

HOUSE FINANCE COMMITTEE  
March 18, 2008  
8:37 A.M.

CALL TO ORDER

Co-Chair Meyer called the House Finance Committee meeting to order at [8:37:22 AM](#).

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Richard Foster

ALSO PRESENT

Dan Spencer, Director, Division of Administrative Services, Department of Public Safety; Anand Dubey, Director of Enterprise Technology, Department of Administration; Eric Swanson, Director, Division of Administrative Services, Department of Administration

PRESENT VIA TELECONFERENCE

John Norman Chair, Alaska Oil and Gas Conservation Commission, Anchorage; Traci Mintz, State Lease/Facilities Manager, Department of Administration; John Glass, Deputy Commissioner, Department of Public Safety; David Schade, Director, Division of Statewide Services, Department of Public Safety

SUMMARY

HB 311 An Act making appropriations, including capital appropriations, supplemental appropriations, and appropriations to capitalize funds; and providing for an effective date.

HB 311 was HEARD & HELD in Committee for further consideration.

DEPARTMENTS DISCUSSED:

Department of Administration  
Department of Public Safety

#HB311

HOUSE BILL NO. 311

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

DEPARTMENT OF ADMINISTRATION

ERIC SWANSON, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ADMINISTRATION, presented the following capital budget requests as submitted by the Department.

[8:39:05 AM](#)

AP #45399

Palmer State Office Building  
General Fund 1004

\$ 15,725,000

He explained that the existing 70 thousand square foot facility, previously known as the old Valley Hospital, had been purchased by the State for \$5 million dollars. The State completed the purchase and sale agreement with Triad Hospitals in September 2006. An additional \$5 million dollars was appropriated for:

- \$2 million sent to the Court System for renovations to the Palmer Courthouse; and
- \$3 million allocated for the initial capital improvements necessary to transform the facility from a hospital to an office building. Most of the funding was used for the space occupied by the Court System.

Mr. Swanson commented that the FY 2009 request would be used for construction and remodeling work. The dollars intended will transform that space into a functioning State office building. Some of that funding would be used for negotiating early termination of existing office leases. The objective is to co-locate all area-wide judicial related offices into the facility, one block from the Palmer Court House.

[8:41:31 AM](#)

Representative Joule pointed out that there has been no indication for extra funds beyond FY09. Mr. Eric Swanson

agreed that the request will take the Department "where they need to be" without future requests.

Representative Thomas inquired when the building actually had been built, indicating concern about purchasing aging buildings. Mr. Swanson responded, the building was built in 1953.

[8:43:10 AM](#)

Mr. Swanson addressed the following project request:

AP #45546	
Facility Deferred Maintenance	
AK Cap Inc 1197	\$7,618,000

He noted that the funding had been requested to address deferred maintenance needs for the following facilities:

- Atwood Building
- Juneau State Office Building
- Palmer State Office Building
- Court Plaza Building
- Community Building
- Archives Building
- State Museum
- Dimond Courthouse
- Governor's House

The amendment changes the funding source from the Alaska Student Loan Corporation (ASLC) to the Alaska Capital Income Fund (ACIF), since credit market concerns have precluded the ASLC from returning capital to the State in the FY09 budget cycle.

Co-Chair Meyer remembered a funding request for the Dimond Court House had been brought forward last year. Co-Chair Chenault was uncertain of the specifics. Mr. Swanson indicated there have been annual requests over the years and that the total deferred maintenance projects exceed what is requested.

[8:46:47 AM](#)

Mr. Swanson continued:

AP #45396	
Alaska Oil and Gas Conservation Commission (AOGCC)	
Reservoir Depletion Studies Prior to Major Gas Sales	
AK Cap In. 1197	\$1,500,000
General Fund 1004	\$1,000,000

He discussed that the Alaska Oil and Gas Conservation Commission (AOGCC) must evaluate depletion plans for reservoirs prior to the start of major gas sales from the North Slope of Alaska. Withdrawal of gas prior to the end of the oil productive-life may cause severe loss of hydrocarbons. The Commission will be required to rule upon off-take rates, timing and depletion plans for those fields being developed before the gas sales are approved. Significant reservoir evaluation studies will be necessary to accomplish those tasks. AOGCC has completed a portion of the necessary work, however, does not have the resources at this time to complete the studies.

JOHN NORMAN, CHAIR, ALASKA OIL AND GAS CONSERVATION COMMISSION (AOGCC), ANCHORAGE (Testified via Teleconference), explained that it would be a part of the reservoir analysis undertaken by the Commission by spending the last few years to position the AOGCC to be able to act if a major gas sale project were eminent. Several years ago, AOGCC sought and received funding from the Legislature to use for that study. The study of the Prudhoe reservoir has been completed, so the Pt. Thompson reservoir will receive the funding request currently before the Committee.

[8:48:17 AM](#)

Co-Chair Chenault inquired what is happening at the Pt. Thompson reservoir. Mr. Norman replied that there is less data concerning long-term production and anticipated gas cycling. Over the years, there have been nineteen wells drilled. The Commission has requested access to that information; the Commission retains the power to subpoena and is scheduled to view Exxon's information, including reservoir modeling that happened in the fall 2006; it has been delayed because of an ongoing dispute between the State of Alaska, Department of Natural Resources and the owners, regarding the legal status of the units. That study is now back on track. The primary concern of AOGCC is to guarantee that in producing oil and gas, there is maximum recovery of both.

[8:53:45 AM](#)

Co-Chair Chenault questioned at what point a study becomes "stale". Mr. Norman thought it could have a possible shelf-life of three to five years. Pt. Thompson is more difficult to determine because the study has not been completed; it will be on-going. The operator has proposed to the Department of Natural Resources that there will be two wells drilled within the current season, which should yield additional information regarding that reservoir.

[8:55:41 AM](#)



#AP #45391  
Maintenance projects for Facilities outside the Public  
Building Fund  
General Fund 1004 \$250,000

He explained that the funding is necessary for continued maintenance of facilities outside the Public Building Fund. The group of facilities includes the Governor's House, the 3<sup>rd</sup> floor of the Capitol, the Archives/Records Center and the Alaska State Museum and Building Annex. Each of the facilities is located in Juneau.

Representative Hawker commented that the inventory list was below the amount requested. Mr. Swanson explained that the items had also been included in the overall facility maintenance requested dollars. The Department is currently doing some of the work from appropriated dollars from last year. He thought that the request would be adequate to deal with the most pressing deferred maintenance issues.

[9:05:39 AM](#)

Representative Hawker referenced the list of deferred facility maintenance. Mr. Swanson acknowledged that some of the projects were the same. He offered to deliberate on the process, explaining the different funding sources for specific projects. There are three requests that have different funding sources, the Capital Income account fund, the General Fund and the Public Building fund, which is collected from the rates that are generated statewide.

Representative Hawker interjected that the public deferred maintenance fund has an additional list totaling \$97 million dollars. He noted frustration by how the State maintains their public assets. He questioned the "deferred maintenance" within the school system, pointing out that there has been no funding for "preventative maintenance". He elaborated how serious the State's deferred maintenance needs are.

Mr. Swanson intended for the Department's facilities manager to address concerns voiced by Representative Hawker. Representative Hawker reiterated his concerns and frustrations. Mr. Swanson pointed out there also is an operating budget component that addresses statewide facilities.

[9:10:45 AM](#)

TANCI MINTZ, STATE LEASE/FACILITIES MANAGER, DEPARTMENT OF ADMINISTRATION, ANCHORAGE, (Testified via Teleconference), addressed the preventive maintenance costs, which are included in the Department's maintenance and operations

annual request. Some major deferred maintenance such as roofs are addressed in the capital project budget; the proposed projects have been deferred too long and the funding has not been made available. She listed the major roof repair needs, which have occurred over the past few years.

Representative Hawker pointed out that in the Department's budget support documents, there is over \$1 million dollars in deferred maintenance itemized request projects, yet the budget request approaches \$10 million dollars. He questioned if it would be possible for the State to address the needs at that rate. Ms. Mintz stressed that it would be best if the deferred maintenance needs could be fully funded.

Representative Hawker inquired if there is a comprehensive deferred maintenance plan in place. He maintained the objective should be to protect statewide facilities & assets. Ms. Mintz replied, the Department does have a list of all the capital projects that need to be replaced.

[9:14:51 AM](#)

Ms. Mintz confirmed that the buildings have not been maintained over the years. Many pieces of equipment are now failing. The Department's list prioritizes first the life safety of individuals and then the equipment needs.

Representative Hawker commented that if HB 125 does pass the Senate, it would require the Legislature to establish a ten year prioritized plan for addressing maintenance needs. He underlined the importance of looking forward and planning for the protection of the State's assets.

[9:16:42 AM](#)

Mr. Swanson continued:

AP #45357	
Public Building Fund Deferred Maintenance	
Public Building 1147	\$2,500,000

He discussed funding necessary for continued maintenance of State-owned facilities, made-up as the public building fund facility. Those facilities include:

- The State office Building,
- The Alaska Office Building,
- The Community Building,
- The Douglas Island Building,
- The Atwood Building,

- The Fairbanks Regional Office Building,
- The Public Safety building,
- The Court Plaza Building,
- The Palmer State Office Building and
- The Dimond Courthouse.

He pointed out that the request has become annual.

[9:17:36 AM](#)

Representative Joule directed comments to the Committee concerns. He remembered times when Alaska did not have any extra funds, currently available. At those times, choices were more closely scrutinized. He indicated support for continued balancing of the infrastructure needs.

Representative Kelly asked if the projects had been listed in a priority order. Mr. Swanson affirmed, noting that the lists provide a "snap shot"; the nature of these lists do change with statewide emergency needs.

[9:20:17 AM](#)

Representative Kelly questioned if "politics" had been used when determining prioritization lists. Mr. Swanson explained that the priorities were based on an input process received from the building advisory committees. Representative Kelly understood Mr. Swanson to say that there was no political influence in the decisions that had been made. Representative Joule countered that there must have been "politics" used when determining choices at some level.

[9:21:43 AM](#)

Mr. Swanson explained the next request item:

AP #45348	
Web Based Banking Services	
Information Services 1081	\$325,000

He advised that funding was needed to enhance and improve the functionality, reliability and security of the Enterprise Banking Web Services (ETS). The services apply to the credit card service, which enables agencies to accept credit card payments. The funding also helps the Department to establish a web site where agencies that have less programming support, can access to take advantage of all those services.

Representative Hawker inquired if the Department was aware of problems resulting from the credit card receipt system

through inaccurate audits and decisions being made to establish inappropriate rates. He questioned if the technology was ahead of the Department's ability to manage the requested dollars. Mr. Swanson was not familiar with the specifics; however, was aware that the program had run several years, problem-free.

[9:24:22 AM](#)

Representative Hawker explained that the Department of Commerce, Community and Economic Development has indicated that Department of Administration is the source of the error. He was surprised that Mr. Swanson did not know about it. Mr. Swanson offered to research the issue and then bring information forward to the Committee.

[9:25:04 AM](#)

Mr. Swanson continued:

AP #45395	
Division of Motor Vehicles (DMV) Alaska License and Vehicle Information Network Replacement	
Receipt Services 1156	\$2,500,000

He explained that the funds were needed to replace the State's Division of Motor Vehicles (DMV) network. The entire system is thirty-plus years old and is out of date, which is becoming increasingly more difficult to support and maintain. The dollars provide for the necessary programming, resulting in a new system.

Representative Hawker inquired if existing language was written in a COBOL system. Mr. Swanson affirmed.

[9:27:14 AM](#)

Mr. Swanson addressed the following request:

AP #45400	
Retirement and Benefits	
Combined Retirement System Upgrade	
General Fund 1004	\$ 6,400
Benefit System 1017	\$103,400

The existing combined Retirement System (CRS) was developed in COBOL using DB2 as a database on an IBM AS400. That technology is rapidly nearing the end of a useful life and the skills needed to maintain the current system are rare in the present marketplace; staff members possessing those skills are nearing retirement age. He emphasized that the system is in great need of upgrading.

[9:29:04 AM](#)

Co-Chair Meyer commented that the requested amount was not adequate to address the scope of the project. Mr. Swanson explained that system replacements would be addressed over the scope of several years and that out-year funding would be requested.

Representative Hawker asked if IBM continues to support the AS400 series. Mr. Swanson affirmed. Representative Hawker asked how much longer that could continue.

ANAND DUBEY, DIRECTOR, ENTERPRISE TECHNOLOGY SYSTEMS (ETS), DEPARTMENT OF ADMINISTRATION, responded that IBM does continue to support their systems, however, as time progresses, it becomes more expensive to do so. He believed that IBM would not let "go of" their AS400's and have newer technologies that are run on the AS400 series. He added that IBM is one of the most expensive vendors.

Representative Hawker inquired if the upgrades would be to the hardware and/or the software components. Mr. Dubey responded that they would have both components, moving away from the AS400 series, which is hardware.

[9:31:29 AM](#)

Mr. Swanson addressed the final project request:

AP #45653	
Cost of Living Survey	
General Fund 1004	\$400,000

He explained that in accordance with AS 39.27.030, funding is requested to conduct a cost-of-living survey. The survey is conducted every five years to review the pay differentials established in statute. The last survey conducted was in 1995, which was not implemented.

[9:32:47 AM](#)

Mr. Swanson highlighted the three IT requests:

AP #45352	
Facilities Remediation	
Information Services 1081	\$2,700,000

The funding is needed for facilities remediation work in the Juneau Data Center, the Anchorage Data Center, rural Alaska locations and the Atwood Building.

AP #45376	
Network Security	
Information Services 1081	\$2,000,000



AP #ADM41788  
Facilities Deferred Maintenance, Repairs and  
Improvements  
AK Cap Inc \$1,715,000

Mr. Spencer explained that the item was a "narrowly written deferred maintenance request" appropriation for the foundations, sewer systems, roofs and boilers. The last time the Department did a statewide facility assessment was in the 1990's.

Representative Hawker pointed out that there has not been a "comprehensive" facilities study done in 18 years and questioned if it was time for another one. Mr. Spencer surmised that a larger study would be productive.

[9:44:30 AM](#)

Mr. Spencer introduced the following component request:

AP #ADM 45300  
Law Enforcement Equipment Replacement  
General Fund 1004 \$475,000

He noted that the increment was specific. It would be used for all necessary items during the course of business including replacement of four-wheelers and snow machines for field use.

AP #ADM45337  
Mobile Data Computers  
General Fund 1004 \$480,000

He indicated that the item request would be used for Alaska State Troopers mobile computers. The funding allows the Department to place lap-top computers and equipment in sixty parole cars, which would bring the State Troopers into the modern technology phase. He maintained it would have significant benefits for the State of Alaska.

AP #42920  
Fire Training Engine for  
Southeast Regional Training Center  
General Fund 1004 \$350,000

Mr. Spencer explained the increment provides funding to purchase a fire training engine for Juneau. Having such an engine allows the fire fighting training program to use the most modern equipment and which would also be used for responding to fire calls throughout the Juneau area.

AP #45325  
Crime Laboratory Equipment Replacement  
General Fund 1004 \$100,000

He explained that the requested item provides an equipment replacement for the crime lab, which replaces a microscope that is twenty one years old. Under current technology standards, the microscope currently used is out of date.

AP #45524  
Facilities Engineering Assessments, Repair  
and Improvements  
General Fund 1004 \$350,000

Mr. Spencer continued. The project provides funding for undertaking a comprehensive review of facilities in Soldotna, Bethel and Fairbanks area. The allocation would provide for a contractor to assess the buildings, determining what it would take to bring the buildings to code.

AP #45319  
Fairbanks Regional Fire Training Center Burn Building  
General Fund 1004 \$395,000

He stated the request would be used to build a two story, concrete building at the Fairbanks fire training center. Construction of that space would provide a place for live-fire training exercises.

Mr. Spencer explained that the next two items were federal receipt projects, reoccurring annually.

AP #35825  
Marine Fisheries Patrol Improvements  
Federal Receipts 1002 \$2,000,000

AP #38479  
Rural Law Enforcement Training and Equipment  
Federal Receipts 1002 \$1,000,000

Mr. Spencer noted the information technology projects:

AP #45316  
Modernize Supply Inventory, Deliver Order  
And Arms Database  
General Fund 1004 \$50,000

The project would allow the Department to mark inventory, which in turn would feed various statewide systems. That in turn would allow the State to access the immediate needs. Additionally, it could help to automate the records of those confiscated fire arms.

AP #41544  
Alaska Public Safety Inter-Net (APSIN) Redesign  
Year 3 of 3-Year Plan

General Fund 1004	\$5,000,000
Federal Receipts 1002	\$2,000,000

He believed that the funding request would "hopefully" be the last. The Department has not yet gotten the federal dollars and if they are not received, they might have to come to the Legislature for that funding [\$2 million dollars]. The project has been under-way for years, with work completed by contractors. The system is important to every agency statewide for performing background checks.

Representative Hawker questioned if the facility had been included in the out-sourced data warehouse. Mr. Spencer did not know.

[9:52:19 AM](#)

DAVID SCHADE, DIRECTOR, DIVISION OF STATEWIDE SERVICES, DEPARTMENT OF PUBLIC SAFETY, (Testified via Teleconference), explained that it is a main-based computer system used by every law enforcement agency statewide.

[9:53:02 AM](#)

Mr. Spencer continued:

AP #45321	
Active Director Development	
General Fund 1004	\$300,000

He advised that the requested dollars would be used for a primary tool for authenticating users to manage their access to APSIN redesign. That would include online reports, other applications and the data bases used within the Department.

Mr. Spencer addressed the next item:

AP #45328	
Fingerprint Card AST Case Image Archive	
General Fund 1004	\$700,000

The project funds a conversion of existing paper fingerprint cards and the Alaska State Trooper case reports into digitized images. The files would become easier to retrieve for use by Alaska law enforcement agencies.

[9:54:13 AM](#)

Mr. Spencer continued:

AP #45329	
TraCS Project (Traffic & Criminal Software)	
General Fund 1004	\$900,000

He commented that Traffic & Criminal Software (TraCS) is a technological improvement, which can enhance accident report and citation writing and storage as well as statistical mining, data sharing and interoperability with other criminal justice system agencies.

9:54:45 AM

Mr. Spencer highlighted the following request item:

AP #45401	
Data Exchange with MAJIC Agencies	
General Fund 1004	\$600,000

He pointed out that the Multi-Agency Justice Integration Consortium (MAJIC) project would facilitate information sharing and a reduction in the amount of paper that is currently sent between agencies. It would support the Department's end-result of making sure that criminal justice information is current, accurate and complete.

Mr. Spencer continued:

AP #45336	
AST Records Management System	
General Fund 1004	\$950,000

The requested dollars would provide for the documentation and collection of information in the form of the police reports. Charging documents is an integral, enormous, and necessary part of the criminal investigations and the daily business of any public safety agency. The modernization of the records management system will allow for greater efficiencies in the storage, retrieval and data mining.

HB 311 was HELD in Committee for further consideration.  
#

ADJOURNMENT

The meeting was adjourned at 9:55 A.M.