

MINUTES
SENATE FINANCE COMMITTEE
March 2, 2007
8:30 a.m.

CALL TO ORDER

Co-Chair Lyman Hoffman convened the meeting at approximately [8:30:35 AM](#).

PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice Chair
Senator Kim Elton
Senator Donny Olson
Senator Joe Thomas
Senator Fred Dyson

Also Attending: NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities; ERIC SWANSON, Director, Division of Administrative Services, Department of Administration; MARK LEWIS, Director, Division of Administrative Services, Department of Education and Early Development; DAVID THOMSON, Administrative Manager, Division of Wildlife Conservation, Department of Fish and Game; KATHRYN DAUGHHETEE, Director, Division of Administrative Services, Department of Law; NICO BUS, Director, Division of Support Services, Department of Natural Resources; CHRIS ASHENBRENNER, Interim Program Administrator, Council on Domestic Violence and Sexual Assault, Department of Public Safety; JERRY BURNETT, Director, Division of Administrative Services, Department of Revenue;

Attending via Teleconference: From an offnet location: RICHARD LEARY, Alaska Marine Highway System, Department of Transportation and Public Facilities; JOHN TORGERSON, Acting Deputy Commissioner, Marine Highway Operations, Alaska Marine Highway System, Department of Transportation and Public Facilities.

SUMMARY INFORMATION

SB 83-SUPPLEMENTAL APPROPRIATIONS

The Committee heard from the Department of Transportation and Public Facilities, the Department of Administration, the Department of Education and Early Development, the Department of Fish and Game, the Department of Law, the Department of Natural Resources, the Department of Public Safety, the Department of Revenue. The bill was held in Committee.

#sb83

[8:31:10 AM](#)

SENATE BILL NO. 83

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

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

Co-Chair Hoffman reminded that members had a spreadsheet detailing the requests.

[8:32:01 AM](#)

Department of Transportation and Public Facilities

Section: 1(h)

Result Delivery Unit (RDU) or component: Capital-Airport Improvement Program Appropriation

Supplemental Need: The Airport Improvement Program appropriation increases by \$2,000.00 from \$341,857.10 to \$343,857.10 because of the increase in the allocation below:

\$0.0 Total Funds

Section: 1(i)

RDU or component: Capital-Airport Improvement Program Allocation

Supplemental Need: Amend FY07 Project-Ketchikan: Snow Removal Equipment/Sand/Urea Building Construction-Project

includes constructing a new snow removal equipment, sand and chemical mixing and storage building to house all of the airport's emergency response and snow removal equipment. Project is ready to bid as soon as funding is available

LFD Notes: Additional authorization needed based on recent engineer's estimate

\$2,000,000 Federal Funds

\$2,000,000 Total Funds

NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities, informed that the Department would request federal receipts and expenditure authority for several capital projects that would be open for bid during the current fiscal year, and are thus "time sensitive". Ms. Slagle reviewed these requests.

Section: 1(j)

RDU or component: Capital-Surface Transportation Program Appropriation

Supplemental Need: The Surface Transportation Program appropriation increases by \$18,300.00 from \$337,095.20 to \$355,395.20 because of the allocation changes below:

\$0.0 Total Funds

Ms. Slagle read the request.

Section: 1(k)

RDU or component: Capital-Surface Transportation Program Allocation

Supplemental Need: Amend: Anchorage-Eagle River Loop Road Reconstruction - Old Glenn Highway to Eagle River Road - Project includes reconstructing shoulders, turn lanes, pedestrian facilities, lighting and landscaping. The Department plans to advertise in March.

LFD Notes: Cost estimate has increased - project ready to bid as soon as receive new authorization.

\$2,000,000 Federal Funds

\$2,000,000 Total Funds

Ms. Slagle reviewed this request, noting that the cost increases were due to the purchase of the right-of-way, which was ready to be obligated on this project.

[8:34:46 AM](#)

Section: 1(1)

RDU or component: Capital-Surface Transportation Program Allocation

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

\$550,000 Federal Funds

\$550,000 Total Funds

Ms. Slagle referred to this as an Anchorage Metropolitan Area Transportation Solutions (AMATS) project, and informed that the request was made on behalf of the Municipality of Anchorage.

[8:36:06 AM](#)

Section: 1(m)

RDU or component: Capital-Surface Transportation Program Allocation

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

LFD Notes: Previous authorization for this project totals \$18,300,000

\$14,000,000 Federal Funds

\$14,000,000 Total Funds

Ms. Slagle overviewed the request, commenting that additional funds were necessary for the project to move forward.

Co-Chair Hoffman asked where the project was located.

Ms. Slagle responded that this would replace a bridge in Unalaska that had been "in the works" for seven or eight years.

[8:37:06 AM](#)

Section: 11(a)

RDU or component: Measurement Standards and Commercial Vehicle Enforcement

Supplemental Need:

1) \$55,000 for costs associated with data acquisition, storage and transfer to meet federal reporting requirements.

2) \$15,000 for annual membership in the North American Preclearance and Safety System (NORPASS) to continue deployment of weigh station screening systems equipment.

LFD Notes: An increment of \$55,000 GF for CVIEW software updates is in the FY08 budget. Expect an amendment changing the fund source to RSS.

\$70,000 Receipt Supported Services

\$70,000 Total Funds

Ms. Slagle informed that this request would fund the Commercial Vehicle Information Exchange Window (CVIEW) program, which allows the exchange of information with the Alaska State Troopers and other law enforcement bodies regarding commercial vehicle drivers. It would also provide for the North American Preclearance and Safety System (NORPASS), which had previously been federally funded.

[8:39:27 AM](#)

Section: 11(b)

RDU or component: Southeast Region Facilities

Supplemental Need:

1) \$38,007 for Repairs/Maintenance - Backlog of deferred maintenance issues that need addressed at facilities throughout Southeast.

2) \$5,000 for travel to inspect facilities.

3) \$36,800 for contractual increases for facility janitorial services at the 7-Mile Complex, AMHS Reservations Building and Ketchikan Court and Office Building.

LFD Notes:

1) All of the funding for Facilities Deferred Maintenance in the capital budget is allocated for other purposes.

3) Janitorial service contract increases are not addressed in FY08 budget. Potential for Governor's amendment.

\$80,500 General Funds

\$80,500 Total Funds

MS. Slagle reviewed the request.

Co-Chair Hoffman asked if the increase in janitorial costs was included in Governor Palin's FY08 budget request.

Ms. Slagle did not recall those expenses included in the FY08 budget.

[8:40:53 AM](#)

Ms. Slagle continued that the funding for "Repair/Maintenance" would address temporary repairs until permanent repairs could be made.

[8:42:34 AM](#)

Section: 11(c)

RDU or component: Central Region Highways and Aviation

Supplemental Need:

- 1) State Equipment Fleet Cost Increases - \$288,500 - Central Region Highways and Aviation is experiencing higher than anticipated costs of commodities and overruns in other areas of the budget and cannot absorb this increase within the existing FY07 budget.
- 2) Anchorage Snow Haul - \$503,000 - Safety issue as roads are one lane, there is poor visibility associated with large snow piles and pedestrians are forced to walk in road as sidewalks are full of snow.
- 3) Anchorage Street Sweeping - \$274,000 - Must be done per EPA Air Quality Standards in the spring after snow melts and roads are full of sand and chemicals creating air quality issues for Anchorage residents.
- 4) Avalanche Artillery Purchase and Equipment Repair - \$26,000
- 5) Funding for Law Enforcement Officers at state-owned Kodiak Airport - \$20,000 - from March 1 through June 30 due to Transportation Security Administration (TSA) non-negotiable requirement. TSA has warned that flights in and out of Kodiak will be prohibited if Law Enforcement Officers not in place by March 1. Funds are needed to decrease emergency response time to 15 minutes or less per TSA rules. Current airport emergency response is greater than 15 minutes which is unacceptable to TSA. The department has no choice but to incur this expense.

LFD Notes:

1) The FY07 SEF rates were set during the budget development and it was originally thought that Central Region could absorb the increase. However, the Region did not receive full funding of its FY07 request, so the costs cannot be absorbed. In effect, this supplemental request is due to commodity prices and overtime pay.

2) A funding increment request for Anchorage snow haul has occurred the last several years with no funding appropriated. Last year it was stated that the cost of each snow haul is approximately \$175,000. This request is for \$503,000 for two snow hauls.

3) Determined by the MOA that the state was not paying its full share of the costs associated with the MOA sweeping state roads.

5) This funding basically covers one quarter of the fiscal year. A gov amendment may be expected for a full fiscal year on the order of \$80,00 for FY08.

\$1,111,500 General Funds

\$1,111,500 Total Funds

Ms. Slagle overviewed the request, and noted that one half of this funding would be applied to Anchorage snow removal, due to heavy snowfall in January. This request includes \$26,000 for the purchase of refurbished howitzers used for avalanche control, which the State acquired from the Army at a reduced price.

[8:47:19 AM](#)

Section: 11(d)

RDU or component: Northern Region Highways and Aviation

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

LFD Notes: see note 5 in preceding line

\$20,000 General Funds

\$20,000 Total Funds

Ms. Slagle informed that due to changes in Transportation Security Administration (TSA) regulations, law enforcement officers were required to reduce their response time at all "certificated" airports. The FY08 budget proposal contains a request for approximately \$1.2 million to address this requirement, which will be met by contracting with local law enforcement and the Alaska State Troopers.

8:48:13 AM

Section: 11(e)

RDU or component: Southeast Highways and Aviation

Supplemental Need:

1) \$208,500 - Overtime resulting from extreme winter weather. Personnel costs associated with plowing, application of materials used for highways and airports this winter.

2) \$24,500 - Paint for road striping. Paint being ordered for spring/summer application

\$233,000 General Funds

\$233,000 Total Funds

Ms. Slagle spoke to this request.

8:49:36 AM

Section: 11(f)

RDU or component: Marine Highway System - Marine Vessel Operations

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

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

State Agencies:

State Equipment Fleet (DOT) for June - \$46,652.33; Law Bills (DOL) - \$12,695.62; Retirement & Benefits (DOA) - \$25,196.00; Labor Training (AVTEC) - \$9,300.00; Tok Ferry Reservations (Commerce) - \$53,200.00; Laundry Services (Corrections) - \$103,561.77; UAS Training - \$87,990.00; Southeast DOT Inventory Adjustment - \$6,850.94; AMHS Travel & Incidentals not processed - \$69,931.29

\$532,800 General Funds
\$532,800 Total Funds

Ms. Slagle summarized this request.

8:51:14 AM

Section: 11(g)

RDU or component: Marine Highway System-Marine Vessel Operations

Supplemental Need:

- 1) \$3,600,000 - FY07 operating marine highway fund anticipated cash shortfall. Collection of revenues is anticipated to be \$51.0 million and expenditures are anticipated to be \$54.6 million.
- 2) \$300,000 - Chenega crew training after winter lay-up and warranty overhaul. U.S. Coast Guard requirement to operate vessel.
- 3) \$3,900,000 - Under projected vessel operations costs for vessel employee overtime and leave.
- 4) \$2,300,000 - Fairweather unbudgeted winter service.

LFD Notes:

- 1) This supplemental request was expected. The agency interpreted intent language as "live within authorization" rather than "live within revenue". However, the intent of the legislature was "if you can earn it, you can spend it." AMHS had no reason to expect revenue at high as the level of authorization, but spent as if the full authorized level would be collected.
- 2) Upon lay-up of the Chenega, the crew was assigned to other vessels. After lay-up, an entirely new crew was hired which needed to be trained and certified by the USCG.
- 3) The cost model used for the FY07 business plan was determined to be under projecting leave and overtime costs for three vessels.
- 4) The Fairweather was budgeted for winter lay-up, however, it was determined that service in southeast was at less than the minimal level. Additional disregard for legislative intent "to operate within their budget" is demonstrated. S

See also fund transfers - Section 12(c)

\$10,100,000 General Funds

\$10,100,000 Total Funds

Ms. Slagle reviewed this request.

[8:51:53 AM](#)

RICHARD LEARY, Alaska Marine Highway System, Department of Transportation and Public Facilities, attending via teleconference from an offnet location, described his position as Business Development Manager. He informed that the M/V Columbia suffered an electrical fire in September 2006 that kept it out of service for 21 weeks, and contributed to the Alaska Marine Highway System's (AMHS) supplemental need.

[8:53:00 AM](#)

Mr. Leary disclosed that additional training costs were incurred when the M/V Chenega relocated its home port from Ketchikan to Cordova, as not all crew members relocated with the vessel. Other costs were attributable to an "underestimation" of leave costs and overtime expenditures.

[8:54:32 AM](#)

Co-Chair Hoffman asked if those "oversights" were corrected in the FY08 requests submitted by the AMHS.

Mr. Leary affirmed.

[8:55:17 AM](#)

Co-Chair Hoffman observed that AMHS had "less than anticipated" service use of the M/V Fairweather, and asked what changes had been made in the operational plan to better utilize that vessel.

[8:55:39 AM](#)

JOHN TORGERSON, Acting Deputy Commissioner, Marine Highway Operations, Alaska Marine Highway System, Department of Transportation and Public Facilities, informed that operation costs of the M/V Fairweather were not included in the FY07 budget, as the Murkowski Administration intended to decommission that boat during the winter months. The FY08 budget request includes funds for year-round operation of the vessel, thus these supplemental requests should not be necessary the following year.

[8:56:26 AM](#)

Co-Chair Hoffman noted that AMHS had come under great scrutiny in recent years due to the high operational costs. He asked what "belt tightening measures" had been considered to streamline costs.

[8:57:15 AM](#)

Mr. Torgerson indicated that the budget amendments would reflect an approximate \$10.5 million reduction in operational costs, which would be achieved via increased efficiency of the System.

[8:57:57 AM](#)

Co-Chair Hoffman asked if any union contracts would be renegotiated in the coming year.

Mr. Torgerson replied that contracts with all three bargaining units would expire June 30, 2007.

[8:58:18 AM](#)

Section: 11(h)
RDU or component: Capital
Supplemental Need: New: Cantwell Maintenance Station Remodel and Electrical Repair
OSHA inspection found unsafe electrical and building code violations. Electrical service is located in a low lying area that is prone to flooding and the entrance/exit to the building is through the boiler room. Department received an OSHA compliance order for this and is mandated to fix the violation no later than June of 2007.
\$250,000 General Funds
\$250,000 Total Funds

Ms. Slagle overviewed this request, adding that the building was built in 1954, and is not "up to code".

[8:59:43 AM](#)

Section: 11(i)
RDU or component: Capital
Supplemental Need: New: Thompson Pass Refueling Station
OSHA inspection found fuel dispensing machines located inside the maintenance station, creating an unsafe work

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

\$150,000 General Funds

\$150,000 Total Funds

Ms. Slagle summarized this request.

[9:00:38 AM](#)

Section: 11(j)

RDU or component: Capital - Marine Highway System

Supplemental Need: Amend FY07 Project: Alaska Marine Highway System - Vessel and Terminal Overhaul and Rehabilitation

Unforeseen problems that needed to be repaired during annual overhaul. Unforeseen problems included steering systems, replacing corroded steel decking, life boat and davit refurbishment, turbo charger repair, bow thruster work and electrical generator repair. Without the repairs, vessels would not have been certified for operations during FY07. Repaired vessels include LeConte, Matanuska, Columbia, Kennicott, Taku, and Fairweather.

\$1,944,000 General Funds

\$1,944,000 Total Funds

Ms. Slagle reviewed this request, characterizing the AMHS vessels as an "aging fleet".

[9:02:07 AM](#)

Co-Chair Hoffman surmised that maintenance was an expenditure which the Department could plan for and address through regular operating appropriations.

[9:02:49 AM](#)

Ms. Slagle told that the FY08 proposed capital budget contained a request for approximately \$13.4 million for vessel overhaul expenses and facility repairs. The Department was examining this issue closely.

[9:03:27 AM](#)

Mr. Torgerson agreed that the Department could better manage its finances by increasing its "anticipated capital receipts". He explained that normal, anticipated State maintenance revealed other mechanical problems that had not been foreseen or budgeted for. Some of these mechanical issues were eligible for federal monies, and the Department planned to use as much federal funds as possible.

[9:04:39 AM](#)

Co-Chair Hoffman set forth that the Committee had funded in excess of \$25 million in supplemental requests for the AMHS in the past five years. He understood this to be a capital item, and asked the current capital request for this category.

[9:04:58 AM](#)

Mr. Torgerson was unsure, but assumed the "balance" was zero.

[9:05:24 AM](#)

Section: 11(k)

RDU or component: Capital - Airport Improvement Program
Appropriation

Supplemental Need: The Airport Improvement Program appropriation will increase by \$11,500.00 from \$341,857.10 to \$353,357.10 because of the allocation changes below:

Section: 11(l)

RDU or component: Capital - Airport Improvement Program
Allocation

Supplemental Need: Amend FY07 Project: Atka Airport
Extension and Resurfacing

Project includes runway extension and minor realignment, a new taxiway and apron, paving of operational surfaces, medium intensity runway lighting, a double bay snow removal equipment building, other related improvements and land acquisition. The department plans to advertise in April.

\$4,000,000 Federal Funds

\$4,000,000 Total Funds

Section: 11(m)

RDU or component: Capital - Airport Improvement Program
Allocation

Supplemental Need: New: Nightmute Airport Reconstruction Project includes expanding the runway, constructing a runway safety area, taxiway and safety area, relocating and expanding the apron, constructing two single bay snow removal equipment buildings, rehabilitating the airport access road, and acquiring land for airport improvements. The department plans to advertise in June.
\$3,000,000 Federal Funds
\$3,000,000 Total Funds

Section: 11(n)
RDU or component: Capital - Airport Improvement Program Allocation
Supplemental Need: New: Nunapitchuk Airport and Access Improvements
Project includes extending the runway, installing runway and taxiway lights, improving the airport access road, relocation of the apron, and constructing two single bay snow removal equipment buildings. The department plans to advertise in May.
\$1,500,000 Federal Funds
\$1,500,000 Total Funds

Ms. Slagle summarized these requests, and reported that the Department would like to have funds available to advertise the projects for bidding in the summer of 2007.

[9:06:40 AM](#)

Section: 11(o)
RDU or component: Capital - Airport Improvement Program Allocation
Supplemental Need: Scope change from Stony River: Airport Rehabilitation (ch. 61, SLA 2001, page 32, line 3) to Stony River: Airport Relocation and Airport Improvements. Project includes constructing a new airport south of the existing airport to include a new runway, lighting, safety area, apron, taxiway, support area, and an equipment storage building.
LFD Notes:
\$0.0 Federal Funds
\$0.0 Total Funds

Ms. Slagle informed that this was a title change for a previous appropriation.

[9:07:33 AM](#)

Fund Transfers

Section: 12(c)

RDU or component: Alaska Marine Highway System Fund

Supplemental Need: Eliminate the ending FY06 / beginning FY07 negative fund balance of \$10,732,284.58. The negative fund balance is indicative of under collection of unrestricted revenues to support the amounts appropriated from the fund for operation of the system.

LFD Notes: This is a problem of cash vs. accrual. The marine highway receives and expends cash revenue prior to the year it is accrued (e.g. - received one year, services rendered the next). This is legal because they have an appropriation (expenditure authority) which allows them to expend funding collected regardless of the year it is accrued.

\$10,732,300 General Funds

\$10,732,300 Total Funds

Ms. Slagle explained that this request would address a negative fund balance within the AMHS. The System utilizes "deferred revenue," as ticket sales begin to generate monies in the winter months for services that would not be rendered until the following summer, which is the subsequent fiscal year. This request would balance the fund.

[9:09:29 AM](#)

Co-Chair Hoffman asked for assurance that the Committee would not be presented with a negative balance in the future.

Ms. Slagle responded that the underfunding issue was dependent on the revenues collected.

Co-Chair Hoffman understood the source of revenue, and clarified that he was speaking to the management of the AMHS. He stated that "the State of Alaska and this Committee need to be assured that there is better management."

[9:10:31 AM](#)

Mr. Leary agreed that bringing a "level of conservatism" would be beneficial to the System.

[9:10:57 AM](#)

Mr. Torgerson concurred that the AMHS needed to operate within the appropriations granted by the legislature. He pointed to the "extraordinary" circumstances the previous year as an explanation for the supplemental request.

[9:11:46 AM](#)

Co-Chair Hoffman understood the legislature as a whole expected better management of the AMHS. Absent increased efficiency, the System would be in "jeopardy".

[9:12:05 AM](#)

Mr. Torgerson agreed, and would convey that information.

[9:12:36 AM](#)

Department of Administration

Section: 2(a)

RDU or component: Retirement and Benefits

Supplemental Need: The Division of Retirement and Benefits contracted with a tax consultant to assist with obtaining Internal Revenue Service code qualified status for the defined contribution plan. The cost of this work was not included in the original fiscal note for SB 141. This request for a GF increase will be offset with a \$80,000 GF reduction from the Elected Public Officers Retirement System (EPORS-(\$50,000)) and the Unlicensed Vessel Participant Annuity Retirement Plan (UVPARP-(\$30,000)) allocations.

LFD Notes: Existing PERS/TRS reserve balances can't be used for this purpose because expenditures relate to the new Defined Contribution plan. The defined contribution reserve fund has not yet built a significant reserve balance. (the original SB 141 fiscal note required GF for the same reason). Although the department links this increase to an offsetting decrease in subsections 2(d), there is no required link.

\$80,000 Federal Funds

\$80,000 Total Funds

ERIC SWANSON, Director, Division of Administrative Services, Department of Administration, reviewed this request.

[9:13:55 AM](#)

Section: 2(b)

RDU or component: Retirement and Benefits

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

LFD Notes: This section complies with the recommendation of the federal cost allocation plan consultant.

(\$153,300) PERS

(\$133,700) TRS

\$160,300 Bene Sys

\$85,500 JRS

\$85,400 NGNMRS

(\$44,200) FICA

\$0.0 Total Funds

Mr. Swanson summarized this request as a "reallocation" of FY07 operating funds.

[9:14:23 AM](#)

Section: 2(c)

RDU or component: Retirement and Benefits

Supplemental Need: This is a fund source adjustment for the PERS/TRS litigation appropriations made in sec.24(a) and (b), ch. 82, SLA 2006, from the original \$200,000 from each retirement system fund to 72% and 28%, respectively, per the division's cost allocation plan. The appropriation from PERS changes from \$200,000 to \$288,000 and the TRS amount changes from \$200,000 to \$112,000.

\$0.0 Total Funds

Mr. Swanson overviewed this request, stating that it would correct an error in allocation.

[9:15:03 AM](#)

Section: 2(d)

RDU or component: Unlicensed Vessel Participant Annuity Retirement Plan

Supplemental Need: Plan adjustment for reduced current year obligation.

LFD Notes: Although the department links this decrease to an offsetting increase in subsection 2(a), there is no required link.

(\$30,000) General Funds

(\$30,000) Total Funds

Section: 2(d)

RDU or component: Elected Public Officers Retirement System Benefits

Supplemental Need: Plan adjustment for reduced current year obligation.

LFD Notes: Although the department links this decrease to an offsetting increase in subsection 2(a), there is no required link.

(\$50,000) General Funds

(\$50,000) Total Funds

Mr. Swanson spoke to these requests, and related them to subsection 2(a).

[9:15:28 AM](#)

Co-Chair Hoffman asked if a similar reduction would occur in FY08.

Mr. Swanson affirmed.

[9:15:46 AM](#)

Section: 2(e)

RDU or component: Office of Public Advocacy

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

LFD Notes: OPA has frequently requested GF supplements in the past. SDPR is collected from clients who have the ability to pay, but OPA does not have authorization to

spend all receipts. This increases OPA's FY07 SDPR to \$406,500 (from \$206,500). FY06 Supplements totaled \$2,568,000 (\$2,550,000 GF + \$18,000 Fed Rcpts). \$200,000 Statutory Designated Program Receipts

Mr. Swanson highlighted this request, noting that amendments to the request were possible, depending on the case load.

[9:16:31 AM](#)

Section: 2(f)
RDU or component: Public Defender Agency
Supplemental Need: Current year caseload increase estimate based on the agency's current expenditures and projections. The agency was not fully funded in FY2007, based on their FY2006 supplemental roll forward and caseload projections.
LFD Notes: The Public Defender Agency provides constitutionally mandated defense services for indigent clients and they are required by statute to accept all Court appointed cases. The statewide increase in felonies impacts this agency and they have little control over their caseload. The FY06 Supplemental was \$217,600 GF.
\$240,000 General Funds

Mr. Swanson reviewed this request, likening it to the previous supplemental request.

[9:17:06 AM](#)

Department of Education and Early Development

Section: 4(a)
RDU or component: School Finance & Facilities
Supplemental Need: Cost to pay trial work already provided for the Moore v State lawsuit, which pertains to adequate funding levels for school districts.
LFD Notes: Moore vs. State went to trial in October 2006. The judge's decision is expected sometime later this year. The Department notes that this will be the last funding request unless the case goes to appeal.
\$100,000 General Funds

MARK LEWIS, Director, Division of Administrative Services, Department of Education and Early Development, summarized this request.

Section: 4(b)

RDU or component: Mt. Edgecumbe Boarding School

Supplemental Need: Cost of one-time payment of the FY2005 Teachers' Education Association of Mt. Edgecumbe arbitration award.

LFD Notes: This is a one-time payment for an arbitration award issued on March 4, 2005. Although Mt. Edgecumbe is currently paying the correct amount, these funds are for those who were on the payroll at the time of the complaint.
\$107,900 General Funds

Mr. Lewis overviewed this request, adding that the grievance which resulted in this award regarded teacher preparation time.

[9:18:31 AM](#)

Section: 13

School Debt Reimbursement

Supplemental Need: Reduce total School Debt Reimbursement by 4,855,900 from \$93,935,000 to \$89,079,100. Debt Retirement Fund decreases by \$5,565,600 from \$66,935,000 to \$61,369,400 and the School Fund increases by \$709,700 from \$27,000.000 to \$27,709,700.

(\$4,855,900) Total Funds

Mr. Lewis characterized this request as a "true-up" for the reimbursements that would occur in 2007.

Section: 12(b)

Fund Transfers

RDU or Component: Debt Retirement Fund

Supplemental Need: Reduce general fund capitalization necessary to fund School Debt Reimbursement due to a \$709,700 increase in the amount of School Fund receipts (cigarette tax) available and a decrease of \$4,855,900 in the amount needed for FY2007 School Debt Reimbursement.

(\$5,565,600) General Funds

Mr. Lewis reviewed this request, relating it to Section 13.

[9:19:45 AM](#)

Section: 14(b)(1)

Ratification

Supplemental Need: AR17720-04 Quality Schools

\$51,621,560 General Funds

Section: 14(b)(2)

Ratification

Supplemental Need: AR17720-05 Quality Schools

\$107,601,480 General Funds

Mr. Lewis spoke to these requests, adding that the ratifications would correct errors in the accounting processes. He stressed that the Department had made policy changes to improve its accounting system.

[9:21:27 AM](#)

Department of Fish and Game

Section: 5(a) and (b)

RDU or component: Wildlife Conservation

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

LFD Notes: The SDPR decrement is unrelated to the project- it simply makes the supplemental appear to be a net zero. The SDPR is unlikely to be collected.

\$30,000 Exxon Valdez Oil Spill Funds

(\$30,000) Statutory Designated Program Receipts (SDPR)

\$0.00 Total Funds

DAVID THOMSON, Administrative Manager, Division of Wildlife Conservation, Department of Fish and Game, presented the Department's request to the Committee.

[9:22:38 AM](#)

Department of Law

Section: 7(a)

RDU or component: Civil Division, Deputy Attorney General

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

\$92,600 General Funds

Section: 7(b)

RDU or component: Civil Division, Deputy Attorney General

Supplemental Need: The amount necessary to pay additional judgments awarded against the state before June 30, 2007.
\$0

KATHRYN DAUGHHETEE, Director, Division of Administrative Services, Department of Law, told that these requests had three major components: an Alaska Psychiatric Institute (API) suit brought by a patient, a Board of Fisheries case and a seafood processor complaint.

[9:24:24 AM](#)

Co-Chair Hoffman inferred that the request was time sensitive due to the interest the State would incur if the claims were not paid in the current fiscal year.

[9:24:37 AM](#)

Ms. Daughheteo answered that interest was constantly accruing, and had not made the "time sensitive" designation herself.

[9:25:00 AM](#)

Section: 7(c)

RDU or component: Administrative Services

Supplemental Need: FY 06 Unpaid Miscellaneous Bills - \$6,254.47. Funding to pay prior year bills not received in time for payment by the department. Employee moving expenses - \$1,581.05; employee mileage reimbursement - \$47.89; consulting contracts - \$4,200; hotel rooms for employee travel - \$349.28; copier maintenance - \$76.25
\$6,300 General Funds

Ms. Daughheteo summarized this request.

[9:25:27 AM](#)

Department of Natural Resources

Section: 8(a)(1)

RDU or component: Geological Development

Supplemental Need: Implementation of geologists class study effective July 2006

LFD Notes: Sec. 6, Ch. 33, SLA 2006 requires that reclassifications be paid from the amounts originally appropriated.

*Funding for 4 PFT positions are requested in the FY08 Governor's budget for "Special Projects" and funded with Interagency Receipts (\$97,300) and DSPR (\$276,100).
\$79,400 General Funds

Section: 8(a)(2)

RDU or component: Geological Development

Supplemental Need: Implementation of geologists class study effective June 2006

LFD Notes: Sec. 6, Ch. 33, SLA 2006 requires that reclassifications be paid from the amounts originally appropriated.

The federal grant could not be modified in time to reflect increased FY07 costs

\$114,800 General Funds

NICO BUS, Director, Division of Support Services, Department of Natural Resources reviewed these requests, which would fund a wage increase for the Department's geologists.

[9:26:29 AM](#)

Section: 8(b)

RDU or component: Capital

Supplemental Need: Funding from the Mat-Su Borough for development of the South Denali Visitors Center Interpretive Plan.

LFD Notes:

\$30,000 will be spent in FY07

\$70,000 will be spent in FY08

\$100,000 Other Funds. Fund Source: Statutory Designated Program Receipts

Mr. Bus overviewed this request.

[9:26:48 AM](#)

Section: 14(a)

Ratification

Supplemental Need: AR37313-06 Fire General Fund

\$6,406,509,850 Total Funds

Mr. Bus spoke to this request.

AT EASE [9:27:30 AM](#)/[9:27:55 AM](#)

[9:27:57 AM](#)

Mr. Bus continued that the request would fund expenditures for fire suppression activity between May and June of 2006 after existing appropriations had been exhausted.

[9:28:29 AM](#)

Department of Public Safety

Section: 9

RDU or component: Capital

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

LFD Notes: The DCVSA sunset on June 30, 2006 and is in it's 1-year wind down period.

Funding will be distributed as follows:

Dept. of Law, 25% - \$1,250,000

Dept. of Public Safety, 25% - \$1,250,000

AK Court Systems, 5% - \$250,000

Victim Services, 30% - \$1,500,000

Discretionary, 15% - \$750,000

\$5,000,000 Federal Funds

CHRIS ASHENBRENNER, Interim Program Administrator, Council on Domestic Violence and Sexual Assault, Department of Public Safety, highlighted this request, noting that half of the funds would be dedicated to "sexual assault response team enhancement activities".

[9:29:30 AM](#)

Co-Chair Hoffman asked how the funds would be distributed throughout the State.

Ms. Ashenbrenner replied that the funds would be allocated to a fund a broad range of programs, including the enhancement of the crime lab, an additional DNA expert, assistance in funding attorneys to prosecute sexual assault cases, and to fund various victim services programs throughout the State.

Co-Chair Hoffman asked if these were federal funds.

Ms. Ashenbrenner confirmed.

[9:30:28 AM](#)

Department of Revenue

Section: 10(a)

RDU or component: Tax Division

Supplemental Need:

1) \$210,000 - Cruise tax Initiative implementation costs: Three positions and contractual expenses for hearings for public notice, legal advice on regulations, advertising, training and development of online data filing system.

2) \$45,000 - Corporate Income Tax Litigation

The Tax Division is working on a high-level corporate income tax case with a potential for hundreds of millions of dollars in settlement. Funding is requested to begin the casework with the Department of Law. Additional funding will not be required in FY2006.

LFD Notes:

2) Major corporate income tax lawsuit with one of Alaska's largest tax payers, potential recovery in the \$100s of millions - this funding will pay the difference from part-time to full time for a DOL attorney to prepare for this case.

\$255,500 General Funds

JERRY BURNETT, Director, Division of Administrative Services, Department of Revenue, detailed this request, adding that ongoing funding for the "Cruise Tax Initiative" was included in the proposed FY08 budget.

[9:31:49 AM](#)

Senator Elton relayed that the Department of Environmental Conservation had submitted a supplemental request related to the cruise ship tax that was funded using Commercial Passenger

Vessel Environmental Compliance (CPVEC) funds. He asked why the Department of Revenue was not able to fund this request with CPVEC dollars.

Mr. Burnett explained that the \$50 per passenger fee levied by the initiative was "broken down" in to two categories, with \$4 of the tax designated for environmental compliance, and the remaining \$46 deposited into the general fund. The Department of Environmental Conservation would have access the monies allocated to environmental compliance, whereas the Department of Revenue must request funding from the general fund portion.

[9:32:51 AM](#)

Section: 10(b)

RDU or component: Permanent Fund Dividend Division

Supplemental Need:

1) \$70,000 - Increased MyAlaska costs - DOA did not charge for service before FY07. The Division did not know when preparing the FY07 budget that DOA would be charging for the service in FY07.

2) \$60,000 - Department of Administration's (DOA) Office of Administrative Hearings costs are higher than anticipated due to high rates.

3) \$220,700 - Data Loss and Recovery. Ongoing recovery efforts are beyond division's capability to absorb.

\$350,700 Other Funds Permanent Fund Dividend Funds

Mr. Burnett summarized this request, adding that the Department recovered from the data loss incident to distribute 99.6 percent of Permanent Fund dividends (PFDs) on time.

[9:34:24 AM](#)

Co-Chair Stedman inquired as to the fiscal impact of the data loss on the dividends.

[9:34:47 AM](#)

Mr. Burnett replied that, based on the FY07 estimate, data recovery costs would reduce the amount of the PFD by approximately \$0.33 to \$0.35 per dividend.

[9:35:16 AM](#)

Section: 10(c)

RDU or component: Child Support Services

Supplemental Need: Unanticipated federal incentive funding due to performance during FFY 05.

\$181,700 Federal Funds Fed. Incentive Payments

Section: 10(d)

RDU or component: Child Support Services

Supplemental Need: Reduction in receipt supported services funding due to unanticipated federal incentive funding due to performance during FFY 05.

LFD Notes: The estimated carryforward of unexpended RSS will be increased by this amount.

(\$181,700) Other Funds Receipt Supported Services

Mr. Burnett reviewed these requests for changes in funding source, noting the availability of federal funds.

[9:35:50 AM](#)

Section: 10(e)

RDU or component: Alaska Mental Health Trust Authority, Long Term Care Ombudsman

Supplemental Need: The Long Term Care Ombudsman's Office (LTCO) receives its funding from DHSS/Senior and Disabilities Services Administration, mostly from a federal grant (Title 3 and Title 7). This year DHSS has reduced the amount of the grant due to unavailable federal funding, so additional general funds are necessary.

\$38,300 General Funds

(\$38,300) Other Funds Interagency receipts

\$0.0 Total Funds

Mr. Burnett overviewed this request.

[9:36:24 AM](#)

Co-Chair Hoffman asked the effect of this request on the FY08 budget.

Mr. Burnett responded that the budget amendments reflect an increase in this component of \$102,000 to replace "unrealizable federal funds" for FY08.

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ADJOURNMENT

Co-Chair Lyman Hoffman adjourned the meeting at [9:37:30 AM](#).