

SENATE FINANCE COMMITTEE
March 19, 2009
9:09 a.m.

9:09:02 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:09 a.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

Senator Johnny Ellis

ALSO PRESENT

Senator Gene Therriault, Eric Swanson, Director, Division of Administrative Services, Department of Administration; Kim Garner, Director, Division of Finance, Department of Administration; Jim Kohler, Deputy Director, Enterprise Technology Services, Department of Administration; Remond Henderson, Craig Campbell, Adjutant General, Commissioner, Department of Military & Veterans Affairs; Deputy Director, Division of General Services, Department of Administration; Leslie Houston, Division of Administrative Services, Department of Corrections; April Wilkerson, Budget Chief, Division of Administrative Services, Department of Corrections.

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."

SB75 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."

[9:10:53 AM](#)

DEPARTMENT OF ADMINISTRATION

Reference Number 47048

ERIC SWANSON, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ADMINISTRATION, began with reference number 47048 and the Statewide System Replacement Project Request for \$76,500,000 of master lease line of credit funds. The purpose of the request is to replace the statewide accounting system. The additional funding is necessary for the massive undertaking of replacing access to the state accounting and state payroll systems. Both systems are nearing the end of their useful lives and must be replaced while still functioning.

Co-Chair Stedman expressed concern about utilizing the master lease line of credit and the impact on the operating budget.

Mr. Swanson recalled a conversation with the Department of Revenue's debt manager Devin Mitchell regarding financing. He explained that the cost to retire the debt for the project is \$2.2 to \$3 million in FY11 including an additional \$13.3 million of debt retirement from FY12-FY18.

Co-Chair Stedman asked if there is ongoing cost comprised of built-in fees. Mr. Swanson answered that the necessary software purchase and licensing could present an ongoing cost.

[9:14:02 AM](#)

KIM GARNERO, DIRECTOR, DIVISION OF FINANCE, DEPARTMENT OF ADMINISTRATION, stated that the department is contemplating licensing products for software, which generally run 25% of the licensing fee. She estimated ongoing license maintenance software fees to run between \$15 and \$20 million per year.

Co-Chair Stedman asked if the \$15 to \$20 million in ongoing expenses were listed in the budget document. He did not see the expense documented for 2011 and 2012. Mr. Swanson responded that the estimate was not added as current estimates are between 18-22% of the software's purchase price.

Senator Thomas asked who designed the system. Ms. Garnero answered that the replacement systems have not been selected. She informed that the procurement process is

slated to begin in late 2009. Requirements are documented by state stakeholders.

Senator Thomas asked if the department was planning to design the system. Ms. Garnero responded that the intention is to buy off the shelf. She explained that the majority of states have moved from the old system to an off the shelf product such as PeopleSoft Inc. a popular human resource management systems software solution.

[9:17:13 AM](#)

Senator Olson asked which departments are utilizing the master lease line of credit. He asked if the ability to use the master lease line of credit was unique to the Department of Administration (DOA). He believed that appropriations were made to other pertinent agencies in the past and those agencies used the line of credit as part of their operations. He offered to return to the committee with additional information about the line of credit's history.

Mr. Swanson answered that other departments and agencies have received appropriations from the master lease line of credit. He recalled instances where other agencies used the master lease line of credit to fund operations. He offered to provide the committee with research about prior appropriations.

Senator Olson expressed concern about the requested increase and the potential lack of funds.

Co-Chair Stedman noted that the master lease line of credit is present in various budget presentations this year and moves cash flow call from FY10 into the operating budget.

Co-Chair Hoffman pointed out that the future expense is substantial and includes a request of \$86 million for completion by 2015, which places an additional burden upon the state budget.

Co-Chair Stedman reminded that the state has a line of credit of \$50 million, but this issue is separate and above normal operating procedures of the past.

Senator Huggins expressed concern about the term debt and the national economic scene. He asked about the effect of deferring this project during the time of deficit spending.

Ms. Garnero asked if Senator Huggins was proposing deferring the replacement of the accounting and payroll systems. Senator Huggins clarified that he was referring to any portion of the \$76 million dollars.

Mr. Garnero responded that the state must begin the replacement process as soon as possible to allow the luxury of smooth transition to new payroll and accounting systems before the current system fails.

[9:21:02 AM](#)

Senator Huggins agreed with the concept of replacing the system, but he felt concern about potential employee layoffs due to the high cost of the system. He requested mindfulness about large deficit spending.

Co-Chair Hoffman asked about the time schedule. He understood that the original request was for \$72 million over 2010, 2011, and 2012. The current request is for \$76 million in 2010. He asked the reason for the time schedule change.

Ms. Garnero explained that the proposal is separated by year. The first year requires the greatest funding as licensing fees are required to bring the new software to the implementation process. The implementation process is a multiyear activity.

Co-Chair Hoffman asked if the expense might be spread out along the time frame originally requested for \$50 million in 2010 versus \$76 million in 2010. He noted that the original request for 2011 was \$10 million, but now that cost is compacted into the first year. Ms. Garnero responded that the timing was such to optimize the debt placement.

Co-Chair Hoffman asked if the originally proposed timeframe would work. Ms. Garnero believed that the originally proposed timeframe would work.

[9:23:42 AM](#)

Reference Number 47047

Mr. Swanson detailed reference number 47047 and the State of Alaska Telecommunication System Critical Tower Repair Upgrade and Maintenance. The requested funding is to provide for deferred maintenance for the state's telecommunication system enabling the focus on critical upgrades and repairs.

Reference Number 47053

Mr. Swanson addressed reference number 47053 and the Alaska Public Offices Commission Online System Project. He explained the request for funding to complete the web based application for the state's administration of Alaska's disclosure laws and to publish financial information regarding the activities of election campaigns, public

officials, lobbyists and lobbyist employers. The goal is to move to an entirely electronic environment.

Reference Number 47041

Mr. Swanson described reference number 47041 and the Network Communications and Connectivity Upgrades. He explained the request of \$1.3 million dollars to provide necessary enhancements and equipment upgrades to the state's network, the data center, and the telecommunications systems. The request will allow constant service and equipment monitoring, which he opined was important for the network.

Co-Chair Hoffman pointed out that the funding of the request requires commitment to future spending. Mr. Swanson opined that the department would seek similar levels throughout the process.

9:27:01 AM

JIM KOHLER, DEPUTY DIRECTOR, ENTERPRISE TECHNOLOGY SERVICES, DEPARTMENT OF ADMINISTRATION stated that the project is one of several required to update the network. The current request is one portion of the project that allows both hardware and software along with a service contracted to monitor equipment with combined sites. He explained that this is not a multiyear project, but instead one of several projects anticipated across the next few years.

Co-Chair Hoffman asked if the \$1.3 million is funded would lead to obligation to fund subsequent years. Mr. Kohler answered that the request is for a one time project.

Senator Olson asked if there would be another request for \$1.3 million in 2016. He asked why the request was not in the operating budget. Mr. Kohler answered that the projection beyond 2015 is not possible. He relayed a series of costs incurred in the process of the project development.

9:31:14 AM

Senator Huggins asked the role of the Alaska Land Mobile Radio (ALMR) project. Mr. Kohler answered that the ALMR employs the state's telecommunication system to connect all of its various sites. He continued that ALMR is a project that utilizes the state's Information Technology (IT) and data management systems. Senator Huggins asked if the telecommunication system program request (reference number 47047) for \$3 million was part of the integration process. Mr. Kohler responded that reference number 47047 is a portion of the basic State of Alaska Telecommunication System (SATS) network for physical upgrades required to bring the system beyond its current maintenance

capabilities. He informed that the request would be made regardless of the existence of the ALMR system.

[9:33:47 AM](#)

Senator Huggins asked about communities that opted out of ALMR? He wondered if the project would address the system chosen by those communities. Mr. Kohler replied that Anchorage built its own emergency radio system, which coordinated with the ALMR project.

Senator Huggins asked about user fees in Anchorage. Mr. Kohler did not know who paid the user fees in Anchorage. Senator Huggins asked about other areas utilizing ALMR. Mr. Kohler answered that the ALMR project is built and maintained in a consortium manner with four members of the project. The members include Alaska, the Department of Defense, all the federal agencies that are not part of the Department of Defense, and municipalities. The past year offered the opportunity to project with specificity about the ALMR project. The consensus decision as of September 2008 was to apportion all of the maintenance and operating cost equally on a "per handset" basis.

Senator Huggins asked if the communities are cooperating with the agreement. Mr. Kohler responded that the payment for maintenance and operation from a user fee basis does not begin until July 1, 2010.

Senator Huggins asked about the state's expense in FY08. Mr. Kohler answered that the combined contribution in FY08 was approximately \$1.8 million for the maintenance of equipment and the network itself. The Department of Defense covered the entire cost of management operations.

[9:38:23 AM](#)

Senator Huggins asked what the state share would be in July. Mr. Kohler answered that Alaska's state share of handsets would be approximately \$1.8 million.

Senator Huggins asked if that commitment would change. Mr. Kohler replied that the plan was state coverage of user costs for municipalities for one year allowing them to plan for their full participation.

[9:40:00 AM](#)

Mr. Swanson noted that reference number 47060 WAS DELETED.

Reference Number 47054

Mr. Swanson addressed reference number 47054 and the Alaska License and Vehicle Information Network Replacement. The

project funding would occur for the total cost of \$10 million.

Reference Number 47055

Mr. Swanson detailed reference number 47055 and the digital driver license printers. He informed that this request would enable the replacement of all digital photographic printers.

Reference Number 47052

Mr. Swanson described reference number 47052 and the Combined Retirement System Upgrade. The funding is increasingly important as the retiree population grows.

[9:43:58 AM](#)

Reference Number 47059

Mr. Swanson addressed reference number 47059 which was deleted because the deferred maintenance was completed with the prior year's appropriation.

Co-Chair Stedman asked about the governor's house and the deleted improvements. He asked if the improvements might encourage the governor to live in Juneau.

[9:45:58 AM](#)

REMOND HENDERSON, DEPUTY DIRECTOR, DIVISION OF GENERAL SERVICES, DEPARTMENT OF ADMINISTRATION, answered that the intention is to fund the projects with funds remaining from the prior year.

Co-Chair Stedman stated that the total list equaled \$2 million. He asked that for the information to be provided to the committee. He highlighted the issues with the governor's mansion and the state museum.

Reference Number 47058

Mr. Swanson addressed reference number 47058 and the Facilities Deferred Maintenance. He noted that the facilities in the group include the State Office Building, the Alaska Office Building, the Court Plaza, the Diamond Courthouse, and the Atwood Building. This request occurs annually to provide deferred maintenance on these facilities. The funding is collected through the public building fund. He pointed out that the priorities requested change causing projects to be shifted. The list of projects is dynamic and the list presented to the committee is intended to provide the total order of deferred maintenance needed for these facilities. The annual request illustrates the capacity anticipated to get the work finished.

[9:49:54 AM](#)

Co-Chair Stedman noticed that the presented list shows a need of \$80 million yet the request equals only \$2.8 million. Mr. Swanson responded that the list is dynamic and provides a total of what is expected for these facilities. Mr. Swanson noted the annual request illustrates the work that the department deems possible during an upcoming fiscal year. Co-Chair Stedman asked if the possibility was due to time or resources. Mr. Swanson answered that both aspects of time and money affect the decision. Co-Chair Stedman wondered if the annual allocation was a mere \$2.8 million with \$80 million worth of total projects, will the state ever accomplish the deferred maintenance goals.

Mr. Henderson pointed out that deferred maintenance priorities change depending on environmental conditions making the list an evolving one. He informed that the list might encompass more or less projects next year.

[9:52:04 AM](#)

Co-Chair Stedman asked for the response to the maintenance of the governor's mansion. He understood that the mansion was lightly used and he advised performing needed repairs in an effort to preserve the building.

Mr. Swanson detailed reference number 47040, and the DOA enterprise security projects. The funding requested will provide several security projects including enhancements to the demilitarized zone, auditing and compliance, email discovery, and privacy and server consolidation for disaster recovery.

Mr. Swanson addressed reference number 47051 and the Document Management System Microfilm Conversion Phase I. The funding requested will provide for the migration of the Division of Retirement and Benefits microfilm documents, which currently exist on 16mm silver negatives. The goal is to digitize the information allowing preservation. Some images are beginning to fade on the old media, leading to concern about loss of data. The new system provides much improved search capabilities which will infuse efficiencies in the operation.

[9:56:47 AM](#)

DEPARTMENT OF MILITARY AND VETERANS AFFAIRS

CRAIG CAMPBELL, ADJUTANT GENERAL, COMMISSIONER, DEPARTMENT OF MILITARY and VETERANS AFFAIRS announced reference number 42900 and a request of \$1.7 million of federal authority. This request is traditionally made each year. The funds are

used for maintenance and construction operations for Army guard facilities around Alaska.

Reference Number 47882

Mr. Campbell advised that reference number 47882 be deleted from the governor's budget due to recommendations to cut spending. A future request will be made for the amount of \$750 thousand or increments of \$250 thousand over three years. He pointed out that the division cannot formally move forward in the federal selection process for validation until the full \$750 thousand is appropriated by the state. Due the budget situation in Alaska the division requests that the item be deleted.

10:00:23 AM

Senator Huggins asked if the Veteran Cemetery Bill will go into the capital budget.

Mr. Campbell answered that we do not require the bill to submit an application for the capital budget, but only the \$750,000. He noted that the discussed bill will provide for construction of the cemetery in the future.

Co-Chair Stedman clarified that only an appropriation to the capital budget is required for construction to begin.

Mr. Campbell informed that the legislation is not required for the appropriation of capital money to construct the cemetery. For the state to progress with the state cemetery, the administration supports legislation that would encompass the state's role in a state cemetery.

Senator Huggins stated that the bill consolidates funding. He opined that the bill enhances the project and creates a sense of calm in Fairbanks.

10:02:34 AM

Reference Number 35774

Mr. Campbell addressed reference number 35774 and the Military Youth Academy for Deferred Maintenance Renewal and Replacement. He anticipated that this would be the last request for capital improvement as the final reconstruction will be completed.

Reference Number 42898

Mr. Campbell addressed reference number 42898 and the National Guard Counterdrug Support and Ropes program. A portion of the program addressed education of youth in Alaska through schools, community events, and an obstacle

type ropes program. He requested authority to accept \$100 thousand from the federal government and \$50 thousand from state general fund.

Reference Number 42901

Mr. Campbell addressed reference number 42901 for an estimated \$9.5 million from the federal government into the homeland security division. The funding is based on the allocation from the federal government. He pointed out that various states are working with the Obama administration to determine how the money is allocated.

Reference Number 43330

Mr. Campbell addressed reference number 43330 and the Estimated Compliance Cleanup Site Restoration with a request for authority to receive \$17 million from the federal government.

[10:07:55 AM](#)

DEPARTMENT OF CORRECTIONS

Reference Number 47567

LESLIE HOUSTON, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF CORRECTIONS, discussed reference number 47567 for Goose Creek Correctional Center Utility and Energy Construction Costs. Due to the revenue shortfalls, the original request of \$20 million was amended to \$6 million and spread out over three fiscal years.

Co-Chair Stedman asked for a little more detail on the original \$20 million request. Ms. Houston noted that the department originally requested \$20 million as it represented the amount between the revised construction costs and the bond sales at the time. In an effort to downsize due to the revenue shortfall, a decision was made to break the request into smaller pieces.

Senator Huggins asked about a prior appropriation for \$20 million that was vetoed. He requested further history about the appropriation.

APRIL WILKERSON, BUDGET CHIEF, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF CORRECTIONS stated that the \$20 million item that was vetoed for debt reimbursement. She requested time to research the question and return to the committee with the answer. Senator Huggins appreciated the upcoming response.

Co-Chair Stedman asked for further information including details about the bond sale, the dates that the bonds were

issued, market conditions one year previous, and the market conditions today.

[10:12:29 AM](#)

Senator Huggins commented that Goose Creek attracts doubt from citizens regarding the validity of the project. He expressed frustration that the project had not come to fruition.

Senator Olson asked if there was already a facility located on the Goose Creek property. Ms. Houston responded that she was unsure. Senator Olson asked if the facility in need of renovation was the one that formerly housed the reindeer farm. Ms. Houston admitted that she was not familiar with the area. Senator Huggins added that the reindeer were gone. He stated that the property is the prison farm near Goose Bay.

[10:14:48 AM](#)

Co-Chair Stedman reiterated the request for a swift response back to the committee about the bond information.

Ms. Houston described reference number 46994 and the Fairbanks Correctional Center Space Renovation and Remodeling. The program space within the facility was converted into a 38 bed dorm space to accommodate overcrowding. This request is to convert storage space for the parole and correction officers in the education programs who were displaced.

Senator Thomas asked if the rate was consistent with the rest of the state and country for the individuals entering the correctional facilities or shipped outside.

Ms. Houston answered that the Fairbanks Correctional Center is a combined facility serving as a community jail and a prison. She noted that combined facilities tend to suffer from overcrowding. Approaches are taken to accommodate additional beds without upsetting the facility.

Senator Thomas recalled that the gymnasium at the Fairbanks Correctional Facility recently housed over 100 people. He asked about possible future expansions. Ms. Houston replied that the gym is currently clear and used for recreation purposes. She stated that there are some expansion plans for that facility offering future relief.

[10:17:36 AM](#)

Co-Chair Hoffman asked to know the time frame for the future expansion plans. Ms. Wilkerson responded that the

information will be provided to the committee following a planning meeting held by the management team.

Co-Chair Hoffman stated that SB 65 provided current legislation allowing Bethel the Goose Creek facility. He stated that the number one priority has been the Bethel expansion. He did not see any requests to address the overcrowding in the Bethel facility. Ms. Houston responded that the expansion team is meeting currently to develop a report requested by the legislature to be distributed next week.

Co-Chair Hoffman asked if a supplemental request for the budget would follow the report. Ms. Houston noted that without the results from the report she could not answer the question. Co-Chair Hoffman asked if the supplemental request might be a future possibility. Ms. Houston answered yes.

[10:19:50 AM](#)

Senator Huggins pointed out the most common theme with corrections is the promise of reports, yet there is rarely any change. He noted that the facilities, concepts, and costs tend to lead to different directions.

Reference Number 46995

Ms. Houston introduced reference number 46995 and the Medical Information System for \$1.5 million of Permanent Fund Dividend (PFD) criminal funds. She noted the multi state consortium between Alaska, Utah, Idaho, and New Mexico to develop and improve upon the existing system and implement the medical model into the information tracking system. Currently medical files are in paper form and must travel with the inmate, which can occasionally get lost. This request would bring the medical information online allowing easy access at each facility in the system.

Co-Chair Stedman asked about PFD fund source. He asked if the PFD receipts had been adjusted for any impact of the decline in the dividend. Ms. Houston answered yes. He asked about a statute passed last year allowing inmate child support to be paid by the PFD.

Ms. Houston noted that this year, due to the past growth of the Permanent Fund, was the year to use the funds. She was unfamiliar with the distribution of funds by the Department of Revenue. Co-Chair Stedman asked Ms. Foster to return to the committee with the answers.

[10:23:19 AM](#)

Co-Chair Hoffman asked about the past growth of the permanent fund dividend. Is that growth including the \$1,200

energy rebate? Ms. Houston answered that she was uncertain. She offered to present the answer along with the others due to the committee.

Senator Olson asked about the medical information system and the prevention of death. Ms. Houston answered that the medical information system might assist in the prevention of a death as past medical history is readily identified and observed.

[10:24:44 AM](#)

Reference Number 47014

Ms. Houston addressed reference number 47014 and the Combined Highland Mountain Correctional Center Lead Abatement and Buffer Fence. She explained that a recreational trail system is encroaching on state land. Approximately 2.5 acres of the land is an old firing range containing lead contamination in the soil which must be abated prior to an exchange of land with the Anchorage municipality. Also, a 300 foot clear zone perimeter fence will be added next year to keep the public away from the inside fence.

Reference Number 46996

Ms. Houston addressed reference number 46996 and the request for an online electronic procurement system. Currently the Department of Corrections has an antiquated manual procurement process. The system sought will provide substantial savings and has the capability of cataloging and supply management allowing for competitive analysis between vendors.

Reference Number 45637

Ms. Houston detailed reference number 45637 and the Annual Facilities Maintenance and Repairs request for \$2.5 million general funds. The facilities are over 27 years old and require maintenance and repair. The issues listed are the most critical.

Co-Chair Hoffman requested the maintenance list. Co-Chair Stedman echoed the interest in the magnitude and content of the maintenance list. He noted that the fluidity of the list was also of interest.

[10:28:08 AM](#)

Co-Chair Hoffman requested that the list be prioritized. Ms. Houston added the request to her list of items to present to the committee. Co-Chair Stedman requested the list once it is prioritized.

Reference Number 41515

Ms. Houston addressed reference number 41515 for Institutions and Probation and Parole Equipment Replacement. She identified the items to be replaced as metal detectors, food service equipment, and laundry facility equipment strictly to replace old obsolete capital equipment.

Reference Number 45248

Ms. Houston introduced reference number 45248 Inmate Health Care Medical and Dental Equipment Replacement request of \$140,400 of the PFD criminal fund to replace essential medical and dental equipment including hospital beds for the medical segregation unit, microscopes, and a dental chair.

Co-Chair Hoffman asked which facilities were included in the statewide request. Ms. Houston replied Fairbanks, Spring Creek, and Anchorage Correction Facilities will be served by the request.

Co-Chair Stedman asked if Lemon Creek Correctional Facility required any upgrades. Ms. Wilkerson explained that Lemon Creek received a dental chair from last year's capital budget appropriation.

10:30:31 AM

Co-Chair Stedman asked about facilities in Western Alaska. Ms. Wilkerson responded that she would provide a list of facilities that received updated equipment last year. The current request is to provide the remaining facilities with the rest of the equipment needs.

Co-Chair Stedman reminded about the list and the imperative prioritization of the order. Ms. Wilkerson understood the request and promised to comply.

SB75 was HEARD and HELD in Committee for further consideration.

10:31:26 AM

ADJOURNMENT

The meeting was adjourned at 10:31 AM.