

SENATE FINANCE COMMITTEE
March 13, 2008
9:36 a.m.

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at [9:36:30 AM](#).

MEMBERS 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

MEMBERS ABSENT

None

ALSO PRESENT

Jerry Burnett, Director, Division of Administrative Services, Department of Revenue; Dan Fauske, CEO/Executive Director, Alaska Housing Finance Corporation, Department of Revenue; Bryan Butcher, Legislative Liaison, Alaska Housing Finance Corporation, Department of Revenue; Les Campbell, Director, Budget, Alaska Housing Finance Corporation, Department of Revenue; Eddy Jeans, Director, Education Support Services, Department of Education and Early Development; Mark Lewis, Director, Administration Services, Department of Education and Early Development; Pat Pitney, University of Alaska, Budget and Planning; Mark Wohlford, Senior Project Manager, University of Alaska, Fairbanks; John Pugh, Chancellor, University of Alaska, Southeast; Dan Spencer, Director, Division of Administrative Services, Department of Public Safety; John Glass, Deputy Commissioner, Department of Public Safety; Audie Holloway, Colonel, Director, Division of Alaska State Troopers, Department of Public Safety; Dave Tyler, Director, State Fire Marshall, Division of Fire Prevention, Department of Public Safety

PRESENT VIA TELECONFERENCE

None

SUMMARY

SB 289 "An Act relating to home energy conservation and weatherization for purposes of certain programs of the Alaska Housing and Finance Corporation."

SB 289 was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note #1 by the Department of Revenue.

SB 221 "An Act making appropriations, including capital appropriations, supplemental appropriations, and appropriations to capitalize funds; and providing for an effective date."

SB 221 was heard and HELD in Committee for further consideration.

[9:36:43 AM](#)

SENATE BILL NO. 289

"An Act relating to home energy conservation and weatherization for purposes of certain programs of the Alaska Housing and Finance Corporation."

Co-Chair Hoffman MOVED to REPORT SB 289 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 289 was REPORTED out of Committee with a "do pass" recommendation and with zero fiscal note #1 by the Department of Revenue.

[9:40:51 AM](#)

SENATE BILL NO. 221

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

DEPARTMENT OF REVENUE

JERRY BURNETT, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE, listed the requests for the Department of Revenue.

Project #42933
Permanent Fund Dividend Computer Replacement Project
\$125,000 PFD Funds

Mr. Burnett explained that it is the fourth year of a cyclical PFD replacement project for desktop computers, printers, servers, and office support equipment.

Project #42945
Child Support Services Computer Replacement Project
\$128,040 Federal Receipts
\$65,960 Receipt Services

AT-EASE: [9:42:20 AM](#)

RECONVENE: [9:43:06 AM](#)

Mr. Burnett continued to explain the Child Support Services Computer Replacement Project, which is also part of a replacement cycle for office equipment and computers.

[9:45:47 AM](#)

Mr. Burnett turned to Information Technology projects that were funded out of FY 08 funds.

Senator Thomas asked if the PFD Computer Replacement Project - Phase 4, is the end of the funding request. Mr. Burnett clarified that it is a continuous four-year replacement process for a similar amount each year.

Project #45340
Oil and Gas Production Tax System Replacement
\$2,620,800 General Funds

Mr. Burnett reported that the new tax system would replace the old one.

Senator Elton recalled a recommendation during the special session to buy a program "off the shelf". Mr. Burnett replied that the cost to do an analysis for that would be in the \$20 million range.

[9:48:04 AM](#)

Project #45343
Corporate Tax/Motor Fuel Tax System Replacement
\$830,000 General Funds

Mr. Burnett reported that the allocation would fund a new system to replace the old one. There is a risk with the Motor Fuel Tax System now because it's not stable.

Project #45344
Mining Tax System Replacement
\$460,000 General Funds

Mr. Burnett addressed the need for a new mining tax system due to the increase in mining in the state.

Project #45545

PowerBuilder Replacement Feasibility Study
\$300,000 General Funds

Mr. Burnett explained that the PowerBuilder is a program language that the department has been using to build an integrated tax system. It is no longer the state standard.

[9:50:17 AM](#)

Senator Elton asked if the previous three technology requests were PowerBuilder. Mr. Burnett said they were. Senator Elton asked why \$4 million was requested for PowerBuilder when it was going to be replaced. Mr. Burnett explained that the PowerBuilder system was familiar to the programmers and contractors. Newer versions are compatible with the state's current system and an attempt is being made to not have to rewrite the system. Senator Elton pointed out that \$4 million was being spent on the old system, which may be replaced. Mr. Burnett shared a concern with the production tax system, which should not be a manual process in light of new information reporting requirements. The solution needs to be in the near term.

Co-Chair Stedman requested all of the items be ranked. Mr. Burnett agreed to do that.

[9:53:42 AM](#)

ALASKA HOUSING FINANCE CORPORATION

DAN FAUSKE, CEO/EXECUTIVE DIRECTOR, ALASKA HOUSING FINANCE CORPORATION (AHFC), DEPARTMENT OF REVENUE, reported on the successes of AHFC.

LES CAMPBELL, DIRECTOR, BUDGET, ALASKA HOUSING FINANCE CORPORATION, DEPARTMENT OF REVENUE, addressed the department's requests. The first three projects have to do with the administration of AHFC.

Project #45379
AHFC Public Housing Software Replacement Project
\$1,250,000 AHFC Division

Mr. Campbell explained that the purpose of the program is to purchase, implement, support, and provide training for a software system that will help manage the Corporation's public housing programs. The current software is outdated and a new system is critical to support AHFC's rental housing programs. A new system would make compliance with HUD regulations much easier.

[9:56:13 AM](#)

Project #45382

AHFC Phone System Replacement
\$450,000 AHFC Division

Mr. Campbell related the reason for the request: to replace AHFC's phone system with a Voice-Over-IP (VOIP) infrastructure.

Project #45383
AHFC Human Resources/Payroll Implementation
\$387,900 AHFC Division

Mr. Campbell said the request is to complete the process of a new HR payroll function for AHFC. The current system is over 15 years old and does not have the capabilities to provide needed reports and information, or capture the employee information required. The new system will fully integrate human resources, benefits administration, and payroll functions.

[9:58:06 AM](#)

Project #37918
AHFC Housing Loan Program/Teacher Health and Public Safety Professionals Housing
\$8,000,000 AHFC Division

Mr. Campbell explained that this is an on-going request and provides gap funding to increase homeownership and rental units throughout the state. The program is designed to help retain desirable professionals in high-cost areas. The projected outcomes would include an addition of 62 new units, increased affordability for housing purchases by low income families, lower interest rate on mortgage programs, and a statewide housing conference.

Project #6323
AHFC Supplemental Housing Development Program
\$8,000,000 AHFC Division

Mr. Campbell noted that the request would supplement federal HUD funds and would be used to cover costs related to water, sewer, and electrical systems, as well as for road construction to project sites and site development. The funds are limited to 20 percent of HUD's total development cost per unit and cannot be used for administrative purposes.

Project #6332
AHFC Low Income Weatherization
\$6,000,000 AHFC Division
\$2,000,000 Federal Receipts

Mr. Campbell explained the purpose of the program to provide cost-effective energy improvements to homes of low-income

families. Weatherization provides for fire safety through furnace and electrical repairs, education, chimney and woodstove repairs, and egress windows. It is the same program that was funded in the supplemental budget.

[10:00:18 AM](#)

Co-Chair Stedman asked how the request fits into SB 189. Mr. Campbell explained that it is the same program except that SB 189 expands the program beyond low income families. Co-Chair Stedman asked if the request is required since the bill passed. Mr. Campbell said that if the supplemental bill is passed, then this item would not be required other than to utilize the federal receipts.

Project #6334
AHFC Senior Citizens Housing Development Program
\$6,000,000 AHFC Division

Mr. Campbell reported that the funds are used for grants for municipalities and public or private non-profit corporations, in conjunction with other agencies, for the development of senior citizen housing. Funds can be used for the purchase of building sites, site preparation, materials, construction, and rehabilitation of existing housing. Organizations qualified to apply include municipalities and public or private nonprofit corporations. Additional components include smaller grants for nonprofit senior organizations to pay for preparation of plans and project feasibility studies, appraisals, site preparation and other pre-development activities. This program has funded 931 units to date.

Project #6347
AHFC Housing and Urban Development Federal HOME Grant
\$750,000 AHFC Division
\$3,450,000 Federal Receipts

Mr. Campbell reported that the purpose of the request is to expand the supply of affordable, low- and moderate-income housing and to strengthen the ability of the state to design and implement strategies to achieve an adequate supply of safe, energy-efficient, and affordable housing. This program has funded 44 rental projects containing 818 units and rehabilitated 373 low-income homes. It has assisted another 315 low-income households to purchase homes.

Mr. Fauske asked for clarification about the amount of federal receipts. Mr. Campbell clarified that the amount is \$3,450,000.

AT-EASE: [10:04:00 AM](#)

RECONVENE: [10:06:16 AM](#)

Mr. Campbell noted a handout with more information regarding these projects entitled "AHFC Budget Summary" (copy on file.)

Project #6342
AHFC Housing and Urban Development Capital Fund Program
\$3,200,000 Federal Receipts

Mr. Campbell summarized that the purpose of the program is to renovate and modernize the public housing rental units statewide.

Project #6348
AHFC Federal and Other Competitive Grants
\$1,500,000 AHFC Division
\$3,000,000 Federal Receipts

Mr. Campbell related that the request is to allow AHFC to apply for HUD, other federal agency, and private foundation grants that target the housing needs and supportive services of low-income and special needs groups such as: senior citizens, the mentally, physically, or developmentally disabled, or the homeless. AHFC will also apply for energy-related grants as they relate to housing. When required, AHFC will provide the needed matching funds. Some of the funds received will be passed through to local non-profit sub-grantee organizations that deliver housing and/or services.

Project #6350
AHFC Competitive Grants for Public Housing
\$250,000 AHFC Division
\$750,000 Federal Receipts

Mr. Campbell explained that this request is similar to the last request, but is directly related to public housing. The purpose of the program is to allow AHFC to apply for HUD and other grants that target housing needs for low-income or special needs groups.

[10:09:32 AM](#)

Project #6351
AHFC Energy Efficiency Monitoring Research
\$1,000,000 AHFC Division

Mr. Campbell said that the project would use AHFC funds for a designated grant to Cold Climate Housing Research Center to conduct housing construction research, analysis, and information dissemination among the housing industry and the public. Data gathering and analysis is being continually related to energy efficiency technology for homes constructed in northern building and market conditions.

Project #32526
AHFC State Energy Program Special Projects
\$30,000 AHFC Division
\$150,000 Federal Receipts

Mr. Campbell related that the program utilizes Federal Department of Energy and Corporate match funds for State Energy Program special projects such as building technologies, Codes and Standards, Wind and Power technologies, renewable energy for remote areas, or transportation technologies.

Project #40068
AHFC Statewide Project Improvements
\$2,500,000 AHFC Division

Mr. Campbell reported that the purpose of the project is to provide funding to address known and unknown conditions in AHFC's housing stock, the rental units. It utilizes AHFC funds to provide repairs, deferred maintenance, and improvements to AHFC-owned properties throughout the state. This project will allow AHFC to keep pace with the deterioration of existing components of rental properties such as roofs, sidewalks, and common areas. It will enhance operations, and allow quick response to ordinance and code changes. The primary function of this fund is to address those major or extraordinary work items identified annually through the Physical Needs Assessments by the public housing maintenance staff and Asset Supervisors.

[10:11:49 AM](#)

Project #41531
Denali Commission Project
\$7,000,000 Federal Receipts

Mr. Campbell noted this item is funded by federal receipts.

Project #43076
AHFC Loussac Manor Renovation and Replacement Phase
\$2,336,000 AHFC Division

Mr. Campbell explained the request for funds for a project which would begin the second phase of renovation to replace all structures in the Loussac Manor. The funds would be used to replace the housing, following approval last year to replace the underground utilities and infrastructure for the entire complex. Following the completion of a professional site assessment that included cost estimates to renovate or replace the existing structures, it has been determined that it is not economically feasible to renovate the structures.

This funding request would replace all structures under a phased plan that would use existing foundations.

Co-Chair Stedman asked about the phase plan. Mr. Campbell replied that about the same amount of money is used each year for four years to replace all 62 units. Co-Chair Stedman asked how old the units were. Mr. Campbell said they were built in 1965. There are 21 multi-family residential buildings. Mr. Fauske added that there has been discussion of expansion in order to maximize the use of the property.

Senator Thomas asked how many apartments there were. Mr. Campbell said 62 units.

[10:16:20 AM](#)

Project #43079

AHFC Prison Expansion and Renovation

\$1,000,000 Statutory Designated Program Receipts

Mr. Campbell reported that these Statutory Designated funds are for a statewide correction facility/prisoner housing project. Following identification of a building site and evaluation of costs to provide the necessary infrastructure and utilities to the proposed Mat-SU Prison site, it was determined that the construction budget allowed under SB 65 was not sufficient to absorb additional costs. The Department of Corrections has revised their approach and identified a strategy to expand existing facilities at various locations around the state and reduce the size of the proposed facility. AHFC is currently assisting Corrections with the initial planning for the new strategy through a limited RSA and anticipates the need for additional spending authority in the next fiscal year to continue to provide planning and construction management services to the Department of Corrections.

Co-Chair Stedman asked for more information on the regional site expansions.

BRYAN BUTCHER, LEGISLATIVE LIAISON, ALASKA HOUSING FINANCE CORPORATION, explained that the project is on hold at this point. The funds are being requested in case they are needed. Co-Chair Hoffman asked if there has been a request by the Department of Corrections regarding other potential jails in Kodiak, Fairbanks, or Bethel. He thought the Department of Corrections was having financial difficulties due to higher construction costs. Mr. Fauske noted there had been several conversations. He said he did not have a lot of information, but AHFC is offering technical expertise.

Senator Elton asked if the RSA was from the MatSu Borough to AHFC. Mr. Fauske answered that the RSA is between the Department of Corrections and AHFC. Senator Elton asked if AHFC has ever done work like this for other state agencies before. Mr. Fauske shared past projects AHFC has been involved with: dorms for Alaska Vocational Technical Center, a project in Seward, purchase of the Atwood Building. He explained AHFC's role in this project. AHFC was not the issuer of the debt, but would assist the MatSu Borough in issuing the debt, by offering technical advice.

Senator Elton asked why this is an AHFC capital request, rather than from the Department of Corrections. Mr. Campbell replied that it is related to whatever happens with the department; however, it allows AHFC to receive the funds if the project progresses.

[10:22:16 AM](#)

Senator Huggins recalled that last year many of these projects were vetoed. He wondered about the timing of this request because of inflation. Mr. Campbell agreed that there was money in last year's budget. He explained that this year \$2 million would not be enough to complete the project. Senator Huggins voiced concern.

Senator Elton agreed with Senator Huggins regarding a request to receive funds from an agency that is not requesting the funds. Mr. Fauske pointed out that AHFC is being proactive. He clarified that this is a place holder.

[10:24:43 AM](#)

Senator Thomas wondered about saving money in the design cost by using existing prison design plans. Mr. Fauske replied that there were previous discussions on that matter. Mr. Butcher explained that the \$30 million from last year was vetoed to \$2 million.

Project #45385
AHFC Chugach View Siding & Window Replacement
\$2,500,000 Federal Receipts

Mr. Campbell stated that this request is funded by federal receipts. It is for following up on renovation work completed several years ago on a 120-unit senior facility.

Co-Chair Stedman asked what kind of windows would be used. Mr. Campbell thought they would energy efficiency windows. Mr. Fauske offered to provide that information.

[10:29:21 AM](#)

Project #45386

AHFC Etolin Heights Roofing Replacement
\$500,000 AHFC Division

Mr. Campbell explained that the project would replace the existing metal roof on the Market Housing side of Etolin Heights family housing complex in Wrangell, Alaska. The roofing was originally installed in 1981 and continues to leak. Complete replacement is necessary.

Project #45387
AHFC Etolin Heights Mechanical Replacement
\$450,000 AHFC Division

Mr. Campbell said that the request would use funds to upgrade heating systems at the Wrangell family housing properties. This project would facilitate the conversion of the existing oil-fired boiler systems at both the Corporate-owned Market family housing and Low Rent family housing to a cost effective heating system powered by the local hydroelectric grid, which is less expensive to operate and maintain than the current fuel oil heating systems.

[10:32:05 AM](#)

Project #45388
Etolin Heights Mechanical Replacement
\$500,000 AHFC Division

Mr. Campbell addressed the request for AHFC Statewide Energy Improvements. He reported that the funds would address specific recommendations suggested in the required energy audits performed throughout the state. The audits identify specific improvements that can be made to the housing to reduce energy consumption.

Senator Thomas asked if the mechanical replacement was a replacement of the boiler with an electric unit that heats water or a replacement of the entire system. Mr. Campbell explained that it would do away with the oil-fired burner and be replaced with electrical units, which are cheaper. Senator Thomas questioned replacing the entire distribution. He suggested heating and circulating water. Mr. Campbell referred to EEC recommendations.

[10:34:30 AM](#)

Project #45389
AHFC Statewide ADA Improvements
\$500,000 AHFC Division

Mr. Campbell explained that the funding is to address specific recommendations suggested in the required energy audits performed throughout the state. Projected outcomes

are to begin to address recommendations suggested in the audit, maintain federal funding by complying with HUD, increase comfort of tenants, and increase unit rentability.

Project #45384
AHFC Bethel Community Room and Shop
\$2,000,000 AHFC Division

Mr. Campbell related that the funds would be used for a new community room in Bethel. The project combines the need to replace the existing office/shop and provide a community space for the 117 units of family housing at Bethel Heights in Bethel. An existing design that has been previously constructed for AHFC properties in Kodiak, Sitka, and Juneau will be used that includes a shop area, community room, and supporting offices.

Co-Chair Stedman asked for a definition of the shop area. Mr. Campbell explained that it is where maintenance would store tools and inventory.

Senator Thomas thought in rural areas it would be common to have the maintenance shop located in the facility. Mr. Campbell agreed that they are usually located within the grounds of the project.

[10:37:23 AM](#)

Project #6359
AHFC Homeless Assistance Program
\$1,000,000 AHFC Division
\$500,000 General Funds/Mental Health
\$500,000 Mental Health Trust Funds

Mr. Campbell explained that the funds are for grants to local communities/agencies to help develop programs to prevent homelessness by providing assistance to families in imminent danger of becoming homeless or those who are currently homeless. Corporate funds will be matched by Mental Health Trust Authority funds and be administered by AHFC.

Project #6360
AHFC Beneficiary and Special Needs Housing
\$1,750,000 AHFC Division

Mr. Campbell related that the program would provide funds for Alaskan nonprofit service providers and housing developers to increase housing opportunities to Alaska Mental Health Trust beneficiaries and other special needs populations throughout Alaska. The program has developed 118 units since FY 2000. In FY 2008, 18 units were funded for persons with severe mental illness and development disabilities.

Mr. Campbell shared the projected outcomes: add 16 congregate housing units for people with mental illness or developmental disabilities, reduce recidivism amongst clients in institutions, provide supportive housing for people who qualify, and provide transitional housing for newly recovering alcoholics and addicts.

Project #43318
AHFC Emergency Assistance Grants for Mental Health Trust Beneficiaries
\$200,000 Mental Health Trust Funds

Mr. Campbell said that these are funds for grants to support beneficiaries of the Alaska Mental Health Trust Authority to prevent loss of housing that might occur due to unforeseen events such as institutionalization.

Project #45390
Housing Trust
\$2,500,000 MHTAAR
\$2,500,000 General Fund/MH
\$2,500,000 SD
\$2,500,000 Corporate Receipts

Mr. Campbell reported that the request is to create a trust that would address two main issues in Alaska: preventing homelessness and creating affordable housing for low-moderate income renters and homeowners. Funds would be used to assist projects that provide housing for the homeless, to prevent homelessness, and to create long-term affordable housing. Eligible projects would include new construction, rehabilitation, rental assistance and homeless services.

Mr. Campbell reported that the outcomes would be a reduction in the number of homeless persons that interact with the social service system, a reduction in the public cost of emergency and institutional services that treat the homeless, an expansion of the community based mental health system, and a strong evaluation component.

Co-Chair Stedman asked if the last item was the lowest priority. Mr. Campbell reported that all programs have equal priority. Co-Chair Stedman requested a prioritized list. Mr. Fauske agreed to do that.

AT-EASE: [10:44:03 AM](#)

RECONVENED: [10:53:41 AM](#)

DEPARTMENT OF EDUCATION

MARK LEWIS, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, explained the department's allocations.

Project #45623
Mt. Edgecumbe High School Deferred Maintenance
\$1,914,000 ASLC Bonds

Mr. Lewis reported that the request was originally funded through Alaska Student Loan Corporation bonds, but it has been switched to the Alaska Capital Investment funds or miscellaneous earnings. He shared the history of updating the 6-year Capital Improvement Plan (CIP) master plan for Mt. Edgecumbe. He described the items mentioned in the facility audit.

Co-Chair Stedman noted appreciation for the Department of Education's project ranking lists. He requested an explanation of the rankings of the projects before the committee. Mr. Lewis described how the department ranks its requests.

[10:58:12 AM](#)

Co-Chair Hoffman asked what the current status of the Kasayulie Case.

EDDY JEANS, DIRECTOR, EDUCATION SUPPORT SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, replied that in the Kasayulie Case, the judge issued a decision, but there was additional work to be done on the trust fund that is still pending. The department continues to follow the CIP process where districts submit applications. The applications are prioritized on the major maintenance and school construction lists and those are presented to the legislature. Co-Chair Hoffman pointed out that no school that would have addressed the Kasayulie Case has been submitted by the Administration. He questioned if there was a need to address those schools at this time. Mr. Jeans replied that since the decision was issued for the Kasayulie Case, the legislature has funded numerous projects statewide, throughout rural Alaska, through various funding mechanisms. The department continues to follow the process that was established in 1994. Co-Chair Hoffman wondered why the department is not coming forth with more construction projects.

Co-Chair Stedman reported on the list of ranked items. MatSu High School is listed as number one, with Anchorage East high at number 21. In between, the rankings from 2-20 vary, from Lower Yukon and Lower Kuskokwim, to Hyder. He asked how the department interacts with the group that compiles the prioritized list. Mr. Lewis explained that the department creates the priority lists and submits both lists to the Office of Management and Budget (OMB). They then

request \$100 million a year to address the facility needs around the state. The department works with OMB to determine how \$100 million will be allocated between the two lists. Co-Chair Stedman said \$100 million total. Mr. Jeans reported that \$100 million has been the department's standing request for at least the last ten years.

Co-Chair Hoffman asked how many years it would take to go through the current major maintenance and construction priority lists. Mr. Jeans replied about ten years.

Co-Chair Stedman commented that \$350 million three years ago took out the entire major maintenance list. He noted that there is currently a similarly-sized list as three years ago.

[11:04:04 AM](#)

Mr. Jeans requested that the committee go by the November 5 CIP list due to several recent changes. Co-Chair Stedman asked if both the major maintenance and new construction lists from November 5 should be considered. Mr. Jeans said the only changes were on the major maintenance list.

RECESSED: [11:06:23 AM](#)

RECONVENED: [2:47:06 PM](#)

UNIVERSITY

Co-Chair Stedman asked that the university begin with priorities and rank their requests.

PAT PITNEY, UNIVERSITY OF ALASKA, BUDGET AND PLANNING, addressed priorities.

Project #45326
Maintaining Existing Facilities and Equipment Renewal and Renovation (R & R) Annual Requirement
\$40,000,000 AK Cap Inc
\$1,000,000 Univ Rcpt

Ms. Pitney related that major renewal and renovation (R & R) is the first priority, a \$50 million annual need. The second priority is the UAF BIOS Facility, and the third priority is the UAA Health Sciences Building. After that the priority is backlog on R & R. She noted the Governor's budget allots \$40 million for major R & R.

Co-Chair Stedman clarified that those are requests for consideration by the Senate Finance Committee. She agreed they were in the Governor's original budget, not the current CS.

Project #45648
Statewide Annual Capital Renewal and Renovation Requirement
\$500,000 AK Cap Inc
\$1,000,000 Univ Rcpt

Ms. Pitney elaborated upon the allocation for statewide annual R & R for data center upgrades.

Ms. Pitney expressed several general statements about the University's Major R & R. It has been the Board's top capital priority over the last ten years. The request is split between \$50 million and \$70 million. \$50 million is the annual capital need for major projects. The Board requires every campus dedicate a minimum of 1.5 percent of the facility value to its maintenance funding. She explained the difference between major R & R and daily maintenance.

She reported that the university has dedicated funds to maintain facilities, but due to the aging of the facilities major R & R is needed. She went on to say that there is a backlog of \$700 million in major R & R. She explained that the request represents long-term planning for facilities.

Co-Chair Stedman requested more information about Project # 45648. Ms. Pitney said the funds were to upgrade the Butrovich Data Center Office of Information Technology. The \$1 million receipt authority is a shared renovation project with The Arctic Region Super Computer.

Project #45644
UA-Fairbanks and Tanana Valley Campus Annual Capital Renewal and Renovation Requirement
\$19,587,419

She explained that the allocation of the \$50 million is based on space and age of facility. She acknowledged that there are more requests than the total appropriation can accommodate. She provided examples. In Fairbanks there are four projects that would be addressed because not all projects on the list can be renovated this year.

Co-Chair Hoffman asked how much the various phases for the Arctic Health Research Building cost.

MARK WOHLFORD, SENIOR PROJECT MANAGER, UNIVERSITY OF ALASKA, FAIRBANKS (UAF), responded that the first phase cost \$5.7 million, phase 3 is about \$7-\$8 million, and phase 4 will be approximately \$25-\$30 million. Co-Chair Hoffman requested information about the timeframe for phases 3 and 4. Mr. Wohlford replied that phase 3 is scheduled for FY 2011 and phase 4 is scheduled for FY 2013.

Co-Chair Hoffman summarized that the project totals in excess of \$70 million in repairs. Mr. Wohlford agreed.

Senator Elton wanted to know how management decisions are made with regards to which fisheries research projects occur in the UAF building and which ones occur in the new Juneau Fisheries Lab next to the NOAA Lab. Ms. Pitney offered to get back to the Committee with that information.

Ms. Pitney explained the phases of the renovation of the old Fairbanks Courthouse for UAF. Co-Chair Hoffman asked where the explanation was located in the University of Alaska Fiscal Year 2009 Operating & Capital Budget Request book - "Redbook". Ms. Pitney said it was on pages 34 and 40.

Co-Chair Hoffman asked if the projects were listed in order of priority. Ms. Pitney said the list was prioritized on page 34.

Co-Chair Hoffman asked how much were phases 1 and 3 in the Barnette Exterior Renovation. Mr. Wohlford replied that the first phase cost \$4 million and is being used now. Phase 3 is scheduled for FY 2011 for \$14 million. Co-Chair Hoffman summarized a total of a little over \$36 million.

Co-Chair Stedman ask how prioritization is done between different areas. Ms. Pitney said priorities are based on several factors, one being whether or not a full project is ready to go. Each campus has several urgent projects. She reiterated that the \$40 million does not cover beyond the first few priorities of any campus.

Co-Chair Hoffman asked what the appropriation for the Kuskokwim campus was last year. Ms. Pitney said it was for \$4 million. Co-Chair Hoffman asked if the Kuskokwim project was funded last year. Ms. Pitney itemized what had been funded for Kuskokwim. She listed the prioritized appropriations.

[3:08:28 PM](#)

Project #45645
UAF-Community Campuses Annual Capital Renewal and Renovation Requirement
\$677,403 AK Cap Inc

Ms. Pitney reported on the funding that would be directed toward critical deferred renewal at the Northwest Campus.

Co-Chair Hoffman asked how far down the list this appropriation goes. Ms. Pitney responded that it goes a quarter of the way into the first project. Co-Chair Hoffman asked if other projects are partially funded. Ms. Pitney said that they are this year, but they were not last year.

Co-Chair Hoffman asked why community campuses are not high on the list. Ms. Pitney reiterated that the priorities are based on space and age of facility. She explained how full projects are executed.

Co-Chair Hoffman inquired, of the \$100 million being requested, if the \$677,000 is for rural community campuses. Ms. Pitney clarified that the amount is \$677,000 under a \$40 million scenario and only the top one or two priorities are addressed. She noted that the list on page 34 equals a total of \$700 million over several years.

Project #45646

UA-Juneau Annual Capital Renewal and Renovation Requirement
\$10,200,000 AK Cap Inc

Ms. Pitney explained that this project has been on the R & R list for 10 years. The use of the facility is changing from the school of fisheries research facility to the primary science building for UAS.

Senator Elton noted that if this issue had been addressed sooner, it would have cost less. He referenced project item #45326 and quoted, "allows appropriate flexibility to adjust the scope of work" and "with FY 09 funding and complete the projects with future year funding." He thought the language imprecise and would allow the projects too easily to be phased in. He requested some assurance that the Anderson facility would be completed.

Ms. Pitney said it is the intention to move the Anderson project to completion. Ms. Pitney explained that the language was needed to provide some flexibility in the four Fairbanks priorities. Senator Elton clarified that the wording "adjust the scope of work" is not referring to the Anderson Building. Ms. Pitney agreed.

JOHN PUGH, CHANCELLOR, UNIVERSITY OF ALASKA, SOUTHEAST, supplied specifics of the dialog around the Anderson building and its completion, as it has been on the books for some time.

Co-Chair Stedman asked if the allocation would be the same if the appropriation were \$70 million. Ms. Pitney related that the allocations would be based on the square footage of the buildings. The distribution would follow the established criteria, as shown on page 30 of the Redbook.

[3:16:29 PM](#)

Project #45647

UAS-Community Campuses Annual Capital Renewal and Renovation Requirement
\$356,392 AK Cap Inc

Co-Chair Stedman noted that Ketchikan and Sitka have a total of \$5.7 million in projects. He asked how long the wait would be to fund these smaller projects. Ms. Pitney noted that the Ketchikan facility has been almost completely refurbished.

Mr. Pugh pointed out that the Sitka project comes under the \$70 million scenario and would be fully funded. The Paul Building is part of the \$50 million scenario.

[3:19:17 PM](#)

Project #45642
UAS-Anchorage Annual Capital Renewal and Renovation Requirement
\$7,255,548 AK Cap Inc

Ms. Pitney listed the Anchorage priorities: UAA Campus Roof Replacement, UAA Fire Alarm Panel Upgrade, UAA Gas Extraction System at Merrill Field, and UAA Campus Heating, Ventilation, and Air Conditioning (HVAC) Upgrades. These represent the top 4 priorities of the 20 listed on page 33 of the Redbook.

Senator Thomas asked if the same criteria are used as they have been in the past. Ms. Pitney confirmed; the added criterion is program usefulness. She added that if it is a safety issue it needs to be fixed or shut down.

[3:23:45 PM](#)

Project #45643
UAA-Community Campuses Annual Capital Renewal and Renovation Requirement
\$1,423,238 AK Cap Inc

Ms. Pitney explained the two-part request: fire system upgrades and cable plant renewal. She added that there would be further requests if it is funded at \$70 million.

Co-Chair Stedman asked about technology issues, specifically the acquisition of fiber optics. He wondered if there is a need for funds for that purpose. Mr. Pugh said for Southeast campuses, the cable systems are fine and ready to be hooked up to the new system. He noted that 30 percent of students at Sitka and Ketchikan are enrolled in distance education.

Ms. Pitney reported on future scenarios relating to funding R & R. She emphasized adequate and consistent R & R funding.

[3:28:53 PM](#)

Project #43218
Planning, Design, and Capital Projects Receipt Authority
\$20,000,000 University Receipts

Ms. Pitney outlined the use of the Planning, Design, and Capital projects receipt authority and provided examples. She described past projects.

Co-Chair Stedman requested clarification about the potential receipt authority needed from FY 2009 to FY 2014, instead of from FY 2009 to FY 2010. Ms. Pitney explained that it was established on a 6-year horizon. There are no particular projects in mind; however, the idea is to make the request for the authority, so when small projects come up they can be funded.

Co-Chair Stedman asked if the number was cut in half, would the University be able to add funds later. Ms. Pitney explained that there is no revenue in hand requiring the authority; it was a matter of timing.

[3:32:40 PM](#)

Project #45339
UAA Small Business Development Center
\$550,000 General Funds

Ms. Pitney related that this request has always been in the capital budget. There is a move in the House to move it to the operating budget. The University has no preference, but thought it was more appropriate in the operating budget.

Co-Chair Stedman asked why this item was not at the top of the priority list. Ms. Pitney explained that this request is a traditional capital appropriation, a "must".

Co-Chair Stedman suggested that it be listed as a top priority.

[3:34:06 PM](#)

Project #43209
UAA Student Housing - Phase 2
\$7,900,000 University Receipts

Ms. Pitney explained that additional funding would be needed to complete this project. The housing fees cover the bond payments on housing structure and cannot fund the full

amount that would be required. She noted that the request is listed under additional capital needs.

Co-Chair Stedman asked for comments on the challenge of deciding which requests to fund if there are limited funds.

Ms. Pitney shared that the Board of Regents' priorities are clear: maintaining existing facilities is the number one priority. She informed the Committee of the financial benefits leveraged by research, which is dependent on space. She explained the current ratio of space to research. The University is maxed out on space, so a financial investment in new facilities is needed in order to increase research.

Co-Chair Stedman asked for an explanation of bonding for some of the larger requests. Ms. Pitney replied that General Obligation bonds are an acceptable way to finance new facilities. Revenue bonds and the use of operating sources are not doable.

[3:39:00 PM](#)

Co-Chair Hoffman asked about the source of funding for student housing listed in the Redbook on page 45. Ms. Pitney replied that the \$9.720 million is not included in a budget, therefore even if the receipt authority of \$7.9 million is received, the project could not go forward.

Project #45331

UAF Alaska Regional Research Vessel Additional Receipt Authority
\$45,000,000 Federal Receipts

Ms. Pitney said this is fully funded with federal dollars. The request is the remainder of the federal receipt authority to cover the construction of the research vessel. It is a National Science Foundation project and the School of Fisheries is the lead contract.

Co-Chair Stedman asked where the ship is located and where and when funds would be requested.

[3:41:38 PM](#)

Ms. Pitney explained that the construction of the ship is in the design phase. Once it goes to bid, it is three years to operation. It would be docked at the Seward facility where the School of Fisheries has a research facility. She noted that the University operates and maintains the ship; however, the ship contracts out for use by the scientific community nationwide. Operating costs would be externally funded.

Co-Chair Stedman asked why the ship would not be located in Juneau.

Mr. Pugh said he was not clear why the decision was made for the ship to be located in Seward, except that perhaps the ship would often go out to the Bering Sea. Seward is closer than Juneau to the Bering Sea.

[3:45:14 PM](#)

Senator Olson asked how far out the agreement with the National Science Foundation goes. Ms. Pitney said those details could be provided at a later date. She added that the lifespan of the ship was the duration of the last agreement.

Senator Elton asked if the cost of the dock facilities could be done through bonding. Ms. Pitney explained that she did not think that possible due to set operating costs. She offered to look further into that.

Co-Chair Stedman suggested that some docks are dormant in the winter, so the ship could be docked elsewhere.

[3:47:53 PM](#)

Senator Elton asked how much is being spent on charter vessels. Ms. Pitney said the expenses would be associated with research grants and are generally built into the grant.

Senator Dyson assumed there were federal rules prohibiting the use of surplus moorage. Ms. Pitney informed the Committee that she could provide further information.

[3:50:14 PM](#)

Ms. Pitney referred to a list of BOR Priority Capital Needs on page 29 of the Redbook. The Anchorage Health Sciences Building, which hadn't been previously mentioned, is one of the top priorities.

Co-Chair Hoffman commented that campuses other than Anchorage, Fairbanks, and Juneau are doing well in the capital budget; however, rural campuses are being ignored.

AT EASE: [3:51:46 PM](#)

RECONVENED: [4:10:51 PM](#)

DEPARTMENT OF PUBLIC SAFETY

[4:11:32 PM](#)

DAN SPENCER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF PUBLIC SAFETY, addressed the project request list. He noted a revised priority list dated 3/13 (copy on file.)

Project #40007
Anchorage Aircraft Hangar Replacement
\$3,000,000 General Funds

JOHN GLASS, DEPUTY COMMISSIONER, DEPARTMENT OF PUBLIC SAFETY, explained the history of the Anchorage Aircraft Hangar. In the past several years, OSHA has failed numerous areas of the hanger and the storage facility was condemned. He added that recently the city of Anchorage notified the department that the two office buildings are in violation of municipal code and have been given a one-year period of grace. The request is for a new hanger on the present building space.

[4:15:27 PM](#)

Mr. Spencer explained the details of the repairs needed.

Project #6121
Aircraft Vessel Repair and Maintenance
\$1,000,000 General Fund

Mr. Spencer said that this is an annual request. He noted that backup was provided to the members and some circumstances have changed since the organizing of requests.

Project #37774
AST Law Enforcement Equipment Replacement
\$500,000 General Funds

Mr. Spencer outlined the specifics of the equipment used by the Alaska State Troopers.

Project #41788
Facilities Deferred Maintenance, Repairs, and Improvements
\$1,715,000

Mr. Spencer noted a variety of allocations. The first two refer to the aircraft hanger project #6121. Until the new hanger is built, the old one must be maintained. The design cost of the new Lake Hood Aircraft hanger is listed separately. The design and construction costs could be combined.

[4:19:28 PM](#)

Senator Olson asked where the new hangar would be. Mr. Spencer said the intent is to use existing land. Senator Olson asked if there is space for it there. Mr. Glass

responded with details regarding the building of the new hangar.

Senator Olson asked if the master plan for the Anchorage airport has approved the project. Mr. Glass said they had not talked to the airport directly. He noted that the property belongs to DPS. Senator Olson related that there are height restrictions. He wanted to know about long-term plans for building future hangers. Mr. Glass reported that due to the numbers of planes on floats, there is a need for hanger space at Lake Hood.

[4:21:43 PM](#)

Mr. Spencer turned to the allocation for Crime Lab facility repair and improvements including security system upgrade and fuel storage tank replacement.

Mr. Spencer reported that the Bethel office repair and renovation would include wiring, insulation, energy efficient windows, and related refurbishment and a security system at the Trooper Post.

Mr. Spencer described the Dillingham office foundation repair and renovation, underground storage tank removal.

Mr. Spencer addressed the Fairbanks state trooper post repair/renovation including HVAC, water heater replacement, ceiling and light replacement, and evidence cold-storage construction.

Mr. Spencer explained the Ketchikan trooper office deferred maintenance including roof replacement, waterline repair/replacement. The facility was acquired three years ago and the roof has always been problematic.

[4:23:36 PM](#)

Mr. Spencer reported on the allocation for \$383,958 for the rural trooper office and housing repairs. He explained that maintaining facilities in rural areas is costly. Money would be reallocated as necessary.

Mr. Spencer related that the next allocation was for the Sitka training academy repair/renovation including heating control upgrades.

Mr. Spencer explained that the last allocation is for the Soldotna state trooper post facility deferred maintenance/repair/renovation/improvements including fire alarm and lighting upgrades and impound lot construction.

Project #AMD45300
AWT Law Enforcement Equipment Replacement

\$475,000 General Funds

Mr. Spencer described the allocation as an equipment request in order to "keep doing our jobs." He noted that the allocation could change during the course of the year.

Project #AMD45337
AST Mobile Data Computers
\$480,000 General Funds

Mr. Spencer noted the companion projects. The intent is to establish a data system and get away from the paper-based reporting system.

Senator Dyson mentioned a spin-off of the data system which could identify whether there is a parolee or foster child at a residence. Mr. Spencer deferred to Mr. Holloway who concurred.

[4:28:06 PM](#)

Co-Chair Hoffman asked if this appropriation includes training on the new system. Mr. Spencer said no.

AUDIE HOLLOWAY, COLONEL, DIRECTOR, DIVISION OF ALASKA STATE TROOPERS, DEPARTMENT OF PUBLIC SAFETY, said that training can be accommodated with present funds. Co-Chair Hoffman asked if the funds requested would cover all trooper vehicles.

Mr. Holloway said that it would accommodate most vehicles. Co-Chair Hoffman asked if it would be more than 80 percent. He also wanted to know which areas of the state would have these computers installed. Mr. Holloway clarified that they would be statewide.

Senator Olson asked if the troopers in Emmonek would have the computer in their vehicles. Mr. Holloway said they would. Mr. Holloway explained all the services the computer can provide.

[4:30:57 PM](#)

Senator Olson asked if other law enforcement agencies are using this type of system. Mr. Holloway reported that almost all other law enforcement agencies are using this system.

Project #42920
Fire Training Engine for Southeast Regional Training Center
\$350,000 General Funds

Mr. Spencer explained that in FY 06 a training engine in Fairbanks was funded. It is essential for firemen to have

training equipment to work on that is new. This training engine would be located in Southeast Alaska.

Senator Olson asked if the fire engine would be also used for fighting fires. Mr. Spencer said it is only for training.

Project #45325
Crime Laboratory Equipment Replacement
\$100,000 General Funds

Mr. Spencer said the project would replace aging and outdated equipment. He explained how equipment replacement works.

Project #45304
AST Communication Equipment
\$500,000 General Funds

Mr. Spencer reported that the allocation would allow the department to buy additional portable vehicle mounted, vessel mounted, and aircraft mounted radios, and transition to Alaska Land Mobile Radios (ALMR).

[4:33:50 PM](#)

Senator Elton clarified that this equipment replacement is phase 1. He asked what the expected costs for the other phases would be. Mr. Spencer said there will be additional costs, but they are not known.

Senator Huggins said there is some skepticism regarding how much ALMR will cost. He noted concern with this.

Mr. Spencer understood the concern. The fact is that there is uncertainty regarding costs. Senator Huggins understood there are hardware costs and user costs. Mr. Spencer agreed. He listed the governance concerns.

Senator Huggins asked if there are multiple vendors for the equipment. Mr. Spencer said there are.

[4:39:00 PM](#)

Senator Elton noted that the rationale states "these funds would also support efforts to carry ALMR into areas where it is not currently available to troopers." He assumed that does not include paying for costs for the ground infrastructure. He wondered if it is attempt to expand the area covered by ALMR.

[4:40:55 PM](#)

Mr. Spencer said he would get back to the Committee with that information. He noted communication issues even outside the major grid. Senator Elton concluded that the funds would not be used for transmitters or for expanding the geographical area in which ALMR is available. Mr. Spencer concurred.

Project #45524
Facilities Engineering Assessments, Repair, and Improvements
\$350,000 General Funds

Mr. Spencer said there needs to be a comprehensive look at all facilities and a long-range plan developed. It has been 15 years since that was done.

Project #45319
Fairbanks Regional Fire Training Center Burn Building
\$395,000 General Funds

Mr. Spencer reported that they would like to build a new two-story fire building for training.

Co-Chair Stedman asked how many fire training burn buildings there are in the state.

DAVE TYLER, DIRECTOR, STATE FIRE MARSHALL, DIVISION OF FIRE PREVENTION, DEPARTMENT OF PUBLIC SAFETY, said there is one in Juneau that is state funded and this one is being requested in Fairbanks. Mr. Spencer clarified that there is an existing training center in Fairbanks.

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

Mr. Spencer reported that this has been included in the capital budget, but may belong in the operating budget. Some of the funding will cross state fiscal years. It has been used as a capital project.

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

Mr. Spencer reported that this is federal funds and includes training for village police officers and tribal police officers.

The meeting was ADJOURNED at 4:46 PM.