

HOUSE FINANCE COMMITTEE
February 10, 2010
1:38 p.m.

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CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 1:38 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Vice-Chair
Representative Allan Austerman
Representative Mike Doogan
Representative Anna Fairclough
Representative Les Gara
Representative Mike Kelly
Representative Woodie Salmon

MEMBERS ABSENT

Representative Mike Hawker, Co-Chair
Representative Neal Foster
Representative Reggie Joule

ALSO PRESENT

James Armstrong, Staff, Co-Chair Stoltze; Karen Rehfeld, Director, Office of Management and Budget, Office of the Governor; Eric Swanson, Director, Division of Administrative Services, Department of Administration; Jo Ellen Hanrahan, Division Director, Department of Commerce & Economic Development; Ana Kim, Director, Administrative Services, Department of Education and Early Development; Kristin Ryan, Director, Division of Environmental Health, Department of Environmental Conservation; Tom Lawson, Director, Administrative Services, Department of Fish and Game; Alison Elgee, Assistant Commissioner, Finance and Management Services, Department of Health and Social Services; Jennifer Klein, Facilities Manager, Department of Health & Social Services; Guy Bell, Assistant Commissioner and Director, Division of Administrative Services, Department of Labor and Workforce Development; Leta Simons, Director, Division of Support Services, Department of Natural Resources; Michelle Rizk, Budget Director, University of Alaska Fairbanks

PRESENT VIA TELECONFERENCE

James King, Director of Parks and Recreation

SUMMARY

HB 326 SUPPLEMENTAL/CAPITAL/OTHER APPROPRIATIONS

HB 326 was HEARD and HELD in Committee for further consideration.

HB 325 APPROP: DEFERRED MAINTENANCE/REPLACEMENT

HB 325 was HEARD and HELD in Committee for further consideration.

Office of Management and Budget Overviews:
Operating Appropriations
Capital and Deferred Maintenance Appropriations

[1:38:42 PM](#)

#hb326

#hb225

HOUSE BILL 326

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

HOUSE BILL 325

"An Act making capital appropriations for deferred maintenance projects, equipment replacement, and emergency repairs; and providing for an effective date."

OFFICE OF MANAGEMENT AND BUDGET OVERVIEWS

[1:39:25 PM](#)

JAMES ARMSTRONG, STAFF, CO-CHAIR STOLTZE, pointed to a prepared handout that lists side by side the Deferred Maintenance Capital Requests and the Regular Supplemental Capital Request (copy on file). He indicated that the handout would make it easier to see the requests as each department presents their requests. He pointed out the backup in the binder and noted that Section 3 is the Capital Budgets for the Regular Supplemental and on the spreadsheets, starting on Page 11, Section 57. He added that the last section in the binder is the Deferred Maintenance Requests (FY10, HB 225 & HB 226 Governor's Supplemental & Deferred Maintenance Budgets, Book 1, copy on file).

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, appreciated dealing with both bills

today. She remarked that the deferred maintenance bill is a straight forward bill with the governor proposing \$100 million to allocate across all departments listed on a 2-page spreadsheet. She explained that the agencies will explain where they are listed on the spreadsheet and describe their projects then take questions from the committee.

Mr. Armstrong stated that the bold listings on the spreadsheet are the Appropriations and listed below are the Allocation Requests.

[1:43:38 PM](#) AT EASE

[1:47:03 PM](#) RECONVENED

Mr. Armstrong clarified that the last Section in the binder is deferred maintenance where most of the day would probably be spent. He noted that in Section 3 there are four other requests from three different agencies.

ERIC SWANSON, DIRECTOR, DIVISION OF SERVICES, DEPARTMENT OF ADMINISTRATION, ADMINISTRATIVE stated a request on Line 2 of the Spreadsheet with \$4,250,000 for deferred maintenance of facilities in the public building fund. These facilities are managed by the Department of Administration and are projects that can be moved on quickly to address certain deferred maintenance needs. He added that all the facilities are in Juneau.

Representative Austerman asked if all the buildings in Juneau were government buildings. Mr. Swanson responded that was correct.

[1:49:38 PM](#)

Representative Gara asked how the working document prepared by Representative Stoltze's office showing two deferred maintenance requests related to the spreadsheet with multiple requests. Mr. Swanson replied that the two requests correspond to the lines in the bill. The longer lists are the detailed list of the facilities in need. Ms. Rehfeld explained there are two projects for the Department of Administration in the bill that are broken down into Facilities Deferred Maintenance and the Telecommunication System deferred maintenance.

Representative Austerman noted that on Page 5 of the deferred maintenance section there is a listing of nineteen projects in Juneau.

Mr. Swanson reported that the request for the \$4,250,000 is for 7 projects recently identified. Representative Austerman noted they do not match up with his information. Ms. Rehfeld

explained that Mr. Swanson was referring to specific items for the first allocation of money. Mr. Swanson noted that page 5 is the correct part of the original package request submitted.

Representative Austerman asked if the committee had the most updated list. Ms. Rehfeld noted that the committee does not have the list being used by some departments. She explained that Mr. Swanson was reading from a newer list identifying the higher priority projects. She indicated that OMB would be providing the newer list.

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Ms. Rehfeld apologized to the committee. She explained that today's goal was listen to each agency's deferred maintenance needs so that these higher priority projects could be completed in the first year.

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Representative Fairclough thought it would be difficult to see if the committee agrees with the prioritized listing without the information in front of them.

Ms. Rehfeld suggested going through a few agencies to see if the information meets the needs of the committee. She believed most would be straight forward requests.

Mr. Swanson continued to his second request of \$3 million for deferred maintenance on the state of Alaska telecommunication system. He stated that communication towers located throughout the state have parts in need of repair or replacement.

Representative Gara referred to the prior funding history of \$1.5 and \$2.7 million and wondered why request is so much larger (page 6).

Mr. Swanson answered that there are many deferred maintenance projects on the list for SATS facilities in need of serious repair and the department was taking the opportunity to catch-up.

Co-Chair Stoltze expressed his irritation in not having all the information available for the committee. He wondered how many other agencies have projects where the information has not been provided to the committee.

Ms. Rehfeld responded that the information will vary between departments. Some departments will be able to give a direct list and others will need to refer to a second list that is not presently available.

Co-Chair Stoltze instructed Ms. Rehfeld to present only those departments where all the information was available for the committee.

[2:00:53 PM](#) AT EASE

[2:08:27 PM](#) RECONVENED

Co-Chair Stoltze mentioned the departments that would be heard during the meeting.

Ms. Rehfeld explained that she wanted to bring the list of projects with the list of priorities. She indicated that some agencies have done better job with backup material than others.

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Mr. Armstrong interjected that the committee should refer to Section 3 in the binder for the Department of Commerce & Economic Development.

JO ELLEN HANRAHAN, DIVISION DIRECTOR, DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT, noted that the supplemental request of \$2.1 million would complete the City of Kodiak Community Jail Facility. The facility has space for all of Kodiak's law enforcement programs, animal control, community services, area regional dispatch, and regional emergency operations. The city is experiencing a shortage of funds to complete the project of the community jail (Section 3, page 1). She elaborated that if the facility is not completed then the community will be operating out of two different facilities with the police station in one building and the community jail in another. This will increase the annual operating costs by \$1.3 million a year.

Co-Chair Stoltze asked if this is one of the SB 65 projects. Ms. Rehfeld responded that was correct.

Representative Gara needed to know where this information was located. Mr. Armstrong reiterated that it was located in Section 3 of the binder. He explained that some agencies have requests contained within the regular supplemental and the deferred maintenance supplemental.

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Representative Austerman asked why the Department of Commerce is carrying these funds through. Ms. Hanrahan explained that the Department of Commerce is the named agency because the grants to municipalities go through this department. The request originated from the Department of Corrections.

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ANA KIM, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT requested \$1.7 million for Mt. Edgumbe High School deferred maintenance. She indicated that this will complete the remaining maintenance on the boys and girls dorms and drainage improvement at Heritage Hall. She noted it should also cover asbestos removal from the storage warehouse and demolition of an oil paint shop building.

Representative Doogan asked if there will be an actual list from the Administration for all the projects under the \$100 million request. Co-Chair Stoltze answered it will be coming. Representative Doogan asked when the committee will receive this list. Ms. Rehfeld responded that the hope was to have it already, but it will be sent to the committee members as quickly as possible. Representative Doogan wanted to make sure detailed information was forthcoming in order to make decisions.

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Mr. Armstrong remarked that a spreadsheet arrived late the previous evening, but corrections needed to be made by the Administration before it could be handed out. He indicated his intention to personally deliver the spreadsheet with an explanation as soon as it is available. Representative Doogan reiterated that it was needed.

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Ms. Rehfeld noted that the backup in the binder does represent a significant amount of information. The new spreadsheet will supplement this information with more clarity.

Representative Gara elaborated that it was unrealistic for the committee to know if the amount of money requested is the right price for the project. He assumed that someone in the department determines the amount is the most efficient manner to get the project completed, but noted that the committee must take this information on face value. He asked who makes these decisions.

Ms. Rehfeld shared that state agencies have facilities plans and managers who work on 6 year plan projects. Part of The challenge is the funding for projects on an ongoing basis. When a 6 year plan is made, there are professional estimates made to determine costs. When the projects go out to bid, these numbers might change. If the estimate comes in higher than budgeted then the agency will do what they can with the allotted money. She reiterated that the agencies bring forth

the best possible estimates for any project. Representative Gara wanted to know how these projects were decided on.

Ms. Rehfeld declared that originally a large list of projects from all the state's agencies with a \$1.9 billion backlog was given to the administration. The governor proposed a \$100 million a year five-year plan with the intention of going as far down the list as possible. She noted that the agencies were asked to list their highest priorities.

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KRISTIN RYAN, DIRECTOR, DIVISION OF ENVIRONMENTAL HEALTH, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, requested \$200,000 for the Environmental Health Lab deferred maintenance. She explained that this would correct the deficiencies identified during a federal inspection to seal the room that handles contagious toxins. She noted that the Department of Transportation provided the estimates.

TOM LAWSON, DIRECTOR, ADMINISTRATIVE SERVICES, DEPARTMENT OF FISH AND GAME, referred to three projects listed on lines 8, 9, and 10 of the deferred maintenance spreadsheet. The first project for \$850,000 was for infrastructure needs and upgrades in statewide employee housing. He explained that in areas where there are no housing opportunities for transient and seasonal staff, the department provides the housing. He pointed out the most serious needs were in Dutch Harbor and Yakatat. The plan for Dutch Harbor would be to contract for a modular to be shipped to the location. Mr. Lawson continued that the Yakatat cabin does not have running water so the plan would be to purchase a single family dwelling or contract for a modular. He added that this method has been used before and is very efficient.

Representative Fairclough asked why this is listed under deferred maintenance and not listed in the capital budget. Mr. Lawson responded that in a situation where there is existing housing that is sub-standard the choice is for it to be repaired, replaced or built. Representative Fairclough believed this was capital not deferred maintenance project.

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Co-Chair Stoltze agreed that both sounded like capital projects.

Representative Gara inquired that since these areas had few employees was the department asking for single family units. Mr. Larson agreed. Representative Gara noted that the cost of the units could range from \$300,000 to \$600,000. He questioned if that was the appropriate amount of money in those areas. Mr. Lawson responded that he did not know. He

agreed that the figure could be high, but the department has needs that exceed the money that is being requested. The estimates are only ranges. Co-Chair Stoltze agreed that seems high for a single family home, especially with no land.

Representative Austerman agreed that the requested \$850,000 seems vague. He believed the figures needed to be broken down further.

Mr. Lawson continued that the second request for \$700,000 was for upgrades to statewide storage and shop facilities. He referred to a number of camps and offices throughout the state where field equipment and fuel need to be stored. He noted that these facilities will need to be upgraded or replaced. He remarked that the department would start in the communities of King Salmon, Yakutat, McGrath, and Haines.

Representative Austerman responded that the replacement that is a capital, not a deferred maintenance issue.

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Ms. Rehfeld commented that the emphasis is on deferred maintenance, but if an estimate to perform the upgrade or renovation is too high, then the recommendation might be made that it is cheaper to just replace the structure. Representative Austerman agreed that it might be a better idea to replace the structure, but emphasized that if that is the decision then the department needs to return with a different project list. Ms. Rehfeld responded that if there is major renovation then it is in major maintenance, but adding facility space falls under the construction label.

Mr. Lawson continued with the third project for \$450,000 for upgrades to the Kodiak Warehouse compound. This warehouse needs a roof replacement and siding. This is a major compound for in Kodiak.

Representative Doogan asked what is kept in the warehouse. Mr. Lawson responded that the warehouse stores smaller vessels, outboard motors, trucks, and maintenance equipment.

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ALISON ELGEE, ASSISTANT COMMISSIONER, FINANCE AND MANAGEMENT SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, listed two requests that fall into the Pioneer Home program throughout the state and non-Pioneer home facilities. Included in the non-pioneer homes are the juvenile justice facility, Alaska Psychiatric Institute, public health nursing facilities, and other buildings throughout the state. The projects listed extend beyond the appropriation requested, but the projects are listed in priority order.

The money provided by the committee will be used in order down the list until the money runs out.

Co-Chair Stoltze asked if they would be going through projects from top to bottom on the list. Ms. Elgee indicated that the lists are reviewed and reprioritized annually and sometime the priorities can change. She noted the list before the committee today is best information of the top priorities.

Representative Austerman asked if the \$4 million will only take the department through the first four projects.

JENNIFER KLEIN, FACILITIES MANAGER, DEPARTMENT OF HEALTH & SOCIAL SERVICES, replied that the \$4 million should take them to number eleven on the list (Section 3, page 19).

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Ms. Elgee moved to the spreadsheet for HB 326 supplemental requests (Page 12, line 60). This request will complete the Medicaid Management Information System project. It was identified last year in developing the budget for the management information system. There is a process where an approved planning document is reviewed and approved by the federal government. The project receives 90 percent participation on the part of the federal government, therefore the funding reviewed for this project is a 90/10 split. Unfortunately an error was made failing to identify that when the federal government approved that planning document they indicated that there had been a previous effort to develop an MMIS system that the federal government already paid for once and stated they would not pay again. The federal government subtracted \$4.5 million from their participation in the particular development effort. This left the project with a \$4 million general fund hole. A second issue arose with the coding of the MMIS environment. This system is also under development in one of the Dakotas where they are slightly ahead. They discovered in their development a significant coding error that required remediation. This has set the project back one year; therefore the increased costs are for this extension.

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Representative Doogan noted that page 12 lists the request for \$6.2 million in general funds and \$8.7 million in federal funds for a total of \$14,990,000. He asked if that was correct. Ms. Elgee replied that is the amount of supplemental funds being requested. Representative Doogan asked if the additional fund requests and the lesser federal funds are accounted for in these requests. Ms. Elgee replied yes. Representative Doogan asked if these funds will finish

the project. Ms. Elgee replied yes, according to the best information available today.

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GUY BELL, ASSISTANT COMMISSIONER AND DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, reported one item for \$1 million in deferred maintenance for the Alaska Vocational Technical Center (AVTEC). The vocational center operates 16 state owned buildings, 11 of which are over 25 years old. The money request is for maintenance staff and associated supplies for maintenance of the facilities. Three maintenance staff from capital improvement project receipts perform the day to day work. The remainder of the funding is allocated to priority projects including lightening, security and drainage improvements to parking lots and facilities, hazardous material abatement, residential and cafeteria facilities equipment and improvements. Commissioner Bell noted for the record that priorities change as things break down which cannot always be anticipated.

Representative Austerman remarked that \$310,900 of the request for deferred maintenance was paying salaries for some maintenance personnel. Commissioner Bell answered that some of the maintenance staff are funded through the operating appropriations and the remaining three are through the capital budget. Representative Austerman asked if the three on staff currently are paid every year through capital funds. Commissioner Bell answered yes.

Co-Chair Stoltze agreed that was strange for employees to be in the capital budget.

Commissioner Bell noted that this information is disclosed in the operating budget request. In the past there has been discussion for requesting general funds for these staff so they become part of the base, but a decision has been made to fund a component of the staff for review each year in the deferred maintenance part of the capital budget.

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Co-Chair Stoltze maintained that historically even short term employees are in the capital budget.

Representative Fairclough asked if the three employees receive retirement. Mr. Bell answered yes as they are permanent employees. Representative Fairclough asked if the deferred maintenance was coming out of the general fund. Commission Bell responded yes. Representative Fairclough deferred to the co-chair to see if these positions need to be removed from the budget. She asked how long they have been funded. Commissioner Bell responded that he has been

with the department since 2003 and the positions have been funded in this manner the entire time.

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Representative Gara referred to the HB 325 spreadsheets, page 31, on the AVTEC request and noted that for FY2010 the request is for \$1 million but in FY2010 the requests jumps to \$45 million. He asked what the amount was for. Commissioner Bell remarked that there are a number of older buildings that need to be replaced or repaired. He mentioned a 135 student dormitory that has reached the end of its useful life. When this happens the question is if the building should be renovated or replaced, and in this situation the decision is to replace it. This has been identified as a deferred maintenance project, not capital, but he does realize the committee probably looks at this issue as more of a capital project. He added that it would be more expensive to renovate then replace.

Representative Gara asked that it seems like a lot of money for maintenance for a building that will soon be renovated or replaced. Commissioner Bell agreed that is an issue. He argued that the facilities need to be maintained until they are replaced. Representative Gara wondered how much of the \$560,000 goes for an interim patch for the residence and cafeteria. Commissioner Bell deferred to Fred Esposito, Director, AVTEC. Co-Chair Stoltze asked if Mr. Esposito was on line, not hearing a response he moved on to the next question.

Representative Austerman requested more information on the actual use of the requested funds before any decisions could be made.

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Mr. Armstrong remarked the in the Department of Labor's short form there are FY2009 Actuals of \$867,000 of CIP receipts and AVTEC expended \$168,700.

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LETA SIMONS, DIRECTOR, DIVISION OF SUPPORT SERVICES, DEPARTMENT OF NATURAL RESOURCES, mentioned three requests on the deferred maintenance list. She named the state parks deferred maintenance, emergency repairs, and equipment replacement at \$3,480,000. She listed the state park areas that would receive the funds.

Representative Fairclough asked if the Department of Transportation gave these estimates. Ms. Simons responded that the department has their own engineers who provide the estimates. Representative Fairclough questioned at what

level of design detail the projects were estimated. Ms. Simons deferred to James King for the answer.

JAMES KING, DIRECTOR OF PARKS AND RECREATION (via teleconference), responded that there has been a long process evaluating and determining deferred maintenance needs and their engineers have looked at these projects to verify they are deferred maintenance and have provided costs estimates. He added that about 40 percent to 50 percent are design. Mr. King explained that the department is comfortable with the numbers, but the actual bid numbers might come in more or less.

Representative Fairclough asked the administrative overhead costs on these projects. Mr. King responded that it is variable depending on the project. There may be a greater process for some projects that would result in a 25 percent or higher administrative costs.

Co-Chair Stoltze questioned if there was a percent range. Mr. King stated that the high would be 25 percent and the low would be zero.

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Vice-Chair Thomas wondered what the improvements were for the Chilkat State Park in Haines. Mr. King reported that the road is no longer gradable because the top material has eroded and many campsites have become unusable and need improvements.

Vice-Chair Thomas welcomed the road improvements and voiced his concern that the Department of Transportation does not maintain the road.

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Representative Doogan noticed that approximately one third of the money is unallocated spending and wondered if the money would be given to the agency with just the hope they do the right thing without having more precise information. Ms. Simons responded that health and sanitation projects are evaluated in the spring to see what might need to be dealt with after the winter. Representative Doogan stated that this was a new category of deferred maintenance where projects are to be named later. Ms. Simons responded that the projects are not listed because the priority will be accessed year to year.

Ms. Simons continued that another request of \$330,000 was for the Division of Agriculture Plant Material Center for \$330,000. This is a production farm, feed laboratory and

research facility that support the agriculture industry in Alaska. This request will help eliminate the flooding near the main buildings and greenhouses, replace outdated equipment, provide paving and drainage, upgrade a spray rig and purchase a medium size tractor.

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Representative Austerman remarked that some requests, like the new tractor, look like capital projects. Ms. Simon noted there is a question of what is deferred maintenance. The department defines deferred maintenance as something currently being used and necessary for operations that now needs to be replaced or upgraded.

Representative Austerman observed there are outdated and rusting machinery in rural areas that cannot get funded or replaced because it does not make it into the capital list. He did not consider the replacement of a tractor as deferred maintenance. Representative Doogan asked if there is a functioning definition of deferred maintenance.

Ms. Rehfeld declared there are several definitions of major maintenance. She asserted that the governor was clear in his budget regarding the necessity to protect current state assets. The lists presented by the agencies will be refined over the 5 year program. She reiterated that part of the issue is if replacement is a better value than renovation.

Representative Doogan appreciated that refined information will be forthcoming, but added that \$100 million in requests are in front of committee now and more information is needed when it comes to appropriating this money.

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Ms. Rehfeld agreed but suggested that when looking across the departments at the variety of projects from buildings, roads, facilities, vessels, and airports there will be different definitions that need to be looked at.

Representative Gara recalled that the administration's position was that deferred maintenance should be funded quickly so that the immediate projects could be started as rapidly as possible with the rest being done later. He emphasized that this budget was filled with projects that do not need to be accomplished before the rest of the budget is completed. He referred to the DNR request for \$190,000 for the Mt. McKinley Meat Plant. He failed to understand why the project requests needed to be done before other capital projects. Ms. Rehfeld stressed that the governor's interest

is to get the deferred maintenance on the table to help put Alaskans to work.

Co-Chair Stoltze agreed more scrutiny might be necessary when examining the deferred maintenance budget. Representative Austerman maintained the need for clarity on the process.

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Representative Gara asked if the governor's intention was to get projects running a month earlier than other projects maybe it would be useful to have the administration present a list of the actual projects that need to be out on the street a month early.

Ms. Simons continued with the last line item of \$190,000 for the Mt. McKinley meat plant machinery and efficiency upgrades.

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MICHELLE RIZK, BUDGET DIRECTOR, UNIVERSITY OF ALASKA FAIRBANKS, stated that the University of Alaska maintains 400 buildings, with an average age of 31 years, and with 6.7 million square feet. The deferred maintenance bill includes \$37.5 million for the annual requirement to maintain existing facilities and reduce additional deferred maintenance needs. The money would be spread among the state's campuses and a list has been submitted to the committee.

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Co-Chair Stoltze wondered how many buildings were at each campus.

Ms. Rizk replied that the University of Alaska Fairbanks has 242 of the 399 buildings. The blue book list details how funds would be distributed. She continued that the University of Alaska Anchorage has 53 buildings and the University of Alaska Southeast has 34 facilities.

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Representative Doogan requested from Ms. Rizk a list of priorities for clarification. He asked if the first \$37.5 million in projects would be completed first. Ms. Rizk clarified that the most critical parts of each project would be handled first.

Representative Doogan asked how the \$37.5 million is divided up among the campuses. Ms. Rizk responded that she has not told the committee that information, but it is listed on the sheet that the committee will receive.

Vice-Chair Thomas questioned the capital budget with \$25 million listed for schools which is for deferred maintenance and wondered why it was not listed with the \$100 million deferred maintenance list.

Ms. Rehfeld replied that the legislature will make decisions about what should be included in this package. She recapped that the governor's intention was to focus on state and university facilities with \$100 million a year for the next five years. Schools would not necessarily be part of that 5-year plan, but were traditionally addressed through the capital budget process. She agreed that the problem may be in defining deferred maintenance projects.

Vice-Chair Thomas argued that every time schools come looking for major maintenance money it is to the legislature and he felt the \$25 million for the schools should be added the governor's \$100 million deferred maintenance budget as a higher priority.

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Representative Gara wanted to make sure the \$37.5 million request for the next five years was the university's priority. He noted that dormitory space at the university is a problem that should be addressed. He asked if the list for the \$37.5 million ranks ahead of some new construction projects. Ms. Rizk responded that the Board of Regents overall number one priority is maintaining existing facilities and deferred maintenance. The board has only one new construction priority, the Life Sciences Building.

Representative Gara questioned if the science building being funded was for the Anchorage building, not the one being replaced in Fairbanks. Ms. Rizk agreed it was for the Science Building in Anchorage.

Co-Chair Stoltze appreciated the dilemma of building new facilities, but the reality is that repairs might be needed on the existing facility.

Representative Fairclough asked how much deferred maintenance money was provided to the university. Ms. Rizk responded that \$3.2 million was allocated even though the Board of Regents requested \$50 million. Representative Fairclough questioned if inside the university's budget

there is a fund that holds deferred maintenance money. Ms. Rizk replied that the capital funds are separate.

Representative Fairclough inquired if any money was left from last year's allocated funds after completing projects and, if so, how much. She added that the university was asking for \$37.5 million, but she had been told in previous years that \$50 million would never meet the needs of deferred maintenance projects.

Ms. Rizk responded that the Board of Regents distributes the funds to specific projects. There is a fund established for each specific project and five years to spend the money. There are times where there may be a balance in that fund. Representative Fairclough asked if the balance transfers to a new project or is there a larger account for funds available to be used for projects by the university.

Ms. Rizk maintained that the funds were allocated to a specific project. Representative Fairclough wondered if the project runs under and funds are remaining, would the money sweep back to the general fund or is it reallocated to another project. Ms. Rizk declared that the Board of Regents approves projects, but if a balance is left, then the university would look at other deferred maintenance projects that had not been funded and would bring this information to the board and ask to use the remaining funds for the next need on the list.

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Representative Doogan questioned if he was correct that the amount each agency received was related to the square footage of its facilities. Ms. Rehfeld agreed that it was allocated by the square footage.

Representative Doogan argued that the expenditures are not for square footage in many places since the requests were not always for a building or facility.

Mr. Armstrong stated he would get the spreadsheets in the blue book referenced by Ms. Rizk to the committee.

#

ADJOURNMENT

The meeting was adjourned at 3:46 PM