

MINUTES
SENATE FINANCE COMMITTEE
April 26, 2006
9:15 a.m.

CALL TO ORDER

Co-Chair Lyda Green convened the meeting at approximately [9:15:54 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: PETE KELLY, Director, Government Relations, University of Alaska; KATHRYN DAUGHHETEE, Director, Division of Administrative Services, Department of Law; CRAIG TILLERY, Deputy Attorney General, Civil Division, Department of Law; SCOTT NORDSTRAND, Commissioner, Department of Administration; ERIC SWANSON, Director, Division of Administrative Services, Department of Administration; DOUG WOOLIVER, Administrative Attorney, Office of the Administrative Director, Alaska Court System; MCKIE CAMPBELL, Commissioner, Department of Fish and Game; MAJOR GENERAL CRAIG CAMPBELL, Adjutant General/Commissioner, Department of Military and Veterans Affairs; CHRIS CHRISTENSEN, Deputy Administrative Director, Office of the Administrative Director, Alaska Court System;

Attending via Teleconference: From an offnet location: MARK HAMILTON, President, University of Alaska

SUMMARY INFORMATION

SB 231-BUDGET: CAPITAL & OTHER APPROPRIATIONS

The Committee heard from the University of Alaska, the Department of Law, the Department of Administration, the Department of Fish and Game, the Department of Military and

Veterans Affairs, and the Alaska Court System on requests for projects affecting these departments. The bill was held in Committee.

#sb231

[9:16:22 AM](#)

SENATE BILL NO. 231

"An Act making appropriations, including 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.

A motion was made at a previous hearing to adopt CS SB 231, GS-242034\F as a working document. However, no action was taken on the motion.

[9:16:35 AM](#)

MARK HAMILTON, President, University of Alaska, testified via teleconference from an offnet location to remind the Committee that the Board of Regents focused its efforts on deferred maintenance needs. Of \$98 million in identified projects, the legislature has appropriated an average of \$7 million annually in recent years, while appropriating an average of \$20 million for the construction of new facilities. The consistent lack of funding for deferred maintenance projects has resulted in unmet needs that are unacceptable.

[9:18:49 AM](#)

Mr. Hamilton noted the Small Business Development Center is funded through the University's capital budget. The Center performs functions important to small businesses statewide. The requested \$550,000 State funding would secure \$2.1 million in matching federal grants. This program arguably should not be included in the University budget but is nonetheless important and would assist the state in preparing for a potential economic boom related to a natural gas pipeline.

[9:20:11 AM](#)

Mr. Hamilton next addressed science facilities. Funding to construct an integrated science facility at the University of Alaska, Anchorage campus has been requested for the past six years. The project was partially funded in the FY 06 budget, and the University is requesting the remaining funds necessary to complete the project in FY 07.

Mr. Hamilton stressed that increased interest in science programs and successful attraction of the "best and brightest" Alaskan students through the Alaska Scholars program, many who want to participate in biology and other sciences, has created a need for more programs and expanded facilities. Currently, the University is unable to meet the need.

[9:21:44 AM](#)

Mr. Hamilton continued speaking to the science facility needs informing that the International Polar Year event occurs once every 50 years and would next begin the following year. The previous event included the creation of the Geophysical Institute at the University of Alaska, Fairbanks campus. The upcoming event would impact arctic research for the next 50 years. The University recently offered post-doctorate study positions to 15 students worldwide after receiving 180 applications. The chosen scholars are "the best and the brightest in arctic sciences" in the world.

Mr. Hamilton told of the opportunity, as the nation's arctic research institution, to secure approximately \$440 million in federal grants. The non-general funds that the University receives is "calculated on" the existing quality of programs and facilities. The Fairbanks campus requires funding to maintain the high quality of its science facilities.

[9:24:07 AM](#)

Mr. Hamilton noted that the proposed FY 07 capital budget submitted by Governor Murkowski recognizes the need to address deferred maintenance projects. However, if the legislature were to decide to fund the construction of new facilities, those facilities should be science related at both the Anchorage and Fairbanks campuses.

[9:24:43 AM](#)

Co-Chair Green announced that many identified projects would be funded with revenues generated from bonds issued on the State's settlement of tobacco litigation. The integrated science facility at University of Alaska, Anchorage is one such project; however, the proposed facility for the Fairbanks campus is not included.

[9:25:22 AM](#)

Co-Chair Wilken referenced a chart listing all identified deferred maintenance needs from 1988 to present. He requested this information be distributed to Members [copy on file.]

[9:26:27 AM](#)

Department of Law

KATHRYN DAUGHHETEE, Director, Division of Administrative Services, Department of Law, testified that funding is needed for additional judgments and claims rendered since the budget was last updated. The proposed workdraft committee substitute distributed prior to this hearing does not include the \$3.67 million general funds and \$2,800 non-general funds.

Ms. Daughhete also requested an extension of the lapse date of appropriations designated for oil and gas negotiations. Some these efforts would be delayed into FY 07.

[9:28:21 AM](#)

CRAIG TILLERY, Deputy Attorney General, Civil Division, Department of Law, testified to a request of \$800,000 in two separate appropriations for asserting a claim, if so decided, to the Exxon Valdez oil spill settlement. Such action is known as a "reopener" and relates to a condition of the original court ruling allowing additional claims to address environmental damage that could not have been anticipated at the time of the original settlement. The requested funding would be utilized to provide Exxon with a detailed list of projects. If Exxon declines the opportunity to fund these projects, court action would be likely.

Mr. Tillery emphasized that the Department has not yet determined whether to assert additional claims.

[9:31:25 AM](#)

Co-Chair Green asked whether any of the requested funding is included in the FY 06 supplemental appropriation legislation.

[9:31:31 AM](#)

Mr. Tillery responded that all the funding is requested to be included in the FY 07 capital budget appropriation.

[9:31:47 AM](#)

Department of Administration

SCOTT NORDSTRAND, Commissioner, Department of Administration, expressed appreciation for the indicated approval of funding for requested projects, specifically the critical information technology projects.

Mr. Nordstrand reminded that the Department requested \$5.5 million for deferred maintenance projects. He understood the changes made in the proposed workdraft committee substitute would "request" that public building funds (PBF) rate source be expended for these projects rather than general funds. The PBF would require approximately three years to accumulate the amount necessary to fund these projects. The issue of how much general fund dollars should be appropriated for deferred maintenance projects is a policy call.

[9:34:13 AM](#)

Mr. Nordstrand stated that the Department had requested approximately \$5.5 million for the Enterprise Technology Services (ETS) Infrastructure CIP (capital improvement project). The intent was to obtain additional funding from other departments to assist in the projects, particularly the conversion of all State systems to Microsoft software. The State has entered into an enterprise agreement with Microsoft to standardize and consolidate servers to gain efficiencies over time. Evaluation of existing systems has identified additional needs. Currently, an estimated \$2 million in additional funding would be required to accomplish the transitions.

[9:35:15 AM](#)

Mr. Nordstrand pointed out that the FY 06 supplemental appropriation requests for the Office of Public Advocacy (OPA) and the Public Defenders Agency (PDA) were not included in the proposed committee substitute. Although the \$217,000 needed for the PDA is not a significant amount, the OPA requires \$2.5 million. The latter amount would fund approximately one month of operations and if not provided, the OPA would run out money in May. The OPA has no control over the number of cases assigned to it, nor does it have the option of settling cases if a client does not want to. Situations must be avoided in which OPA attorneys become so overburdened they make mistakes or leave for other employment. Mistakes result in appeals of court decisions and, when successful, require the OPA to begin the cases anew, adding again to the workload.

Mr. Nordstrand thanked the Committee for funding case management systems for the PDA, OPA and the Office of Administrative Hearings. These systems would allow the agencies to increase efficiencies.

[9:37:58 AM](#)

Mr. Nordstrand spoke to the need to replenish the Information Services Fund with \$23.3 million general funds.

ERIC SWANSON, Director, Division of Administrative Services, Department of Administration confirmed the amount and stated the intent to fund the capital ETS project.

[9:38:43 AM](#)

Alaska Court System

DOUG WOOLIVER, Administrative Attorney, Office of the Administrative Director, Alaska Court System, testified that \$1.95 million requested for the replacement of the recording system, a critical information technology project, is not included in the proposed committee substitute distributed by Co-Chair Green. This would fund the first of a two-phase project and has been identified as the highest capital funding priority for the Alaska Court System. Alaska is the only state that does not rely on court stenographers to document court proceedings. To employ the necessary 63 professionals would cost \$4.5 million annually. However, to ensure these savings, occasional equipment

upgrades are necessary. Incompatibility with other systems, incomplete recordkeeping and recording malfunctions are problems experienced with the existing system. The previous system upgrade changed from cassette tapes to digital recordings. The upcoming project is to upgrade software.

[9:41:00 AM](#)

Mr. Wooliver continued with the second critical information technology project, an appellate case management system. The current system no longer meets industry standards for compatibility and security. The Alaska Court System requests \$1.3 million to upgrade the system.

[9:41:46 AM](#)

Department of Fish and Game

MCKIE CAMPBELL, Commissioner, Department of Fish and Game, testified that the Department attempted to submit a "very responsible request", and appreciated the Committee's response to it. However, two needs were outstanding.

Mr. Campbell reminded of the \$400,000 request for sonar system units necessary to count fish more accurately in obscured or cloudy waters. This funding is not included in the proposed committee substitute due to Commercial Fisheries Entry Commission (CFEC) "funding receipt issues" rather than opposition to the project.

[9:43:11 AM](#)

Mr. Campbell then addressed funding reductions to the Western Alaska Salmon Stock Identification Program (WASSIP) from an original amount of \$1.5 million to \$500,000 and further reduced to \$200,000 in the proposed committee substitute. This program is important, although not "easily scalable" to account for lower funding levels. He was concerned that minimal operation of the program would create expectations that the Department would be unable to fulfill. Therefore, he requested the \$200,000 general funds be appropriated to the aforementioned sonar response system. This would allow for the purchase of two of the four units. The Department would retain the federal funds allocated to the WASSIP and attempt to secure additional funding from other sources.

[9:44:42 AM](#)

Department of Military and Veterans Affairs

MAJOR GENERAL CRAIG CAMPBELL, Adjutant General/Commissioner, testified that the Governor had requested a \$7.5 million appropriation for the Alaska Military Youth Academy, comprised of \$7 million federal funds and \$500,000 general funds. This is not included in the proposed committee substitute. The funding would allow for the expansion of the Academy to include a facility located in Interior Alaska and is a funding priority of the Governor's. A site has yet to be selected and the \$500,000 State funds would be utilized for site selection and planning. The federal funds would be expended for renovation of the existing facilities at the identified site. A new facility would not be constructed.

[9:46:26 AM](#)

Co-Chair Green asked the funding source for this project in future years.

[9:46:34 AM](#)

Major General Campbell responded that if a location were found, an additional \$5 million general funds would be requested to supplant the \$7 million federal funds. If a site were not secured or if the selected site was not in compliance to qualify for the federal funds, no further State funds would be requested.

[9:47:03 AM](#)

Co-Chair Green asked the intention for funding operation of the new facility.

[9:47:07 AM](#)

Major General Campbell acknowledged that staffing and operating costs would increase once a second facility was added to the Academy system. Education foundation funding formula monies would be received based on the student population of the previous year.

[9:48:24 AM](#)

Co-Chair Green asked the amount of federal funds that would be secured with a \$5 million State appropriation. She asked the current match requirements governing federal allocations to the existing Academy location at Fort Richardson in Anchorage.

[9:48:47 AM](#)

Major General Campbell stated he would provide this information.

[9:48:54 AM](#)

Senator Bunde remarked upon the "unfortunate" fact that this program is relatively expensive to administer; however, it is effective and possibly necessary. He attended the graduation ceremony of one of the first classes to complete the program and encountered "confident" young people making comments to the effect of "We made it, we're not in jail and we got our GED (general equivalency diploma)." Senator Bunde reiterated that this program is costly, but asserted that housing inmates in prisons is more expensive.

[9:50:03 AM](#)

Co-Chair Wilken expressed his support for the Academy. However, he questioned the intent to distribute the program's efforts across the state. Instead he asked why the existing facilities would not be expanded to accommodate additional students while utilizing the same centralized facilities such as the kitchens. Before planning begins on the second facility the costs and benefits must be analyzed as well as a determination made on whether the Anchorage facility is "bursting at the seams."

[9:51:31 AM](#)

Major General Campbell respected Co-Chair Wilken's opinion on this matter, but contended that the timing was right to develop a second location in the Interior. The Academy is prohibited from constructing new buildings at its current location near a residential area. A large number of Interior at-risk youth are not being served. Many who would otherwise enroll in the program do not participate because they would be required to relocate to the Anchorage area and away from their families and support

systems. A significant element to the program involves mentoring and oversight after graduation.

[9:53:36 AM](#)

Senator Dyson identified with Co-Chair Wilken concerns. He asked whether the characterization that the Alaska program is the best of its kind in the nation was an exaggeration.

Major General Campbell responded this Academy consistently receives national awards and is considered at least one of the top programs.

[9:54:26 AM](#)

Senator Dyson asked if this is because the pool of students is less at-risk than those in other states.

[9:54:43 AM](#)

Major General Campbell replied that challenged youth are present in Alaska and face the same problems with drugs, crime, family disputes and other issues as do young people across the country. This is despite Alaska's lower population scattered over a large area.

#

ADJOURNMENT

Co-Chair Lyda Green adjourned the meeting at [9:56:25 AM](#)