

HOUSE FINANCE COMMITTEE
February 11, 2008
1:40 p.m.

CALL TO ORDER

Co-Chair Chenault called the House Finance Committee meeting to order at [1:40:01 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 John Harris

ALSO PRESENT

Karen Rehfeld, Director, Office of Management and Budget; Mike Maher, Director, Division of Administrative Services, Department of Environmental Conservation; Craig Tillery, Deputy Attorney General, Department of Law; Richard Svobodny, Deputy Attorney General, Criminal Division, Department of Law; Mark Lewis, Director, Administrative Services, Department of Education and Early Development; Tom Lawson, Director, Administrative Services, Department of Fish and Game; Gail Fenumiai, Director, Division of Elections, Office of the Lieutenant Governor; Guy Bell, Assistant Commissioner and Director, Division of Administrative Services, Department of Labor and Workforce Development Labor; Leta Simons, Director, Division of Support 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; Chris Christensen, Deputy Administrative Director, Alaska Court System; Larry Cohen, Executive Director, Alaska Judicial Council; Nancy Slagle, Director, Division of Administrative Services, Department of Transportation and Public Facilities.

PRESENT VIA TELECONFERENCE

Tom Chapple, Director, Division of Air and Water Quality, Department of Environmental Conservation; Bill Griffeth, Facilities Program Manager, Division of Water Public Safety, Department of Environmental Conservation; Pat Pitney, Vice President, Planning and Budget, University of Alaska.

SUMMARY

HB 194 "An Act relating to fines for certain offenses involving aeronautics, alcoholic beverages, boats, fish and game, health care records and public health, medical review organizations, public restroom facilities, smoking, shelter cabins, refrigerators and similar equipment, radiation sources, high voltage lines, child labor, employment in underground mines, marriage licenses, motor vehicles and driver's licenses, ignition interlock devices, pipelines, use of the state seal, and emissions requirements; relating to the maximum fine provided for violations and infractions and to the definition of 'minor offenses'; redesignating certain fish and game misdemeanor offenses as class A misdemeanors; relating to violations and offenses that are committed on state land, water, and land and water or that are related to water management or dam and reservoir safety; amending Rule 8(b), Alaska District Court Rules of Criminal Procedure; and providing for an effective date."

HB 194 was POSTPONED.

HB 343 "An Act making supplemental appropriations, capital appropriations, reappropriations, and other appropriations; amending certain appropriations; ratifying certain expenditures; making appropriations to capitalize funds; and providing for an effective date."

HB 343 HEARD and HELD in Committee for further consideration.

HJR 2 Proposing an amendment to the Constitution of the State of Alaska requiring an affirmative vote of the people before any form of gambling for profit may be authorized in Alaska.

HJR was POSTPONED.

HOUSE BILL NO. 343

"An Act making supplemental appropriations, capital appropriations, reappropriations, and other appropriations; amending certain appropriations;

ratifying certain expenditures; making appropriations to capitalize funds; and providing for an effective date."

[1:40:20 PM](#)

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF MANAGEMENT AND BUDGET (OMB), oriented the committee and began the process.

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Section 7-9. Support for the Climate Change Work Group

Support for the Climate Change work group process,
with an extended lapse date through June 30, 2009.
\$230,000

MIKE MAHER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ENVIRONMENTAL CONSERVATION (DEC), explained the item as a result of Administrative Order 238 for a climate change task force process at \$230,000 General Fund (GF) with an extended lapse date through June 30, 2009. There have been discussions at the sub-committee level.

[1:42:34 PM](#)

Co-Chair Meyer wondered if the item, as an administrative order, should be funded through the Governor's office rather than through DEC. Mr. Maher responded that the request was in DEC's budget because the commissioner, as chair of the task force, would be formulating costs and expending funds.

Co-Chair Meyer asked if the program is ongoing. Mr. Maher was not certain, which was the reason for the extended lapse date. He explained that when the Alaska Climate Impact Assessment Commission provides recommendations, there may be other needs identified for a variety of agencies, including DEC.

Co-Chair Chenault asked if the department's uncertainty explained why the funds are not in the operating budget. Mr. Maher said that any remaining balance would be carried over. He acknowledged uncertainty regarding additional requests. Co-Chair Chenault asked when the department would know if they intended to request additional funds.

TOM CHAPPLE, DIRECTOR, DIVISION OF AIR AND WATER QUALITY, DEPARTMENT OF ENVIRONMENTAL CONSERVATION (Testified via Teleconference), explained that work groups are forming to meet for nine months to one year in order to draft a strategy for addressing climate.

Section 13. Village Safe Water Study

13(b) Transfer unused balance (\$120,671 GF) from Stebbins - Water and Sewer Improvements (38) (Sec. 135, Ch. 103, SLA 1995, Pg 58, Ln 11) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(c) Transfer unused balance (\$1,945,738 Fed) from Environmental Protection Agency Indian Set Aside Grants (ED 99) (Sec. 135, Ch. 103, SLA 1995, Pg 58, Ln 35) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(d) New allocation: Village Safe Water Study, Design and Construction Projects \$2,066,409 - Sec. 135, Ch. 103, SLA 1995.

13(e) Transfer unused balance (\$55,000 GF) from Engineering/Feasibility Studies (ED 99) (Sec. 100, Ch. 123, SLA 1996, Pg 47, Ln 25) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(f) New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 100, Ch. 123, SLA 1996.

13(g) Transfer unused balance (\$49,503.69 GF Match + \$49,503.70 Fed) from Lower Kuskokwim School District - Tuntutuliak School Sewage Disposal Feasibility Study/Design (ED 39) (Sec. 82, Ch. 100, SLA 1997, Pg 46, Ln 14) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(h) Transfer unused balance (\$59,662.26 GF Match + \$59,662.25 Fed) from Village Of Kipnuk - Aquifer Storage and Recovery Demonstration Study (ED 39) (Sec. 82, Ch. 100, SLA 1997, Pg 46, Ln 32) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(h) New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 82, Ch. 100, SLA 1997. Scope change needed to allow for Village Safe Water Design and Construction Projects.

13(i) New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 131, Ch. 139, SLA 1998. Scope change needed to allow for Village Safe Water Design and Construction Projects.

13(i) Transfer unused balance (\$21,000 Fed + \$21,000 AHFC Rcpts) from Kwethluk Housing Water Systems Improvement Study (ED 39) (Sec. 131, Ch. 139, SLA 1998, Pg 43, Ln 3) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(j) Transfer unused balance (\$68,140.59 Fed + \$68,140.58 AHFC Rcpts) from Gulkana Water Modernization Project (ED 36) Sec. 131, Ch. 139,

SLA 1998, Pg 44, Ln 17) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(k) Transfer unused balance (\$379,101.15 Fed + \$6.07 AHFC Rcpts) from Badger Richardson Water Supply Design (ED 29-34) (Sec. 131, Ch. 139, SLA 1998, Pg 45, Ln 10) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(k) New allocation: Village Safe Water Study, Design and Construction Projects \$515,382 Sec. 131, Ch. 139, SLA 1998.

13(l) Scope change needed to allow for match by any federal agency, not just RDA.

13(m) Transfer unused balance (\$11,837.60 Fed + \$5,915.42 AHFC Rcpts) from Crooked Creek Johnny John Sr. School Sewer System Feasibility Study (ED 36) (Sec. 100, Ch. 2, FSSLA 1999, Pg 41, Ln 7) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(m) Transfer unused balance (\$9,299.99 Fed + \$4,639.98 AHFC Rcpts) from Crooked Creek Master Plan (ED 36) (Sec. 100, Ch. 2, FSSLA 1999, Pg 41, Ln 10) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(n) Transfer unused balance (\$11,966.07 Fed + \$5,982.95 AHFC Rcpts) from Old Harbor Sanitation Improvements Feasibility Study (ED 6) (Sec. 100, Ch. 2, FSSLA 1999, Pg 42, Ln 15) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(n) New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 100, Ch. 2, FSSLA 1999. Scope change needed to allow for Village Safe Water Design and Construction Projects.

13(o) Scope change needed to allow for match by any federal agency, not just EPA.

13(p) Transfer unused balance (\$526,635.57 Fed + \$263,364.43 AHFC Rcpts) from Tununak Flush Tank And Haul (ED 38) (Sec. 100, Ch. 2, FSSLA 1999, Pg 44, Ln 10) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(p) New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 100, Ch. 2, FSSLA 1999. Scope change needed to allow for any federal agency and to allow Village Safe Water Study Projects.

13(q) Scope change needed to allow for match by any federal agency, not just RDA.

13(r) Transfer unused balance (\$58,378.07 GF) from Rampart Water And Sewer (ED 36) (Sec. 100, Ch. 2, FSSLA 1999, Pg 45, Ln 21) to a new Village Safe

Water Study, Design and Construction Projects allocation.

13(r) New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 100, Ch. 2, FSSLA 1999.

13(s) New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 1, Ch. 135, SLA 2000. Scope change needed to allow for Village Safe Water Design and Construction Projects.

13(s) Transfer unused balance (\$28,614.57 Fed + \$9,538.19 AHFC Rcpts) from Akhiok Water And Sewer Improvements Feasibility Study (ED 6) (Sec. 1, Ch. 135, SLA 2000, Pg 6, Ln 12) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(t) Transfer unused balance (\$25,179.02 Fed + \$8,393.01 AHFC Rcpts) from Ivanof Bay Landfill Water Quality Protection Study And Preliminary Design (ED 40) (Sec. 1, Ch. 135, SLA 2000, Pg 7, Ln 10) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(t) Transfer unused balance (\$43,895.02 Fed + \$14,631.68 AHFC Rcpts) from Kaltag Master Plan (ED 36) (Sec. 1, Ch. 135, SLA 2000, Pg 7, Ln 13) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(u) Transfer unused balance (\$63,717 Fed + \$21,239 AHFC Rcpts) from Nuiqsut Sewage Lagoon Closure Feasibility Study (ED 37)(Sec. 1, Ch. 135, SLA 2000, Pg 8, Ln 3) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(v) Transfer unused balance (\$73,500 Fed + \$24,500 AHFC Rcpts) from Saint George Water And Sewer System Planning Study (ED 40) (Sec. 1, Ch. 135, SLA 2000, Pg 8, Ln 11) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(w) Transfer unused balance (\$20,684.79 Fed + \$6,894.93 AHFC Rcpts) from Saxman Water Storage Design Study (ED 1) (Sec. 1, Ch. 135, SLA 2000, Pg 8, Ln 16) to a new Village Safe Water Study, Design and Construction Projects allocation

13(x) Scope change needed to allow for match by any federal agency, not just EPA.

13(y) Transfer unused balance (\$225,000 Fed + \$75,000 AHFC Rcpts) from Savoonga Water And Sewer Project (Sec. 1, Ch. 135, SLA 2000, Pg 9, Ln 13) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(y) New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 1, Ch. 135, SLA 2000. Scope change needed to allow for

any federal agency and to allow Village Safe Water Study Projects.

13(z) Transfer unused balance (\$94,393.63 Fed + \$31,464.54 AHFC Rcpts) from Allakaket Sanitation Facilities Improvement Plan (Sec. 1, Ch. 61, SLA 2001, Pg 11, Ln 29) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(aa) New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 1, Ch. 61, SLA 2001. Scope change needed to allow for Village Safe Water Design and Construction Projects.

13(aa) Transfer unused balance (\$56,200 Fed + \$18,800 AHFC Rcpts) from Rampart Solid Waste and Water Quality Protection Plan (Sec. 1, Ch. 61, SLA 2001, Pg 13, Ln 18) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(bb) Transfer unused balance (\$10,682.06 Fed + \$3,560.69 AHFC Rcpts) from Chistochina Facility Plan (Sec. 1, Ch. 1, SSSLA 2002, CH 1, Page 29, Line 28) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(cc) Transfer unused balance (\$17,160.79 Fed + \$5,720.26 AHFC Rcpts) from False Pass Wastewater Treatment and Disposal Feasibility Study (Sec. 1, Ch. 1, SSSLA 2002, Pg 29, Ln 28) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(cc) New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 1, Ch. 1, SSSLA 2002. Scope change needed to allow for Village Safe Water Design and Construction Projects.

13(dd) Transfer unused balance (\$182,000 GF + \$1,200,000 Fed + \$218,000 AHFC Rcpts) from Tuluksak Water and Sewer Project - Phase I (Sec. 1, Ch. 1, SSSLA 2002, Pg 31, Ln 9) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(dd) New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 1, Ch. 1, SSSLA 2002. Scope change needed to allow Village Safe Water Study Projects.

13(dd) Transfer unused balance (\$1,042,500 Fed + \$347,500 AHFC Rcpts) from Tuntutuliak Water and Sewer Project (Sec. 1, Ch. 1, SSSLA 2002, Pg 35, Ln 11) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(ee) Transfer unused balance (\$525,000 Fed + \$175,000 AHFC Rcpts) from Alatna Water Supply and Sewage Collection and Treatment Project Phase 4 (Sec. 1, Ch. 82, SLA 2003, Pg 20, Ln 23) to a new

Village Safe Water Study, Design and Construction Projects allocation.

13(ff) Transfer unused balance (\$66,000 Fed + \$22,000 AHFC Rcpts) from Egegik Water and Sewer Improvement Project Phase 4 (Sec. 1, Ch. 82, SLA 2003, Pg 21, Ln 22) to a new Village Safe Water Study, Design and Construction Projects allocation

13(gg) Transfer unused balance (\$1,473,750 Fed + \$491,250 AHFC Rcpts) from Tuluksak Sanitation Facilities Construction Phase 2 (Sec. 1, Ch. 82, SLA 2003, Pg 23, Ln 28) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(gg) New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 1, Ch. 82, SLA 2003. Scope change needed to allow for Village Safe Water Study Projects.

13(hh) Transfer unused balance (\$16,500 Fed + \$5,500 AHFC Rcpts) from Delta Junction Downtown Water and Sewer Master Plan (Sec. 1, Ch. 82, SLA 2003, Pg 24, Ln 26) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(ii) Transfer unused balance (\$9,025.56 Fed + \$3,008.52 AHFC Rcpts) from Port Protection Wastewater Engineering Study (Sec. 1, Ch. 82, SLA 2003, Pg 25, Ln 21) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(ii) New allocation: Village Safe Water Study, Design and Construction Projects \$34,034 - Sec. 1, Ch. 82, SLA 2003. Scope change needed to allow for Village Safe Water Study Projects.

13(jj) Transfer unused balance (\$847,500 Fed + \$282,500 AHFC Bond Proceeds) from Hyder Sewer System Development Phase 1 (Sec. 1, Ch. 159, SLA 2004, Pg 22, Ln 27) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(kk) Transfer unused balance (\$531,000 Fed + \$177,000 AHFC Bond Proceeds) from Kivalina Sewer and Water Haul System (Sec. 1, Ch. 159, SLA 2004, Pg 23, Ln 5) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(ll) Transfer unused balance (\$687,000 Fed + \$229,000 AHFC Bond Proceeds) from Koyukuk Sanitation Improvement Project Phase 2 (Sec. 1, Ch. 159, SLA 2004, Pg 23, Ln 11) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(mm) unused balance (\$2,190,000 Fed + \$730,000 AHFC Bond Proceeds) from Tuluksak Sanitation Facilities Construction Phase 3 (Sec. 1, Ch. 159, SLA 2004, Pg 24, Ln 18) to a new Village Safe

Water Study, Design and Construction Projects allocation.

13(mm) New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 1, Ch. 159, SLA 2004. Scope change needed to allow for Village Safe Water Study Projects.

13(nn) Transfer unused balance (\$798,750 Fed + \$266,250 GF Match) from Brevig Mission Water and Sewer Connections (Sec. 1, Ch. 3, FSSLA 2005, Pg 48, Ln 20) to a new Village Safe Water Study, Design and Construction Projects allocation.

13(nn) New allocation: Village Safe Water Study, Design and Construction Projects - Sec. 1, Ch. 3, FSSLA 2005. Scope change needed to allow for Village Safe Water Study Projects.

Mr. Maher explained the net zero supplemental closing out a number of village safe water projects and making balances available for other priority items.

Co-Chair Chenault asked if the money was being reallocated because the projects were complete. Mr. Maher answered that that was correct for most projects. Other projects have been canceled and those monies transferred as well, including to finished projects that have come up short on funding.

[1:47:36 PM](#)

Representative Thomas asked if the villages were notified of cancelled projects.

BILL GRIFFETH, FACILITIES PROGRAM MANAGER, DIVISION OF WATER PUBLIC SAFETY, DEC (Testified via Teleconference), specified that existing allocations would be reduced for projects completed for less than the allocated amount, projects for which federal funding has been withdrawn, and cancelled projects. Those communities are aware of the reductions. Some communities are trying to meet requirements for projects to move ahead. If the projects cannot proceed, those communities will be notified of the reallocation of funds and how the projects can be gotten back on track.

Representative Thomas emphasized the need to let people know if projects are cancelled.

[1:49:57 PM](#)

Representative Nelson assumed the projects mentioned are not the complete list of village safe water projects, but those that need a reallocation of funds. She referenced the Denali Commission report regarding certain projects that are not feasible due to energy costs.

Mr. Griffin confirmed the assumption. He added that there were two reasons for the request: first, completing projects so federal funds are not lost, and second, previously funded projects need additional funding.

Co-Chair Chenault asked if the department prioritizes funding with the newly allocated funds.

[1:52:04 PM](#)

Mr. Griffin answered that the new allocations will only be awarded to projects approved through the priority list process, and to projects that are allowable under federal guidelines for grants to the state. He elaborated that funds have not been reallocated yet, but communities have been notified that more funds may be available for projects. Those requests will be reviewed by the same state and federal agencies that used the original project request. The department will make sure they will be able to complete the projects with any additional funding provided.

Co-Chair Chenault asked for more detail regarding the Ocean Ranger Program.

Section 13(a). Water Quality Implementation of the Ocean Ranger Program

The contract needs to be established early enough to allow the contractor to hire and train Ocean Rangers prior to the season beginning in May 2008. The contractor will incur substantial expenditures for hiring, training, and purchasing equipment in preparation for the upcoming season. In addition to the contractor's costs, the department is incurring expenditures for paying staff and other expenditures for implementation of the program.

Mr. Maher explained that the request is for \$2.8 million from the Cruise Ship Vessel Fund. He reminded the finance committee that after conference committee the previous year the department ended up with \$1.2 million in the base budget. The additional \$2.8 million reflected in the request brings the total to \$4 million, which is the projected berth tax per year. It maximizes the revenue available to put the program together.

Co-Chair Chenault asked if the Ocean Ranger program can be completed with the \$4 million from the berth tax.

[1:54:22 PM](#)

Mike Maher stated that the department put together the best program possible within projected revenue. The department does not intend to seek further funds for the program.

Representative Kelly voiced concern that ineffective but high-costing technology has been applied to waste management monitoring. He hoped that better, lower costing technology would be researched and considered to manage the program.

Representative Joule emphasized that some communities are facing significant challenges related to climate change. He asserted that requests would need to come through the supplemental process before fall in order to get the work done in a timely manner. He asked for comment.

Mr. Maher noted there are funds in the Department of Commerce budget to address some of the issues.

Ms. Rehfeld elaborated that there was a request under the Department of Commerce for \$1.2 million (Line 84, Climate Change Impact Mitigation). She explained that a planning component needed to occur in order to address needs of the impacted communities. Various federal and state agencies need to coordinate to come up with a request.

[1:58:41 PM](#)

Representative Joule emphasized the critical nature of the problem. He hoped the issue would be addressed through an amendment process or some other means.

DEPARTMENT OF LAW

Section 7 - 9. Oil, Gas, and Mining

During FY2008 the Department of Natural Resources (DNR) requested that Law allocate \$3.0 million of Law's \$21.5 million Oil, Gas, and Mining supplemental (Sec 1, Ch 6, SLA07, Pg 1, Lns 4-6) to pay a contractor to do a financial analysis of the TransCanada proposal to evaluate that the state's financial interests are being met. Law has entered into a Reimbursable Services Agreement (RSA) with DNR to pay the costs of the valuation expert. The \$3.0 million RSA to DNR was not included in the costs Law anticipated at the time of the \$21.5 million request. Law is requesting that part of these funds be replaced for their original purpose. Law is requesting only \$1,750,000 (and not the full \$3 million) because one large case recently settled and Law spent \$1,250,000 less than originally anticipated on that case.

CRAIG TILLERY, DEPUTY ATTORNEY GENERAL, DEPARTMENT OF LAW (LAW), reminded the committee that the previous year the department received a combination of supplemental and FY 08 funding for the Division of Oil and Gas for the natural gasline. They recently become aware of an unfunded need to provide a financial analysis of the gasline proposal. Because of the timing, LAW requested a reimbursable services agreement (RSA) for \$3.0 million to DNR to conduct the analysis. The Department of Law will need to recover the money for other cases and is requesting that part of these funds be replaced for their original purpose. Only \$1.75 million (not the full \$3 million) is being requested because one large case recently settled and LAW spent less than originally anticipated on that case.

Section 25(a). Deputy Attorney General's Office

Judgments and Settlements, \$587,910.81 as of January 28, 2008.

Mr. Tillery said the items were more limited than in past years. There are four cases, judgments for attorney's fees. He noted they are all reductions from the amount requested; in three of the four cases the basis for the reduction is a result of legislation regulating judgments for public interest litigant fees.

Section 25(b). Deputy Attorney General's Office

The amount necessary for additional judgments awarded on or before June 30, 2008 is appropriated.

Mr. Tillery explained that the next item is an appropriation for any subsequent judgments and claims related to the previous item. One of the judgments could be approximately \$800,000.

Co-Chair Chenault asked about a \$2 million claim.

Representative Nelson noted the \$2 million may be the settlement for Office of Children's Services.

[2:03:28 PM](#)

Section 25(c). Administrative Services: Unpaid FY06 bills

Contractor was very late in submitting final bills to Law. Bills were submitted in May/June of 2007 so they were not included in the FY06

supplemental for Law. The actual amount in hand as of January 28, 2008 is \$3,109.36.

Section 25(d). Criminal Division

Additional federal authorization is needed for the U.S. Department of Justice, Office of Violence Against Women grant to "Encourage Arrest Policies and Enforcement of Protection Orders" for \$937,000, as allocated below. The grant term is for 15 months, so a lapse date of June 30, 2009 is requested.

Second Judicial District - \$127.8

Third Judicial District: Anchorage - \$399.2 and 1 new PFT (Paralegal)

Fourth Judicial District - \$410.0 and 2 new PFTs (Attorney and Paralegal)

RICHARD SVOBODNY, DEPUTY ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF LAW, described an unpaid bill from a 2006 murder case. The bill was submitted by an expert witness late and therefore was not included in the appropriate billing cycle. The next item authorizes \$937,000, part of a federal grant for violence against women to assure arrests and provide for enforcement of protective orders. The amount funds a half-time paralegal in Barrow, and a full-time attorney and paralegal in Bethel. The appropriation would also fund a paralegal for the rural prosecution unit providing services to communities off the road system, and one attorney in the appellate section to deal specifically with violence against women issues. A small portion of funds would support two attorneys currently working in the Anchorage District Attorney's office.

Representative Gara asked if the presence of Village Public Safety Officers (VPSOs) in areas with no law enforcement could save money. Mr. Svobodny hoped increasing personnel would have some deterring effect but said there is no empirical data to support that.

Representative Hawker pointed out that appropriations in several items relate to FY 09 and questioned the breaking up of fiscal years in the operating and supplemental budgets.

[2:07:32 PM](#)

Co-Chair Chenault responded that the issue would be taken up in committee.

Section 25(e). Human Services and Child Protection: Native Village of Curyung v. State DHSS, Office of Children Services

This is a complicated case involving four tribes suing the state over alleged violations of various state and federal laws. The Department of Law estimates that there are roughly 120 children who are part of this case. It is anticipated that litigation and/or trial costs are expected to be at least \$200.0 in FY08 with another \$300.0 needed in FY09, so an extended lapse date through June 30, 2009 is requested.

\$500,000

Mr. Tilley explained that the request addresses a complex case relating to a challenge by four native villages filed in Dillingham regarding Child Protective Services. The case challenges state and federal laws and requests that the court appoint an ombudsman to oversee protective services for the state. The case involves 120 children and is fact intensive. The department anticipates the case to last over two fiscal years and decided to put it in one request to clarify the ultimate cost.

Representative Gara queried the status of the law regarding LAW liability. Mr. Tillery said he did not know the answer but would find out and report back.

Representative Nelson asked when the increment would be available for the settlement from the 1998 Office of Children's Services (OCS) case. Mr. Tilley said the settlement is being paid out of the Division of Risk Management.

DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

Section 8 - 9. Student and School Achievement

Correction of late session transactions for TRS solution that erroneously cut the component twice for the GF reduction desired. This is reflected in section 8, the departmental fund source list.

\$388,000 GF

Section 8 - 9. Head Start Grants

Correction of late session transactions for TRS solution that erroneously cut component twice for

the GF reduction desired. This is reflected in section 8, the departmental fund source list.

\$6,000

Section 8 - 9. Mt. Edgecumbe High School

Correction of late session transactions for TRS solution that erroneously cut component twice for the GF reduction desired. This is reflected in section 8, the departmental fund source list.

\$331,200

MARK LEWIS, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT (DEED), explained that during the 2007 legislative session a series of transactions were recorded to adjust funding related to the teacher's retirement system with the Student and School Achievement, Head Start, and Mt. Edgecumbe High School components. These transactions inadvertently removed GF from the base numbers. The three supplemental items correct those transactions and the associated funding sources.

Representative Nelson asked what other early education programs are run through DEED.

Mr. Lewis responded that most early development programs moved to the Department of Health and Social Services (DHSS) in 2004. Head Start and early learning programs remain in DEED.

[2:13:49 PM](#)

Representative Nelson asked what percentage of the department's budget was allotted for early development. Mr. Lewis replied less than one percent.

Representative Nelson asked if there was any interest in amending the supplemental request to include funds for Head Start. She noted increased energy costs.

Karen Rehfeld remarked that there was no amendment for Head Start. The Administration has been focusing on K-12 education. She added that the Best Beginnings report was due out and hoped recommendations could be made for additional funding as a result of that.

Co-Chair Meyer noted that there has been much discussion in the education subcommittee about early learning. He noted that the Head Start program is not a state program; the state just provides matching funds for local community and federal funding. He further noted difficulty overseeing the program.

Mr. Lewis confirmed Co-Chair Meyer's assessment.

[2:16:41 PM](#)

Representative Hawker noted the provision was in the supplemental with continued effects in the FY 09 budget cycle. He asked if there were similar increments in the FY 09 operating budget. Ms. Rehfeld answered that the corrections have been made in the operating budget request.

Representative Gara stated for the record that the Best Beginnings program already has a recommendation for Head Start funding. He asked the administration to take a look at that. Ms. Rehfeld said she was not aware of a dollar amount for recommendations. Several components of a statewide system are being discussed, including Head Start.

Representative Gara stated that Head Start serves less than half the children eligible. The recommendation is to serve all eligible children.

Section 22. School Performance Incentive Program

If the amount necessary to pay school performance incentives exceeds the amount appropriated for FY08, the additional amount necessary is appropriated. The department won't know the final amount until after the legislature has adjourned. Similar language is included in the FY09 operating budget.

\$1.6 million

Mr. Lewis explained that the School Performance Incentive Program was established under AS 14.031.26 as a three-year pilot program. The program is currently in its second year with a budget of \$2.5 million. The FY 08 request of \$5.8 million was reduced the previous session by \$3.3 million because as a new program the actual costs associated with the School Performance Incentive Awards could not be accurately projected. Finance subcommittees recommended reviewing the request in the FY 09 budget cycle. The language section provides the mechanism to fund the pilot program in order to distribute the awards as intended within the established statutory limits. The estimated additional funding required is projected to be \$1.6 million.

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Co-Chair Meyer expressed concern about the open-ended nature of the request. He pointed out that some people consider the item controversial and asked if the amount could be limited.

Mr. Lewis explained that by statute only 850 certified teaching staff can receive the award, which limits the appropriation. In order to limit it further by short-funding the program, he recommended paying down the full amounts but providing the award to fewer teacher and fewer schools. He also pointed out that there was no way to know exactly how much the program would cost.

Co-Chair Chenault asked if the request is short-funded, why not pro-rate to each teacher eligible. Mr. Lewis stated that the intention is provide a higher amount to adequately compensate those awarded. The higher amount also provides incentive to perform at a higher level, which in turn nurtures student achievement.

Representative Hawker echoed Co-Chair Meyer's comments regarding open-ended appropriations. He felt there should be some limitations to the appropriation.

Representative Gara asked about the former commissioner's statement regarding the teacher incentive grants statute. The funding provided did not allow all of the teachers who qualify under the standards to receive bonuses. He asked if a certain percentage would qualify and what percentage of schools would qualify for making progress under the grant program for which funding was provided.

Mr. Lewis did not have precise numbers but offered to supply the information. He added that if there were no statutory limitation, the program for 850 teachers would cost \$6.2 million.

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Representative Gara commented that if the administration believed the program is effective and the point is to encourage teachers through a grant to do better, the program would be undermined by not providing the funds.

DEPARTMENT OF FISH AND GAME

Section 23. Carry Forward Receipts

Carry forward of federal indirect cost plan receipts to include the FY07 unexpended and unobligated balance. Similar language is included in the FY09 budget.

TOM LAWSON, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF FISH AND GAME (ADF&G), explained the language in the section corrects a cash flow issue by allowing for unspent indirect revenue to be carried forward into the next fiscal year

without an increase in authorization. The language would help spread indirect revenue more evenly throughout the fiscal year. He commented that indirect funds cover general administrative overhead costs. A certain percentage of each federal grant can be charged with these costs. An annual federal indirect plan has to be completed. During the field season, late in the fiscal year, ADF&G spends large amounts of federal funds. Because the indirect rate is based on the actual expenditure of the funds, the department does not know how much federal funding will be received. The language allows the unexpended balance to be rolled forward.

Representative Hawker asked if something had changed from last year to bring forth the request. Mr. Lawson answered that it has been an issue in the past. They discovered that the Department of Labor had similar issues and solved the problem through a language change.

Representative Hawker asked if similar language was in the current year's operating budget. Mr. Lawson responded in the affirmative.

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DIVISION OF ELECTIONS

Section 16. Personnel Services

This request includes \$278.2 GF and \$120.1 in HAVA CIP Rcpts for personal services for three new base operating positions and 26 temporary positions needed for petitions processing relating to the FY09 primary election ballot. Contractual includes \$76.4 in printing, forms and training costs relating to the upcoming statewide primary election; \$10.9 one-time costs for Deltana incorporation, \$12.0 for Wrangell incorporation, and \$6.0 for REAA #18 recall elections; \$20.0 for legal costs relating to the Nick case; and increased base operating costs of \$7.0 for postage, \$23.5 for maintenance and licensing increases, and \$30.1 for office and storage space increased lease costs. The base operating increases in personal services and contractual are included in the FY09 operating budget request.

\$584,200

GAIL FENUMIAI, DIRECTOR, DIVISION OF ELECTIONS, OFFICE OF THE LIEUTENANT GOVERNOR, detailed the request of \$584,200, consisting of \$464,100 in GF and \$120,100 in capital

improvement project (CIP) receipts from the Help America Vote Act (HAVA). The division is requesting three new base operating positions to assist with the increased work load, especially to help in FY 08 to prepare for the FY 09 elections. The funding will also assist with 26 temporary positions used to process petitions to determine certification for the FY 09 elections. She listed other one-time items that were unexpected expenses.

Co-Chair Chenault asked for an explanation of the Nick v. Bethel case. Ms. Fenumiai responded that the division is being sued by four native Alaska elders claiming the language assistance program was not effectively implemented.

Representative Nelson clarified that the issue was under the Voting Rights Act. Co-Chair Chenault asked when the case began. Ms. Fenumia said the lawsuit was filed June of 2007.

Representative Hawker asked if the positions were ongoing costs or just for the election cycle. Ms. Fenumia responded that the division intended to keep positions ongoing. She described an increased work load due to federal mandates and changes in the state's voting system.

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DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT

Section 24. Commissioner's Office

The \$850.0 fiscal note for ch. 22, SLA 2007 (HB 177, AGIA) was appropriated in sec. 2, ch. 28, SLA 2007, page 44, line 22. The department will not spend the entire amount in FY08, therefore they request that the lapse date be extended through June 30, 2009 in order to complete the work with the estimated balance of \$250.0.

GUY BELL, ASSISTANT COMMISSIONER AND DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT (LABOR), explained the request to extend a fiscal note appropriation for the Alaska Gasline Inducement Act (AGIA) training program development into next year. He recounted the AGIA mandate to develop a training program for the workforce needs. The department received \$850,000 toward the effort, which will continue into the next fiscal year. A steering committee made up of largely private sector individuals has been engaged; the committee is giving LABOR guidance and will be meeting into the next fiscal year. The estimated balance available at the end of the fiscal year will be approximately \$250,000. The department is requesting

authorization to spend the funds through the next fiscal year.

DEPARTMENT OF NATURAL RESOURCES

Section 7 - 9. Oil & Gas Auditors

Cost to implement ch.1, SSSLA 2007 (HB 2001) Alaska's Clear and Equitable Share (ACES) legislation. Add two Oil & Gas Revenue Audit Master exempt positions. The amount is reduced from the original fiscal note due to later than anticipated hiring of the positions. The FY09 budget contains a related increase of \$303.5.

\$110,000

LETA SIMONS, DIRECTOR, DIVISION OF SUPPORT SERVICES, DEPARTMENT OF NATURAL RESOURCES, addressed the request to fund two senior level auditors as per the ACES fiscal note.

[2:31:53 PM](#)

Section 7 - 9. Fire Suppression Preparedness Resolution over Implementation of the Forest Technician Class Study

This supplemental request funds a Letter of Grievance Resolution between the State and the Alaska State Employees Association (ASEA) related to step placement of employees during implementation of a classification study for Forestry-specific job classes. The retroactive operating costs for 20 Wildland Fire Dispatcher positions is \$47.5 for FY07, and current-year FY08 costs are \$61.7, resulting in this supplemental request of \$109.2. A corresponding FY09 budget amendment of \$61.7 will be requested.

\$109,200

Ms. Simons explained the supplemental covers the costs for FY 08 and retroactive to FY 07.

Co-Chair Chenault noted that the corresponding changes would be in the FY 09 budget.

Section 10 - 12. Capital Eagle River Nature Center Planning and Design Study

Ms. Simons outlined the capital request is for a design study for Eagle River Nature Center. This is statutory

designated program receipts. Friends of the Eagle River Nature Center received a Housing and Urban Development grant to fund the projects. The funds are being requested in the supplemental budget due to the grant timeline. The design phase must begin as soon as possible.

Co-Chair Chenault asked about the anticipated funding sources for the center. Ms. Simons noted that once the design work is done, the Friends of Eagle River Nature Center will be seeking the construction funds for on their own. The organization is seeking the assistance of the Division of Parks and Outdoor Recreation only for design work because the division has design expertise.

Section 29(a). Ratification Fire Suppression Activity

Ratification AR 37313-07 Fire Suppression Activity.

Ms. Simons detailed the ratification of expenditures totaling \$7,550,162 for FY 07 fire activity.

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DEPARTMENT OF PUBLIC SAFETY

DAN SPENCER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF PUBLIC SAFETY (DPS), provided a general overview regarding DPS appropriations. A number of items are broken out by component, but many are for similar costs such as fuel and utility costs, and operating or replacement cost increases. In addition, the spreadsheet refers to the amount of a similar increase included in the FY 09 budget proposal. Some needs are expected to be on-going. Finally, the projections are based on actual expenditures through December 31st. The department is currently reviewing expenditures through January to see if there are any changes that can be made to the supplemental requests. He expected any change to be a decrease.

Mr. Spencer acknowledged past increases for trooper positions. However, DPS has had difficulty filling the positions. Appropriating additional funds for recruiting resulted in less supplemental requests for several years. Some of the funds for positions were used to address other cost increases. Vacancy savings can no longer be used as the department now expects the positions to be filled. Most items requested in the supplemental are the result of that. He noted that the first item is an exception.

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Section 7 - 9. Fire Prevention Operations

RSS shortfall from building plan review fees. Division would like to make this into a straight GF operation since revenues vary drastically. Included in the FY09 budget at the same level of \$220.0. Additional travel of \$50.0 for building life safety inspections and to provide inspections in rural locations. Funded in FY09 at \$105.0. Increased fuel/utility \$8.3 and vehicle \$4.8 costs. FY09 fuel/utility cost increment is \$4.5.

Mr. Spencer pointed out that there were increased fuel, utility, and vehicle costs in the item. There are two other items, however. One is a receipt supported services shortfall from building plan review fees that the Division of Fire Prevention use for reviewing building plans for fire code compliance. Over time those receipts have supported the individual positions working on the building plan reviews, as well as support costs. If the department projects that the receipts from building plan reviews go down, it is not practical to release a plan reviewer because it takes about 16 months to train the position. The appropriation is based on a projection of revenue that does not track well from year to year. There is a companion adjustment in the FY09 operating budget. Mr. Spencer did not expect the revenues to increase.

Representative Gara asked if the unfilled trooper position funds were used to pay for other needs within the department. Mr. Spencer explained that each year the department has attempted to fill the positions. Rather than come to the legislature for a supplemental for increased fuel or lease costs, funds for unfilled positions were used for other costs.

Representative Gara thought using funds for other costs was a disincentive to filling open positions. Mr. Spencer pointed out that using the funds in this manner had been discussed during the sub-committee process. He underlined the directive from the legislature that if funds are available from other sources they should be used rather than making a supplemental request. He claimed the department had been candid.

Representative Gara clarified that it was not his intention to suggest that the department mislead anyone. He reiterated his concern that using unfilled position funds creates a reverse incentive for filling them. He asked if Department of Health and Social Services (DHSS) does that with unfilled social worker funding.

Ms. Rehfeld could not specifically speak to the particular component within DHSS. She suggested looking at what the department has budgeted for vacancy and other costs. Representative Gara responded that he was advised by DHSS that there were 19 or 20 funded but unfilled positions. He wanted assurance that those funds were not used for other things. Ms. Rehfeld replied that DHSS was attempting to fill those positions. Mr. Spencer added that it was the intent of DPS to fill the vacant positions and come back if that causes a budget shortfall. He emphasized that the department did not want to create a disincentive.

Vice-Chair Stoltz agreed that there should be more restrictions.

[2:43:51 PM](#)

Section 7 - 9. Fire Service Training

Increased fuel/utility \$8.3 and vehicle \$9.4 costs. FY09 fuel/utility cost increment is \$9.6.

Mr. Spencer said the item was a utility and vehicle increase cost.

Section 7 - 9. Alaska State Troopers/Special Projects

Replace federal Rural Alcohol Interdiction Team funds for part year. Fund change is included in FY09 in the amount of \$870.0.

Mr. Spencer reported that the item is to replace funds for part of the fiscal year in the amount \$150,000. There are five or six positions that work on the program; funding is running out. The last appropriation passed by Congress in December has Rural Alcohol Interdiction Funds, but DPS does not know if those funds are coming to Alaska. Senator Stevens attempted to get federal funds. If those funds come, the request would not be needed.

Section 7 - 9. Judicial Services - Anchorage

Assume Anchorage prisoner transport duties. Assumes December 2007 hire date for six new positions. Covers one-time purchases and share of annual expenses. If one-time costs are not funded here, additional funds will be needed in FY09. In the FY09 budget at \$656.3 for a full year's costs, but that does not include one-time costs.

Mr. Spencer explained that the appropriation would implement the Anchorage prisoner transport settlement agreement. The state of Alaska and the municipality of Anchorage had an agreement regarding prisoner transport. The municipality sued the state. An agreement was reached over the summer that DPS would take over the transport. The \$620,000 in the supplemental can be reduced to \$477,600 GF, based on a new assumption that the department will hire four court services officers in March and two more around the end of the fiscal year. There is significant cost even without the last two because of the required equipment needed.

Co-Chair Chenault requested clarification regarding transport. Mr. Spencer replied the Anchorage Police Department conducted transport.

Section 7 - 9. Prisoner Transportation

Increased prisoner transports costs. FY09 increment is in the same amount.

Mr. Spencer said the item for \$455,000 is for increased prisoner transport costs. Airline and fuel costs are increasing.

[2:47:11 PM](#)

Section 7 - 9. Rural Trooper Housing

Rural housing costs of \$244.2 due to unrealized SDPR including leases without rent contribution at Selawik and for Bethel commons. Increased fuel and utility costs of \$92.7. FY09 fuel/utility cost increment is \$147.1.

Mr. Spencer described costs of vacant trooper positions. The department maintains housing for troopers in rural areas by contract, whether or not the positions are filled. The result is a revenue shortfall.

Section 7 - 9. AST Detachments

Increased trooper move costs \$425.0, dispatch contracts with Kodiak and Wasilla (MatCom) \$420.3, lease costs \$60.6, fuel/utility costs \$236.2, vehicle costs \$610.9, and facilities maintenance costs \$25.5. FY09 increments are: trooper move travel \$425.0; lease \$60.6; fuel/utility \$164.9; and vehicle \$113.9.

Mr. Spencer explained the various expenses for moving Alaska State Troopers. Costs have increased.

Representative Hawker wondered how the large number was overlooked in the previous funding cycle. Mr. Spencer responded that the number did not get overlooked. The department absorbed high costs from having vacant positions. Now that they are not expecting to have vacant positions, the full costs are obvious.

Representative Hawker spoke of "truth in budgeting." Mr. Spencer stated that they were truthful. The department's approach has been to not ask for money until it was needed. He maintained that documentation was complete. Representative Hawker argued that the amounts should have been asked for in prior years. Mr. Spencer responded that if the positions had been filled, DPS would have asked for the money.

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Section 7 - 9. Alaska Bureau of Investigation

Increased lease costs. No corresponding FY09 increment.

Section 7 - 9. Alaska Wildlife Troopers

Increased fuel/utility \$70.8, vehicle \$288.6 and facilities maintenance \$17.1 costs. FY09 increments are: fuel/utility \$38.6; vehicle \$145.3.

Section 7 - 9. Alaska Wildlife Troopers Aircraft Enforcement

Increased fuel/utility \$95.2 and lease \$80.2 costs. FY09 increments are: fuel/utility \$151.1 and lease \$80.2.

Section 7 - 9. Alaska Wildlife Troopers Marine Enforcement

Increased fuel/utility costs. FY09 increment is \$66.0.

Section 7 - 9. Domestic Violence/ Sexual Assault

CDVSA received an unanticipated Rural Domestic Violence and Child Victimization (RDVCV) grant in October 2007. The majority of projects from

another federal grant (GTEA) fell into FY08 as well, leading to a shortfall in federal authority.

Mr. Spencer reported that the Council on Domestic Violence and Sexual Assault received a grant that they had not anticipated. As a result, DPS does not have enough federal receipt authority; the appropriation would allow them to spend the money.

Section 7 - 9. Training Academy

Increased fuel/utility \$5.2 and vehicle \$11.6 costs. FY09 increment for fuel/utility costs is \$8.2.

Section 7 - 9. Administrative Services

Increased fuel/utility \$2.6, lease \$9.2, and vehicle \$2.2 costs. FY09 increment is \$9.2 for office lease costs.

Section 7 - 9. Alcoholic Beverage Control Board

Increased vehicle costs. FY09 increment is \$1.9.

Section 7 - 9. Laboratory Services

Increased fuel/utility \$15.5 and vehicle \$8.9 costs. FY09 increments are: fuel/utility \$21.0 and vehicle \$4.3.

Co-Chair Chenault queried the costs for operating the Anchorage crime lab. Mr. Spencer said he did not have the numbers but could get them as they were a separate budget component.

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Section 29(b)(8). Ratification

Public Safety AR 46805-07 Alaska Fire Standards Council.

Mr. Spencer concluded with the last item in the ratification section. He explained that the money was spent but accidentally posted to the wrong account. There was no shortfall.

DEPARTMENT OF REVENUE

Section 7 - 9. Tax Division

Implementation of Tax Division's fiscal note for Chapter 1, SSSLA 2007 (HB 2001), which passed during the second special session in 2007 absent an appropriations bill. Beginning in January 2008, the department will begin incurring costs to immediately implement the new production tax structure. These costs include: Personal services - \$275.8 for the new exempt class of oil and gas revenue auditors and an additional analyst programmer; Supplies - \$6.0 for analyst programmer's computer and software; Contractual - \$506.6 for audit assistance.

\$788,400 GF

JERRY BURNETT, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, detailed the appropriation.

Co-Chair Chenault asked if any of the audit masters had been hired. Mr. Burnett answered that they had not yet been hired. He thought the paperwork for the first recruitments was going forward. The amount in the supplemental is for an average of three months salary for the audit masters and six months salary for the analyst programmer. The audit assistant contracts are filled.

Section 7 - 9. Treasury

Investment management services for the Retiree Health Insurance Major Medical Fund. Management costs are increasing as the assets under management are growing (35.9% in FY2007 from \$152.4 to \$207.1 million).

\$15,000

Co-Chair Chenault asked if management took a cut whenever the fund dropped. Mr. Burnett answered the fees go down when money is lost.

Section 7 - 9. AHFC

AHFC 4% wage increase and health insurance increase of \$28.78 from \$851 to \$879.78.

\$1.2 million

Section 7 - 9. AHFC

Wage and health insurance increase fund source switch to 100% Corp Rcpts.

Mr. Burnett explained that the Alaska Housing Finance Corporation (AHFC) adopts the general government unit (GGU) negotiated wage increase. The item is retroactive to July 1, 2007. The appropriation is spread through several fund sources. The federal funds of \$417,000 are accounted as a reimbursement and then in the corporate receipts rather than showing in the budget as federal funds. The source of the funds is still federal dollars.

Section 7 - 9. Permanent Fund Corporation

Custody Management Fees

\$6 million

Mr. Burnett reported the item as a \$6 million custody management fee increase for the Alaska Permanent Fund Corporation. The amount is based on increased fees under management and also on changes in investment allocation and the types of managers AHFC has hired.

Co-Chair Chenault asked if it were normal that the Department of Revenue through AHFC would mirror the GGU contract negotiations. Mr. Burnett indicated that that has been their tradition for a number of years.

Representative Hawker referenced Permanent Fund management fees. The fees are based on returns and market growth, among other things. The supplemental request is based on the assumption of median to strong market growth for the remainder of 2008. He wondered if recent market conditions affected the department's determination.

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Mr. Burnett thought the determination was made when the Permanent Fund was ahead. Any funds not needed are returned to the Permanent Fund. Representative Hawker asked if the item were more an authority than an appropriation. Mr. Burnett assented.

Representative Hawker wondered how pressing the situation was. Mr. Burnett responded that he had no information that it would not be necessary.

Section 17(a). Debt: Fund Capitalization, Oil and Gas Tax Credit Fund

Increased oil and gas tax credits from \$25 million that were appropriated in the FY08 budget to an updated estimated maximum need of \$150 million. The new oil and gas tax credit fund was established in ACES for these credits.

\$125 million

Mr. Burnett reported that the ACES bill set up the oil and gas tax credit fund. The formula in the legislation suggests that it would be funded with ten percent of the current year's production tax revenues. Ten percent would amount to around \$300 million. The bill also increased the amount of credit the state will be paying because it removed the \$25 million limit on tax credits for small firms.

Section 17(b) Debt: Fund Capitalization, Oil and Gas Tax Credit Fund

Reappropriate the balance of the \$25 million tax credit appropriation to the new Oil and Gas Tax Credit Fund that was created by ACES. The Department of Revenue expects a balance of approximately \$4.2 million.

Mr. Burnett relayed that the next item is related to the one before. In the FY 08 budget, DOR had a \$25 million tax credit appropriation, of which approximately \$21 million has been spent. The \$4 million remaining would go into the tax credit fund.

Representative Gara asked if the tax credit fund was money to reimburse people for tax credits. Mr. Burnett specified that there are transferable and refundable tax credits in the production tax statute. A number of companies with small production currently do not have tax liability and are eligible for a direct refund against the state's liability to them. The fund is for that.

Representative Gara clarified that the fund is for transferable tax credits. He asked about deductions. Mr. Burnett responded that refundable tax credits are only expenditures for budgetary purposes.

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Representative Gara did not like spending money that was not received.

Section 18(a). Debt: Debt Reimbursement, Jail Construction Reimbursement

Reimbursement to the Municipality of Kodiak for expansion of the Kodiak jail. Kodiak will start construction this season, but can't finalize contracts without secured funding. This reimbursement is per Ch. 160 (SB65), SLA 2004.

\$2 million

Mr. Burnett remarked that the appropriation was authorized in SB 65 in 2004.

Co-Chair Chenault asked if the item was debt reimbursement or a grant. Mr. Burnett responded that SB 65 was written as a grant that was intended to be done through a certificate of participation (COP). However, the administrative costs on a \$2 million COP would be too high, so DOR would prefer to do a GF grant instead of financing the item on behalf of Kodiak.

Section 18(b). Debt: Debt Reimbursement, Jail Construction Reimbursement

Reimbursement of design and site selection costs of the Pt. Mackenzie Correctional Center to the Matanuska-Susitna Borough through AHFC.

\$2.5 million

Mr. Burnett explained that when SB 65 was passed the Mat-Su Borough selected the site and was working on a memorandum of agreement with AHFC. The intent was that the money would be paid from the debt service for financing the new prison at Pt. Mackenzie. However, so much time has passed that the money can no longer be financed. The debt is still owed from the state through AHFC to the borough.

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Representative Kelly asked if the last two items would be capital or operating appropriations. Mr. Burnett believed it would be a capital appropriation and add to the value of the correctional facility.

Section 19. AHFC

Correct the bond authorization citation in sec. 8(b)(2), ch. 28, SLA 2007, page 65, line 20, from ch. 2, SSSLA 2002, the FY03 GO Bond bill, to ch. 1, SSSLA 2002, the FY03 capital budget bill. The AHFC bonds were authorized in sec. 1, page 46, of the capital budget bill.

Mr. Burnett described the item as a simple technical correction.

Section 28(b). Debt: Debt Service, GO Bonds

On April 15, 2003 the state issued the series 2003 A (Education and Museum and regular transportation) and 2003 B (Accelerated Transportation) general obligation bonds. These bonds did not incur any positive arbitrage in the first three years of the funds' lives. On April 15, 2006 (the three-year anniversary) the funds remaining in the project accounts became subject to yield reduction payment based on the arbitrage yield limit plus 1/8 of a percent, which is 3.96266299 in this case. From April 15 to November 30 there have been earnings that correlate to a \$1.5 million liability. Extrapolating this amount forward to the five-year computation date of April 15, 2008, there might be as much as \$4 million in yield reduction due within 60 days of the computation date (June 14, 2008). A supplemental to appropriate up to \$4 million in earnings of the 2003 A and B bond proceeds to be paid from the funds based on actual liability generation is necessary to pay the yield reduction payment that is expected to be due in FY2008.

Mr. Burnett explained the item as a general obligation (GO) debt passed in 2002. Some of the funds have not been expended. On the positive side, the investment earns more than the cost of the debt; on the negative side, the surplus has to be paid to the Internal Revenue Service (IRS). The actual amount will be calculated April 15, 2008.

Co-Chair Chenault asked how much remained. Mr. Burnett said he would get the figures.

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Representative Hawker wondered why the state sat on such a large balance. Mr. Burnett replied he did not know. Representative Hawker asked what could be learned from the situation. Mr. Burnett said the money was earned from bonds sold for a specific purpose. He said the question was related to separate investment funds; it depends on how those are managed and the connection. There was a discussion about the limits and risks of arbitrage. Mr. Burnett said

the IRS has asked for payment because they consider the funds taxable.

Representative Kelly asked if anything unanticipated had occurred. Mr. Burnett responded that it was a case of bond proceeds being invested and not spent.

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ALASKA COURT SYSTEM

Section 10 - 12. Capital

Build chambers for new Fairbanks Supreme Court Justice and offices for staff.

\$629,000

CHRIS CHRISTENSEN, DEPUTY ADMINISTRATIVE DIRECTOR, ALASKA COURT SYSTEM, described the appropriation for construction on the undeveloped fifth floor of the Rabinowitz Courthouse in Fairbanks. The item was supposed to have the fast track effective date, but was inadvertently put in the bill without it. He related history and described the inefficient working situation of the judge and staff. The bidding and construction process to finish the space will take five to six months; Courts hoped to expedite funding by not going through the regular capital budget process.

Section 7 - 9. Judicial Council

Additional applicant evaluation costs due to increased number of vacant judgeships. The FY09 budget has a corresponding increase of \$64.5.

LARRY COHEN, EXECUTIVE DIRECTOR, ALASKA JUDICIAL COUNCIL, impressed upon the committee that this was the first time in 25 years the council has asked for supplemental funding. The reason is a high number of judicial vacancies, eight vacancies through the first seven months of the fiscal year, which is two more than their budget can accommodate. The requested amount of \$63,600 will enable the council to increase efficiencies by filling positions.

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DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

Section 7 - 9. Statewide Aviation: Funding for Southeast Airport Leasing Officer

Funding of this existing position, located in Juneau, will increase the direct contact with

airport tenants and on-site airport management personnel which will lead to better oversight of airport tenant operations. Duties of this position include negotiating leases, permits and concession agreements that generate revenues sufficient to cover the costs of this position.

NANCY SLAGLE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (DOT/PF), stated the item requests \$35,000 in receipt supported services authority to add a position for a leasing officer for Southeast region to deal with rural airport leasing issues. The department is behind in annual rent reviews, requiring land use agreements, and collecting state revenues.

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Co-Chair Meyer asked if the position would be on-going. Ms. Slagle answered that the position is on-going and is included in budget amendments for FY 09.

Representative Hawker pointed out that change record detail does not show associated position hires. Ms. Slagle responded that DOT/PF added a position via revised program.

Section 7 - 9. Measurement Standards and Commercial Vehicle Enforcement: Travel to remote sites for inspections.

Alaskan businesses are more frequently requesting Weights and Measure Inspectors to perform an inspection or re-inspection outside of the normal inspection cycle. When this occurs, the business requesting the inspection agrees to pay for all costs associated with the trip. In the past, the overall amount of trips was minimal, but the number of trips has been steadily increasing over the past several years as companies become aware of this service.

\$30,000

Ms. Slagle said the inspection program monitors weighing and measuring devices. When DOT/PF is requested by distributors to certify devices in rural areas and the procedure is out of the department's regular routine, the department would charge for the travel. She provided examples.

Vice-Chair Stoltze noted constituent concern that aircraft parts and certification can take a long time. He asked if

the item would address that. Ms. Slagle responded that the request mostly address scales and weights for retailers such as grocery stores and fuel distributors. She offered to get more information.

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Section 7 - 9. State Equipment Fleet: Credit card payments for increased cost of fuel.

The State Equipment Fleet (SEF) maintains contracts which allow a vehicle credit card to be used to purchase fuel and necessary consumables. These charges are paid directly by SEF and subsequently, SEF bills executive branch state agencies for reimbursement.

\$326,000

Ms. Slagle informed the committee that the \$326,000 in highway equipment working capital funds covered fuel increases. The SEF has a contract for vehicle fuel. They receive the money from the user agencies and pay for fuel.

Section 7 - 9. Central Region Facilities: Fuel and Utility Increases.

Fuel prices continue to be higher than our base funding level of \$1.84/gallon and additional funding provided through Sec 22, Ch 28, SLA 2007. Likewise, utility rates (electricity, natural gas, water/sewer, waste disposal) have continued to rise and require additional funding. Janitorial Contract Increases \$58.4 - Central Region Facilities has 12 janitorial contracts that service 18 facilities throughout Central Region. Numerous contracts expired and were rebid resulting in net price increases.

\$315,800

Ms. Slagle described fuel price increases and associated utility costs in Central region, as well as increases in janitorial contracts.

Representative Hawker asked why there was a request through the supplemental when the governor's Fuel and Utility Fund was set up to cover cost increases. He wondered if the Fund had failed. Ms. Slagle responded that there was a separate

appropriation provided in the FY 07 budget to fill in the gap between the FY 05 level of funding and utility cost increases. The appropriation was provided in FY 08 as well, but it was provided at the FY 07 level. Fuel and utility costs are continuing to increase beyond what was provided.

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Co-Chair Chenault concurred and added that increases were being considered to cover current costs.

Representative Hawker asked if the separate supplemental was because the \$24 million budgeted in the governor's office was inadequate to cover state-wide fuel increases. Co-Chair Chenault assented.

Ms. Slagle remarked that the next two items also address fuel and janitorial increases, in Northern and Southeastern regions:

Section 7 - 9. Northern Region Facilities Fuel and Utility Increases

Fuel prices continue to be higher than our base funding level of \$1.93/gallon and additional funding provided through Sec 22, Ch 28, SLA 2007. Likewise, utility rates (electricity, natural gas, water/sewer, waste disposal) have continued to rise and require additional funding.

Section 7 - 9. Southeast Region Facilities Fuel Increases

Fuel prices continue to be higher than our base funding level of \$2.37/gallon and additional funding provided through Sec 22, Ch 28, SLA 2007. Janitorial Contract Increases \$35.1 - The Juneau 7-Mile Complex, AMHS Reservations Building and the Ketchikan Court and Office Building are currently under contract for janitorial services. In June 2006, the three year contracts for both 7-Mile Complex and the AMHS Reservations Building were scheduled to expire. In May 2006 Invitations to Bid were advertised for new three year contracts. The low bid for this combined contract came in higher than the total of the previous contracts.

Co-Chair Chenault asked if there would be an amendment from the governor for increased fuel costs. Ms. Rehfeld answered that the package was forthcoming.

[3:25:51 PM](#)

Ms. Slagle commented that the next three items were related to increased fuel costs, specific to highways and aviation:

Section 7 - 9. Central Region Highways and Aviation Fuel
and Utility Increases

Fuel prices continue to be higher than our base funding level of \$1.84/gallon and additional funding provided through Sec 22, Ch 28, SLA 2007. Likewise, utility rates (electricity, natural gas, water/sewer, waste disposal) have continued to rise and require additional funding.

Section 7 - 9. Northern Region Highways and Aviation Fuel
and Utility Increases

Fuel prices continue to be higher than our base funding level of \$2.01/gallon and additional funding provided through Sec 22, Ch 28, SLA 2007. Likewise, utility rates (electricity, natural gas, water/sewer, waste disposal) have continued to rise and require additional funding.

Section 7 - 9. Southeast Region Highways and Aviation Fuel
and Utility Increases

Fuel prices continue to be higher than our base funding level of \$1.84/gallon and additional funding provided through Sec 22, Ch 28, SLA 2007. Likewise, utility rates (electricity, natural gas, water/sewer, waste disposal) have continued to rise and require additional funding. Skagway Lease Increase \$51.0 - The Skagway maintenance station sits on leased property. The lease is required in order to retain legal rights to use the property. Commodity Increases: The harsh winter of 2006-2007 in Southeast Alaska diminished levels of available chemicals and sand used on roads and airports to a very low level. This necessitated the purchase of larger quantities of both to provide for the upcoming 2007-2008 winter season. Additionally, snow plowing blades were used heavily and were in need of replacement.

Ms. Slagle added that the item for Southeast region also includes \$51,000 for a new lease for the maintenance station in Skagway. The department is looking at purchasing the land in the future.

Co-Chair Chenault asked if there had been a lease cost in previous years for the Skagway station. Ms. Slagle replied that she understood there was not a cost. Co-Chair Chenault asked for more information.

Section 7 - 9. Marine Vessel Operations

IBU [InlandBoatman's Union of the Pacific] arbitration settlement related to the grounding of the M/V LeConte.

\$142,500

Ms. Slagle explained that when the M/V LeConte went aground in 2004, there was no language in the union contracts allowing the department to contract out for services without using Marine Highway employees. Without that language, the department was in violation of the contracts. An arbitrator found against the state and is requiring payment of \$142,500 to the union.

Section 7 - 9. Marine Vessel Operations

MMP [International Organization of Masters Mates and Pilots] arbitration settlement related to the grounding of the M/V LeConte.

\$251, 400

Ms. Slagle stated that the item was for the MMP settlement. Language added to the contracts allowed the state to expand contracting. A contract was signed for additional services to cover the M/V LeConte service while the vessel was being worked on. Arbitration determined that inadequate notification was provided to the union for the contracting services. The new language required thirty days notice, which does not apply to emergency response. The department is still working to understand appropriate timing of notifications.

[3:30:21 PM](#)

Representative Kelly speculated about notification in relation to emergencies. Ms. Slagle agreed the language does not take emergency circumstances into account. Negotiations should correct that.

Representative Gara spoke about using the supplemental budget to keep the operating budget artificially low. He noted DOT/PF items that were the result of the operating budget being based on unrealistic fuel price estimates. Ms. Slagle responded that the finance committees wanted the base budget to remain at FY 05 levels for fuel and utilities, based on an assumption that costs would go down. She noted the OMB attempt to follow that through a separate appropriation for the increase beyond the FY 05 level.

[3:33:11 PM](#)

Co-Chair Chenault interjected that once something is in the base, it is difficult to take it out. No one could have guessed that oil prices would be as high as they are. There was no intention to keep the operating budget low or shortchange departments. The issue was trying to keep increased fuel costs out of a base budget.

Representative Kelly wanted to know whether the navigator of the M/V LeConte was retained or removed. He questioned the payment of insurance for the person responsible for grounding the vessel.

[3:35:53 PM](#)

Co-Chair Chenault asked when the current contract was signed. Ms. Slagle thought it was signed in 2005. The vessel went aground in 2004. Co-Chair Chenault asked if the current contract provided for emergency situations. Ms. Slagle responded that it did not. The old contracts were extended and negotiations for the new ones are being negotiated.

Co-Chair Chenault surmised that if another vessel is grounded, because of lack of proper notice there will be another expensive arbitration. Ms. Slagle clarified that the payment does not go to the employees but to the union.

[3:37:24 PM](#)

Section 7 - 9. Marine Vessel Operations

The Alaska Marine Highway System (AMHS) projects fuel cost increases of \$1,880.0 due to higher than expected prices. The AMHS FY08 business plan reflects a fuel budget based on \$2.60/gallon. AMHS is currently paying \$3.00/gallon and burning 10.2 million gallons annually. Another 4.7 million gallons are yet to be purchased this year.

Ms. Slagle noted that the item covers fuel cost increases for the Alaska Marine Highway system.

Section 10 - 12. Capital Ports and Harbors: Long Range Transportation Plan

Funding to prepare a statewide ports and harbors plan, to be undertaken cooperatively with the Corps of Engineers and the Denali Commission. Supplemental funding is requested as the Request for Proposals (RFP) to develop a long range port and harbor transportation plan is expected to be advertised in May of 2008.

\$500,000

Ms. Slagle described the capital budget request to work closely with the Corps of Engineers and the Denali Commission to develop a ports and harbors long-range transportation plan. The draft 2030 transportation plan made it evident that this area is lacking. The Corps of Engineers and the Denali Commission are providing matching funds. The goal is to have an RFP around May.

Co-Chair Chenault expressed shock regarding the lack of a long-range ports and harbors plan. Ms. Slagle noted that DOT/PF has worked hard to divest ports and harbors. It is a shift to focus on what the department should be doing to develop ports and harbors, for economic reasons especially. Co-Chair Chenault acknowledged the attempt to turn ports and harbors over to municipalities.

[3:40:05 PM](#)

Section 15(a). Traffic Signal Management: Anchorage Traffic Signal TORA (Transfer of Responsibility Agreement)

The Department reached an agreement with the Municipality of Anchorage in 2005 for continued maintenance and operation of the State's traffic and street lights in downtown Anchorage. This agreement allows for an increase based on the Consumer Price Index (CPI) and additional signals in future years.

\$97,000 GF

Ms. Slagle explained that the state has had a contract with the municipality of Anchorage for many years but the state has not been providing the increased costs needed for electricity and additional lights.

Section 15(b). Capital: Airport Improvement Program
Appropriation

The FY08 Airport Improvement Program appropriation increases by \$1,500.0 due to the allocation change below:

Sec 1, Ch 30, SLA 2007, Pg 105, Ln 27

Ms. Slagle described the item as the appropriation level for the airport improvement program line; the following item represents the actual allocation for an increase to complete an environmental analysis for the Unalaska airport. This is federal receipt authority. The Federal Aviation Administration is managing the project but has to direct the money through the state. The project is in its second phase.

Section 15(c). Capital: Airport Improvement Program
Allocation

Amend Unalaska: Airport Environmental Analysis by \$1,500.0 from \$1,500.0 to \$3,000.0

Sec 1, Ch 30, SLA 2007, Pg 110, Lns 8-10

Updated planning information is needed by the Federal Aviation Administration (FAA) for use during the preparation of an Environmental Impact Statement (EIS) for improvements to the airport. The FAA would like to begin work on the EIS in March to take full advantage of the 2008 field season for data collection and analysis. This is the second phase of the project and the contractor is already on board. This project is ready to go forward now.

Section 15(d). Capital: Surface Transportation Program
Appropriation

The FY08 Surface Transportation Program appropriation increases by \$5,000.0 due to the allocation change below:

Sec 4, Ch 30, SLA 2007, Pg 110, Lns 15-16.

Section 15(e). Capital: Surface Transportation Program
Allocation

Amend Anchorage: Old Seward Highway Reconstruction, O'Malley Road to Brandon by \$5,000.0 from \$11,500.0 to \$16,500.0

Sec 4, Ch 30, SLA 2007, Pg 111, Lns 30-33

The need for additional funding is due to adjustments in the engineer's estimate to reflect increased costs due to inflation. Fast track supplemental funding is necessary to advertise and award the construction contract in the spring to allow for a full first season of construction.

Ms. Slagle described the paired items as the appropriation and allocation levels for reconstructing the Old Seward Highway. \$5 million is needed for additional adjustments to the engineer's estimate. The project is ready to go to construction in the spring, but needs authority to move ahead.

Co-Chair Chenault asked if the roughly one-third increase in the cost of projects will be seen in the future. Ms. Slagle noted that the increase is consistently being seen everywhere.

[3:43:58 PM](#)

Representative Kelly asked how matching federal funds appear in the budget. Ms. Slagle explained that the match number is based on the total amount received. There is shifting back and forth between projects, but the overall match amount does not change.

Representative Kelly questioned what happens to matching funds when a project costs more than expected.

Section 15(f). Capital: Airport Improvement Program
Appropriation

The FY06 Airport Improvement Program appropriation increases by \$1,880.0 due to the allocation changes below:
Sec 1, Ch 3, FSSLA 2005, Pg 69, Ln 11.

Section 15(g). Capital: Airport Improvement Program
Allocation

Amend Ekwok: Snow Removal Equipment Building by \$680.0 from \$820.0 to \$1,500.0
Sec 1, Ch 3, FSSLA 2005, Pg 70, Lns 32-33
The increased construction cost is primarily due to cost increases in fuel and building materials. This project will be ready to advertise in April. The Federal Aviation Administration wants the state to use these grant funds as early as

possible so that the benefits from their use can be achieved as quickly as possible.

Ms. Slagle covered the appropriation and allocation requests related to the airport improvement program. The second item is a request for an amendment to the Ekwok snow removal equipment building, which needs replacement.

Section 15(h). Capital: Airport Improvement Program
Allocation

Amend Seldovia: Snow Removal Equipment Building Construction by \$1,200.0 from \$700.0 to \$1,900.0
Sec 1, Ch 3, FSSLA 2005, Pg 73, Lns 16-18
The increased construction cost is primarily due to cost increases in fuel and building materials. This project will be ready to advertise in February. The Federal Aviation Administration wants the state to use these grant funds as early as possible so that the benefits from their use can be achieved as quickly as possible.

Ms. Slagle turned to the next item covering increased construction costs for a new snow removal building in Seldovia. The Federal Aviation Administration is pressuring DOT/PF to get the projects going as soon as possible to see results from federal funds.

Section 15(i). Capital: Surface Transportation Program
Allocation

The FY05 Surface Transportation Program appropriation increases by \$3,000.0 due to the allocation change below:
Sec 1, Ch 159, SLA 2004, Pg 40, Lns 12-13
Amend Haines: Ferry Terminal to Union Street [THROUGH TOWN TO OLD HAINES HIGHWAY] by \$3,000.0 from \$13,000.0 to \$16,000.0
Sec 15(b)(5), Ch 6, SLA 2005, Pg 24, Lns 13-14
This project is ready to bid and construction can occur as early as this spring if supplemental authorization is provided. This timeframe will allow full advantage of this year's construction season. This additional authorization is requested to fully cover the engineer's estimate as well as inflationary factors occurring after the development of the estimate. In addition, a scope change has been requested. At the start of

this project in 1996, the terminus on the town side was identified as "Mud Bay Road". This term proved to be confusing to community members. In response, DOT&PF has determined that it was in the best interest to define the terminus side of town as "Union Street". This terminus avoids confusion as to the limits of construction work within the city center of Haines.

Ms. Slagle defined the allocation as a combination of a project name change and the addition of \$3 million. She described community confusion regarding the road that a title change would clear up.

Co-Chair Chenault noted that the road would not go as far and yet would cost an additional \$3 million. Ms. Slagle relayed that the increase was due to rising costs.

[3:48:12 PM](#)

Representative Kelly asked if the representative from Haines agreed to the road terminus. Ms. Slagle believed the confusion was in the community and not within the department and the name change would clarify it.

Section 15(j). Capital: Surface Transportation Program
Appropriation

The FY02 Surface Transportation Program appropriation increases by \$750.0 due to the allocation change below:
Sec 1, Ch 61, SLA 2001, Pg 35, Ln 19.

Section 15(k). Capital: Surface Transportation Program
Allocation

Amend Ketchikan: Tongass - Third Avenue Extension
Completion by \$750.0 from \$10,000.0 to \$10,750.0
Sec 1, Ch 61, SLA 2001, Pg 41, Lns 18-21
This project adds a new route for storm water to reach tidewater, and is necessary to respond to neighborhood problems concerning current drainage patterns. These urgently needed changes will prevent damage to private properties from high water flows on the downhill side of the Third Avenue Bypass. This funding is needed so that construction bids can be solicited early in the year, before heavier rainfall later in the season.

Ms. Slagle said that the first item of the pair was the appropriation level and the second was an amendment for adding \$750,000 in federal receipts for extension of the Tongass-Third Avenue in Ketchikan. Third Avenue has been completed but there are environmental issues that need to be resolved, including a catch basin near the foot of the retaining wall and connecting the basin to Tongass Narrows. There are concerns about the impact of drainage on private residences. She emphasized that the work needed to be done as soon as possible.

Section 15(1). Capital Appropriation: Susitna Valley High School Rural Beacon System

Funds are requested to cover the emergency installation of a temporary school crossing beacon system at the Susitna Valley High School. Last summer, the permanent school building sustained catastrophic fire damage rendering the school facility unusable. Subsequently, portable temporary school facilities were set up at the local senior center to house the students for the next two school years, while the permanent building is reconstructed. This temporary facility is directly across the Parks Highway from the permanent location, causing students to cross the highway to get to and from classes.

\$180,000

Ms. Slagle detailed the request for the Susitna Valley High School beacon system. The high school burned down and the students are temporarily housed in the senior center, which necessitates students crossing the Parks Highway. An emergency beacon system was set up for safety.

[3:51:04 PM](#)

Representative Kelly asked when reconstruction would be done. Ms. Slagle believed construction would take two years. Ms. Rehfeld added that the item was listed for funding in the capital budget for FY 09.

Co-Chair Chenault commented that the costs for the beacon were capital costs and he did not expect operating costs.

Section 26(a). Capital: Appropriation

Amend: Emergency and Non-Routine Repairs (Sec 1, Ch 82, SLA 2006, Pg 85, Lns 17-18) by \$128.2 from \$250.0 to \$378.2 to cover the costs of the Kenai

Peninsula Flood - \$48.2 and the Copper River Highway - \$80.0

Ms. Slagle pointed out that DOT/PF did not receive capital funds in the current FY for emergency and non-routine repairs and so was requesting the funds for Sterling Highway and Ninilchik repairs because of Kenai flooding, and the Copper River Highway.

Section 26(b). Capital: Scope Change

Scope Change - Pilot Station: Airport Relocation [RUNWAY REHABILITATION] in Sec 1, Ch 3, FSSLA 2005, Pg 73, Lns 11-12.

A scope change is requested as the Pilot Station airport rehabilitation project became a relocation project in the Master Planning process. The master plan recommended the airport be relocated to a nearby ridge which is aligned favorably with the wind, situated on excellent material and does not have obstructions.

Ms. Slagle explained the next item as a name change request on a previous appropriation for Pilot Station. Previously it was identified as "Runway Rehabilitation" and it has been determined that it is not feasible to lengthen the runway at its current location. The master plan recommended relocating the airport.

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Co-Chair Chenault queried costs to relocate the airport. Ms. Slagle expected additional authority requests for more funding before the relocation. The request allows work to begin.

Section 26(c). Capital: Scope Change

Scope Change - Stony River Airport Relocation and Airport Improvements [REHABILITATION] in Sec 100, Ch 2, FSSLA 1999, Pg 63, Lns 6-7.

The initial rehabilitation project scope was to include an extension of the runway. The project has been revised to relocate the airport due to the village's encroachment at the existing facility as well as the topographical constraints caused by the airport's current location between meanders of the Kuskokwim River.

Ms. Slagle said the request changed the name of the Stony River Airport. The issue is the encroachment of the village on the existing facility; the airport will be relocated.

Representative Kelly asked if the items were federal funds. Ms. Slagle said they were federal funds with state match.

Representative Kelly commented that some of the airports may be overbuilding and stated concerns if the state was not involved in the projects. Ms. Slagle responded that the state is involved because it is doing the work; FAA has much say in what airports they will fund, especially if there are runway safety issues. The funds are provided with strict requirements of needs. The funds are federal but are matched. The state does identify projects and establish priorities based on need, safety, and community support, but the state works closely with FAA.

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Representative Kelly registered concern regarding small improvements that end up being larger, as well as more involved and costly. He commented on the size of the population in the communities and questioned complete relocation of the airports.

[3:59:41 PM](#)

Ms. Slagle elaborated that many of the expansions and relocations are because of safety issues. Schools are right next to runways. There are numerous points of consideration.

Section 26(d). Capital: Airport Improvement Program Appropriation

The FY07 Airport Improvement Program appropriation increases by \$9,000.0 due to the allocation change below:

Sec 1, Ch 82, SLA 2006, Pg 88, Ln 32.

Section 26(e). Capital: Airport Improvement Program Allocation

Amend Kipnuk: Airport Reconstruction by \$9,000.0 from \$2,600.0 to \$11,600.0

Sec 1, Ch 82, SLA 2006, Pg 91, Lns 3-4

Funding delayed to July would delay significant draw down of the grant until the following construction season. FAA is requiring early fiscal year delivery dates to ensure that projects are developed and bid early enough to take advantage of the construction season in the year the grant is issued.

Ms. Slagle detailed the two items as appropriation and allocation for an amendment to add federal receipt authority for Kipnuk Airport reconstruction. The engineer's estimate has increased significantly.

Co-Chair Chenault highlighted the increase of 500 percent.

Representative Kelly queried if the match functions similar to highway funding. Ms. Slagle answered that a certain amount of money is provided in match that will support a certain size of program. Other projects will not get done because of the increase in this one.

Co-Chair Chenault asked if the department made the decision regarding which projects are completed and the criteria used. Ms. Slagle stated that there is a set of criteria that determine how projects rank. The Aviation Project Evaluation Board reviews each project to determine the highest priorities, especially after receiving new engineer's estimates. Bids on existing projects are taken into account as well.

[4:04:12 PM](#)

Section 26(f). Central Region Support Services

The Environmental Protection Agency (EPA) has initiated an enforcement action against DOT&PF, alleging multiple violations of the Clean Water Act. In addition, EPA is requesting information regarding sand and gravel sources. EPA believes that DOT&PF and its contractors have been operating material sites without appropriate storm water permits.

The EPA has proposed settling the case if the State agrees to the entry of a consent decree(s) that could involve the payment of significant fines (Idaho and Hawaii have paid fines between \$500,000 and \$1,000,000), be required to conduct supplemental environmental projects, and provide training within DOT&PF.

This funding would be used to collect evidence, present a defense and begin negotiating a settlement. It is anticipated that costs are expected to be at least \$500.0 during calendar year 2008 so an extended lapse date through June 30, 2009 is requested.

\$500,000

Ms. Slagle turned to the last item requesting GF for collecting evidence, developing a defense, and negotiating with EPA regarding violations in connection with the 2002 Kenai floods. Projects include the C Street extension project, the Abbott Loop extension project, and the Soldotna

project. The majority of the violations identified have to do with issues such as paperwork, permitting, or identifying a qualified inspector. The department does not think any of the violations are related to contamination. Costs include legal fees, contractor costs, and hiring expert witnesses. The department is attempting to avoid a consent decree and fines.

Co-Chair Chenault thought that the money would be spent and the state would still get fined.

Representative Kelly addressed the issue of matched funds. He asked who was monitoring the way the funds are being spent.

Ms. Slagle pointed out that the department has over \$10 million dollars in the project already, so it is double, not 500 percent over. Co-Chair Chenault maintained that DOT/PF only has the authority for \$2.8 million. Ms. Slagle disagreed, noting \$10.1 million dollars in authority appropriated by the legislature.

Co-Chair Chenault advised that the request was for \$9 million more, but the sheet does not indicate the further authority. Ms. Slagle thought there might be a misprint on the spreadsheet.

Ms. Slagle then responded to Representative Kelly's question. She explained that dealing with the program is a balancing act. The project evaluation board determines the priority of projects. Some of the project can be done later. Representative Kelly thought that some of the items did not make sense.

[4:12:06 PM](#)

Representative Gara asked if airport projects got the same federal match as highway projects. Ms. Slagle answered that the state match rate for aviation projects is four percent and highways is closer to nine percent.

UNIVERSITY OF ALASKA

Section 7 - 9. Statewide Services: Increase Fuel Costs

Funding received in FY08 as part of the fuel trigger mechanism only replaced the FY07 one-time funding, leaving UA at the FY07 funding level. Therefore, in addition to the existing funds received through the fuel trigger mechanism in FY08, UA is requesting a FY08 supplemental to cover the utility increases from FY07 to FY08.

Section 7 - 9. Anchorage Campus: Increase Fuel Costs

Funding received in FY08 as part of the fuel trigger mechanism only replaced the FY07 one-time funding, leaving UA at the FY07 funding level. Therefore, in addition to the existing funds received through the fuel trigger mechanism in FY08, UA is requesting a FY08 supplemental to cover the utility increases from FY07 to FY08.

Section 7 - 9. Kenai Peninsula Campus: Increase Fuel Costs

Funding received in FY08 as part of the fuel trigger mechanism only replaced the FY07 one-time funding, leaving UA at the FY07 funding level. Therefore, in addition to the existing funds received through the fuel trigger mechanism in FY08, UA is requesting a FY08 supplemental to cover the utility increases from FY07 to FY08.

Section 7 - 9. Kodiak College: Increase Fuel Costs

Funding received in FY08 as part of the fuel trigger mechanism only replaced the FY07 one-time funding, leaving UA at the FY07 funding level. Therefore, in addition to the existing funds received through the fuel trigger mechanism in FY08, UA is requesting a FY08 supplemental to cover the utility increases from FY07 to FY08.

Section 7 - 9. Matanuska-Susitna College: Increase Fuel Costs

Funding received in FY08 as part of the fuel trigger mechanism only replaced the FY07 one-time funding, leaving UA at the FY07 funding level. Therefore, in addition to the existing funds received through the fuel trigger mechanism in FY08, UA is requesting a FY08 supplemental to cover the utility increases from FY07 to FY08.

Section 7 - 9. Prince William Sound Community College: Increase Fuel Costs

Funding received in FY08 as part of the fuel trigger mechanism only replaced the FY07 one-time

funding, leaving UA at the FY07 funding level. Therefore, in addition to the existing funds received through the fuel trigger mechanism in FY08, UA is requesting a FY08 supplemental to cover the utility increases from FY07 to FY08.

Section 7 - 9. Bristol Bay Campus: Increase Fuel Costs

Funding received in FY08 as part of the fuel trigger mechanism only replaced the FY07 one-time funding, leaving UA at the FY07 funding level. Therefore, in addition to the existing funds received through the fuel trigger mechanism in FY08, UA is requesting a FY08 supplemental to cover the utility increases from FY07 to FY08.

Section 7 - 9. Chukchi Campus: Increase Fuel Costs

Funding received in FY08 as part of the fuel trigger mechanism only replaced the FY07 one-time funding, leaving UA at the FY07 funding level. Therefore, in addition to the existing funds received through the fuel trigger mechanism in FY08, UA is requesting a FY08 supplemental to cover the utility increases from FY07 to FY08.

Section 7 - 9. Fairbanks Campus: Increase Fuel Costs

Funding received in FY08 as part of the fuel trigger mechanism only replaced the FY07 one-time funding, leaving UA at the FY07 funding level. Therefore, in addition to the existing funds received through the fuel trigger mechanism in FY08, UA is requesting a FY08 supplemental to cover the utility increases from FY07 to FY08.

Section 7 - 9. Interior-Aleutians Campus: Increase Fuel Costs

Funding received in FY08 as part of the fuel trigger mechanism only replaced the FY07 one-time funding, leaving UA at the FY07 funding level. Therefore, in addition to the existing funds received through the fuel trigger mechanism in FY08, UA is requesting a FY08 supplemental to cover the utility increases from FY07 to FY08.

Section 7 - 9. Kuskokwim Campus: Increase Fuel Costs

Funding received in FY08 as part of the fuel trigger mechanism only replaced the FY07 one-time funding, leaving UA at the FY07 funding level. Therefore, in addition to the existing funds received through the fuel trigger mechanism in FY08, UA is requesting a FY08 supplemental to cover the utility increases from FY07 to FY08.

Section 7 - 9. Northwest Campus: Increase Fuel Costs

Funding received in FY08 as part of the fuel trigger mechanism only replaced the FY07 one-time funding, leaving UA at the FY07 funding level. Therefore, in addition to the existing funds received through the fuel trigger mechanism in FY08, UA is requesting a FY08 supplemental to cover the utility increases from FY07 to FY08.

Section 7 - 9. Juneau Campus: Increase Fuel Costs

Funding received in FY08 as part of the fuel trigger mechanism only replaced the FY07 one-time funding, leaving UA at the FY07 funding level. Therefore, in addition to the existing funds received through the fuel trigger mechanism in FY08, UA is requesting a FY08 supplemental to cover the utility increases from FY07 to FY08.

Section 7 - 9. Ketchikan Campus: Increase Fuel Costs

Funding received in FY08 as part of the fuel trigger mechanism only replaced the FY07 one-time funding, leaving UA at the FY07 funding level. Therefore, in addition to the existing funds received through the fuel trigger mechanism in FY08, UA is requesting a FY08 supplemental to cover the utility increases from FY07 to FY08.

Section 7 - 9. Sitka Campus: Increase Fuel Costs

Funding received in FY08 as part of the fuel trigger mechanism only replaced the FY07 one-time funding, leaving UA at the FY07 funding level. Therefore, in addition to the existing funds received through the fuel trigger mechanism in

FY08, UA is requesting a FY08 supplemental to cover the utility increases from FY07 to FY08.

PAT PITNEY, VICE PRESIDENT, PLANNING AND BUDGET, UNIVERSITY OF ALASKA (Testified via Teleconference), summarized the 15 items as a campus by campus breakout for fuel cost increases in excess of funding available through the trigger mechanism of oil prices. She agreed with earlier comments regarding the trigger mechanism in the current budget. She thought it worked well, but was not sufficient, since the cap was set at only \$59 per barrel. In total, the University's items add up to \$2.3 million and cover all fuel including electrical utilities.

Ms. Rehfeld spoke to general issues regarding the supplemental bill. She explained that both early and regular request items were put in the same bill for efficiency, but acknowledged confusion. She clarified that number sections are in the front. Sections 1 through 3 are in the front and are called the early or fast track supplemental items. Sections 13 through 18 in the language sections represent fast track items, which have a higher need to be addressed earlier.

Ms. Rehfeld pointed out an item that was missed in the Courts presentation. The request for the Fairbanks judicial chambers should be in the fast track section; an amendment will be sent for that.

Representative Kelly noted the increase in supplemental requests and asked if the process would move towards a more normal process. Ms. Rehfeld hoped to set goals to minimize supplemental requests and amendments. Things that the administration believes are important and that have a continuous on-going impact in FY 09 will be put into the 2009 budget. She noted that the fuel has worked well, but will need to be addressed because of oil prices. The administration was reluctant to pick what the number should be as it will be adjusted again.

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Representative Kelly queried the final supplemental total. Ms. Rehfeld answered the total was \$257 million all funds and \$205 million general fund.

Representative Gara asked how the \$205 GF amount compares to the last to years of the prior administration and the first two years of the present one. Ms. Rehfeld did not have those numbers, but noted significant pieces in the \$205 million: \$125 million in tax credit, \$18.5 million in senior benefits, and \$13.5 million for the GGU agreements retroactive to July 1. Bargaining unit agreements, to the

extent that they are known, should be included in next year's budget.

Representative Kelly voiced relief in hearing the bigger costs listed. He wanted the supplemental budget to function as it was intended.

HB 343 HEARD and HELD in Committee for further consideration.

ADJOURNMENT

The meeting was adjourned at 4:20 PM.