

SENATE FINANCE COMMITTEE  
March 17, 2009  
9:06 AM

9:06:36 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:06 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Johnny Ellis

ALSO PRESENT

Senator Gene Therriault; Patrick Gamble, President & CEO, Alaska Railroad Corporation; Bill O'Leary, Chief Financial Officer, Alaska Railroad; Amanda Ryder, Director, Division of Administrative Services, Department of Commerce, Community and Economic Development;

PRESENT VIA TELECONFERENCE

SUMMARY

Alaska Railroad Overview

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

^Alaska Railroad Overview

9:08:24 AM

PATRICK GAMBLE, PRESIDENT & CEO, ALASKA RAILROAD CORPORATION, provided members with a power point presentation, "About the Alaska Railroad, March 2009" (copy on file).

BILL O'LEARY, CHIEF FINANCIAL OFFICER, ALASKA RAILROAD, introduced himself to the committee.

[9:10:28 AM](#)

Mr. Gamble began his overview of the Alaska Railroad Corporation (ARRC). He stated that employees of ARRC are not state workers. He described the corporation as a private enterprise transferred to the state of Alaska in 1985. The Alaska Railroad Corporation runs as a quasi-independent organization with the flexibility and freedom to operate in a dynamic business world. As a normal corporation, the railroad has a mission, a vision, core values, goals, strategies and staff rules, but it is also inextricably tied to Alaska state government through a board of directors and by legislation. The Alaska Railroad Corporation has existed under this business model for 24 years.

Mr. Gamble turned to the "Alaska Railroad Quick Facts" on page 3 of the power point. He pointed out that employee numbers are dropping, and the overall size of the railroad is going down. He remarked that ARRC pays for a benefits program out of its own earnings and takes seriously the responsibility to keep the package whole for its non-state employees over the long-term and upon retirement.

Mr. Gamble observed ways in which ARRC differs from other state agencies on page 4.

[9:12:46 AM](#)

Mr. Gamble talked about the three pillars of the railroad: passengers, freight, and the 36,000 acre real estate endowment. The Corporation Act of 1985 directed the railroad to operate on a sustainable basis and to develop the land given to it to support transportation assets into the future. For example, the organization could never opt to dispose of state land outright, and would need the approval of the legislature to sell. The Alaska Railroad Corporation chooses instead to lease or trade land with the federal government; it negotiates with municipalities at

rates lower than appraised property values but leases to private businesses at assessed worth.

Mr. Gamble referred to graphs depicting freight, passenger and real estate revenue from 2004 to 2009. He commented on the growth observed across all three sources, and predicted a flattening out or downward turn in each area for the coming year.

[9:14:32 AM](#)

Mr. Gamble touted the chart "ARRC Fund Flow Model: 2008 Data," as an excellent pictorial of the dynamic flow of money at the railroad.

[9:15:03 AM](#)

Mr. Gamble cited the slide "Overall Growth Pattern" with an increase in total assets between 2001 and 2008. He spoke about people as "faces, spaces, dollars or full time equivalents" (FTE). He elaborated on the term FTE to account for capital and expense employees as well as overtime hours. Mr. Gamble arrived at the FTE calculation by adding the total number of hours of everything worked and dividing by 2080 (a year's worth of work at straight time hours). He remarked that the capital program and FTE alongside have grown considerably but expected to see both eventually level off and start back down again.

[9:16:22 AM](#)

Mr. Gamble spoke about major capital projects under the 2009 program. He addressed fund sources and an overview of federal grant money received in the past. The total capital budget for 2009 is estimated at \$138 million; federal economic stimulus funding will likely add about \$26 million.

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Mr. Gamble turned to funding by way of the stimulus package. He projected the total amount of increase to come to about \$25,825,000. The money issues from Formula Fund 49 United States Code (U.S.C.) 5307, which grants resources to urbanized areas and states for transit related purposes. Every passenger railroad in the country is entitled to a

share; the Alaska Railroad Corporation is simply receiving its portion.

Mr. Gamble mentioned the possibility of collecting funds from the \$100 million energy program, but the requirements for eligibility are not yet clear. He described the multimodal discretionary fund as a competitive grant fund for which the ARRC knows it can qualify. The railroad will have to internally compete with state entities such as the Department of Transportation and Public Facilities (DOT) and the ports for a Congress approved national allocation of between \$20 and \$300 million. The sum divided by a count of 50 (states) yields an approximation of the total expected for Alaska. He explained that the railroad plays a numbers game when it tinkers with what projects to include in an attempt to qualify for grants of this nature.

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Mr. Gamble summarized the categories where ARRC spends its capital money. He elucidated that a majority of funds support safety-oriented construction when the corporation rebuilds the line and finance the basic building blocks of a railroad: ties, ballast, rock, etc.

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Mr. Gamble pointed out the efficacy of the diagram entitled "Capital projects started, continued or completed in 2009 are all along the railroad." He emphasized that the represents the huge workload to which employees contribute no matter what job they do. He commented on the considerable level of effort exerted by the company on a seasonal basis.

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Mr. Gamble informed the committee that ARRC leads the nation in fielding the first Vital Collision Avoidance System in the country. The company has spent a dozen years and invested several millions on developmental safety technology that Congress just recently mandated for all railroads carrying passenger and hazardous materials. State railroads that qualify must support an operational control system by 2015. While the lower 48 will struggle to meet the deadline, ARRC has already progressed to the testing

stage. The railroad is in good shape and will safely meet the target date.

Mr. Gamble said that the system essentially prevents on-track collisions and reduces human error. The multi-phased project arms locomotives with a Global Positioning System (GPS) locator and links on-board computer systems to a dispatch server. The communications network keeps track of a vehicle's speed, weight and relative location and computes safe stopping distance. The computer takes control away from the engineer if the equipment registers a violation not corrected within a short period of time, applies the brakes and requires a reset before the train can continue.

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Mr. Gamble spoke about the "1<sup>st</sup> Five Year Plan, 2002-2006." He introduced it as an intermediary to the more comprehensive strategic plan that is mailed to all employees. The forward of the strategic plan summarizes the intent of the railroad. He touched on methodology, productivity and employee satisfaction. The First Five Year Plan impacted ARRC on a tactical level and the company began a budget to improve areas such as pay, benefits, tool modernization, training, etc.

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Mr. Gamble skimmed the achievements of the first five year plan. He explained that in 2007, the railroad took an intervening year to evaluate and build the next five year plan, which spans 2008 to 2012.

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Mr. Gamble directed attention to a table that showed growth and productivity on the railroad. He summarized that most of the productivity, other than asset growth, relates to the measure of work done on the main line. The five year plan has helped productivity grow considerably from earlier days.

Mr. Gamble discussed the 2009 budget challenges of the "Second 5 Year Plan." He mentioned train operations, the core business of the railroad, as capital intensive and expensive at the fare box. The Alaska Railroad Corporation

has found it a challenge to match revenue and expense dollars particularly in the current environment.

Mr. Gamble emphasized the nature of the second five-year plan to confront expenses and keep the railroad profitable until the economy turns upwards. Economic initiatives such as transporting gravel or fuel make the railroad successful. In the ebb and flow of the times, ARRC echoes the economy of Alaska.

2:25:55

Mr. Gamble described the impact of the economy on personnel. The Alaska Railroad Corporation examined the entire workforce and eliminated a number of management and some labor positions, mostly through attrition rather than layoffs. The task was accomplished through a hiring freeze in 2007 that created a number of funded vacancies in the 2008 budget. Mr. Gamble then captured the savings from the expired positions. Three more management positions were reclassified from expenses to capital expenditures and an assistant vice president was eliminated. The corporation continues the downsizing process and has followed it with a reorganization and consolidation phase. The result is a streamlining that has significantly changed some of the organizations within the railroad.

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Mr. Gamble highlighted the results of the first and second five-year plans on a chart entitled "Forecast Impact on ARRC Corporate Net Income." He pointed out that 2009 began with a good budget estimate, but that the railroad expected the Flint Hill's reduction to have material impact on its ability to bring off the budget approved by the board in November.

Mr. Gamble noted that before the market dropped, ARRC's pension plan was fully funded at 114%, and the railroad was very close to fully funding post-retirement medical benefits. He commented that although ARRC took quite a hit, the chart illustrated that the company weathered the economic downturn pretty well.

Mr. Gamble turned to the complexities of the "Alaska Railroad Post Retirement Medical Program." He offered the

summary to committee members as a comparison to the state plan.

Mr. Gamble revealed a graph that showed the Alaska Railroad's obligation to the Post Retirement Medical Program. He remarked that the drop occurred between 2008 and 2009.

[9:28:50 AM](#)

Mr. Gamble brought up Flint Hills Resources (FHR) as the primary issue impacting the Railbelt. Mr. Gamble included data to refresh the committee's memory although nothing material had changed from a few months prior.

[9:29:31 AM](#)

Mr. Gamble addressed the stimulus package. The railroad believed itself to be well-off with regards to the initial intent of the "American Recovery and Reinvestment Act of 2009" aimed at infrastructure building and rails. After the federal government parceled out stimulus funds, the railroad essentially just received more of the regular 5307 formula money.

Mr. Gamble said that a total of \$26 million had been apportioned to ARRC, no more and no less.

[9:31:05 AM](#)

Mr. Gamble explained the origin of the \$26 million allocation made by the Federal Transit Administration (FTA) and distributed by the Anchorage Urbanized Area (UZA) Formula Fund 5307. He delineated funds applicable to the Anchorage bus system through a mathematical formula based on population and passenger miles. Mr. Gamble turned to the "Rail Incentive Tier" awarded at an almost negligible amount of \$1500. The "Rail Non-Incentive Tier" equals the bulk of the railroad's stimulus monies and is based on rail coach miles.

Mr. Gamble elaborated on ARRC's eligibility for federal funding under the "Fixed Guideway Modernization" program, which encompasses passenger cars and miles exclusive to railroads in Anchorage. He stated that the funds are not transferable to Anchorage's People Mover bus system. He emphasized that railroads and busses are two absolutely

separate items in the federal registry. If money apportioned does not go to the Alaska Railroad, it will stay with the federal government.

[9:33:34 AM](#)

Co-Chair Stedman asked if the administration agreed with ARRC's interpretation of the stimulus dollars.

Mr. Gamble expressed confidence that the calculation would not change. He reviewed the \$1.5 million competitive grant for which several state entities can qualify. He mentioned the railroad's work in cooperation with DOT to increase chances that the federal government would fund a mutually-beneficial project satisfying both. He believed in the strategy, and thanked Commissioner Von Schaben for the idea.

[9:35:17 AM](#)

Mr. Gamble informed that the remainder of the briefing encompassed the federal rules, reporting requirements and deadlines associated with the stimulus. He noted the "ARRC Implementation Plan" on page 8 of the power point presentation (copy on file).

Mr. Gamble explained that because the stimulus package stems from FTA money, projects primarily fall into three categories to meet qualifications: infrastructure, safety, and passenger facilities. Mr. Gamble reported the need for approval from ARRC's Board of Directors before presenting the list of eligible projects to the committee. One such project is the congressionally mandated positive train control system.

[9:36:58 AM](#)

Co Chair Hoffman asked if the governor or legislature had the right to modify ARRC's stimulus recommendations. Mr. Gamble replied that neither the governor nor the legislature has a say.

In response to Co-Chair Hoffman's question, Mr. Gamble affirmed that the legislature does not need to take any action in order to for the state to receive the stimulus dollars.

9:37:40 AM

Co-Chair Stedman endorsed an expansion of the infrastructure of the railroad that will remain 10 years from today.

Co-Chair Hoffman requested criteria used by the railroad to recommend projects to the board.

9:38:31 AM

Mr. Gamble interjected that reconstruction of the main line has the lion's share of stimulus money. He described the project as a continuation and acceleration of the railroad's ability to build and complete the line from Anchorage to Fairbanks. He detailed that the project utilizes welded rail, concrete ties, upgraded track, bridge repair, improved signaling devices, and newer technologies that can detect failing wheels or bearings, the major cause of derailments. He assured the committee of ARRC's basic focus on infrastructure and the collision avoidance system in its recommendation to the board.

9:39:45 AM

Senator Huggins inquired into how ARRC communicates with trains on the track. Mr. Gamble responded that all communication utilizes very high frequency (VHF) radios. Senator Huggins wondered at the existence of dead spots at points along the track using this system.

Mr. Gamble spoke about a series of relay sites built up over the years through the mountains to maintain communications. He mentioned redundancy in both data and radio capability now and into the future that includes fiber-optic cable running through the line, a microwave system as back-up and good radio relay.

Senator Huggins questioned whether the railroad had the Alaska Land Mobile Radio (ALMR) system and interoperability between radios as a matter of homeland security.

Mr. Gamble acknowledged that with the purchase of new radios, the railroad will join the ALMR standard for Alaska. He shared his personal involvement in initiating the ALMR common radio system when still in uniform back in 1996. He affirmed that the incident command center would

include the railroad and allow it to be linked on the same ALMR frequency with other federal, state and local safety responders.

Senator Huggins referenced page 21 of the power point, "Capital projects started, continued or completed." He solicited a timeline in the strategic plan for the extensions of two projects: the Northern Rail Extension and Port Mackenzie.

Mr. Gamble clarified that the stimulus money cannot be used for extensions; it can only be used for projects currently underway. With regard to the Northern Rail Extension, he observed that ARRC sought preapproval several years ago from the legislature to sell \$500 million in tax free bonds. The Alaska Railroad Corporation hoped that the visible sign of support would enable efforts to secure federal earmark money in Washington, DC.

Mr. Gamble stated that the railroad took the project one step at a time. The first step involved obtaining \$14 million in earmark dollars to prepare an Environmental Impact Statement (EIS). The draft EIS and record of decision should be available in summer 2009. The EIS was conducted along an eighty-mile stretch and took a couple of years to complete.

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Mr. Gamble described that the next step centered around disagreements on how to handle the Fairbanks bypass. The ARRC separated the issue out. The next phase consolidated dollars around the bridge across the Tanana River, the major feature in the 80-mile extension.

Mr. Gamble mentioned that during the intervening period the army built up forces in Alaska. With the larger number of soldiers at Fort Wainwright needing to reach training ranges across the river, the military declared the bridge a requirement for the US Army. The ARRC has since collected \$116 million for the project and finds itself \$40 million short in work that involves the corps of engineers stabilizing the banks upstream to prevent erosion in the flooding season. The bridge would allow year-round access across the unpredictable ice.

Mr. Gamble emphasized the project's timeline, which relies upon the financials within the state and federal government and successful cooperation with the army to move slowly forward. He indicated that the bridge could begin construction this spring on the assumption that a record of decision exists and a \$40 million source identified. The bridge will be state-owned; the railroad will cross it en route to Delta Junction and will earn state revenue carrying freight and passengers.

[9:46:38 AM](#)

Senator Huggins questioned the ability of the railroad to take on a significant amount of heavy freight from enabler projects and the natural gas pipeline in the next 5 to 6 years to help preserve the roads.

Mr. Gamble emphasized that the value of a railroad is measured in moving high volume, low margin products. He stressed that the railroad is a cheaper method of transport to support resource development.

Mr. Gamble noted two points in connecting the rail to the Yukon River System. The extension would offer year-round rail-line access to villagers that now only have one way out during the wintertime. Trains could also provide a nice piece of intermodal infrastructure helping to move goods traditionally on barges, which are trying to make their way north in October before the river freezes. The railroad could haul fuel right to the water and a distributor could pick it up and move it up the river on the ice. He stressed again that ARRC generates no state bills for operations or maintenance after capital expenditures.

[9:49:54 AM](#)

Senator Huggins mentioned that state officials continue to pursue the implications of synfuel production in Alaska. He wondered whether the railroad would find a "big customer" in synfuel manufacturers both internally and through exportation to Department of Defense (DOD) entities in the Pacific Rim.

Mr. Gamble responded that the question relied on the specific scenario. The Alaska Railroad Corporation could find a large potential customer depending on the location of a plant and what would power the facility. He continued

that hauling several million tons of coal would mean big business while supporting technologies that convert gas to liquid would call for less support from the railroad.

Mr. Gamble noted two synfuel initiatives in the early stages of discussion, both of which would support military requirements requirements and the Flint Hills refinery. The Air Force recently closed an intended operation in Montana, and the Defense Logistics Agency (DLA) made a serious offer last week in Anchorage to put a plant in Alaska. The bureau's proposal encouraged private industry to suggest the best model and guaranteed purchase by DOD of a certain quantity of synfuel annually for so many years. The Alaska Railroad Corporation knew more about the second initiative in Fairbanks, which requires the transport of coal and could prove a very profitable undertaking.

[9:52:54 AM](#)

Senator Thomas asked if the oil industry was contacted in regards to rail transportation and truck traffic through Fairbanks. Mr. Gamble noted that several options were reviewed. There are a couple of promising private yards that have highway access on one side and rail on the other. He concluded that Fairbanks will need all options if the big gas line is built.

Senator Thomas referred to a pipe yard, which was located where the box stores are currently. He suggested pipe would even come through Haines. He mentioned north expansion and questioned if the assumption would be that the pass would be tunneled.

[9:55:04 AM](#)

Mr. Gamble had not surveyed the route, but he thought that previous surveys indicated it would be usable for the railroad. He did not think the pass would pose a problem. The pass would require more locomotives with operating at a slower speed. The northern route has been reflected on but there "is nothing concrete going on there." The railroad has been in conversations with the oil companies.

[9:56:49 AM](#)

Senator Huggins reviewed slide 58 - and noted that there are 14 Special Services. Mr. Gamble clarified that 11 of

the 14 are high school tour guides. The overall group was downsized.

Senator Huggins asked if the rail engineers have access to simulators. Mr. Gamble affirmed and explained that the visual display was designed after portions of the actual rail line. The simulators help to standardize operating procedures for fuel efficiencies and emergency procedures.

[9:58:49 AM](#)

Senator Huggins spoke to hybrid locomotives (diesel/elective) and asked if there is an initiative to go to the next step. Mr. Gamble suggested that the diesel/elective hybrid is the next step. The "state of the art" comes in the diesel motor itself and some of the efficiencies in the transfer of the energy down to the wheels.

RECESSED: [10:00:14 AM](#)

RECONVENED: [10:05:25 AM](#)

#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."

[10:05:36 AM](#)

DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT  
AMANDA RYDER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT provided information regarding the department's capital budget requests.

Reference No. 40056

Organization Grant \$100,000

Ms. Ryder explained that the grant would defray the cost of incorporation for the third and final payment to the city and borough of Wrangell for incorporation as required by statute.

Reference No. 38950

Alaska Energy Authority (AEA) Projects \$31 million

Ms. Ryder explained that the request supports longstanding (mostly federal) grants. The department expects \$4 million in federal funds from the Denali commission for bulk fuel upgrades to replace tank farms with new refurbished facilities that meet all applicable safety and environmental standards. The program began in 1997 and has expanded since FY 99 with federal Denali Commission funds. When the work began there were 1,100 above ground tank farms in 171 remote communities. She explained that \$30 million is needed to complete the upgrades for the remaining 25 communities on the list.

Co-Chair Stedman asked for a list of the communities. Ms. Ryder agreed to provide a list after the meeting.

[10:09:08 AM](#)

In response to a question by Co-Chair Stedman, Ms. Ryder observed that Alternative Energy grants were included in the request because they are part of AEA's energy projects. The Alternative Energy and Energy Efficiency program is a long standing federal program that receives grants for diesel generation, hydroelectric project development pass through federal grants, wind energy, biomass geothermal, ocean energy and energy cost reduction. The program does not deal with the renewable energy grant projects that are funded from the \$100 million dollar fund created by the legislature.

Ms. Ryder observed that the request also includes: \$7 million for Rural Power System upgrades from the Denali Commission, \$1 million to develop the statewide Alaska Energy Plan, and \$2 million for Renewable Energy Grant Fund projects. No state match is required for the Denali Commission projects in this request.

Reference NO. 47877

AEA - Denali Commission \$10 million  
Match for rural power system upgrades

Ms. Ryder explained that the funding would come from the Capital Income Fund. The Denali Commission asked the state to provide a match to what had been 100 percent federally funded projects.

[10:13:41 AM](#)

Reference No. 38946

Community Block Grant        \$6.1 million.

Ms. Ryder observed that the request contains \$6,030.0 million in federal funds and \$70 thousand in general funds for grants to improve the quality of life for low income rural Alaskans through RurAL CAP a non-profit community agency. The request also includes funding for Food and Nutrition Grants, Community Development Block Grants, and Emergency Shelter Grants.

Reference No. 47006

Grants Tracking System        \$255 thousand

Ms. Ryder observed that the grants tracking system would provide software to assist the department with its tracking of grants and expand reporting capacity.

Co-Chair Stedman assumed that the requests were ranked in a priority order. Ms. Ryder was uncertain but offered to report back.

[10:16:15 AM](#)

Reference No. 41789

Kodiak Launch Complex Infrastructure        \$17.5 million

Ms. Ryder explained that \$14 million of the request would come from federal funds. The remaining \$3.5 would be general funds. This is the second year appropriation to build a dedicated rocket motor facility and an additional launch pad, which would allow multiple launches.

Reference No. 40242

Manufacturing Extension Program        \$806,401

Ms. Ryder highlighted the request which would support the federal program set up to support small and medium manufacturers. The request funds the state's third of the project.

[10:18:08 AM](#)

Reference No. 38943

Community Development and Assistance        \$2.63 million.

Ms. Ryder observed that the general fund portion would be \$430 thousand. The request supports multiple federally-funded programs providing grants and development opportunities and assistant to communities and non-profits for community development. The request includes funding for the Alaska Floodplain and Erosion Management program, business development, and the Coastal Zone Management program.

Reference No. 47007

Licensing MyAlaska Integration           \$310 thousand

Ms. Ryder noted that the project goal is to integrate each of the division's on line applications so that users do not have to apply for separate ID's and passwords. She concluded that the project would offer greater security and ability to view accounts online.

Reference No.47878

Denali Commission Match/Rural Transportation       \$5 million

Ms. Ryder explained that the funding would come from the Capital Income Fund. The purpose of the request is to assist the Denali Commission's effort to fund cost effective road construction and waterfront development projects in rural Alaska. The request would benefit rural Alaska by reducing the cost of goods and services, improving village to village connections, providing access to resources, and helping to create jobs and economic development. She observed that there is 30,000 miles of shoreline and that Alaska's marine facilities are an integral part of local, statewide, and international transportation of goods and services. The Denali Commission previously funded 100 percent of these projects but has requested state participation.

[10:20:56 AM](#)

Reference No. 47847

Shishmaref Beach Erosion           \$3 million

Ms. Ryder observed that the request funds phase III of a four phase project. This phase would construct 550 feet of ocean side protection for the washeteria and sewage lagoon. She noted that phases I and II are complete.

Co-Chair Hoffman asked if these improvements would prevent relocation of Shishmaref. Ms. Ryder understood that the project would provide Shishmaref with time to plan. She did not know how much time the project would buy.

[10:22:51 AM](#)

Reference No. 47987

Kenai River Bluff Erosion Project \$5 million

Ms. Ryder explained that the request is the result of erosion and is the number one priority for the city of Kenai. The total cost of the project is \$20 million (\$13 million in federal funds). The local match is \$2 million. This request provides the state's portion.

Reference No. 41956

Municipality of Anchorage \$10 million  
Expansion of the Port of Anchorage

Ms. Ryder observed that the Port of Anchorage serves 80 percent of Alaska's population and is the entry point of 90 percent of the consumer goods shipped to Alaska. The port is securing funding of \$350 million to \$400 million through a combination of state, federal and local resources. The total federal cost is 52 percent; 48 percent would come from state grants, port retained earnings and loan proceeds. The state has so far appropriated \$55 million for this purpose.

Reference No. 47879

Alaska Marine Exchange 0

Ms. Ryder clarified that the governor removed this item that would have expanded the vessel tracking system due to the state's fiscal situation.

[10:25:40 AM](#)

Co-Chair Stedman noted that the original request for the marine exchange system was \$650 thousand and questioned if the cruise ship head tax would be an appropriate fund source. Ms. Ryder was unable to answer but offered to discuss the issue with OMB. Co-Chair Stedman questioned if deletion of the request would impact cruise ship tracking and monitoring of discharge. He asked if other areas would be increased and questioned the long term "deal" with the

transmitter network of the Alaska Marine Exchange. He wanted to ascertain if the deletion was temporary. Ms. Ryder responded that she was unable to comment on the policy issues behind the deletion but offered to talk with OMB.

[10:28:35 AM](#)

Reference No. 38713  
Arctic Power \$120 thousand

Ms. Ryder explained that the grant would support education efforts in opening up ANWR for oil and gas exploration and development.

Reference No. 41959  
Arctic Winter Games Team Alaska \$250 thousand

Ms. Ryder clarified that the request would support participation in the 2009 Arctic Winter Games.

Reference No. 38948  
NPR-A Impact Grant Program \$15,967,840

Ms. Ryder explained that the request funds fifteen grants to communities impacted by oil and gas lease sales and development within the National Petroleum Reserve of Alaska.

Co-Chair Stedman asked about a list of the grants and applications that were not funded. Ms. Ryder agreed to provide the list and pointed out that the grants were ranked.

Co-Chair Hoffman asked the reason for the amendment that reduced the request by \$7 million.

[10:31:40 AM](#)

Ms. Ryder answered that one of the lease sales did not occur. The appropriation was based on the actual lease sales.

Co-Chair Stedman reiterated his request for a list of grant applications that were declined.

Reference No. 47031

Electrical Emergencies Program           \$250 thousand

Ms. Ryder clarified that the request is a long standing AEA program that funds technical support when an electrical utility has lost or is in danger of losing the ability to generate power, creating a situation that is a threat to health, life and/or property. A language appropriation is also included to reappropriate the cash balance of the Rural Electrification Revolving Loan Fund (\$80.4 thousand). The total cost would be \$330.4 thousand.

Reference No. 45662

Climate Change Impact Mitigation Program           \$300 thousand

Ms. Ryder explained that the program provides planning assistance to the most at risk villages and provides a planned approach to shoreline protection, building relocation and/or the eventual relocation of the village. The request would fund approximately five grantees.

[10:33:59 AM](#)

Reference No. 47898

Cruise Ship-Related Grant Projects \$22.54 million.

Ms. Ryder noted that the grants to municipalities use the Cruise Ship Impact Fund. The Department of Transportation and Public Facilities worked with the department to rank and review the projects based on need and cruise ship industry impact to the communities and specific projects.

Co-Chair Stedman asked for more information on the process used to collect and rank projects. Ms. Ryder observed that OMB outlined the ranking process in a letter dated February 26, 2009. The Department of Transportation and Public Facilities gathered project information and prioritized projects based on OMB's letter.

Co-Chair Stedman did not see Petersburg on the list. Ms. Ryder did not know which communities had proposals. Co-Chair Stedman asked for more information on the pool of requests and ranking. He observed that there are still some funds available and noted that some projects requested in the previous year were not funded. He asked for any information provided by the industry that was used in ranking with the objective to keep the industry in the loop

in regards to the selected grants project. He pointed out that Fairbanks and Anchorage receive cruise ship visitors.

[10:37:56 AM](#)

OFFICE OF THE GOVERNOR

Reference No. 47009

Banking and Securities Imaging           \$580 thousand

Ms. Ryder added that a number of the department's information and technology projects were placed under the Office of the Governor. She observed that an imaging project for the Banking and Security Management System remains. The project uses an imaging system previously developed for the Division of Insurance as a base for the new project. Images are currently stored in hard copy format. The request would improve document accessibility and eliminates the cost of paper.

Ms. Ryder discussed the items that were deleted.

Reference NO. 47005

Community and Regional Affairs Imaging   \$690 thousand

Ms. Ryder observed that the request was deleted due to the state's fiscal situation.

Reference NO. 47010

Banking and Securities Management System       \$890 thousand

Ms. Ryder explained that the request was removed due to an incident that convinced the administration to start on the project prior to FY 10. The request encompasses systems that address STAR, ANCSA and Native corporations. The STAR system was deemed at risk and the request was added to the supplemental appropriation. Co-Chair Stedman observed that the intent was to remove capital from the supplemental.

[10:42:10 AM](#)

Co-Chair Stedman suggested that the department's request be stacked in priority order.

Co-Chair Stedman asked for information regarding applications for climate impact mitigation funding. Ms. Ryder noted that applications were ranked by the department

but did not know how the applications were submitted. She observed that some applications have been returned for more information.

10:45:04 AM

Co-Chair Stedman referred to economic stimulus funding for the department. Ms. Ryder observed that requests for economic stimulus funding would be made for longstanding, existing programs. Co-Chair Stedman observed that the issue would be given further review.

10:46:46 AM

#

ADJOURNMENT

The meeting was adjourned at 10:52 AM.