

MINUTES
SENATE FINANCE COMMITTEE
February 7, 2006
9:04 a.m.

CALL TO ORDER

Co-Chair Gary Wilken convened the meeting at approximately [9:04:13 AM](#).

PRESENT

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

Also Attending: CHERYL FRASCA, Director, Office of Management and Budget, Office of the Governor; DAN SPENCER, Director, Division of Administrative Services, Department of Public Safety; ERIC SWANSON, Director, Division of Administrative Services, Department of Administration; STAN HERRERA, Director/Chief Technology Officer, Enterprise Technology Services, Department of Administration; SAM THOMAS, Director, Division of Administrative Services, Department of Commerce, Community, and Economic Development; RAY RIUTTA, Executive Director, Alaska Seafood Marketing Institute, Department of Commerce, Community and Economic Development; SHARLEEN GRIFFIN, Director, Division of Administrative Services, Department of Corrections; JOHN CRAMER, Director, Division of Administrative Services, Department of Military and Veterans Affairs; KATHRYN DAUGHHTEE, Director, Division of Administrative Services, Department of Law; NICO BUS, Acting Director, Division of Support Services, Department of Natural Resources; BOB BARTHELOW, Chief Operating Officer, Alaska Permanent Fund Corporation, Department of Revenue; NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities

Attending via Teleconference: From Anchorage: CRAIG TILLERY, Chief Assistant Attorney General, Statewide Section Supervisor, Environmental Section, Civil Division, Department of Law

SUMMARY INFORMATION

[Note: Technical difficulties occurred and audio recording was lost. Audio for this meeting is available at www.ktoo.org/gavel.

SB 264-FAST TRACK SUPPLEMENTAL APPROPS

The Committee heard presentations on the funding requests of the Department of Public Safety, the Department of Administration, the Department of Commerce, Community and Economic Development, the Department of Corrections, the Department of Military and Veterans Affairs, the Department of Law, the Department of Natural Resources, the Department of Revenue, and the Department of Transportation and Public Facilities. The bill was held in Committee.

#sb264

[9:04:44 AM](#)

Co-Chair Wilken noted the Senate Rules Committee had introduced four FY 06 supplemental appropriation bills on behalf of the governor. Co-Chair Wilken summarized the four bills as follows.

SB 232

Description: Energy Supplemental

General Funds: \$51,988,300

Total Funds: \$68,021,600

SB 233

Description: Capital Supplemental

General Funds: \$129,494,500

Total Funds: \$130,487,900

SB 264

Description: Fast Track Supplemental

General Funds: \$13,493,700

Total Funds: \$45,263,700

SB 263

Regular Supplemental

Description: Regular Supplemental

General Funds: \$99,908,900

Total Funds: \$72,282,300

Total General Funds: \$294,885,400

Total Funds: \$317,055,500

[9:05:47 AM](#)

Senator Dyson understood that SB 264 would not be reported out at

this meeting.

Co-Chair Wilken affirmed.

#sb264

[9:06:14 AM](#)

SENATE BILL NO. 264

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

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

CHERYL FRASCA, Director, Office of Management and Budget, Office of the Governor, noted the total amount of general funds requested in this legislation is \$13.5 million. Of that amount \$4.5 million is intended to fund expenses incurred from past disasters. The Department of Law is requesting \$2.6 million of the total to pay judgments and claims. Paying the judgment and claims debts through the supplemental appropriation process would avert interest expenses that would otherwise accrue if the funding were appropriated on July 1, 2007 through the regular fiscal year budgetary process.

Ms. Frasca continued over viewing this bill, noting funds are requested for the Department of Corrections to address inmate population increases and inmate health care. The inmate population is not only increasing, but aging as well and medical expenses are subsequently increasing.

Ms. Frasca directed attention to one capital appropriation request for the Department of Transportation and Public Facilities for airport improvements.

[9:08:28 AM](#)

Department of Public Safety

Section: 7

Results Delivery Unit (RDU): Council on Domestic Violence and Sexual Assault

Supplemental Need: This request would provide funding to maintain the operation of the Kotzebue domestic violence shelter. Program previously funded by a HSS grant that has

since been determined to be an unallowable use of federal funds.

\$350,000 General Funds

DAN SPENCER, Director, Division of Administrative Services, Department of Public Safety, reminded the Committee of discussions held the previous year about whether the grant funds would be appropriate to expend on shelters. After review, it was determined that the grant funds could not be utilized in this manner. Although the legislature increased funding to the Council in the FY 06 operating budget, the funds were not intended for the Kotzebue shelter, due to the expectation that the grant funds would be used.

[9:10:35 AM](#)

Co-Chair Green asked if the Department intends to request general funds for this purpose for FY 07.

Mr. Spencer replied that the Governor's proposed FY 07 operating budget contains a request for this component.

Co-Chair Green asked if Temporary Assistance for Needy Families (TANF) funds could be used for this.

Mr. Spencer answered they could not.

[9:11:08 AM](#)

Co-Chair Wilken asked about the federal requirements for allowable use of these funds.

Mr. Spencer indicated he would provide this information.

[9:11:23 AM](#)

Senator Stedman understood the importance of the domestic violence shelters but questioned the immediate funding need and requested information on how other shelters are funded.

[9:11:53 AM](#)

Department of Administration

Section: 1

RDU: Capital

Supplemental Need: Begin telephone system replacement and stabilization phase 1 project will be reduced by \$1 million.

The state is facing serious issues on the existing nearly 13-

year-old Private Branch Exchange (PBX) telephone switches in Juneau, Anchorage and Fairbanks that support approximately 15,000 telephones in those locations. The current provider will not support the system after April 1, 2006.
\$1,000,000 Information Services Fund

And

Section: 4(b)
Fund Transfer
RDU: Information Services Fund
Supplemental Need: Capitalize Information Services Fund for FY 06 implementation of the telephone system replacement and stabilization phase 1 capital project.
\$1,000,000 General Funds

ERIC SWANSON, Director, Division of Administrative Services, Department of Administration, testified the two requests are interrelated. The funds requested were originally submitted as a portion of the funds contained in the Governor's proposed FY 07 capital budget. However, due to problems with the existing system, it was decided that a portion of the funds were needed sooner to address the issue.

[9:13:18 AM](#)

STAN HERRERA, Director/Chief Technology Officer, Enterprise Technology Services, Department of Administration, told about the phone system utilized by State agencies. Last fall, the Department received notice from Nortel Systems, the current service provider, that as of April 1, 2006, it would no longer support Private Branch Exchange (PBX) switches the existing system utilizes. The Department has received proposals from carriers to assist the State in updating its technology. Until those changes are made, the recent system outages would continue and a catastrophic failure could occur. Such a failure would affect all areas of the state and threaten health and safety.

[9:14:58 AM](#)

Co-Chair Wilken surmised that upon this expenditure, the Information Services Fund balance would be zero.

Mr. Swanson affirmed.

[9:15:26 AM](#)

Senator Bunde asked why this request had not been submitted

earlier, given that the Department learned of the need in October 2005.

Mr. Herrera stated the intent to be proactive on the matter and stabilize the PBX system as new technology was attained.

Senator Bunde questioned why the request is not included in the regular operating budget rather than the supplemental budget.

Mr. Swanson replied that the request had originally been to receive the funding for FY 07. However, due to recent instability of the phone system, the Department decided to begin the project earlier.

[9:17:02 AM](#)

Senator Dyson asked if the Department was "irrevocably committed" to the proposed upgrade system.

[9:17:14 AM](#)

Mr. Herrera responded that the intent is to implement a new technology. The Department had requested a supplemental appropriation for FY 05 last year to address security of the network infrastructure. The goal is to combine both the telephone and network into one system.

Senator Dyson asked if contracts for this had already been issued and whether the work had started.

Mr. Herrera explained the Division has begun a process of accessing the "environment", including hardware. He reminded of separate lightning strikes to the equipment in Juneau and Anchorage, and the damage caused. The Division has since been engaged in a "catch-up game" to keep these systems functioning.

Senator Dyson again asked if contracts had been issued.

Mr. Herrera answered they had not.

[9:19:25 AM](#)

Senator Hoffman asked if the total FY 07 request of \$21 million would be general funds.

[9:19:44 AM](#)

Mr. Herrera replied that the amount of the capital project request is \$15 million.

Senator Hoffman referenced the supporting documentation for this request that is categorized as a phased project estimated to be completed in FY 09 at a total cost of \$21 million.

Mr. Herrera agreed this is the projected total to address the entire state system including service to rural areas. The \$15 million amount is intended to fund the upgrade of the Juneau, Anchorage and Fairbanks system. The outlying communities would be addressed later.

Senator Hoffman asked if the funding source is entirely general funds.

Mr. Swanson responded that the \$1 million requested for FY 06 and the remaining \$14 million requested for FY 07 would be general funds. He could not predict the funding source for the portions of the project planned for FY 08 and FY 09. Sufficient reserves could be available in the Information Technology Fund by that time for the final phases of the project.

[9:21:38 AM](#)

Co-Chair Green asked if this project would involve increased charge-backs levied to all State agencies.

Mr. Swanson responded that once the new system was installed and operable, the Division would seek to assess charge backs.

Co-Chair Green surmised that funding requests would therefore be made even after completion.

Mr. Swanson stated that the charge-back funds could be collected for future projects.

[9:22:30 AM](#)

Co-Chair Wilken characterized the situation as a "sinking fund".

Mr. Swanson responded that the charge back receipts would be held for future appropriations.

Co-Chair Wilken requested additional information of the Information Technology Fund and the plan for funding the upgrade project.

Co-Chair Wilken also asked how this project relates to a separate funding request for a voiceover protocol system.

Mr. Swanson answered that the request before the Committee represents the first portion of the planned upgrade and is to address needs to protect the system from failure. He told of the consequences of a failure.

Co-Chair Wilken asked if the \$15 million requested this legislative session is embodied in the estimated total project cost of \$21 million.

Mr. Herrera replied that \$21 million is the projected cost of the entire project.

Co-Chair Wilken clarified that the total cost of the project would not be \$36 million.

Mr. Swanson affirmed.

Co-Chair Wilken asked the situation with the current service provider, Nortel Systems.

Mr. Herrera explained that effective April 1st the State would be required to post \$1 million bond for every request submitted for support on the existing system, and the provider would be obligated to only provide the "best effort".

Co-Chair Wilken asked if the notification received in October 2005 was the first time Nortel Systems advised the State about the curtailed support services.

Mr. Herrera told of the notification received from Nortel Systems.

Co-Chair Wilken asked if the company is a monopoly. The State of Alaska is likely a sizable customer and Nortel Systems was not a "good partner" in only providing six months notice on the matter.

[9:26:32 AM](#)

Senator Bunde pointed out that the current system has lasted 13 years. He asked the projected lifespan of the new system.

Mr. Herrera was confident that the new system would last "quite a while", i.e. approximately the same as the existing system. It would employ the technology being adopted worldwide.

Senator Bunde, understanding the request for proposals (RFP) process, asked if the Division would attempt to continue contracting with the same service provider.

Mr. Herrera replied that the Division would likely not do business with such a company that "doesn't take the state of Alaska at heart."

[9:28:02 AM](#)

Senator Dyson understood that Nortel had been recommending that the State upgrade its switches.

Mr. Herrera affirmed and reminded that the State had contracted with Alaska Communications Systems (ACS) to do this. That contract was cancelled before the upgrades were complete. During the past four to six years, the existing system was not supported due to the expectation that it would be replaced.

Senator Dyson challenged the characterization that Nortel had not alerted the State in a timely manner, as the company had been encouraging the upgrade.

Senator Dyson asked if the Department unsuccessfully attempted to implement a "voice over" Internet system.

Mr. Herrera affirmed. Upon analysis of the failure, it was determined that the technology was not the cause, rather the company selected to provide the technology was incompatible with the common systems.

[9:30:37 AM](#)

Senator Stedman spoke to depreciation of equipment and "sinking funds". He asked why a funding mechanism was not implemented to automatically upgrade systems as necessary. He asked if the Department of Administration collects chargeback's from other agencies and "absorb" those funds for other purposes.

Mr. Swanson explained the chargeback's would be levied against the appreciation of these services and utilized for future changes to the system.

[9:31:47 AM](#)

Senator Olson asked the Department's plan if the entire amount were not appropriated.

[9:32:04 AM](#)

Mr. Swanson responded that if the full \$1 million were not appropriated in this legislation, the Department would request the

balance in the FY 07 regular operating appropriation.

[9:32:50 AM](#)

Department of Commerce, Community and Economic Development

Section: 2(a)

RDU: Office of Economic Development

Supplemental Need: The Office of Economic Development is hosting an event at the Boston International Seafood Show that promotes the uniqueness of wild Alaska seafood on March 13, 2006

\$75,000 Statutory Designated Program Receipts

SAM THOMAS, Director, Division of Administrative Services, Department of Commerce, Community and Economic Development, testified to the benefits of participation in the seafood show to counter the impacts of farmed salmon on the fishing industry in Alaska.

[9:34:34 AM](#)

Senator Stedman asked why this request was not included in the regular FY 06 operating budget.

[9:34:45 AM](#)

Mr. Thomas replied that he was new in the position and the previous director did not submit a request. He informed that this show is an annual event and that a request would be submitted each year.

[9:35:19 AM](#)

Senator Olson asked if a group attended the previous show and the cost of that participation.

[9:35:35 AM](#)

Mr. Thomas responded that the Department did participate at a total cost of \$140,000. The amount is expected to be less for this year, as the fishing industry is expected to contribute more funds.

[9:36:29 AM](#)

Section: 2(b)

RDU: Alaska Seafood Marketing Institute

Supplemental Need: Increase RSS match for the Alaska Seafood

Marketing Institute's export marketing program, which received a federal increase in January 2006. Advance notification to public relations contractors is required, therefore March approval is requested.

\$395,000 Receipt Supported Services

RAY RIUTTA, Executive Director, Alaska Seafood Marketing Institute, Department of Commerce, Community and Economic Development, testified these funds would be utilized as matching funds for a federal appropriation. The additional federal funds have been approved for a market access program to fund overseas marketing of Alaska Seafood.

[9:37:55 AM](#)

Co-Chair Wilken asked if the matching funds are mandatory to secure the federal funding.

[9:38:03 AM](#)

Mr. Ruitta affirmed that matching funds are required.

[9:38:05 AM](#)

Co-Chair Green asked the additional services that would be offered with the increased funding.

[9:38:11 AM](#)

Mr. Ruitta told of the additional marketing efforts that would be undertaken in Asia and agreements already reached.

[9:38:33 AM](#)

Department of Corrections

Section: 3(a)

RDU: Out-of-State Contractual

Supplemental Need: Timely payments are essential in complying with contractual requirements agreed upon for housing Alaska inmates. The increased prison population has mandated the department obtain additional beds out-of-state, up to a total of 1,000 prisoners by year-end. The current contract is written for 760 beds while the department estimates a need for 850 beds by March and 1,000 beds by June 30.

\$1,168,700 General Funds

SHARLEEN GRIFFIN, Director, Division of Administrative Services,

Department of Corrections, testified that the increase in inmate population has exceeded emergency capacity by 270 to 300. Several projects are underway to increase the number of beds available within Alaska. Meanwhile, more offenders must be transferred to facilities in the state of Arizona. This funding request would phase those transfers. Capacity would still be exceeded.

[9:40:25 AM](#)

Section: 3(b)

RDU: Inmate Health Care

Supplemental Need: The department is estimating that they will potentially run out of funds available to pay contract and medical providers as early as March, 2006. The additional funding is needed to meet the medical obligations for the aging and increased prison population and for the sharp increase in the number of inmates needing dialysis, cancer treatment, and treatment for other life-threatening conditions, along with the increased cost for providing those medical services.

\$2,600,000 General Funds

Ms. Griffin stated that overcrowding has resulted in more health care and emergency health care needs. Catastrophic inmate health care has cost \$1.9 million to date since January 2006. These costs are not expected to decrease and more cases are anticipated. The funding requested in this item would be utilized to pay the costs for the second half of the fiscal year, from January through June 2006.

[9:41:32 AM](#)

Section: 3(c)

RDU: Inmate Health Care

Supplemental Need: Funding is needed to pay three contractors and several fee-for-service providers for services rendered prior to 6/30/2005. These providers have not been paid and are charging interest for non-payment. Prompt payment would avoid further interest charges

\$755,000 General Funds

Ms. Griffin noted this funding would be utilized to cover health care costs incurred in FY 05. Supplemental funding was requested for FY 05, but the amount was inadequate and some vendors have not been paid. These costs were incurred in Alaska and Arizona.

[9:42:50 AM](#)

Fund Transfer

Section: 4(a)

RDU: Disaster Relief Fund

Supplemental Need: Funding needed for:

- 1) 2002 Kenai Peninsula Flood shortfall \$160,300
- 2) Bering Strait Sea Storm - additional federal project funding was approved Jan. 2006, 25% match is required \$839,600
- 3) 2005 Spring Flood Funding (Emmonak, Alakanuk and McGrath) shortfall \$553,700
- 4) 2005 West Coast Storm (Nome area) \$1,599,500
- 5) 2005 Southeast Storm \$1,084,600
- 6) Less the unobligated balance of \$93,900 in the fund

The department will be unable to continue meeting disaster related expenditures until the supplemental is approved.
\$4,143,800 General Funds

JOHN CRAMER, Director, Division of Administrative Services, Department of Military and Veterans Affairs, testified to the number of ongoing and federally declared disasters in which the federal government has allowed claims. The unobligated balance of the Disaster Relief Fund is approximately \$93,000.

[9:44:13 AM](#)

Co-Chair Wilken clarified that expenditure for the five items would essentially deplete the Fund.

[9:44:21 AM](#)

Mr. Cramer explained.

[9:44:40 AM](#)

Senator Stedman assumed that the disasters listed occurred during previous years and the funding requested is for clean-up efforts. He asked why the appropriation is requested in this legislation rather than the FY 07 regular capital budget.

[9:45:21 AM](#)

Mr. Cramer replied that the Fund must be replenished because the Department must respond to disasters. He described the time involved after a disaster occurs for the Department to respond and citizens to file claims. The Department has been attempting for three years to secure federal funding for the listed disasters that occurred several years prior. The federal government has agreed to

appropriate funding, which requires 25 percent matching funds. The amount requested in this item would provide those matching funds.

[9:46:29 AM](#)

Senator Stedman requested additional information on the listed disasters. He questioned the need to provide funding immediately for the floods and mudslides that recently occurred in Southeast. The danger has passed and the "mud isn't going anywhere". He understood most of the funding requested in this item is for clean-up expenses and suggested the appropriation could be made in two months through the FY 07 regular budget process. He intended to limit supplemental appropriations in favor of funding through the regular budget.

[9:48:04 AM](#)

Co-Chair Wilken clarified Senator Stedman's request, asking what portion of the requested funding had already been expended.

[9:48:22 AM](#)

Mr. Cramer would provide additional information. Much of the funding requested to address the disasters that occurred in 2005 would be appropriated to the affected municipalities. He exemplified the damaged roads and utilities that the City and Borough of Juneau expended funds to repair. The municipality has requested reimbursement for these expenses; however the Disaster Relief Fund balance is insufficient to provide this reimbursement. The funds are requested at this time to allow for these payments. The regular FY 07 proposed budget requests additional funding for future repair expenses.

[9:49:51 AM](#)

Senator Stedman understood the need to clear roads, but other cleanup activities were not urgent. He suggested reviewing the matter to identify which efforts had been completed.

[9:50:28 AM](#)

Co-Chair Wilken asked if the purpose would be to determine what expenditures were made in FY 06 and which would occur in FY 07.

[9:50:40 AM](#)

Senator Stedman affirmed.

[9:50:44 AM](#)

Co-Chair Wilken surmised the funds obligated but not expended could be included in the FY 07 appropriation.

[9:50:58 AM](#)

Mr. Cramer explained that claims are submitted from the moment a disaster occurs to up to five years after the event. Reimbursement for the listed disasters would not be complete for at least two years, and as many as five years. As claims are submitted, they are paid from the Disaster Relief Fund.

[9:52:22 AM](#)

Co-Chair Wilken suggested Senator Stedman and Mr. Cramer review this later.

[9:52:37 AM](#)

Senator Hoffman clarified that the federal government has approved most of the claims submitted for reimbursement. The funding requested in this item is to fulfill the 25 percent match requirement to receive the federal funding. The funds are intended to reimburse communities for unanticipated expenses incurred in responding to a disaster. This request is included in the fast track supplemental to mitigate the consequences of these expenses to municipalities.

[9:53:25 AM](#)

Mr. Cramer affirmed.

[9:53:30 AM](#)

Senator Olson asked if the amount requested in this item would secure \$12 million federal funds.

[9:53:39 AM](#)

Mr. Cramer responded this is primarily accurate. Certain criteria must be met to obtain a federal disaster declaration, a process that takes time. Declarations for the listed disasters were only recently made.

[9:54:28 AM](#)

Department of Law

Section: 5

RDU: Civil Division, Deputy Attorney General's Office

Supplemental Need: Judgments and Claims - actual amount is \$2,621,958.48.

\$2,622,000 General Funds

KATHRYN DAUGHHTEE, Director, Division of Administrative Services, Department of Law, testified that interest expenses could be saved if the judgments and claims were paid sooner. She offered to detail the cases.

[9:55:39 AM](#)

CRAIG TILLERY, Chief Assistant Attorney General, Statewide Section Supervisor, Environmental Section, Civil Division, Department of Law, testified via teleconference from Anchorage that he was available to respond to questions.

[9:55:54 AM](#)

Co-Chair Wilken noted detailed information on the cases was provided and suggested the Department could address specific questions at this time, or later.

[9:56:31 AM](#)

Senator Stedman assumed that the \$2.6 million reflected the actual cost of the settlements. Holding these funds and delaying payment should generate interest. He asked the amount of interest that would be saved by paying sooner compared to the earnings generated from holding the funds.

[9:57:49 AM](#)

Ms. Daughhetee agreed that the State general fund generates interest. Various rates of interest are assigned to each case depending on the timing of the judgment. The interest rate is calculated at three points above the Federal Reserve rate and changes every year.

[9:58:48 AM](#)

Co-Chair Wilken surmised that if this amount were appropriated by March 1, 2006, the State would avoid four months of interest calculations.

[9:59:01 AM](#)

Ms. Daughhetea qualified that processing and recording would be required and that funds appropriated March 1 would likely be posted by March 31.

[9:59:20 AM](#)

Senator Dyson asked the approximate amount generally budgeted for lawsuit settlements.

[9:59:30 AM](#)

Ms. Daughhetea answered that these expenses are not budgeted.

[9:59:34 AM](#)

Senator Dyson asked for a comparison of the judgments and claims awarded in FY 06 to previous years.

[9:59:44 AM](#)

Ms. Daughhetea replied that the total is usually between \$1 and \$4 million each year, depending on the types of cases. The total for this year is higher than average. The variances are circumstantial.

[10:00:10 AM](#)

Senator Dyson surmised that because the actual amounts are difficult to predict, payment of judgments and claims are made through supplemental appropriations.

[10:00:23 AM](#)

Senator Dyson directed attention to Robert Vacolas v. State of Alaska, et al. The plaintiff in this case had approached him with information about problems within the Division of Child Protective Services. A subsequent audit of the Division identified multiple problems and validated many concerns. Despite Senator Dyson's efforts to ensure the anonymity of this whistle blower, including requests to the Office of the Governor, the employee was identified and his employment was terminated. The employee filed suit and prevailed. This "sends a message" to potential whistle blowers that their anonymity could not be guaranteed and that repercussion could occur.

Senator Dyson requested the amount of this judgment be reduced from the budgets of the Department of Health and Social Services or the Office of the Governor. Almost no other action of the Murkowski

Administration has offended him more than the events of this situation.

[10:02:43 AM](#)

Co-Chair Wilken shared initial calculations of the amount of interest versus earnings on the amount of this item.

[10:02:58 AM](#)

Senator Stedman stated that the "spread" between the two figures would be more accurate to determine whether payment should be made early.

[10:03:18 AM](#)

Co-Chair Wilken noted the accrued interest would increase if the appropriation were made later.

[10:03:26 AM](#)

Senator Hoffman referenced Jane Doe 1; Jane Doe 2; and Jane Doe 3 v. Daniel Scott and Department of Public Safety, and Jane Does 1 and 2 v. Department of Public Safety and Daniel Scott, pertaining to criminal sexual assault and kidnapping charges against an Alaska State Trooper stationed in Aniak. Senator Hoffman asked why two different cases were filed.

[10:03:49 AM](#)

Ms. Daughhetee responded that the cases involved different plaintiffs. Two different women were kidnapped and assaulted by this trooper.

[10:04:09 AM](#)

Senator Hoffman asked what lessons the Department of Public Safety has learned from this experience and how recruiting and hiring practices have changed to avoid another occurrence.

[10:04:26 AM](#)

Ms. Daughhetee responded that no action has been taken.

[10:04:39 AM](#)

Mr. Tillery furthered that prevention of this type of crime could not be addressed by change of procedure. No structural changes were

recommended, although the Department of Public Safety is "being careful and alert" to possible risks. This situation was not an accident or incident in which prevention "fell through the cracks".

[10:05:20 AM](#)

Department of Natural Resources

[10:06:01 AM](#)

Section: 6(a)-(c)

RDU: Parks Management

RDU: State Historic Preservation Program

RDU: Parks Management

RDU: Parks and Recreation Access

Supplemental Need: Parks revenue collection shortfall. Need by March 31, 2006 to maintain the planned service levels. Change structure to put Parks components into Resource RDU to help maintain the planned service levels in State Parks.

\$350,000 General Funds

(\$350,000) Receipt Supported Services

NICO BUS, Acting Director, Division of Support Services, Department of Natural Resources, testified that the shortfall occurred in the first six months of the fiscal year and was realized in the fall of 2005. Immediate action was taken to reduce expenditures and "live within the budget". This funding is necessary to avoid significant reduction in park services. Similar action was taken in FY 03. The intent is to keep all State parks operating to the extent possible. Projecting the amount of Receipt Supported Services that would be generated each year is difficult. This request would allow Department funding that would otherwise lapse, to be allocated to the park system thus avoiding reductions during the tourism season.

[10:09:44 AM](#)

Co-Chair Wilken applauded the collection of more user fees. He questioned the need for funding at this time, noting park usage is not high. He asked why the appropriation could not wait until the FY 07 regular budget funds were released.

[10:10:20 AM](#)

Mr. Bus responded that seasonal staff were in layoff status and would be called to return to duty in March. If the funding were not provided by then, the Department would be required to take measures to stay within the budget, and those positions would not be filled at the scheduled time. A timely appropriation would provide

assurance.

[10:11:14 AM](#)

Mr. Bus pointed out the multiple line items for this request are technical and provide for the funding transfer.

[10:11:46 AM](#)

JERRY LEWANSKI, Director, Division of Parks and Outdoor Recreation, Department of Natural Resources, testified via teleconference from Anchorage to the number of measures taken to reduce expenditures. All activities except emergency spending were ceased. This funding is necessary immediately to allow for the hiring and rehiring of seasonal workers to prepare the parks for opening and to begin collection of user fees. Collection of fees over the winter has been slow due to snowfall and other factors. The placement of the seasonal workers would result in increased fee collection.

[10:13:19 AM](#)

Department of Revenue

Section: 8

RDU: APFC Operations

Supplemental Need: Gasline Investment Determination Costs
\$550,000 Permanent Fund Corporate Receipts

BOB BARTHELOW, Chief Operating Officer, Alaska Permanent Fund Corporation, Department of Revenue, testified that this funding authority would allow staff to perform a due diligence analysis to identify the risks and benefits of an investment in the proposed natural gas pipeline. Past operating budgets have including funding for this effort. If the Corporation makes an investment in this venture, there would be no cost to the operating budget. The Corporation is currently considering a separate real estate investment and if the decision were made to make that investment, funding would be available for this analysis. Otherwise the Corporation would have exceeded the \$300,000 authorized for pre-investment expenditures.

Mr. Bartholomew stated this request is included in the fast track supplemental legislation to begin an investigation into a possible investment in the proposed natural gas pipeline. An advisor would be hired to assist in the analysis, although the Corporation is hesitant to enter into a contract before it has authority to make the expenditure.

[10:16:23 AM](#)

Co-Chair Wilken asked how long the analysis process would require.

[10:16:29 AM](#)

Mr. Bartholomew expected the analysis would be undertaken as a two-step project. The first portion would occur before an agreement was made between producers and the State. The Corporation has little experience with capital infrastructure investments, although this has been an increasing investment class worldwide. The second portion of the project would be specific to a proposed natural gas pipeline. Some of this analysis could be undertaken before a contract was negotiated and announced, but the details of the project must be known before a full investigation could be done. Most of the work would be done during the next year. The total cost of the analysis would exceed \$550,000 and funding authority would be requested for costs to be incurred in FY 07.

[10:18:34 AM](#)

Senator Stedman asserted that all Alaskans support construction of a natural gas pipeline sooner rather than later, however, income would not be realized for many years. A contract or an agreement has not been negotiated with producers and the allocation of \$550,000 for this analysis in the fast track supplemental would be premature. The regular FY 07 capital and operating budgets would be finalized in three months. The contract would not be for construction of the pipeline, but rather would stipulate how the project would proceed. Public debate must occur before decisions were made.

Senator Stedman supported the consideration of an investment in the proposed natural gas pipeline by the Corporation.

[10:20:44 AM](#)

Co-Chair Wilken asked if the first step of the proposed analysis, the viability of the Corporation investing in capital infrastructure, could be undertaken separately with the second step considered later.

[10:21:03 AM](#)

Mr. Bartholomew replied that receiving education and performing analysis to determine whether infrastructure investment would be appropriate for the Fund portfolio would be beneficial regardless of the proposed pipeline project. He agreed the timing of the

contract was unknown. The intent of the Corporation's executive director is to be as prepared as possible. The information would be gathered and made available to the public, which could add to the discussion about whether the Corporation should invest in a natural gas pipeline.

[10:23:42 AM](#)

Senator Stedman anticipated discussions would occur. If the State held an interest in the pipeline, the options for such investment could be made from the general fund, the Permanent Fund Corporation, the Earnings Reserve account or other options.

[10:24:46 AM](#)

Senator Stedman noted the many expenditures made in the analysis of the proposed pipeline. He cautioned about too many expenditures.

[10:25:12 AM](#)

Senator Olson pointed out that studies have already been conducted to determine whether the State should invest in the proposed natural gas pipeline. He asked what additional determinations would be expected from this analysis.

[10:25:43 AM](#)

Mr. Bartholomew affirmed that the Department of Revenue has contracted with a team of three advisors to review various scenarios of funding the proposed pipeline. The Corporation would leverage or benefit from the work already done. The first objective of the Corporation's effort is to determine whether capital infrastructure investments would be appropriate for the Fund. This decision could not be made solely from the Department of Revenue's analysis.

Mr. Bartholomew stressed that the Corporation's advisor, Callan and Associates, has a firm policy to not perform analysis on a specific project. Therefore the first step would be to do a general analysis with Callan and Associates. The second step to determine whether the Corporation should invest in the proposed natural gas pipeline would utilize the Department's advisor. The intent is to rely on the State's efforts the extent possible.

[10:28:08 AM](#)

Department of Transportation and Public Facilities

Section: 9(a)

RDU: Capital - Highways and Aviation

Supplemental Need: Whittier Tunnel portal jet fan replacement due to catastrophic failure of the #2 portal jet fan. Jet fans are necessary to operate the Whittier Tunnel as they force the carbon monoxide gases out of the tunnel. There are two fans at each end of the tunnel - one is for normal use and the other is required backup during repair or failure of the other. Without this second fan, the tunnel must be closed to accommodate any maintenance of the remaining fan.

\$504,200 General Funds

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities, outlined the need for the backup fan. The fan should be installed for the upcoming busy spring and summer seasons.

[10:29:51 AM](#)

Senator Bunde asked the cost per hour to operate this tunnel.

[10:30:02 AM](#)

Ms. Slagle replied that the hourly cost has been calculated for certain commercial operations.

[10:30:25 AM](#)

Senator Bunde noted that residents of Whittier have requested the tunnel be opened an additional two hours each day at an additional cost.

[10:30:59 AM](#)

Section: 9(b)

RDU: Capital - Airport Improvement Program Appropriation

Supplemental Need: The Airport Improvement Program appropriation will increase by \$15,100,000 from \$470,150,100 to \$485,250,100 because of the increases in the allocations listed below: [9(c) and (d)]

Section: 9(c)

RDU: Capital - Airport Improvement Program Allocation

Supplemental Need: Amended: Cordova: Airport Runway Safety Area Expansion

\$3,000,000 Federal funds

Ms. Slagle informed that the Department had received authority for

some federal funding for this project before the State's FY 06 budget was passed. Since then, an additional federal grant was awarded. The changes to this project will prevent the need to significantly extend the runway length and the Federal Aviation Administration (FAA) supports this. The funding authority is necessary immediately to prepare for this project, as runway work could not be undertaken during the fishing season of May and June. The intent is to complete construction in July.

[10:32:53 AM](#)

Senator Olson asked if the runway was located on the outskirts of the town.

[10:33:06 AM](#)

Ms. Slagle understood this to be so.

[10:33:12 AM](#)

Section: 9(d)
RDU: Capital - Airport Improvement Program Allocation
Supplemental Need: New: Unalakleet: Airport Paving
\$12,100,000 Federal Funds

Ms. Slagle noted that this request was originally included in the Governor's FY 07 proposed capital budget. It has been learned that the project could be undertaken during the current year. The airport was originally paved by the military and a resin product has been applied to reduce dust. The dust has become hazardous and is damaging to aircraft. Northern Air Cargo has discontinued flying to this airport because of the problems.

[10:34:22 AM](#)

Senator Bunde asked if the runway was standalone.

[10:34:31 AM](#)

Ms. Slagle responded that the airport consists of a runway, a taxiway and other facilities.

[10:34:38 AM](#)

Section: 9(e)
RDU: Capital - Surface Transportation Program Appropriation
Supplemental Need: The Surface Transportation Program
appropriation will increase by \$15,000,000 from \$373,604,700

to \$388,604,700 because of the increase to the allocation listed below: [9(f)]

Co-Chair Wilken noted this line item indicates an increase of funding for the Statewide Transportation Improvement Program (STIP).

[10:34:54 AM](#)

Section: 9(f)
RDU: Capital - Surface Transportation Program Allocation
Supplemental Need: Amended: National Highway System (NHS) and Non-NHS Pavement and Bridge Refurbishment
\$15,000,000 Federal Funds

Ms. Slagle stated this funding would be utilized for additional projects that have been identified and could be undertaken this spring. The intent is to secure contracts. This is a preventative program to extend the useful life of roadways. Specific projects include crack sealing, drainage, signage, guardrails, illumination, bridgework and rehabilitation, drain cleaning, seismic retrofits and painting. Some of these projects would be located near Homer, Diamond Ridge, Palmer, the Tok Cutoff Highway mileposts 44 to 94, Steese Highway Expressway and the Richardson Highway.

[10:37:11 AM](#)

Co-Chair Green asked if State matching funds were required to secure the federal appropriation.

[10:37:18 AM](#)

Ms. Slagle replied that the match requirement for these projects is less than ten percent and that the funding is available.

[10:37:39 AM](#)

Amendment: DOT A 2/06/06
RDU: Capital - Airport Improvement Program Appropriation
Supplemental Need: The Airport Improvement Program appropriation will increase by \$1,500,000 from \$485,250,100 to \$486,750,100 because of the increase in the allocation listed below:

RDU: Capital - Airport Improvement Program Allocation
Supplemental Need: Amended: Kotzebue: Sand Building
Early approval of this project will allow a contract to be awarded in April 2006. Then there will be time for the

contractor to order, obtain and barge the materials before freeze up in 2006 to avoid losing a season of construction time.

\$1,500,000 Federal Funds

Ms. Slagle explained that the airport improvement project at Nome was anticipated for completion this year. However, damage occurred and the paving could not be undertaken until the following year. The Department intends to transfer the funding for replacement of the sand building located in Kotzebue. The building is actually a shed. The walls are bulging from years of containing sand. This is a high priority for the maintenance of the Kotzebue airport facility.

[10:39:26 AM](#)

Senator Olson affirmed this project is needed. An aircraft had slid off the runway because it was inadequately sanded.

[10:39:55 AM](#)

Presentation of the funding requests included in this legislation was concluded.

ADJOURNMENT

Co-Chair Gary Wilken adjourned the meeting at [10:40:25 AM](#)