

HOUSE FINANCE COMMITTEE
February 28, 2007
1:43 P.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [1:43:39 PM](#).

MEMBERS PRESENT

Representative Mike Chenault, Co-Chair
Representative Kevin Meyer, Co-Chair
Representative Bill Stoltze, Vice-Chair
Representative Harry Crawford
Representative Les Gara
Representative Mike Hawker
Representative Reggie Joule
Representative Mike Kelly
Representative Mary Nelson
Representative Bill Thomas Jr.

MEMBERS ABSENT

Representative Richard Foster

ALSO PRESENT

Nancy Slagle, Director, Division of Administrative Services, Department of Transportation and Public Facilities; John Torgerson, Deputy Commissioner, Department of Transportation and Public Facilities; Richard Leary, Business Manager, Alaska Marine Highway, Department of Transportation & Public Facilities; Eric Swanson, Director, Division of Administrative Services, Department of Administration; Mark Lewis, Director, Division of Administrative Services, Department of Education & Early Development; Tom Lawson, Director, Administrative Services, Department of Fish and Game; Kathryn Daughhetee, Department of Law; Nico Bus, Acting Director, Division of Administrative Services, Department of Natural Resources; Dan Spencer, Director, Division of Administrative Services, Department of Public Safety; Jerry Burnett, Director, Division of Administrative Services, Department of Revenue

PRESENT VIA TELECONFERENCE

Don McGee, State Assessment Review Board, Anchorage; John Cramer, Deputy Commissioner, Military and Veterans Affairs, Anchorage

SUMMARY

CONFIRMATION HEARING

Don McGee-State Assessment Review Board

HB 19 An Act relating to ignition interlock limited driver's license privileges.

HB 19 was SCHEDULED but NOT HEARD.

HB 139 An Act making supplemental appropriations, capital appropriations, and other appropriations; amending certain appropriations; ratifying certain expenditures; making appropriations to capitalize funds; and providing for an effective date.

Departments taken in the following order:

Department of Transportation & Public Facilities
Department of Administration
Department of Education & Early Development
Department of Fish and Game
Department of Law
Department of Public Safety
Department of Revenue
Department of Military & Veterans Affairs

HB 139 was HEARD and HELD in Committee for further consideration.

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CONFIRMATION HEARING:

Don McGee-State Assessment Review Board

DON MCGEE, (TESTIFIED VIA TELECONFERENCE), STATE ASSESSMENT REVIEW BOARD, ANCHORAGE, noted he was a life-long Alaskan. He said he has been in the assessment profession for the past 15 years and currently, the Municipality of Anchorage assessor for the last 6 years. He added that he is knowledgeable of the Board's work and the importance of that work to the State. He hoped to use his expertise for the benefit of the State and offered to answer questions of the Committee.

Representative Hawker commended Mr. McGee on the information packet he submitted.

Co-Chair Chenault MOVED that the House Finance Committee forward the name of Don McGee for appointment to the State Assessor Review Board, to be confirmed in a joint session of the 25th Alaska State Legislature. There being NO OBJECTION, it was so ordered & Mr. McGee was confirmed by the House Finance Committee.

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#HB139

HOUSE BILL NO. 139

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

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

JOHN TORGERSON, DEPUTY COMMISSIONER, AVIATION & MARINE HIGHWAYS, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, introduced himself.

RICHARD LEARY, BUSINESS MANAGER, ALASKA MARINE HIGHWAY, DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES, introduced himself.

NANCY SLAGLE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, provided an overview of the Department's fast track and time sensitive issues.

1(h) Transportation

Capital - Airport Improvement Program Appropriation
The Airport Improvement Program appropriation increases by \$2,000.0 from \$341,857.1 to \$343,857.1 because of the increase in the allocation below: 0

1(i) Transportation

Capital - Airport Improvement Program Allocation

Amend FY07 Project - Ketchikan: Snow Removal Equipment/Sand/Urea Building Construction - Project includes constructing new snow removal equipment, sand and chemical mixing and storage building to house all of the airport's emergency response and snow removal equipment. Project is ready to bid as soon as funding is available. \$2,000.0

1(j) Transportation

Capital - Surface Transportation Program Appropriation

The Surface Transportation Program appropriation increases by \$18,300.0 from \$337,095.2 to \$355,395.2 because of the allocation changes below. 0.0

1(k) Transportation

Capital - Surface Transportation Program Allocation

New: Anchorage: Eagle River Road Rehabilitation - Milepost 5.3 to 12.6 - Project includes widening shoulders, improving visibility, and repaving. The department plans to advertise as soon as funding is available. \$1,750.0

1(k) Transportation

Capital - Surface Transportation Program Allocation

Amend: Anchorage: Eagle River Loop Road Reconstruction - Old Glenn Highway to Eagle River Road - Project includes reconstructing shoulders, turn lanes, pedestrian facilities, lighting and landscaping. The department plans to advertise in March. \$2,000.0

1(l) Transportation

Capital - Surface Transportation Program Allocation

New: Anchorage: Potter Marsh Trailhead and Access Improvements - Project includes enhancing parking lot, provide new boardwalk connections, and connect the Bird Treatment Learning Center on the Old Seward Highway to the existing boardwalk. The department plans to advertise in March. \$550.0

1(m) Transportation

Capital - Surface Transportation Program Allocation

New: Unalaska South Channel Bridge Construction - Project includes replacing existing bridge with a concrete deck bridge. Increased funding required as low bid was greater than existing legislative authority for project. \$14,000.0

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Vice Chair Stoltze asked if the requested amount in 1(k) would allow for the work needed to address the flooding issues on Eagle River Road. Ms. Slagle did not know but offered to get back to the Committee on that issue. She pointed out that all the flooding disasters are under federal highways. Vice Chair Stoltze thought the concern was not related to the scale of flooding disasters but rather a reoccurring problem resulting from drainage issues.

Co-Chair Chenault referenced 1(m), the Unalaska South Channel Bridge & asked how long the project had been delayed. Ms. Slagle noted that the first appropriation had been in 1999 and assumed that there had been pre-construction funding available prior to that. Co-Chair Chenault questioned if the archeological dig issues had been addressed. Mr. Torgerson understood it had and that the bid is ready to be awarded.

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Representative Thomas questioned 1(i), Ketchikan snow removal. Ms. Slagle interjected that Ketchikan too, gets snow sometimes.

11(a) Transportation

Measurement Standards and Commercial Vehicle Enforcement

- 1) \$55.0 for costs associated with data acquisition, storage and transfer to meet federal reporting requirements.
- 2) \$15.0 for annual membership in the North American Preclearance and Safety System (NORPASS) to continue deployment of weigh station screening systems equipment. \$70.0

Ms. Slagle explained the two needed items that had not been included in the FY07 operating budget, which had previously been funded through federal grant funds no longer available to the State.

11(b) Transportation

Southeast Region Facilities

- 1) \$38.7 for Repairs/Maintenance - Backlog of deferred maintenance issues that need addressed at facilities throughout Southeast.
- 2) \$5.0 for travel to inspect facilities.
- 3) \$36.8 for contractual increases for facility janitorial services at the 7-Mile Complex, AMHS Reservations Building and Ketchikan Court and Office Building. \$80.5

Ms. Slagle noted how small the facilities budget was.

Co-Chair Chenault asked the time frame of the janitorial contracts. Ms. Slagle said they are issued on 3-year fiscal base, which all vary. Co-Chair Chenault questioned

the \$36 thousand dollar increase. Ms. Slagle said some times those contracts get renegotiated. The request indicates it expired in June, perhaps after session ended last year.

Representative Hawker noted the \$80.5 thousand dollar request in a BRU that is \$101 million dollars; he suggested too much latitude by the Department. Ms. Slagle explained that request was specific to the Southeast facilities component and the majority would be used for set utility costs. She pointed out that there is less than 10% flexibility for repairs and materials, reiterating little flexibility in those numbers.

Representative Hawker inquired if the Department of Transportation & Public Facilities was "unique" in having an ability to move money between the components. Ms. Slagle explained within that within the Regional District Units (RDU), there are many components within the three large regions.

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11(c) Transportation

Central Region Highways and Aviation

1) State Equipment Fleet Cost Increases - \$288.5 - Central Region Highways and Aviation is experiencing higher than anticipated costs of commodities and overruns in other areas of the budget and cannot absorb this increase within the existing FY07 budget.

2) Anchorage Snow Haul - \$503.0 - Safety issue as roads are one lane, there is poor visibility associated with large snow piles and pedestrians are forced to walk in road as sidewalks are full of snow.

3) Anchorage Street Sweeping - \$274.0 - Must be done per EPA Air Quality Standards in the spring after snow melts and roads are full of sand and chemicals creating air quality issues for Anchorage residents.

4) Avalanche Artillery Purchase and Equipment Repair - \$26.0

5) Funding for Law Enforcement Officers at state-owned Kodiak Airport - \$20.0 - from March 1 through June 30 due to Transportation Security Administration (TSA) non-negotiable requirement. TSA has warned that flights in and out of Kodiak will be prohibited if Law Enforcement Officers not in place by March 1. Funds are needed to decrease emergency response time to 15 minutes or less per TSA rules. Current airport

emergency response time is greater than 15 minutes which is unacceptable to TSA. The department has no choice but to incur this expense.
\$1,111.5

In response to a question by Co-Chair Chenault, Mr. Torgerson explained that the screening (5©) will happen at every airport in which screening already exists; however, it will not happen if the airport is not certificated. There are 19 statewide airports, two of which are outside the municipal boundaries of the municipality being served. The FY08 budget includes funding requests for security. Co-Chair Chenault asked what could happen if security was not provided. Mr. Torgerson explained that Transportation Security Agreement (TSA) could "pull the State's certificates", which would not shut the airport down but rather prohibit larger aircrafts [i.e. Alaska Airlines] to fly.

Co-Chair Chenault questioned the number of people being served. Ms. Slagle replied 1.2 million, adding the contracted services.

Co-Chair Meyer referenced 11© (2), snow removal in Anchorage and asked if the fire that happened in Girdwood, housed some of that equipment. Ms. Slagle explained that the Girdwood shop did burn but it was covered through Risk Management. The equipment and facility will be replaced.

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11(d) Transportation

Northern Region Highways and Aviation

Funding for Law Enforcement Officers at state-owned Cordova Airport from March 1 through June 30 due to Transportation Security Administration (TSA) non-negotiable requirement. TSA has warned that flights in and out of Cordova will be prohibited if Law Enforcement Officers not in place by March 1. Funds are needed to decrease emergency response time to 15 minutes or less per TSA rules. Current airport emergency response time is greater than 15 minutes which is unacceptable to TSA. The department has no choice but to incur this expense. \$20.0

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11(e) Transportation

Southeast Highways and Aviation

1) \$208.5 - Overtime resulting from extreme winter weather. Personnel costs associated with plowing, application of materials used for highways and airports this winter.

2) \$24.5 - Paint for road striping. Paint being ordered now for spring/summer application.

Co-Chair Chenault asked the annual cost for paint. Ms. Slagle replied that approximately \$200 thousand dollars was spent for paint in the Southeast region.

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11(f) Transportation

Marine Highway System - Marine Vessel Operations

Unpaid vendors from FY06, including state agencies -
Total is: \$532,786.91

Outside Vendors:

Chevron - \$7,985.03; Glacier Family Medicine - \$208.00; Murray Pacific - \$753.91; Work safe - \$1,517.50; Sea Level Transport - \$65,800.00; Southeast Extinguisher Services - \$240.00; Stanley - \$327.25; Tyler - \$823.20; Otis - \$4,035.34; Port of Bellingham - \$1,233.30; Petro Marine - Seward - \$35,485.43

State Agencies:

State equipment Fleet (DOT) for June - \$46,652.33; Law Bills (DOL) - \$12,695.62; Retirement & Benefits (DOA) - \$25,196.00; Labor Training (AVTEC) - \$9,300.00; Tok Ferry Reservations (Commerce) - \$53,200.00; Laundry Services (Corrections) - \$103,561.77; UAS Training - \$87,990.00; Southeast DOT Inventory Adjustment - \$6,850.94; AMHS Travel & Incidentals not processed - \$68,931.29 \$532.8

Co-Chair Chenault asked about the charge to the Port of Bellingham. Ms. Slagle replied it was for fuel costs.

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11(g) Transportation

Marine Highway System - Marine Vessel Operations

1) \$3,600.0 - FY07 operating marine highway fund anticipated cash shortfall. Collection of revenues is anticipated to be \$51.0 million and expenditures are anticipated to be \$54.6 million.

2) \$300.0 - Chenega crew training after winter lay-up and warranty overhaul. U.S. Coast Guard requirement to operate vessel.

3) \$3,900.0 - Under projected vessel operations costs for vessel employee overtime and leave.

4) \$2,300.0 - Fairweather unbudgeted winter service.
\$10,100.0

Mr. Leary explained the increment.

Co-Chair Chenault asked the number of people involved in the above referenced crew. Mr. Leary replied it was a crew of 10 to operate the boat with 6 on night-time maintenance shift. The boat operates on a two crew base, requiring approximately 35 employees.

Co-Chair Chenault asked when the operations would begin out of Cordova. Mr. Leary understood that revenue services would start April 20th and that the boat would be running the beginning of April.

Co-Chair Chenault referenced 11(f)(3) and asked further explanation. Mr. Leary explained that the Le Conte was converted to a day boat and that Coast Guard overtime problems were incurred. When the route was mapped out, there were estimates of overtime, not met. Overtime and operation costs have been targeted.

Co-Chair Chenault referenced 11(f)(4), asking what happened with the crew of the Chenega during their winter-lay up. Mr. Leary replied that a portion would stay with the boat for maintenance and security functions and the rest of the crew will bid back out.

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11(h) Transportation Capital

New:

Cantwell Maintenance Station Remodel
and Electrical Repair

OSHA inspection found unsafe electrical and building code violations. Electrical service is located in a low lying area that is prone to flooding and the entrance/exit to the building is through the boiler room. Department received an OSHA compliance order for this and is mandated to fix the violation no later than June of 2007. \$250.0

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11(i) Transportation - Capital

New: Thompson Pass Refueling Station

OSHA inspection found fuel dispensing machines located inside the maintenance station, creating an unsafe work environment. Fuel dispensing machines must be moved outside of building. Department received an OSHA compliance order for this and is mandated to fix the violation no later than November of 2007. Funds are needed to begin work in FY07 in order to comply with the deadline.

\$150.0

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11(j) Transportation - Capital

Marine Highway System

Amend FY07 Project: Alaska Marine Highway System - Vessel and Terminal Overhaul and Rehabilitation Unforeseen problems that needed to be repaired during annual overhaul. Unforeseen problems included steering systems, replacing corroded steel decking, life boat and davit refurbishment, turbo charger repair, bow thruster work and electrical generator repair. Without the repairs, vessels would not have been certified for operations during FY07. Repaired vessels include LeConte, Matanuska, Columbia, Kennicott, Taku, and Fairweather. \$1,944.0

Mr. Torgerson pointed out that the older boats are beginning to have lists of "things" that need to be repaired and is becoming more of an issue. He thought that the "fix" would be placing more money into the Capital Replacement Fund in the FY08 budget.

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11(k) Transportation - Capital

Airport Improvement Program Appropriation

The Airport Improvement Program appropriation will increase by \$11,500.0 from \$341,857.1 to \$353,357.1 because of allocation changes. 0.0

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11(l) Transportation - Capital

Airport Improvement Program Allocation

Amend FY07 Project: Atka Airport Extension and Resurfacing Project includes runway extension and minor realignment, a new taxiway and apron, paving of operational surfaces, medium intensity runway lighting, a double bay snow removal equipment building, other related improvements and land acquisition. The department plans to advertise in April. \$4,000.0

11(m) Transportation - Capital

Airport Improvement Program Allocation

New:

Nightmute Airport Reconstruction Project includes expanding the runway, constructing a runway safety area, taxiway and safety area, relocating and expanding the apron, constructing two single bay snow removal equipment buildings, rehabilitating the airport access road, and acquiring land for airport improvements. The department plans to advertise in June. \$3,000.0

11(n) Transportation - Capital

Airport Improvement Program Allocation

New:

Nunapitchuk Airport and Access Improvements Project includes extending the runway, installing runway and taxiway lights, improving the airport access road, relocation of the apron, and constructing two single bay snow removal equipment buildings. The department plans to advertise in May. \$1,500.0

11 (n) Transportation - Capital

Airport Improvement Program Allocation

Amend FY07 Project: Platinum Airport Relocation Project includes relocating the airport, constructing a new runway, installing airport lighting, constructing a new apron and taxiway, constructing an airport access road and equipment storage building. The Department plans to advertise in May.

Mr. Torgerson explained that most of the requests resulted from old under estimated projects of various issues. It will cost more in FY08 dollars. The Department is

requesting the federal receipt authority to continue on the projects.

Representative Hawker asked the number of users of the Atka Facility. Mr. Torgerson explained it is a non certified airport and he did not know the hard number. That airport is used by the federal government.

Co-Chair Meyer pointed out that all requested funds for the small airports were federal dollars. Ms. Slagle indicated the State has already made an adequate match. Mr. Torgerson pointed out that these are 95/5 funds (95% federal dollars & 5% general fund dollars).

Co-Chair Meyer questioned the amount of usage the small airports get for the amount of money put into them. Mr. Torgerson admitted that is a discussion that happens often at the Department. There are 260 airports statewide, which is not unlike many of the small community transportation links.

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11(o) Transportation - Capital

Airport Improvement Program Allocation

Scope change from Stony River: Airport Rehabilitation (ch. 61, SLA 2001, page 32, line 3) to Stony River: Airport Relocation and Airport Improvements. Project includes constructing a new airport south of the existing airport to include a new runway, lighting, safety area, apron, taxiway, support area, and an equipment storage building. 0.0

Ms. Slagle explained that the project resulted from the location of the Village, encroaching on the airport facilities.

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12(a) Fund Transfers - Disaster Relief Fund

Additional funding needed for:

2006	Hooper Bay Fire	\$4,844.1
2006	Southcentral Flood	\$6,118.4
2006	Southern Storm	\$6,463.2
2006	Kivalina Sea Wall	\$233.8

12(b) Fund Transfers

Debt Retirement Fund

Reduce general fund capitalization necessary to fund School Debt Reimbursement due to a \$709.7 increase in the amount of School Fund receipts (cigarette tax) available and a decrease of \$4,855.9 in the amount needed for FY2007 School Debt Reimbursement.

(\$5,565.6)

12(c) Fund Transfers - Alaska Marine Highway System Fund

Eliminate the ending FY06 / beginning FY07 negative fund balance of: \$10,732,284.58

The negative fund balance is indicative of under collection of unrestricted revenues to support the amounts appropriated from the fund for operation of the system. \$10,732.3

Ms. Slagle explained that during the last two years, the Marine Highway ended with a negative fund balance because they were using their cash ahead of time. It occurred because the Fund did not have adequate carry-forward balance to address the issues.

Co-Chair Meyer referenced 11(k) and 1(j) and asked where the increased federal dollars came from. Ms. Slagle explained that they come from the Airport Improvement Program, resulting from various things. Sometimes there is additional discretionary money provided to the State, which usually happens at the end of the federal fiscal year. Mr. Torgerson agreed that the request resulted from discretionary funds; the U.S. Congress has not reauthorized or funded at that level. To certify the airports - it will take additional federal funding. He added that the State will need that money before the bids are issued.

Co-Chair Meyer worried that the funds were replacing something else. Mr. Torgerson responded that most were additional add-ons; he would be concerned if the State did not request the additional federal receipt authority.

DEPARTMENT OF ADMINISTRATION

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ERIC SWANSON, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ADMINISTRATION, provided an overview of the departmental requests.

2(a) Administration

Retirement and Benefits

The Division of Retirement and Benefits contracted with a tax consultant to assist with obtaining Internal Revenue Service code qualified status for the defined contribution plan. The cost of this work was not included in the original fiscal note for SB 141. This request for a GF increase will be offset with a \$80.0 GF reduction from the Elected Public Officers Retirement System (EPORS - (50.0)) and the Unlicensed Vessel Participant Annuity Retirement Plan (UVPARP - (30.0)) allocations. \$80.0

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2(b) Administration

Retirement and Benefits

This request is for the purpose of zero balancing the Division of Retirement and Benefits fund allocations. Their cost allocation plan was reviewed by a tax consultant, resulting in allocation changes that affect the FY2007 budget. 0.0

2(c) Administration

Retirement and Benefits

This is a fund source adjustment for the PERS/TRS litigation appropriations made in sec. 24(a) and (b), ch. 82, SLA 2006, from the original \$200.0 from each retirement system fund to 72% and 28%, respectively, per the division's cost allocation plan. The appropriation from PERS changes from \$200.0 to \$288.0 and the TRS amount changes from \$200.0 to \$112.0. 0.0

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2(e) Administration

Office of Public Advocacy

Current year caseload increase estimate based on the agency's current expenditures and projections. The agency was not fully funded in FY2007, based on their FY2006 supplemental roll forward and caseload projections. There are excess guardianship fees receipts in FY2007. \$200.0

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DEPARTMENT OF EDUCATION & EARLY DEVELOPMENT

MARK LEWIS, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, provided an overview of the Department's supplemental budget requests.

4(a) Education

School Finance & Facilities

Cost to pay trial work already provided for the Moore v State lawsuit, which pertains to adequate funding levels for school districts. \$100.0

4(b) Education

Mt. Edgecumbe Boarding School

Cost of one-time payment of the FY2005 Teachers' Education Association of Mt. Edgecumbe arbitration award. \$107.9

Mr. Lewis explained that the State was found to have violated the Collective Bargaining Agreement.

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Section 13 Debt School Debt Reimbursement

Reduce total School Debt Reimbursement by 4,855.9 from \$93,935.0 to \$89,079.1. Debt Retirement Fund decreases by \$5,565.6 from \$66,935.0 to \$61,369.4 and the School Fund increases by \$709.7 from \$27,000.0 to \$27,709.7. (\$4,855.9)

Section 14(b) (1 & 2) = Ratifications

ARI7720-04 Quality Schools -	\$51.621
ARI7720-05 Quality Schools -	\$107.601

Mr. Lewis explained that they attempted to reconcile the discrepancy through the federal division, leaving the Department with an overall shortfall. The Division has implemented a new standard procedure so it will not happen again in the future.

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In response to a question by Representative Thomas, Mr. Lewis explained that a number of schools applied for additional support for their shortfalls in construction costs. Representative Thomas asked if those schools needed to get back on the major maintenance list. Mr. Lewis affirmed.

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Representative Joule noted that there would be costs to return equipment if projects are not completed. Mr. Lewis clarified that they could be considered as a supplemental, but that the intent would be to give priority to projects with funding over the ones not funded.

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DEPARTMENT OF FISH AND GAME

5(a) & (b) Fish and Game

Wildlife Conservation

Fund source switch for the Harlequin Duck Population Dynamics project in Prince William Sound that is measuring the recovery from the Exxon Valdez Oil Spill. 0.0

TOM LAWSON, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF FISH AND GAME, explained the funding source change to the Exxon Valdez Oil Spill Settlement. A grant was received for monitoring of the duck population.

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DEPARTMENT OF LAW

KATHYRN DAUGHHETEE, DEPARTMENT OF LAW, addressed the three judgment and claims provided by the Department of Law.

7(a) Law

Civil Division, Deputy Attorney General

Judgments and Settlements
Amount is \$92,509.85 as of February 1, 2007. \$92.6

7(b) Law

Civil Division, Deputy Attorney General

The amount necessary to pay additional judgments awarded against the state before June 30, 2007. 0.0

7(c) Law

Administrative Services

FY2006 Unpaid Miscellaneous Bills - \$6,254.47

Funding to pay prior year bills not received in time for payment by the department.

Employee moving expenses - \$1,581.05; employee mileage reimbursement - \$47.89; consulting contracts - \$4,200.00; hotel rooms for employee travel - \$349.28; copier maintenance \$76.25. \$6.3

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Representative Hawker referred to the Alaska Psychiatric Institute (API) case and asked how the Department was doing on legislation to bring the statutes in line with that Court decision. Ms. Daughheteo offered to provide that information to the Committee.

In response to comments made by Representative Hawker regarding the Department's minimal request this year, Ms. Daughheteo advised traditionally, there have been many personal injury cases against the State, while last year, the Legislature approved an increase to the Catastrophic Reserve Fund. Those funds are now keeping more in line with the operational costs.

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DEPARTMENT OF NATURAL RESOURCES

8(a)(1) Natural Resources

Claims, Permits & Leases

Implementation of geologists' class study effective June 2006. \$79.4

NICO BUS, ACTING DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF NATURAL RESOURCES, explained that the requests will pay for increased salaries.

8(a)(2) Natural Resources

Geological Development

Implementation of geologists' class study effective June 2006. \$114.8

8(b) Natural Resources

Capital

Funding from the Mat-Su Borough for development of the South Denali Visitors Center Interpretive Plan. \$100.0

14a Ratification

Mr. Bus observed that the request was for the annual fire suppression activity, which happens after the Legislative session ends. The FY06 request is \$6.06 million dollars. There have been no declared disasters to date for FY07.

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DEPARTMENT OF PUBLIC SAFETY

9 Public Safety

Capital

The U.S. Department of Justice has awarded the Council on Domestic Violence and Sexual Abuse a Violence Against Women Act Stop grant of \$5 million for prevention of domestic violence and sexual assault in Alaska. The funding will be used for services provided by the Departments of Law, Public Safety and Alaska Court System and for victim services. \$5,000.0

DAN SPENCER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF PUBLIC SAFETY, advised the request had not been appropriated because the Department did not know the timing of the "ear marked" funds. The funding would be used for 30% victim services, 25% law enforcement, 25% prosecution, 5% Court and 15% discretionary.

In response to a question by Co-Chair Meyer, Mr. Spencer clarified that if pending legislation is not passed to extend the Council, the Department will seek federal government advice regarding what will happen if the grant is not ratified by the State of Alaska.

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DEPARTMENT OF REVENUE

JERRY BURNETT, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, explained the Department's supplemental budget requests.

10(a) Revenue

Tax Division

- 1) \$210.5 - Cruise Tax Initiative implementation costs: Three positions and contractual expenses for hearings for public notice, legal advice on regulations, advertising, training and development of online data filing system.
- 2) \$45.0 - Corporate Income Tax Litigation

The Tax Division is working on a high-level corporate income tax case with a potential for hundreds of millions of dollars in settlement. Funding is requested to begin the casework with the Department of Law. Additional funding will not be required in FY2008. \$255.5

10(b) Revenue

Permanent Fund Dividend Division

1) \$70.0 - Increased MyAlaska costs - Department of Administration did not charge for service before FY07. The Division did not know when preparing the FY07 budget that DOA would be charging for the service in FY07.

2) \$60.0 - Department of Administration's (DOA) Office of Administrative Hearings costs are higher than anticipated due to high rates.

3) \$220.7 - Data Loss and Recovery. Ongoing recovery efforts are beyond division's capability to absorb. \$350.7

Co-Chair Chenault inquired why there had been more hearings. Mr. Burnett explained that in FY06, the Department had requested a supplemental appropriation because it was the first year they were charged by the Office of Administrative Hearings for the hearing costs & FY07 was the first, full year of charge-backs.

10(c) Revenue

Child Support Services

Unanticipated federal incentive funding due to performance during FY 05. \$181.7

10(d) Revenue

Child Support Services

Reduction in receipt supported services funding due to unanticipated federal incentive funding due to performance during FFY 05. (\$181.7)

10(e) Revenue

Alaska Mental Health Trust Authority,
Long Term Care Ombudsman

The Long Term Care Ombudsman's Office (LTCO) receives its funding from DHSS/Senior and Disabilities Services Administration, mostly from a federal grant (Title 3 and Title 7). This year DHSS has reduced the amount

of the grant due to unavailable federal funding, so additional general funds are necessary. 0.0

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Representative Hawker asked if there is a way to implement the Cruise Ship Initiative without adding additional State resources. Mr. Burnett said no; the funds would allow the Department to make the regulations and be able to collect more than \$40 million dollars a year. He stressed that they need additional staff in order to do that. The Tax Division is absorbing the pay increases of that sector.

Representative Gara asked how much the State will recover from the initiative and the cost to the State. Mr. Burnett did not know the total net. The head tax should bring in around \$42 million dollars to the State based on 900,000 visitors. He could not estimate the income tax because some companies might already be paying tax.

Representative Gara referenced the corporation gambling tax and asked if it could raise \$100 million dollars. Mr. Burnett did not know the amount.

Representative Gara asked if the State was obligated to give a portion of the crew ship dollars back to the communities. Mr. Burnett indicated that under the Crew Ship Initiative, a portion of the head tax is shared with the first five communities. He did not know if the Legislature was obligated. Co-Chair Chenault suggested that a large portion of the collected amount should be shared.

Representative Thomas understood that there were strict "side bars" regarding use of the \$42 million dollars collected by the head tax. He asked if the income tax would have the same type of restrictions. Mr. Burnett responded that the Department of Revenue and the Department of Law are looking at the restrictions for spending that money. He acknowledged restrictions were in place.

DEPARTMENT OF MILITARY & VETERANS AFFAIRS

12(a) Department of Public Safety

Disaster Relief Fund

Additional funding needed for:

2006 Hooper Bay Fire	-	\$4,844.1
2006 Southcentral Flood	-	\$6,118.4
2006 Southern Storm	-	\$6,463.2
2006 Kivalina Sea Wall	-	\$ 233.8
Total	-	\$17,659.2

JOHN CRAMER, (TESTIFIED VIA TELECONFERENCE), DEPUTY COMMISSIONER, MILITARY AND VETERANS AFFAIRS, ANCHORAGE, explained the Department's request for the Disaster Relief Fund.

3:22:56 PM

Representative Thomas asked if Cordova would be included in the Southcentral portion. Mr. Cramer said it would.

HB 139 was HELD in Committee for further consideration.

3:24:02 PM

#HB19

HOUSE BILL NO. 19

An Act relating to ignition interlock limited driver's license privileges.

Co-Chair Meyer noted that HB 19 was SCHEDULED but would not be HEARD. It was RESCHEDULED for March 4th.

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ADJOURNMENT

The meeting was adjourned at 3:25 P.M.