

SENATE FINANCE COMMITTEE
March 16, 2009
1:40 p.m.

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CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 1:40 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Nancy Slagle, Director, Division of Administrative Services, Department of Transportation and Public Facilities; Frank Richards, Deputy Commissioner, Highways & Public Facilities, Department of Transportation and Public Facilities; Larry Dietrick, Director, Spill Prevention and Response, Department of Environmental Conservation; Bill Griffith, Program Manager, Division of Water, Department of Environmental Conservation; Mike Maher, Director, Division of Administrative Services, Department of Environmental Conservation; Arnold Liebelt, Facilities Services Manager, Finance and Management Services, Department of Health and Social Services; Alison Elgee, Assistant Commissioner, Finance and Management Services, Department of Health and Social Services.

PRESENT VIA TELECONFERENCE

None

SUMMARY

SB 75 "An Act making and amending appropriations, including capital appropriations, supplemental appropriations, and appropriations to capitalize funds; and providing for an effective date."

SB 75 was HEARD and HELD in Committee for further consideration.

#sb75

SENATE BILL NO. 75

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

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Co-Chair Stedman noted that there were four large appropriations with allocations left to cover in the overview of SB 75, including Statewide Federal Programs, reference number 6764, (pages 51-70); Airport Improvement Programs, reference number 7470, (pages 71-147); Surface Transportation Program, \$32,610, (pages 148-229); and Cruise Ship Related Projects, \$47,718, (pages 230-241).

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DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (DOT/PF)

NANCY SLAGLE, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, introduced appropriation number 6764 (page 51), \$129 million for Statewide Federal Programs. The allocations within the appropriation include statewide transit systems, highway safety programs, commercial vehicle enforcement programs, allocations used for federal emergency projects, and contingency projects in the event of cost overruns. Also included is \$50,760,000 matching funds for highway, aviation, and other projects.

Ms. Slagle described reference number 7470, the Airport Improvement Program, which includes \$316,730,000 in federal receipt authority, \$16,800,000 in International Airport revenue funds, \$24 million in international airport

construction bond funds, and \$4,560,000 in passenger facility charges (PFC) collected at international airports. The Airport Improvement Program includes all projects that the department believes will be funded under the program, whether through the entitlement program or through potential discretionary funds that the Federal Aviation Administration (FAA) may provide to the state. The international airport projects included those that have been reviewed and approved by the Air Carriers Association.

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Senator Olson asked how much of the \$316 million was going to Anchorage and Fairbanks. Ms. Slagle did not know how much was going to international airports. She pointed out that a later presentation would specifically address international airports.

Co-Chair Hoffman asked the current status of the Akutan airport project.

FRANK RICHARDS, DEPUTY COMMISSIONER, HIGHWAYS & PUBLIC FACILITIES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, responded that the project was currently being discussed with the FAA. He stated that there had been potential for using economic stimulus funds for the project, but a limit was being placed at \$15 million per airport; the cost of the Akutan project would be approximately \$70 million. The department was continuing to look at funding options.

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Ms. Slagle continued with a \$344 million appropriation for the Surface Transportation Program (page 148, reference number 32610). The amount is based on the department's Statewide Transportation Improvement Program (STIP) and covers road projects and statewide projects. Planning activities are included as well as highway projects and federal highway funds to the ferry system.

Senator Olson queried the status of a paving project at the Barrow Airport. Mr. Richards believed the final phase of the project would be underway the summer of 2009.

Senator Olson asked if the runway would be moved. Mr. Richards responded that the runway change was already in place.

Senator Olson asked if the project would open more lease lots at the airport. Mr. Richards did not know.

Co-Chair Stedman queried the relationship between stimulus funds and projects on the Dalton Highway. Mr Richards responded that the two projects, milepost 274 to 289 and the milepost 7 wayside, were regular STIP funded projects and not included in the stimulus package. The projects on the stimulus list were the milepost 175 to 197 project and the culverts from milepost 260 to 321.

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Ms. Slagle turned to cruise ship related projects (page 230, reference number 44718), \$16,680,000 in projects that have been identified for utilizing cruise ship tax revenues. The department's regional staff worked closely with communities to identify potential projects that the revenues could be used for. Projects most impacted by the cruise ship industry were given highest priority.

Co-Chair Stedman referred to the process used for the funds in past years and noted funds that were not yet appropriated. He asked how the allocations were selected and why money was left. Mr. Richards stated that he was not aware of available funds related to the cruise ship tax. He emphasized that the particular projects were chosen for communities most directly impacted by the cruise ship industry.

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Co-Chair Stedman noted that Sitka was not on the project list, although up to three ships visited the community daily. He requested a list of the projects reviewed. He referred to a balance of available funds. Mr. Richards replied that the department would be glad to share the list of projects considered.

Senator Thomas asked if the department considered projects in communities other than port communities. He noted that Fairbanks gets tourism traffic from the cruise ships and wondered how the department evaluated impact.

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Mr. Richards replied that the department considered communities in the interior that received cruise ship tourists, including along the Parks, Denali, Dalton, and Taylor Highways. He explained that the definition of appropriate use for the funds included any impacted community.

Senator Thomas asked about funds that could be used in areas off the road system that may not be directly impacted. Mr. Richards replied that the project list in the appropriation bill was compiled with the administration.

Senator Thomas asked if the longer list would be shared with the committee. Mr. Richards responded in the affirmative.

Co-Chair Stedman wanted the list to include the main ports of Sitka, Ketchikan, Juneau, and Skagway. He noted a line item for Ketchikan but none for Sitka. He wanted a longer-term objective of developing a reasonable way to allocate funds on-going, so that impacted communities could plan for larger projects.

Ms. Slagle noted that the Office of Management and Budget (OMB) would respond on the issue of the available funds.

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Ms. Slagle concluded with a request (page 241) for \$26,300,000 to take out sharp curves and correct drainage and poor surface conditions on the Dalton Highway, milepost 9 to 11.

Mr. Richards explained that the project had been discussed during the 2009 summer special session. He asked for support for the project.

Co-Chair Hoffman asked how the revenue source was determined for the project. Ms. Slagle replied that the decision was made by governor's office and not the department.

Co-Chair Stedman noted a lack of continuity regarding some of the fund sources, and that the committee would address that.

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Senator Huggins mentioned a mid-November DOT/PF meeting in Anchorage during which projects related to gas activities were described. He asked for a copy of the list of items compiled at the meeting. Mr. Richards informed the committee that the department had completed a report with a list of gasline related projects submitted to DOT/PF by communities and other entities such as the Matanuska-Susitna Borough and the Alaska Railroad Corporation.

Senator Huggins did not think the projects were integrated into the current list. Mr. Richards responded that the capital budget was developed in early and mid-fall; the discussion with the communities took place after the budget was submitted. The budget package included the Dalton Highway project, which the department had deemed gasline ready.

Senator Huggins pointed out that the department scheduled the meetings for November, not the communities. He expressed disappointment that the meeting was scheduled after the communities could make application for the list, and accused the department of deception.

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Mr. Richards summarized that the general fund portion of the capital budget was approximately \$93.5 million, with a great reliance on federal programs for highway, aviation, and transit.

Co-Chair Stedman commented that the budget included approximately \$729 million in federal funds and \$234 million in state funds, for a total of around \$942 million. He noted that the totals did not include the economic stimulus package.

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AT EASE

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RECONVENED

DEPARTMENT OF ENVIRONMENTAL CONSERVATION (DEC)

LARRY DIETRICK, DIRECTOR, DIVISION OF SPILL PREVENTION AND RESPONSE, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, detailed item number 46946, \$750,000 for the Oil and Hazardous Substance First Responder Equipment and Preparedness project. He explained that funds from the response fund would go for first responder equipment at the local level. The department cannot be in all communities; it works to empower communities through formal response agreements and provides equipment and training. The equipment includes oil spill response equipment tailored for each community according to local resources and needs. Examples of equipment provided include boom recovery skimmers, fast tanks, field detection gear, and hazardous material gear. He provided specific examples of equipment used.

Mr. Dietrick turned to reference number 33826, Contaminated Sites Cleanup, \$5 million from the response fund to be used for assessment, cleanup, and monitoring of 31 sites.

BILL GRIFFITH, FACILITY PROGRAMS MANAGER, DIVISION OF WATER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, explained that the division's two capital appropriation requests would assist in protecting public health in Alaska by increasing the number of rural households with basic sanitation services, and assist communities with existing systems to address aging infrastructure, community growth, and regulatory compliance.

Mr. Griffith explained the first appropriation, reference number 41376, \$91,666,660 for the Village Safe Water and Wastewater Infrastructure Projects. There are multiple allocations for statewide water and wastewater capital improvement projects. Funding for the request is made up of \$52,125,000 in federal receipts, \$14,410,598 in general fund match, \$25 million in general funds, and \$500,000 in statutory designated funds. Seventy-three allocations include 12 planning projects for \$1.25 million, 56 projects on the three-year priority list for \$75.6 million, 3 design and construction projects not included on the three-year priority list for \$4.3 million, \$500,000 in statutory designated receipt authority, and \$10 million in federal receipt authority for projects funded by the Denali Commission and the Indian Health Service. Mr. Griffith reminded the committee that the three-year priority list was established according to federal funding requirements and must be used to fund large multi-year projects.

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Co-Chair Stedman added that there was \$25 million in general funds and an additional \$14,000 in general fund match, with a total of \$39 in state funds. He asked what was not selected from the three-year priority list of items and how much additional state money would be required to complete all the items. He asked if the three-year priority list would change over time.

Mr. Griffith reported that there was approximately \$256 million in estimated project cost on the three-year priority list. The department hoped to accomplish around \$75 million worth of work on the list in the coming year. He added that communities have an opportunity to apply each year for project funds that may place them on the three-year priority list, if the projects are large and multi-year. Therefore, projects could be added over the coming year; however, few projects have been added in recent years as the department hopes to complete the projects already on the list.

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Mr. Griffith described the second appropriation, reference number 46714, \$23,189,396 for Municipal Water, Sewage and Solid Waste Facilities Grants. The appropriation consists of 16 allocations for individual projects to be funded solely with state general funds. The projects are municipal matching grant projects; a portion of the costs will be paid by grant recipients, which consist of larger cities. Projects included on the list must be requested by communities and scored and prioritized using the state municipal matching grant questionnaire process.

Co-Chair Stedman returned to the safe water projects and asked if the Kodiak item would still be first on the priority list in another year. Mr. Griffith answered that the list would be different each year; communities re-submit projects based on current needs and funding resources.

Co-Chair Stedman asked for an overview of how the list changes from year to year, and referred to an additional \$60.7 million in requests from communities. Mr. Griffith estimated that roughly half the list changes from year to

year because projects might be funded through grants, loans, or federal appropriations; needs or regulatory requirements might change.

Co-Chair Stedman asked a question regarding an item.

MIKE MAHER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, responded that the item represented Alaska Housing Finance Corporation receipts and that the funding source was proposed by OMB.

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Co-Chair Stedman requested details regarding the general fund match and the general fund designation related to village safe water infrastructure. Mr. Maher thought the match was a little over \$14 million. The governor added \$25 million in straight general funds in an effort to keep the level of funding for the program at roughly 40 percent.

Co-Chair Stedman referred to the Ketchikan project allocation (page 92) for \$1.4 million, and commented that the funds might be insufficient to complete the project. He asked if the administration supported funding the project sufficiently.

Mr. Griffith asked for clarification. Co-Chair Stedman stated that the request is short \$363,310, according to a letter from the borough manager. He read from the letter and asked the administration's stance. Mr. Griffith answered that the department absolutely supports the project. He offered to get further clarification regarding the shortage. The department is working with other federal funding agencies and looking at other potential sources to complete the project. He noted that the project is large and complex; the water line extension to Mountain Point is tied in with water treatment plan improvements and has a number of different phases.

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Co-Chair Stedman commented that he wanted to move forward with projects that could be completed.

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RECONVENED

DEPARTMENT OF HEALTH AND SOCIAL SERVICES (DHSS)

ARNOLD LIEBELT, FACILITIES SERVICES MANAGER, FINANCE AND MANAGEMENT SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, began with the highest priority item, the Johnson Youth Center Renovation and Remodel, Phase One. The project expected to meet safety and security needs. He explained that the department had put together a long-term plan in 2007 to address safety and security deficiencies at the four oldest youth facilities, the Johnson, McLaughlin, Bethel, and Fairbanks facilities. He directed the committee to a report outlining the needs of the facilities and detailed money that had been received and improvements that had been made.

Mr. Liebelt added that the current request would further the long-term plan by funding the first of three phases of improvements to the Johnson Youth Center, including a complete rehabilitation of the existing eight-bed detention unit.

ALISON ELGEE, ASSISTANT COMMISSIONER, FINANCE AND MANAGEMENT SERVICES, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, described the next priority request as the Medicaid Management Information System Completion. The department has been developing a new information system for several years. The request is based on an approved project budget submitted to the federal government totaling approximately \$46 million. Recently, the department has discovered that the federal government had disallowed approximately \$4.5 million of the total project cost for federal reimbursement because of an earlier failed attempt. The total project is still anticipated to require the original project budget amount; however, the federal receipts that will not be received must be replaced with general funds. In addition, the difference between the project budget and the original appropriations must be made up. She reported that the project is on schedule to be completed in May 2010.

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Mr. Liebelt turned to reference number 31862, Non-Pioneer Home Deferred Maintenance Renovation, Repair and Equipment, for \$2,203,000, listed in priority order.

Mr. Liebelt described reference number 37934: \$2 million in general funds for the Pioneer Home Deferred Maintenance project. The project is for six Alaska pioneer homes, listed in priority order.

Co-Chair Stedman queried the expected condition of the buildings after the on-going maintenance was completed. Mr. Liebelt answered that the answer depends on the type and use of the building. The oldest home is the Sitka Pioneer Home; the newer buildings are in better shape. The 24-hour facilities, such as the youth facilities and pioneer homes, require higher use. The public health centers and labs and the behavior health centers tend to wear better. He described criteria used to establish the priority list.

Mr. Liebelt turned to reference number 32446, \$1.1 million for Safety and Support Equipment for Probation Officers and Front Line Workers. The request is department wide and would benefit the Division of Juvenile Justice, the Office of Children's Services, the Division of Public Assistance, and the Division of Senior and Disabilities Services. He noted that the request is made annually and is for one-time types of equipment needed to serve clients and continue operations.

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Mr. Liebelt discussed reference number 46898, \$474,300 for Production Printer Replacement. The item would provide for a heavy-use production printer with a three-year maintenance contract for the Division of Public Assistance. Each month the printer generates approximately 70,000 client notifications, 10,000 identification cards, and hundreds of medical authorizations. The current printer is nearly defunct.

Mr. Liebelt described reference number 46905, Online Resources for the Children of Alaska (ORCA), Enhancements to Meet Federal Requirements. The Office of Children's Services has 29 offices; the request would implement one centralized state-wide intake office. In addition, the request would include funding to collect required information to track children transitioning from foster care.

Mr. Liebelt moved to reference number 46911, \$500,000 general funds for Public Health Disaster Preparedness to purchase equipment and supplies in case of a disaster.

Mr. Liebelt covered reference number 39148, \$41,400 for E-Grants, the department's web-based management solution. E-Grants is currently capable of generating various data, but there are missing components, including one for completing online applications. An electronic depository for all records connected with applications would also be created.

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Mr. Liebelt turned to reference number 42837, an annual request for \$425,000 general funds to match Code Blue Project funds from regional Emergency Medical Services.

Co-Chair Stedman commented on the success of the Bring the Kids Home project. Mr. Liebelt detailed item 38923 for the program. The requested \$2.2 million would match \$2.2 million expected from the Denali Commission and would be used for construction.

Mr. Liebelt described reference number 33443, Emergency Medical Services Emergency Communications. He responded in the negative to a question from Senator Huggins regarding fund sources. Mr. Liebelt detailed that the \$190,000 request for general funds would cover assessment, repair, and replacement costs for the existing legacy systems of the VHF radio base stations and repeaters.

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Mr. Liebelt explained reference number 33670, \$750,000 for Mental Health Deferred Maintenance and Accessibility Improvements. The request, which has been asked for in years past, is a capital grant program. Capital funds are awarded to non-profit agencies serving trust beneficiaries for large deferred maintenance accessibility projects.

Mr. Liebelt turned to reference number 33671, \$1,050,000 for Mental Health Housing, Home Modification and Upgrades to Retain Housing. The project awards capital funds through a competitive process to non-profit agencies that in turn awards grants to individuals. Up to \$15,000 is awarded for modifications to owner-occupied homes (up to \$12,000 for non-owner occupied).

Ms. Elgee described item 47611 for Health Insurance Portability and Accountability Act (HIPAA) Updated Electronic Transaction Standards. The department proposes to update while it is still operating under the Legacy MMIS system in order to receive federal funds for capital project upgrades. The federal government will participate 90 percent in the upgrades under the existing legacy system; the department does not believe the rate would be as high at a later date.

Ms. Elgee presented five information technology (IT) projects included under a governor's office appropriations structure that was slightly different than past years.

- Reference number 46920: Personal Information Protection Data Encryption. The project is designed to meet HIPAA standards for internal information within the state system and would allow the department to encrypt the data while it is moving through the system.
- Reference number 46944: Behavioral Health Data Sharing Partnership Project, an expansion of the scope of the Alaska Information Management System. The project would allow the Division of Behavioral Health to increase its ability to make database decisions to move forward in performance-based funding by allowing the division to interface with existing systems such as electronic medical records and the court and corrections systems.
- Reference number 46918: \$1,337.400 for a HIPAA compliance project. The department anticipates continuing the project until 2013, when it hopes to be in federal compliance. She pointed out that failure to comply could result in extreme financial penalties.

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- Reference number 46921: \$409,000 for the Disaster Recovery Project, which would provide a failsafe for the department's IT system in the event of a natural disaster. The project would assess the critical IT systems already operating and implement a plan for providing function during an emergency.
- Reference number 46904: Contract Management Automation System. The project would be similar to E-grants.

Senator Thomas asked for clarification regarding the HIPAA requirements. Ms. Elgee answered that every aspect of business that includes private health records is subject to HIPAA compliance. The department's project is designed for health records within the purview of the Department of Health and Social Services. Senator Thomas expressed concerns about future requirements. Ms. Elgee referred him to the HIPAA compliance coordinator.

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SB 75 was HEARD and HELD in Committee for further consideration.

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ADJOURNMENT

The meeting was adjourned at 2:53 PM.