpts

1,000,000 statutory designated program receipts

Reference No.: 37769

Category: Natural Resources

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2005 - 06/30/2008

On-Going Project

This project provides receipt authority for federal and local government funds including federal National Fire Plan allocations to Alaska. Funding provides specific support including the ability of the State and local government to educate, mitigate, prepare for and respond to threats of wildland fire. This authority will allow State direction to cooperative forestry projects in which State, federal and

local governments have mutual interest to participate. Projects also include forest health initiatives, insect and disease examination, internships, and community and urban forest inventories; and, local government funding for hazard fuels reduction, fuels treatment, and forest stewardship projects.

Mr. Bus stated this request is for authorization to receive federal and local funds. The federal government recognizes the importance of fire safety. Some local governments chose to pay the Department to provide this service.

[9:47:40 AM](#)

Alaska Mineral, Energy and Geohazards Inventory Federally Funded Projects

\$1,397,500 federal rcpts

Reference No.: 38144

Category: Development

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2005 - 06/30/2008

On-Going Project

The Alaska Mineral, Energy, and Geohazards Inventory project comprises a group of geological data generation, organization, and public data delivery tasks that are directly tied to geological inventory mandates in AS 41.08, the Legislatively designated outcome measures for DGGs. This project provides receipt authority for committed Federal funds specifically directed towards making Alaska geological information more widely available and more easily accessible.

Mr. Bus informed that this federal grant is intended specifically for the federal portion of the airborne geophysics activities in Bristol Bay to obtain inventory and geo samples. This project also involves the National Science Project through the University of Alaska-Fairbanks.

[9:48:37 AM](#)

Cooperative Forestry and Fire Pass Through Federal Grants

\$1,000,000 federal rcpts

Reference No.: 6883

Category: Development

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2005 - 06/30/2008

On-Going Project

The Division of Forestry utilizes federal funds for pass-through grants to achieve improved local capabilities for wildland fire suppression; enhanced local community environmental conditions with tree planting and community forestry; increased productivity from non-industrial private forest land holdings. Federal fund pass-through grants enhance local communities' and local governments' self-sufficiency and self-reliance.

Mr. Bus noted this program has received \$800,000 to \$1 million annually and the amount is expected to increase to \$1.2 million. No State funding is involved.

Co-Chair Green asked what kinds of projects are addressed through this program.

DEAN BROWN, Deputy Director, Division of Forestry, Department of Natural Resources, testified via teleconference from an offnet location that these grants are allocated to local volunteer fire departments and Native Corporations. The funds are used for park development, local improvement projects and training activities.

[9:50:31 AM](#)

AK Coastal Management Federal Pass Through Grants  
\$1,360,000 federal rcpts  
Reference No.: 40082  
Category: Natural Resources  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2007  
On-Going Project  
National Oceanic and Atmospheric Administration (NOAA) provides the State and annual grant, and has done so for many years (since 1979). The Office of Project Management and Permitting, Alaska Coastal Management Program (OPMP/ACMP) is the designated State agency that receives these federal grant funds and shares them as pass-through grants to agencies participating in the ACMP. These pass-through grant funds support the implementation of the ACMP by the participating State agencies, coastal districts, and other grant recipients. Effective implementation of the ACMP by the grant recipients promotes responsible development of the State's coastal uses and resources, and improves the State's water use, water quality.

Mr. Bus overviewed this item.

Co-Chair Green asked what entities provide the matching fund or in-kind services.

Mr. Bus replied that local communities contribute this.

[9:51:09 AM](#)

USGS Streamgaging Cooperative Program  
\$501,000 Stat Desig funds  
Reference No.: 37762  
Category: Development  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2007  
On-Going Project

This CIP requests allows Department of Natural Resources to accept funds from the private sector, and local governments and to pass those funds through to US Geological Survey (USGS) and US Natural Resources Conservation Service (NRCS) as part of a funding agreement for cooperative water resource programs. Industry and local government often requests and pays for the USGS and NRCS to install and operate equipment to obtain hydrologic data. The information is necessary for resource development and for permitting projects such as mining, hydroelectric, or public water supply. If gaging funding is passed through a State agency, the funds can be matched up to 100% by the federal government.

Mr. Bus pointed out that communities could garner up to twice their investment through this program.

Co-Chair Green asked if the USGS conducts these activities rather than the federal Corp of Engineers.

Mr. Bus was unsure.

[9:52:10 AM](#)

Alaska Boating Safety Program  
\$800,000 federal rcpts  
200,000 Rcpt Svcs funds  
Reference No.: 32553  
Category: Health/Human Services  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2008  
On-Going Project  
Minimum State Match Required - 100%

Under 41.21.010 and 42.21.020 the Department is responsible for fostering the growth and development of recreational opportunities for the health, welfare, education and enjoyment of the public, providing consulting services to develop recreational activities and programs, providing programs and clearinghouse services on park and recreation matters, and other duties as prescribed by law. The program contributes to this mission (and the additional responsibilities prescribed by law under AS 05.25) by working to reduce recreational boating fatalities and accidents, and promoting safe, enjoyable recreational boating in Alaska, primarily through boater education.

Mr. Bus stated this program has been in operation for six years and has been highly successful. The four-year average of boating-related fatalities has decreased from 26 per year between 1995 and 1998, to 20 per year in 1999 and 2000. This is despite an almost 100 percent increase in the number of registered boats during this same period. This funding is utilized for the Kids Don't Float program and other education and outreach programs.

Senator Dyson informed that he serves on the Alaska Boating Safety Advisory Council and could therefore be perceived as having a potential conflict of interest in this funding request.

Senator Hoffman asked if any concentrated effort of boating safety education has been made in areas with an inordinate number of drownings, such as the Kuskokwim River region.

Mr. Bus deferred.

GARY MORRISON, Director, Division of Parks and Outdoor Recreation, Department of Natural Resources, testified via teleconference from an offnet location to introduce Mr. Johnson.

JEFF JOHNSON, Boating Law Administrator, Office of Boating Safety, Division of Parks and Outdoor Recreation, Department of Natural Resources, testified via teleconference from an offnet location detailed the statewide efforts, including providing boating safety awareness to over 12,000 K-12 students. Trainers would travel to Kotzebue to educate local organizations on conducting education efforts and the program is attempting to relay information to rural areas regarding the boating safety information available. The intent is that communities would provide training in their areas.

Senator Hoffman pointed out that the Kuskokwim River is used as a main transportation means for many communities. He asked if the Alaska Boating Safety Program has undertaken any concentrated

effort in this area.

Mr. Johnson indicated he would research the matter, noting that the Alaska State Troopers has made a significant effort. Drownings in this region have decreased.

Senator Hoffman clarified the witness was unsure whether the program concentrated efforts in areas with a higher statistical average of boater fatalities.

Mr. Johnson responded that the Program is concentrated in such areas; however, statistics vary year to year. Problem areas are not the same every year. Drownings occur with equal frequency in salt and fresh water.

Co-Chair Green requested additional information be provided to the Committee.

[9:57:21 AM](#)

Abandoned Mine Lands Reclamation Federal Program  
\$1,500,000 federal receipts  
Reference No.: 6855  
Category: Public Protection  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2008  
On-Going Project

The Legislature enacted the Alaska Surface Coal Mining Control and Reclamation Act in 1983 (AS 27.21). One of the main purposes of the Act was to promote the reclamation of areas mined and left without adequate reclamation before the enactment of the federal Surface Mining Control and Reclamation Act of 1977. These mined areas endanger public health and safety, substantially degrade the environment, and prevent, and prevent the beneficial use of or cause damage to land and water resources. This program will employ up to 50 Alaskans in private sector jobs as part of the reclamation efforts.

Mr. Bus explained that this funding is appropriated each year to address dangerous abandoned mining sites. The program has identified 16 coal sites and 124 non-coal sites requiring reclamation, which have been prioritized in the degree of danger and threat to public health and safety. It is estimated that Alaska would receive \$6 million to \$12 million federal funding before this program is terminated. The hazards include mine pit highwalls, open portals and shafts, dilapidated structures and equipment, etc.

[9:58:22 AM](#)

National Recreational Trails Federal Program  
\$659,00 federal receipts  
Reference No.: 6854  
Category: Transportation  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2008  
On-Going Project

Alaskans rely on trails for recreation, subsistence, and travel between communities. These trails need maintenance to ensure safe passage and to ensure that they remain open and available for use. Funds are distributed by 80-20 matching grants for recreational trail and trailhead development and maintenance, and for education programs relating to trail safety and environmental protection. Grants are awarded to organizations, agencies and local governments.

Mr. Bus stated these funds are allocated to dozens of communities with the 20 percent matching portion contributed by local governments. He explained the process in which communities propose projects and are selected to receive the grants. Of the total federal funds 30 percent are designated for non-motorized trails, 30 percent to motorized trails and 30 percent to mixed-use trails.

Senator Bunde relayed a discussion he had with an organization regarding federally funding designated for trail projects near Girdwood. This organization inquired about a conduit to secure this funding.

Mr. Bus explained that over \$4 million is "earmarked" for trails, with the Department determining how best to administer these funds. Some applications indicate specific trails. However, the federal funding is contingent upon a condition that only one-percent could be used for administrative expenses. The Department is attempting to identify a way to comply with this. He would report to the Committee once a manner is identified.

Senator Bunde asked the entity that would administer these grants, the Department of Natural Resources, the Department of Transportation and Public Facilities or another agency.

Mr. Bus replied that the federal Department of Transportation is the granting agency and the funds may be appropriated through the Alaska Department of Transportation and Public Facilities. Whether the Department of Natural Resources would participate, he was

unsure.

Senator Bunde requested further information.

Mr. Morrison interjected that the funding is appropriated to the State through the federal highways program. The Administration is still determining which entity could receive and administer the grants in a manner in compliance with the one-percent administrative expenditure requirement. Options considered include the Denali Commission, the US Park Service and local borough governments. Once such an administration process is identified, 14 named recipients could receive the grant funds. He would report to the named recipients on the continuing efforts in this matter.

Senator Dyson spoke of interest in creating trail access in the northern portion of the Municipality of Anchorage to the Chugiak parklands. He asked Mr. Morrison to investigate whether these funds could be utilized for this project.

Mr. Morrison indicated he would do so.

[10:04:09 AM](#)

Snowmobile Trail Development and Program Grants  
\$200,000 Rcpt Svcs funds  
Reference No.: 33690  
Category: Transportation  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2008  
On-Going Project

Snowmobiling is one of Alaska's fastest growing outdoor recreation activities. Funds are needed to develop and maintain trails and trailheads to provide for safe riding opportunities and to educate riders about safety concerns. Funds for this program are provided by snowmobile registration fees paid by Alaskans. Funds are distributed in the form of matching grants for trail and trailhead development and maintenance, safety education, and trail identification. Grants are to organizations, businesses, agencies, local governments, and individuals.

Mr. Bus commented that this is a continuing and popular project.

Co-Chair Wilken shared that concerns had been voiced alleging that the license fees were not expended for snowmobiling-related activities. He therefore supported this program.

[10:05:23 AM](#)

Plant Material Center Shop and Equipment Shed  
\$1,350,000 federal funds  
Reference No.: 40234  
Category: Natural Resources  
Location: Palmer  
Election District: Greater Palmer  
Estimated Project Dates: 07/01/2005 - 06/30/2007  
Phased-New Project

The Alaska Plant Materials Center (PMC) is in dire need of a new Repair Shop Building and Equipment Shed. The building being used for most of these functions is well over 60 years old. The Alaska Plant Materials Center supports many federal projects in the State. The equipment used on federal programs needs protection from the weather and is in need of constant repair. This new facility will provide space for both storage and repair. Design funds have already been appropriated. This requested fund authorization will allow the construction of the facility. The money is presently in the federal budget awaiting conference committee concurrence.

Mr. Bus noted authorization to expend an additional \$1.3 million federal receipts would be requested for FY 07. These funds have received federal approval. A private contractor would be employed to construct this facility with the Department of Transportation and Public Facilities acting as project manager.

[10:06:18 AM](#)

Land and Water Conservation Fund Federal Grants  
\$1,500,000 federal funds  
Reference No.: 32552  
Category: Development  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2008  
On-Going Project

LWCF is a 50/50 matching grant program that provides funding for the development of outdoor recreation areas and facilities. More than any other state in the union, Alaskans recreate outdoors. LWCF is consistent with Department of Natural Resource's mission in that, in terms of outdoor recreation, it develops, conserves and maximizes Alaska's natural (outdoor recreation) resources consistent with the public interest.

New or rehabilitated LWCF projects increase the number of park visits, furthering a desired end result. Privatizing the

management of a LWCF assisted site is consistent with LWCF policy, addressing a second desired end result. LWCF program staff is responsible for monitoring compliance with LWCF regulation and policy.

Mr. Bus explained this is a repeating project intended to provide federal funding to local communities for outdoor recreation activities. This project allows communities to receive "dollar for dollar" funding to match local contributions, provided by such entities as local governments and soccer clubs. A review board meets annual to analyze applications and award this funding. To date, approximately \$29 million federal funding has been appropriated over the life of this program.

Co-Chair Green asked how the grants are administered.

Mr. Bus replied that the Division of Parks, through its review board, determines grant recipients and administers the grants.

[10:07:45 AM](#)

Mental Health Trust Land Development  
\$650,000 Mental Health Trust Authority Authorized Receipts  
[MHTAAR]  
Reference No.: 6853  
Category: Development  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2008  
On-Going Project  
The Trust Land Office (TLO), supported by funds derived from Trust Income, manages and develops Alaska Mental Health Trust lands of behalf of the Alaska Mental Health Trust Authority. Our mission is to protect and enhance values of and maximize revenues from Alaska Mental Health Trust Land.

Mr. Bus explained that this item is a funding request from the Mental Health Trust Authority to be expended on projects related to land management.

[10:08:12 AM](#)

Mental Health Trust Land Facilities Maintenance  
\$100,000 MHTAAR  
Reference No.: 40474  
Category: Public Protection  
Location: Statewide  
Election District: Statewide

Estimated Project Dates: 07/01/2005 - 06/30/2007

On-Going Project

The Trust Land Office (TLO) manages facilities owned by the Alaska Mental Health Trust Authority. As part of our mission to protect and enhance values of and maximize revenues from Alaska Mental Health Trust Land, any improvements upon that land must be maintained accordingly. This project provides funding for maintenance of facilities, paid from a portion of the lease/rental income the facilities generate.

Mr. Bus noted this item is similar to the previous item.

Land and Water Conservation Fund Federal Grants  
Reference No.: 32552

Senator Bunde returned discussion to this request, noting interest in a parking lot located in the community of Eagle River to provide access to Chugiak State Park. He asked if this project would qualify for these grant funds and whether the Municipality of Anchorage would be the requestor.

Mr. Morrison replied that Municipality of Anchorage would need to submit an application for funding for this project and that the process would require approximately two years before funding would be received. This grant program would be an appropriate funding source.

Senator Bunde inquired about the application process.

Mr. Morrison answered that the Division of Parks sends announcements to municipalities, organizations and past grant recipients that applications would be accepted. He assured that the Municipality of Anchorage would receive future notices.

[10:10:35 AM](#)

Forest Legacy Federal Grant Program

\$2,930,963 federal funds

Reference No.: 34881

Category: Natural Resources

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/200 - 06/30/2006

On-Going Project

The Forest Legacy Program provides Federal funding for acquisition of high-value private forestland that is threatened with conversion to non-forest use. Legislative intent targets private in-holdings adjacent to, or within,

existing conservation units (parks, refuges, etc.) that are primarily used for fish and wildlife habitat, outdoor recreation and traditional access that would be disrupted, destroyed, or degraded if the private property were to be converted to non-forest use. This allows the conservation unit manager, such as State Parks, to conserve the land for outdoor recreation opportunities and maximize the [use of] critical areas for all members of the public.

Mr. Bus pointed out this funding would be utilized for three projects located in Dillingham, Seldovia and Fairbanks.

Co-Chair Green asked if this project involves no State funding and only federal and local funds.

Mr. Bus affirmed.

Senator Stedman requested additional information on the proposed land purchases and an explanation why these conversions are undertaken.

Mr. Morrison would provide additional information on each project. One project involves a stand of timber adjacent to the community of Seldovia. The owner wishes to sell the property with the stipulation that some logging could occur but that the majority of the land would remain forested and allow use by the community. The intention is that this land would not be developed as a subdivision.

Mr. Morrison continued that the land in the Fairbanks area is comprised of small parcels of homestead lots near the Chena Hot Springs Road in private ownership. Trails crossing this area are used for competitive dog sled racing and other public uses. The owner of this property is willing to sell the property to allow maintenance efforts to be made, with the stipulation that it remains forested and retained for recreational purposes.

Mr. Morrison then explained the area near Dillingham represents an opportunity to acquire Native-owned land near a state park to be used for recreational and subsistence purposes. This area is located along a river that is renowned for premier rainbow trout. Maintaining public access to this river is important. Mr. Morrison concluded that this project is a way to accrue those land parcels.

Senator Stedman asked if easement to the land in the Fairbanks area could be acquired based on the historical public use. He also asked if the land near Dillingham would be a fee simple transaction.

Mr. Morrison affirmed the Dillingham purchase would be a fee simple acquisition of surface and subsurface rights. He told of other projects near the state park utilizing other funding sources with the intent to purchase conservation easements. The State would not receive ownership of these lands.

Mr. Morrison was unsure of the legalities of historical easement for the Fairbanks area properties. He detailed the historic use by the public for dogsled races and snowmobile travel. He noted that mushers reside near this trail and access the trail.

Senator Stedman opined on the federal government attempts to erode private land ownership in Alaska through awarding of allotments and by purchasing private land. He opposed the State facilitating these activities stressing that efforts should instead be made to transfer more land into private ownership, with due regard to public access issues.

Co-Chair Green stated this allocation authorizations would be future reviewed with Senator Stedman's comments given consideration.

[10:17:38 AM](#)

Coastal Wetlands Grant - Nushagak Bay Watershed Conservation  
Phase 2  
\$1,000,000 federal funding  
Reference No.: 39042  
Category: Natural Resources  
Location: Aleknagik  
Election District: Bristol Bay/Aleutians  
Estimated Project Dates: 07/01/2004 - 06/30/2005  
Phased-Underway Project  
The Division of Parks and Outdoor Recreation will acquire perpetual conservation easements on 7,000 acres along the Agulowak River within the Nushagak Bay Watershed, funded through the Coastal Wetlands grant program (US Fish & Wildlife Service). The Agulowak River is a major anadromous fish system. It provides spawning habitat and passage for nearly 2 million adult salmon, representing all five Pacific species.

Mr. Bus noted this project is similar to the previous item. These funds would be utilized to acquire easement of 7,000 acres. The Native corporation that owns this property is willing to sell the land provided it retains specific rights. This funding is appropriated in the form of a grant.

Mr. Morrison furthered that previously this program constituted the

State acquiring partial interest of the affected land. The landowner would retain all uses of the property, although the "character" of the land would be changed. The intent of this project is to retain and maintain the land, which is located within the Wood-Tikchik State Park. The Native corporation is in agreement and supports this effort. Should this land ever become subject to taxation, it would be included in the tax roles. He clarified that the ownership is not transferred from private to State ownership, but rather provides the Native corporation funding for other economic development activities in the Dillingham area, while maintaining the character of this land. The Corporation holds 20,000 acres and this project would entail the purchase of a conservation easement. This item represents one portion of the project. The money has already been granted.

Senator Bunde clarified that the local Native corporation does not intent to develop this land and intends to continue to utilize the land for recreational activities and that the government should pay the Corporation to do this.

Co-Chair Green surmised this is the situation.

Senator Bunde asked if this is correct.

Mr. Morrison replied the situation could be characterized as such by some. However there is no assurance that the Corporation would retain the current character of the property or sell parcels currently used by the public for fishing and other recreational purposes. The Corporation could develop lodges or sell parcels for summer homes, etc. The current board membership intends to continue the current use practices, but there is no guarantee this would occur without this conservation easement. This would also provide the Corporation for funds to utilize for other purposes.

Senator Bunde asserted that if the interest of the Corporation's shareholders were to not develop this property, it would not be developed.

Co-Chair Green asked the consequences if this funding authorization were not granted.

Mr. Morrison replied that the land would remain Native owned.

Senator Hoffman cautioned that the Native corporation could restrict the land to private access. He commented on the attractiveness of the area and the desire for some to own private sections. Lodge owners have expressed interest in purchasing land to develop. The area should be protected.

Senator Olson spoke to the potential economic benefit to the Native Corporation.

Senator Hoffman was unaware if this were the instigation of this project.

Senator Olson clarified that if the property were sold current access would not remain.

Senator Stedman commented that the Native corporations are not prohibited from holding property in perpetuity for future generations, until a time when shareholders might determine they would receive greater benefit from the economic development of the land through establishment of lodges, private cabins, etc. The practice of "taking premium property" and "locking it up is wrong". A need for economic development exists in the Kuskokwim region

Senator Hoffman commented that this conservation easement would "unlock" the land for the benefit of Alaska's "masses".

Mr. Bus affirmed the policy decision is whether to allow more people access to the park or limit access to a select few. This proposal would enhance the state park in a manner that would benefit all.

Co-Chair Green surmised that this discussion could continue indefinitely.

[10:28:51 AM](#)

Alaska Rural Energy Federal Program  
\$1,000,000 federal funding  
Reference No.: AMD40603  
Category: Natural Resources  
Location: Statewide  
Election District: Statewide  
Estimated Project Dates: 07/01/2005 - 06/30/2007  
Phased-New Project

The Alaska Rural Energy Program will evaluate alternative energy sources and develop a detailed database of the geologic, hydrologic and geographic characteristics for remote Alaska communities that may benefit from these energy sources to replace conventional diesel fuel, including shallow gas, geothermal, solar or wind. The program may drill and assess the shallow gas potential at high potential sites. This project seeks to meet the Department's goal of encouraging resource development that ensures economic growth in all

regions of the State and create new Alaska jobs. Remote communities would reduce their dependence on imported diesel fuel by utilizing local energy sources.

Mr. Bus informed that the Division of Geological and Geophysical Surveys recently purchased an oilrig, which could be utilized for these efforts. These activities would enhance the communities where successful drilling occurs.

Senator Bunde remarked on the on-going debate about the State purchasing equipment for activities that could otherwise be performed by the private sector. Privately owned equipment could be used more often. He was concerned about competition with the private sector.

Co-Chair Green asked if Senator Bunde's comments were meant to be directed to the next item.

[10:30:35 AM](#)

Cook Inlet Jack-Up Rig Mobilization to Explore for Oil and Gas Resources  
\$6,000,000 general funds  
Reference No.: AMD40609  
Category: Natural Resources  
Location: Kenai Areawide  
Election District: Kenai Areawide  
Estimated Project Dates: 07/01/2005 - 06/30/2008  
One-Time Project  
With these funds, the Department of Natural Resources will reimburse a company (or consortium of companies) for 50% of their actual and reasonable costs, up to a maximum of \$6,000,000, for mobilizing and de-mobilizing a jack-up rig to explore for oil and gas resources on state owned leases within the Cook Inlet basin.

Mr. Bus stressed that these funds would not be expended until a specific plan is developed that includes an oil company's intent to increase oil development in the Cook Inlet area.

Mr. Myers explained this funding would be utilized for activities that would provide incentive for oil development. A jack-up rig is the only type of rig practical for this area. Development is challenging for the offshore region of Cook Inlet away from existing drilling platforms. However the cost to transport the appropriate equipment to Alaska from the Gulf of Mexico or farther is high and the risk is significant. The cost is prohibitive for one company to bear alone and developers have requested that the

State assume part of the cost. This funding would allow the State to carry a portion of the risk. Governor Murkowski has asserted that this funding would not be appropriated until "clear sideboards" are established that include an agreement that development would occur.

Mr. Myers told of options for the use of these funds. One option is that the State would reimburse companies one-half of the cost of the activity, with the companies responsible for the rig. The other option entails the purchase of the rig by a State corporation, such as the Alaska Industrial Development and Export Authority (AIEDA), which has expressed willingness to do so. The economics of this option would benefit the State. He qualified that under either option the State would not operate the rig. At least three companies must participate in this effort to be feasible.

Mr. Myers reiterated that funds would not be expended until a business plan is adopted and a contract has been agreed upon with at least one company. A decision on which is the preferable option has not yet been reached.

Senator Bunde clarified that his earlier comments were not directed to this budget request.

Senator Olson asked if the State would be entering the oil exploration business with an investment of this magnitude.

Mr. Myers replied that the State has done many things to provide incentives to industry. He gave tax credits as an example. This proposal is similar in that it would provide incentive. A cash flow analysis has been conducted that shows that if the drilling activities were successful, the cost would be recovered within three years. The State would generate more revenue in taxes and royalty than was paid out in the purchase of the rig. If the State purchased the rig, it would not be owned by the Department of Natural Resources, but rather by a State corporation and a business model would be required.

Senator Olson commented on the significant amount of general funds.

Mr. Myers did not dispute this, but highlighted the cost of exploration of the Cook Inlet area. Actual operation costs would be more significant and this amount is relatively small.

Senator Bunde argued that if such a project were economically feasible, the private sector should be undertaking it.

Alaska Rural Energy Federal Program

Reference No.: AMD40603

Senator Bunde spoke to a different drilling rig that was purchased by the State, saying that this frustrated many involved in the drilling industry. He understood that rig is now inoperable and stored near Fort Yukon.

Mr. Myers affirmed that rig is currently stored at Fort Yukon and was purchased with the intent of drilling in the Wainright area. The rig is owned by the federal Bureau of Land Management and was purchased with federal funding. It was determined that no private operation was feasible for the project in this location. The rig is not suitable for commercial drilling as it is designed for research and mining testing and lacks certain components necessary for exploration activities.

Senator Bunde understood, but argued that the State is contracting for this service with the federal government rather than a private industry. This is in detriment to the private sector.

Co-Chair Green ordered the bill HELD in Committee.

#SB141

[10:41:41 AM](#)

SENATE BILL NO. 141

"An Act relating to the teachers' and public employees' retirement systems and creating defined contribution and health reimbursement plans for members of the teachers' retirement system and the public employees' retirement system who are first hired after July 1, 2005; establishing the Alaska Retirement Management Board to replace the Alaska State Pension Investment Board, the Alaska Teachers' Retirement Board, and the Public Employees' Retirement Board; adding appeals of the decisions of the administrator of the teachers' and public employees' retirement systems to the jurisdiction of the office of administrative hearings; and providing for an effective date."

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

CHRISTINA BLUST read her written testimony in the record as follows.

I have worked for the Juneau School District as a para

educator for eleven years. I moved to Juneau 12 years ago this coming August. I moved here for several reasons, the first being the opportunity to raise my then 10 year old daughter in a place where she could ride her bicycle down the path and not have to worry that some lunatic was going to snatch her, never to be seen again. My husband and I longed for a safer life for all of us. I also moved here because of the awesome beauty, clean air, clean water and abundant wild life. I have never regretted it, not for a second. I moved here to improve the quality of life for my family and myself and I seen all of this come to pass. I love Alaska, Juneau in particular, and I can't see myself ever leaving, this is my home.

The first year I lived here I took a job with the Juneau School District. I am what is now called a para-educator. If you aren't familiar with that term, ten years ago I was a classroom aide, then a teaching assistant and now a para. The title changed, the pay didn't., darn. At that time, I was able to take a classified job and make almost as much as I did as a new teacher in California. But what I really wanted was a job with good medical insurance and a good retirement. You see, my husband is self-employed and does not have these benefits. My insurance was adequate, the retirement okay. The salary was enough and I knew that there would be regular step increases and I expected that my salary would raise with the cost of living. I was in for a surprise.

During the last eleven years, five of those found my wages frozen. The school district was having to tighten their belts, there was no money for steps, there was no money for raises. Our insurance was still good, that was good compensation. Then three years ago Blue Cross Blue Shield presented the District with a 62% increase in insurance costs, if we wanted to continue with the same coverage. That was impossible. What we ended up doing was gutting the plan, it became a plan that we could no longer afford to even use. Catastrophic insurance. We now had a \$500 deductible per family member. We paid 30% instead of 20% on our co-pay and our prescription plan went out the roof. By doing this we were able to keep members from having a co-pay. But the next year the insurance went up 18% and we were told by our broker that we could expect this each and every year, it was the TREND. Don't you just hate that word? We were fortunate that the District was able to cover this increase but at negotiations they made it clear that they could not continue to do so and every year we would be faced with those rising costs. And indeed this came to pass and during the last negotiations, the classified staff had to pucker up \$70 per month to help the cost. Our union is very

proactive. Faced with these rising costs we began to educate members on how to shop for services, how to get the most from any money spent, but for many, it meant we no longer had the luxury of going to the doctor, the chiropractor, the dentist. It was no longer an option. Working with APEA we developed our own health trust to better manage the costs. All this work done by volunteers. But we know there are no guarantees, we don't know how long we can fight the TREND. This last Contract I received by first real increase in pay. I got my 3% step increase and a 2% for the first year of the Contract and a 1% the next year. We will be back in negotiations this November. It doesn't look good.

I'm telling you this sad story as a prelude to my and your reason of being here today. Today, I pay to PERS 9.6% of every check. I pay extra to fill in the three months I am off during the summer. I was here yesterday listening to the testimony and I heard it debated that I, as the employee needed to take more responsibility in my retirement. I heard that it was time for the employer to not have to carry the burden of retirement after those workers had "foolishly" spent their money and had not thought far enough ahead to see the price of their folly. Senators, I, and my fellow classified don't spend our money foolishly, we do it to pay the rent, the utilities, food, clothing...we are not being irresponsible, we are living from paycheck to paycheck. There are many school district employees who have two, some even three jobs to support their families. We have full-time employees who, because of their rising medical costs live in Section Eight housing. Retirement isn't a priority, these people will never be able to retire, they must work until physically no longer able, or just do the right thing, and die. I have no expectation of retaining my life-style and current living standard. Things will change and I will have to just deal with it. For some school district employees, their future is much more grim.

I would like for you to look at the numbers and tell me what more I can do. If 141 is made into law, I could be looking at 14.6% being taken next year for PERS, along with a 12% increase in my health insurance. The next year I could look at 19.6% being taken from my check, along with a 12% increase in insurance. In three years I would be looking at a 24.6% increase in my PERS contributions...need I say more?

I understand the fix you as legislators are in. Balance the budget, be responsible, do your job. I don't have a solution for you but as you ponder on this issue, please do not forget my message today, do not forget those who don't have a dime to

spare, do not forget my face. Your actions will affect my fellow employees and they could be devastating. Thank you for the opportunity to speak to you today. This is on other thing I love about Alaska.

Senator Stedman appreciated the testimony. He noted the reference to an annual increase in employee contributions of five percent. He assured this would not occur; explaining that language in the bill indicating such was inadvertently included and would be omitted in the final legislation. A suggestion for discussion is whether to change the current ratio of the contribution of two-thirds percent paid by the employer and one-third paid by the employee, to an equal percentage paid by both. Any increase in employee contributions would be implemented gradually over several years and would likely be two percent total, which would be alleviated by salary step increases.

Senator Stedman qualified that the Committee could determine that the current cost sharing ratio is fair and no employee increases would be implemented. Either way, he stressed that the unfunded liability of over \$5 billion would not be assessed to employees. That debt is not the fault of employees and should not be borne by employees in any amount. He also pointed out that a five percent employee contribution rate increase would not be sufficient to pay this unfunded liability and is therefore not a feasible option regardless. However, he anticipated that much misinformation would circulate regarding this issue.

Senator Stedman could not assess the financial situation of the Juneau School District, but informed that the State has substantially increased funding for education and that many municipalities have also increased school funding.

Ms. Blust shared that she attended a House of Representatives committee hearing in which Representative Kelly presented separate legislation relating to increased employee contributions. Representative Kelly had indicated that at times in the future, the employee contribution would actually be higher than the employee contribution. Ms. Blast understood neither bill represented the final proposal, but expressed that the mention of five percent annual increases was "frightening".

Senator Stedman emphasized that the Senate Finance Committee would not support an annual five percent employee contribution increase. He remarked that the legislation sponsored by Representative Kelly has little similarities with SB 141, including definition of the problem and suggested solutions. The other legislation provides for increased employee contributions to "back fill" the unfunded

liability, which is not possible. SB 141 is a better bill.

Senator Bunde appreciated that the witness did not threaten to leave Alaska at retirement. Senator Bunde expressed intent that the State remains a safe place for Ms. Blust's child to grow up, as well as a feasible place to live and work as an adult.

Co-Chair Green requested recommendations and suggestions from all interested parties regarding this matter.

[10:57:44 AM](#)

JULIA BLACK shared a photocopy of her latest pay voucher [copy on file], which indicates her gross salary, deductions and net payment amount. She remarked that a five percent increased deductible for PERS would reduce her take home pay to an amount inadequate to support herself and her two sons. She is a single mother who works a separate job during the summer months. She requested the Committee to give consideration for those employees who earn lesser salaries, but who are passionate about their jobs and their families. She cautioned that if she were financially unable to remain in her position, she would likely be replaced by an employee with less commitment to the job.

Senator Stedman calculated that a two percent increase in PERS contribution would reduce Ms. Black's take home pay by \$25 each pay period. He did not dispute this reduction would be noticed, but intended the increase would be implemented gradually and would be offset by salary increases. He invited other proposals and solutions.

Co-Chair Green announced that a committee substitute would be released the following week that would reflect changes discussed by the Committee, including clarification of the five-percent annual increase. The intent is to offset and balance the system for future employees, as well as retain current employees.

MIKE DAVIDSON, Alaska Professional Firefighters Association, and employee, Municipality of Anchorage, testified via teleconference from an offnet location employee to express concern with the legislation. It proposes "fairly radical alteration" of the retirement system; however, the problems with the current system have not been clearly defined. He referenced Co-Chair Wilken's analogy of loose lug nuts on a tire, and questioned the need to change the entire vehicle rather than simply tighten the nuts. Mr. Davidson expressed concern with the proposal to replace the existing governing boards with a board system comprised of only appointed members. He remarked that employees would be expected to

invest in a retirement plan, yet have no input in the management of that plan.

Senator Stedman replied that the matter of appointed PERS and TRS board members has been voiced and that the proposal could be amended to provide that these positions be elected. This might alleviate the witness' concerns about representation in the management of the plan.

Co-Chair Green ordered the bill HELD in Committee.

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**ADJOURNMENT**

Co-Chair Green adjourned the meeting at 11:08 AM