

HOUSE FINANCE COMMITTEE
January 31, 2012
1:38 p.m.

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CALL TO ORDER

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

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Co-Chair
Representative Anna Fairclough, Vice-Chair
Representative Mia Costello
Representative Mike Doogan
Representative Bryce Edgmon
Representative Les Gara
Representative Reggie Joule
Representative Mark Neuman
Representative Tammie Wilson

MEMBERS ABSENT

Representative David Guttenberg

ALSO PRESENT

Marc Luiken, Commissioner, Department of Transportation and Public Facilities (DOT/PF); Mary Siroky, Director, Division of Administrative Services, Department of Transportation and Public Facilities; Becky Hultberg, Commissioner, Department of Administration (DOA).

SUMMARY

BUDGET OVERVIEWS:

Department of Transportation and Public Facilities
Department of Administration

^BUDGET OVERVIEW: DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES

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MARC LUIKEN, COMMISSIONER, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES (DOT/PF), introduced department staff. He provided a PowerPoint presentation titled "Alaska Department of Transportation and Public Facilities Overview." The mission of the department had been developed over the past year and was based on statute, which was to "get Alaska moving through service and infrastructure." The objective of the mission statement was met by providing for the safe and efficient movement of people and goods, providing access to state services, and opening opportunities for exploration and development of Alaska's resources (slide 2).

Co-Chair Thomas shared that there had been some discussion regarding who had authority to change the mission statement. Further discussions regarding mission statement changes would occur at a later time.

Commissioner Luiken pointed to the statutory requirements related to the department's mission on slide 3.

Commissioner Luiken highlighted slide 4, "Vision: Expand Alaska's Transportation System."

- We will become the premier state organization known for transparency, accountability, innovation, superior service and employee retention.
- We will create more efficiencies in our current system and develop new corporate and public partners.
- We will achieve service based management of our state owned transportation assets and facilities.
- We will expand the reach of our surface transportation system.
- We will provide access to Alaska's undeveloped resources.

Representative Edgmon pointed to the uncertainty attached to the department's funding sources. He opined that it would be good for the department to state that it would do the best it could with the funding services that were available. Commissioner Luiken replied that he would discuss the point later in the presentation. The assumption had been included in the vision of the department.

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Representative Joule remarked that there were some areas of the state that sought some level of connectivity with each other. He wondered how that desire fit into DOT/PF's vision. Commissioner Luiken replied that the second to the last bullet on slide 4 related to the question - the department will expand the reach of our surface transportation system.

Representative Gara was surprised that "improving safety" was not included in the vision statement of the department. He also expressed concerned that the department would bring forward funding requests for expansion on an annual basis. He felt that bringing expansion requests every year, increased maintenance and operation costs. Commissioner Luiken answered that ultimately the vision was created for the internal utilization of DOT/PF. The budget parameters may or may not allow for expansion. The general goal was to expand the highway system at 15 miles per year.

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Commissioner Luiken relayed that DOT/PF drew its performance measures from the department's core services. He stressed that, like the mission vision values statement, DOT/PF had begun to identify its performance measures for the organization. He relayed that many of the DOT/PF employees attended training, to help develop measures that are more meaningful and results-oriented. An additional goal was to work with legislators, agencies, and customers with integrity, excellence, and respect.

Commissioner Luiken moved on to slide 5, "Airports and Maintenance Stations." He explained that the pink dots represented the state-owned airports. He noted that there were a couple in Dead Horse in Barrow that were not marked on the map. There were 252 rural airports and two international airports that DOT/PF oversaw. He emphasized that the two international airports in Alaska made up the largest self-sustaining enterprise fund that was managed by the State. Ted Stevens International Airport in Anchorage was the second largest cargo airport in the United States; and it was the fifth largest cargo airport in the world. Both international airports in Alaska were huge economic drivers for their local communities and for Alaska.

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Representative Wilson asked about DOT/PF plan if federal airport funding was reduced. Commissioner Luiken replied that the maintenance and operation of the airports was funded by the State. He stated that the federal airport improvement program funding was intended for capital projects. If the federal funding was reduced, it would merely slow the program. He stressed DOT/PF would continue to work on the quality of Alaska's rural airports with or without funding.

Co-Chair Stoltze wondered how the Anchorage and Fairbanks international airports subsidized each other. Commissioner Luiken did not know. bs wondered if the figure was over \$1 million. Commissioner Luiken replied that the figure was more than likely over \$1 million. He furthered that DOT/PF had worked hard to create an international airport system, and market it as such. He stressed that the Anchorage and Fairbanks airports needed a symbiotic relationship. Co-Chair Stoltze asked for a firm number to be provided at a later time.

Representative Joule wondered how the price of fuel factored into maintaining Alaska's status as a prominent cargo airport. Commissioner Luiken replied that "the price of fuel was the price of fuel." He explained that the Alaska Fuel Consortium that worked to find the best price for fuel, and bring that fuel to the Ted Stevens Airport.

Representative Joule stressed that the international airports were critical to Alaska's economy, and wondered if the high price of fuel would have a negative impact on Alaska's economy. Commissioner Luiken responded that what sells Alaska's international airport system was its strategic location. Anchorage was roughly half way between Asia and North American markets. He remarked that potential threats were the other airports along the west coast of the United States. For instance, Portland International Airport had offered a discount for cargo aircraft to use the airport.

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Representative Doogan discussed a snow storm that occurred in Anchorage in early December. He was unhappy about how DOT/PF had handled the snow storm. He had written two letters to the department and had received dissatisfactory answers. He discussed the importance of the safety for his

constituents to travel throughout the community. He believed the snow plows had not been sent out early enough. Commissioner Luiken replied that the maintenance operation employees had worked that entire night and the plows had been deployed early. There had been some unusual snow events in Alaska during the winter and it had created significant challenges for DOT/PF. When DOT/PF anticipated a significant snow event, other assets were moved from throughout the state to allow the maintenance crews to operate 24/7.

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Representative Doogan appreciated the response, but felt that DOT/PF did not respond in an appropriate manner at the time of the snowstorm. He requested that the department talk to him if it needed more money to handle snow removal. He wanted to avoid the issue from happening in the future.

Vice-chair Fairclough thanked the department for its responsiveness, and wondered whether Flint Hills was currently providing the majority of aviation fuel to the state's airports. Commissioner Luiken responded in the negative. Flint Hills provided some fuel to the airports, but Flint Hills had elected to not put up a third tower, which had provided a large amount of fuel.

Vice-chair Fairclough wondered whether the issue had anything to do with the premium required on North Slope crude oil. Commissioner Luiken responded that he did not know.

Vice-chair Fairclough wondered if there was a disadvantage to a local business by charging them extra money to take Alaska's crude oil through a pipeline in its community. She felt that decision may have decreased jobs in that particular market, and moved those jobs overseas. She expressed that she would like more discussions about that problem.

Commissioner Luiken expressed that Flint Hills had been using the majority of oil to bring the potential oil up to the appropriate temperature to be harvested using the fracking method. Therefore, it had increased their costs. Vice-chair Fairclough wanted to understand why local businesses would be charged more than outside companies.

Co-Chair Thomas remarked that the State must purchase oil at market value.

Vice-chair Fairclough understood and recognized that the issue was battled in the media. She did not understand why the product was sold at a higher cost in Fairbanks, but at a lower cost overseas.

Co-Chair Stoltze had visited the DOT/PF maintenance facility, and remarked the crew had been working hard and were excited to get a new grater machine. He remembered volunteering on Christmas day in a snow storm, and the department had faced a significant amount of challenges that they could not predict. He respected and appreciated the work done by the snow removal crews that were working with inadequate equipment. He discussed the importance of providing the department with funding for needed equipment.

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Co-Chair Thomas commented that Haines and Cordova had been very dependent on DOT/PF during the current winter storm, because the local grater broke down. He told a story about driving in Juneau during a snowstorm on city streets.

Representative Neuman pointed to fuel issues related to the Ted Stevens International Airport. He discussed the lack of fuel, and declared that 25 flights per week flew over the airport because the it could not purchase fuel at a reasonable price. Therefore, it had a huge impact on Alaska's economy. He believed that Vice-chair Fairclough had discussed a crucial issue, and felt marketing and transportation of goods was critical to Alaska's economy. Without appropriate, low fuel costs, the airport may not be considered a point of entry, and could potentially give Alaska a significant disadvantage. He wondered what the state could do to make sure it communicated to the airlines that the fuel would be available.

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Commissioner Luiken replied that there was ample fuel in Anchorage and that no one had been turned away due to lack of fuel. The only reason a carrier may overfly the Ted Stevens International Airport was because of the type of cargo they were carrying. Meaning, if a plane is carrying a small amount of cargo, it might not need to refuel before

venturing to its destination. He shared that the storage capacity would be increased to provide an additional 20 million gallons of fuel.

Representative Neuman stated that he was restating information that he heard from Jim Hence through Alaska Industrial Development and Export Authority. He agreed to provide that information to the committee in writing. He wondered if there was a contingency plan, should Flint Hills go offline. Commissioner Luiken replied that the Anchorage Fueling and Service Company (AFSC) found suppliers who were willing to supply 100 percent of the fuel, if there was a need to purchase it on the open market. He remarked that Flint Hills provided 30 percent of the total amount of fuel to the airports.

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Representative Wilson wondered if Flint Hills was at a disadvantage, because was responsible for oil-related tasks other than selling fuel. She relayed that oil was becoming more difficult to obtain, and needed to be heated more often, so she felt that Flint Hills was at a disadvantage. She wondered if it was DOT/PF or the Department of Revenue's (DOR) responsibility to determine if Flint Hills was at an economic disadvantage. Commissioner Luiken responded that DOT/PF was not in the fuel business. The department supplied lease space for AFSC storage tanks.

Commissioner Luiken continued to discuss slide 5. He stated that Alaska had 5,714.6 state owned center lane mile; and 18,098 maintenance lane miles. He explained that a maintenance lane was 12 feet wide. He stressed that the maintenance was not only for the highway, but also for the shoulders and enhancements that were part of the highway system. He remarked that there were 80 maintenance stations in the state, and were identified with the green dots on the displayed map.

Commissioner Luiken displayed slide 6, "FY 13 Operating Budget." He stated that the graph on the left hand side of the slide, displayed the DOT/PF budget related to the entire State's general fund budget. The budget for DOT/PF is FY 13 was approximately \$347,493.9 million, which was about 4 percent of the total general fund (GF). He looked at the chart on the right side of the slide, and stated that DOT/PF had an additional \$264,524.4 million in other

funds, and \$3,986.6 million in federal funds. The total operating budget for DOT/PF was \$616,004.9 million.

Commissioner Luiken looked at slide 7, "FY 13 Operating Budget Funding Sources." He highlighted the sources that contributed to the budget labeled, "other funds." Other funds included Uniform Commercial Carrier Registration Fees, \$318.4 thousand; Whittier Tunnel Toll, \$1,753.4 million; Vehicle Rental Tax (Designated General Funds "DGF"), \$4,115.6 million; Statutory Designated Program Receipts, \$604.3 thousand; CIP Receipts, \$146,349.7 million; International Airport Revenue Fund, \$77,984.5 million; Highway Equipment Working Capital Fund, \$32,772.0 million; I/A Receipts, \$4,742.1 million; Marine Highway System Fund (DGF); GF/Program Receipts (DGF), \$9,002.5 million.

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Co-Chair Stoltze queried long-term plans to turn around costs into revenues from leasing and rentals. Commissioner Luiken working to lease facilities and bring in tenants. He explained that DOT/PF was given the authority to spend airline's money.

Co-Chair Stoltze pointed out that, in years prior, airline revenues had been higher than current revenues. Commissioner Luiken spoke to service based highway and aviation systems, which were managed by private contractors that are coming due. Those contractors were required to be insured to operate and maintain the airports and equipment. He stated that there was work with risk management to determine a policy that would cover the contractors, however, it would make for higher costs. He relayed that the cost of maintenance for the Whittier Tunnel grew higher every year.

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Representative Gara looked at slide 9, "FY 13 Operating Budget Changes." He pointed out the \$480,000 decrease in one-time items. He wondered if it was a decrease from the last year's one-time items.

MARY SIROKY, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, explained that they were FY 12 one-time items. None of the

increases were identified as one-time items. She clarified that there were no items that were identified as increases were considered one-time items for the current year.

Representative Gara wondered if there was a one-time item category anywhere in the proposed operating budget for FY 13. Ms. Siroky replied that there were no one-time items in the FY 13 Operating Budget.

Representative Doogan queried the definition of "MSCVE." Commissioner Luiken replied that MSCVE stood for Measurement and Standards Commercial Vehicle Enforcement.

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Commissioner Luiken looked at slide 10, "FY 13 Capital Budget." He noted that 68 percent of the capital budget came from federal receipts: \$702,943. million.

Co-Chair Thomas wondered if the federal receipts were "in-hand" or "expected." Commissioner Luiken replied that the federal receipts were what was expected for FY 13.

Co-Chair Stoltze wondered if the federal receipts were still operating under a continuing resolution Commissioner Luiken affirmed, and furthered that it would remain under the current resolution until Congress passes a new one.

Commissioner Luiken highlighted expected general fund revenues: \$27 million for deferred maintenance; \$31 million for safety improvements; \$8.1 million for the Roads to Resources program; and \$22.1 million for the Municipal Harbor Grant match.

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Representative Edgmon acknowledged that there was no way of knowing when the Federal Highway Act would change, but questioned what at range the state should expect that change. Commissioner Luiken responded that it would be based on the federal government but could be as much as 30 percent decrease. Roughly one-third of the budget was from the federal receipts.

Representative Edgmon declared that it would have a significant impact to the state if that fund source was shifted, decreased, or disappeared.

Co-Chair Thomas noted that a specialist would come to address the legislature regarding the potential loss of federal funds.

Co-Chair Stoltze commented that there had been some adjustments, because of the stall of the highway bill at the federal level. He remarked that Alaska was lucky, because it did not have as many highways as other state, but it was still facing a potential impact of loss of federal dollars.

Co-Chair Thomas noted that a primary concern of committee members was that the supplemental budget could be "huge" the following year, because of the expectation of federal funds.

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Commissioner Luiken shared the concerns related to the potential loss of federal funds. He moved on to slide 11, which showed projects that had been awarded in 2011 and tentative projects for 2012. He hoped that the map was able to demonstrate that the projects had been evenly distributed across the state. He remarked that there were over \$1 billion in projects.

Commissioner Luiken looked at slide 12, "Roads to Resources." The slide highlighted the roads to resources program and proposed amounts for the FY 13 budget. He pointed out the four projects. He emphasized that there was a valuable roads to resource project in Southeast Alaska: the Klondike Highway. The mines in Yukon used the Klondike Highway to bring ore to the Ore Terminal in Skagway. It was a valuable benefit, because it was defined as an industrial use highway in statute. Therefore, the State could collect a toll from the heavier than normal ore trucks. That revenue was used to maintain and sustain the highway. He pointed out that the mining industry in the Yukon was very significant, so the Klondike highway proved valuable. He hoped to expand the Klondike Highway's capability, because the mining industry was looking to expand the amount of ore that was carried on the highway.

Representative Joule asked whether the community Anaktuvuk Pass community had changed its opposition to the proposed

project. Commissioner Luiken responded that he had not heard any opposition from that area.

Representative Doogan asked for a listing of the total costs for each of the projects listed on slide 12. He also requested information regarding what had been spent so far and what the final cost would be for the projects.

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Vice-chair Fairclough wondered if there was analysis on road investments, related to the operating costs for some of the small communities in Alaska. She stated that there were some communities in Southeast that could be connected by road, but there was opposition from the local communities. She expressed concern regarding prioritizing investments relating to maintenance of two airports and connecting educational facilities. Commissioner Luiken answered that the department was currently looking at the issue.

Vice-chair Fairclough was not advocating for the road connections if communities were opposed; she was just trying to understand the potential savings.

Commissioner Luiken directed attention to slide 14 related to highways and aviation. He focused on completed capital projects including the Akiak airport (upper left); that runway at Ted Stevens International Airport had been brought up to a class 6 code in order to increase the use; delineators were installed along the Dalton Highway to improve for commercial truck use; and the Tongass Avenue in Ketchikan had been greatly improved. He stated that the missions and standards worked to concentrate around population centers. Had looked at fuel dispensing devices in the state, and remarked that there had been some significant errors found and places had been receiving up to 10 percent less or 4 percent more than what they had paid for. The department worked to ensure that fair trade was occurring.

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Commissioner Luiken addressed the marine highway system on slide 15. The Malaspina ferry currently was currently undergoing significant repairs, and the Matanuska needed similar attention. He remarked that those two ships were

good representation of the deterioration of the overall fleet.

Co-Chair Thomas commented that "hopefully the wheel would not be reinvented with new ferries." Commissioner Luiken replied that the technology had significantly increased for planes, and technology for marine ferries was continuous, and complicated. He remarked that DOT/PF would work to use the best technological design.

Co-Chair Thomas stressed that it was not necessary to change something that worked.

Vice-chair Fairclough echoed the concern. She stressed appropriate warranties on any new projects were essential.

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Commissioner Luiken discussed challenges for the department on slide 16. He remarked that operating under the federal continuing resolution kept the funding levels at a standard level, it was difficult to program projects, because the funding was provided at unknown times. He stressed that there was no guarantee of the federal funding through the end of fiscal year. He stated that the maintenance and operating costs of old ships in the AMHS was expensive, and noted that there were several interesting challenges related to maintenance of the boats in the AMHS. He stated that the photo on the top left corner of the slide, displayed the snow that was piled in Valdez. The photo in the top right corner displayed an avalanche that flowed from Mt. Roberts onto Thane Road. The bottom left photo was taken in Kodiak and the bottom right photo was of a road in Petersburg.

Commissioner Luiken pointed to slide 17, "Strategic Use of GF Capital Investment."

-On complicated projects use general fund to avoid difficult and time consuming federal processes.

-Use federal funds on easier projects like pavement overlays.

Commissioner Luiken displayed slide 18, "Project Prioritization."

Safety

Asset Management System

-Pavement, bridges, airports, ferries, transit, maintenance

2030 Long Range Transportation Plan

-Regional Transportation Plans

Aviation Improvement Program (AIP)

State Transportation Improvement Program (STIP)

Representative Gara did not believe that there were any signs recommending that people pull over if there were cars behind, and no pullout signs on the road. He understood that the signs would not solve the entire problem, but would certainly help. He concluded that lanes needed to be added to the entire highway system. Commissioner Luiken responded in the affirmative and would provide detail on projects that were coming up in future years related to safety corridors.

Representative Gara believed the projects could fit in the budget.

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^BUDGET OVERVIEW: DEPARTMENT OF ADMINISTRATION

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BECKY HULTBERG, COMMISSIONER, DEPARTMENT OF ADMINISTRATION (DOA), introduced staff from the department. She discussed the diversity of the department. She presented a PowerPoint titled "Alaska Department of Administration Department Overview" and highlighted the department's strategic plan on slide 2.

Mission: The mission of the Department of Administration is to provide consistent and efficient support services for state agencies.

Vision: As employees of the Department of Administration, we will provide innovative, cost-effective and responsive service.

Department Goals.

-Service Excellence: Provide excellent program delivery through clear communication and respectful and responsive actions.

-Spending Growth Reduction: Reduce the rate of spending growth to sustainable levels.

-Effective and Efficient Delivery of Services: Implement strategies to achieve operational efficiencies.

-Employee Development and Support: Encourage employee growth and development by providing leadership, training and resources in an atmosphere that fosters mutual trust and respect.

Core Values.

-Integrity: We will be honest, transparent, and ethical.

-Service: We will provide excellent service.

-Accountability: We will take responsibility for and ownership of the services we provide.

-Balance: We will honor our commitments to our work and personal lives.

She pointed to an organizational chart on slide 3. She discussed the divisions and commissions under the department.

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Co-Chair Stoltze wondered about the Anchorage motor vehicle tax increase. Commissioner Hultberg would follow up on the answer at a later date.

Co-Chair Stoltze wondered whether there had been dialogue from the Division of Motor Vehicles.

Commissioner Hultberg continued on with the presentation related to divisions and commissions on slide 4.

Direct Services

-Division of Motor Vehicles

-Public Defender Agency

-Office of Public Advocacy

Independent Commissions

- Alaska Oil and Gas Conservation Commission
- Alaska Public Offices Commission
- Violent Crime Compensation Commission
- Alaska Public Broadcasting Commission
- Office of Administrative Hearings

Business Operations

- Division of Personnel & Labor Relations
- Division of Administrative Services
- Division of General Services
- Division of Risk Management
- Division of Finance
- Enterprise Technology Services
- Division of Retirement and Benefits

Representative Gara asked about the Office of Public Advocacy. He noted that part of the agency helped to defend the rights of children with inadequate parents, and felt that the cases were well beyond what the division could handle. He asked the commissioner to look at the children advocacy to determine whether caseloads were too large.

Commissioner Hultberg agreed with Representative Gara. She explained that growing caseload was a problem. The department could be open to conversations related to relieving the case load, but added that she had heard the same feedback that Representative Gara had mentions.

Representative Gara understood that the department could not control the caseload. He wanted the department to examine it and help reduce it.

Co-Chair Stoltze commended the department for hiring Rick Richard Allen, Director, Office of Public Advocacy, for his work regarding the easing of case loads.

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Commissioner Hultberg expressed confidence in the leadership of the divisions.

Commissioner Hultberg discussed service across the state on slides 5. She moved on to slides 6 and 7, and discussed major accomplishments.

- AKSAS/AKPAY replacement (IRIS project): obtained funding and PCNs necessary to commence and complete project; project now underway.
- Progress on unfunded liability: worked with the ARMB to identify funding approaches to address unfunded liability.
- AlaskaCare wellness initiative: began initiative to add wellness and disease management features to health plans.
- DOA spending growth: implementing plan to reduce long-term rate of spending growth within DOA.
- ETS customer service: worked to improve relationships with agency customers and reprioritize work based on department needs.
- Public Defender Agency conflict procedures: developed and implemented new policies and procedures governing conflicts of interest.
- DMV license renewal by mail: qualified customers can complete a driver's license or identification renewal application online, mail it to DMV, and receive a card through the mail with the updated expiration date.
- Office of Public Advocacy contractor costs: instituted significant internal changes to level out variable contractor costs.
- Labor agreements: reached voluntary agreement with five bargaining units.

Commissioner Hultberg directed attention to the priorities of the department (slides 8 through 9).

- Health care cost containment: develop and implement a comprehensive health management plan for AlaskaCare active and retiree members.

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Co-Chair Stoltze discussed health care costs. He remarked that the legislature had seen many different initiatives related to the relieving of health care costs. He requested the department's guidance when determining the out year and five-year cost projections. Commissioner Hultberg emphasized the importance of looking at retiree health plans in a more holistic way.

Commissioner Hultberg continued on slide 8:

- DOA rates: evaluate DOA rate-setting process, restructure rates where necessary and align with budget process.
- Unfunded liability: continue working with the Legislature, the ARM Board and other stakeholders to manage the state's obligations.
- Space utilization and planning: assist the state in managing its \$50 million.

Co-Chair Stoltze discussed the unfunded liability. The legislators wanted the best information, DOA had to make a lot of unpopular decisions. He requested that the department should not be timid when addressing the unfunded liabilities. Commissioner Hultberg replied that the department was happy to meet with the legislators as much as was requested.

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Co-Chair Stoltze remarked once it was in the fund, it was gone, and could already be mislabeled as savings. Commissioner Hultberg reiterated the department's desire to participate in discussions with the legislators related to any issue, especially the unfunded liability.

Commissioner Hultberg continued on slide 9, "Priorities."

- Expansion of CASA volunteer program: to provide improved advocacy for Alaska's children in need of aid.
- DMV database redesign: moving DMV off the mainframe.
- IRIS (Integrated Resource Information System) project: successfully implement (on time/on budget) administrative systems replacement project (replacement of payroll and accounting systems, implementation of new HR and procurement system).
- Labor relations: successfully conclude negotiations with three bargaining units.
- ETS: continue to improve customer service.
- ALMR: conclude the acquisition of ALMR equipment from Department of Defense and place ALMR on a sound fiscal foundation.

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Representative Doogan stated that was on the ALMR subcommittee and was interested in the results.

Co-Chair Stoltze believed it would be a disservice to not point out "red-flags" on some of the costs related to ALMR. Commissioner Hultberg was happy to elaborate or could save the discussion for the subcommittee. She explained that ALMR supported the day to day communication needs of the state troopers, the DOT personnel, other State entities, and many local governments. The challenge was that the ALMR system was divided between operation cost and actual maintenance of the equipment. There was a complicated cost share between the State and federal government.

Vice-chair Fairclough wondered if the federal government required to the state to share the costs with local communities. Commissioner Hultberg replied that because of federal law, the department could not choose to just bill the federal government if it was not willing to treat it as equals like other users.

Vice-chair Fairclough would follow up with the subcommittee related to ALMR.

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Representative Doogan noted that it was not just that the Department of Defense did not want to pay the bills anymore , wanted to pay less or none at all. The funding source for the particular program was being "squeezed at both ends." Commissioner Hultberg agreed. She noted that the department was in a position that it did not want to be in. The department had been working very constructively with various government entities, in order to solve the problem.

Representative Wilson people were concerned about how the ALMR system would be maintained and paid for. She pointed out that communities in Interior Alaska were strained by the cost of maintaining the system. Commissioner Hultberg replied that some communities had no other system. She felt optimistic that the issue would be resolved.

Co-Chair Thomas noted that discussions had been ongoing for over five years.

Commissioner Hultberg pointed to DOA budget trends on slide 10. The department was happy with its rate of growth, and remarked that DOA's long-term goal was to reduce the rate of budget growth to between 4 and 5 percent a year by

increasing efficiency. Slide 11 showed the total dollars spent related to the yearly management plans and FY 13 budget. there was a very small amount of general fund in its budget. She remarked that the average annual growth was 5.6 percent. She discussed health care on slide 12. Other states' costs were similar to those of Alaska. She noted that costs were on pace to double every decade. The chart did not include the federal portion of Medicaid.

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Vice-chair Fairclough wondered whether there had been dialogue with the federal government regarding a change to the age limit for those entering Medicaid. Commissioner Hultberg deferred the question to the Department of Health and Social Services.

Commissioner Hultberg pointed to big-picture items that touched DOA. She moved to slide 13 related to the unfunded liability. The cost was \$141 billion in benefits payments over the next 70 years. The cost would be approximately \$3 billion per year.

Commissioner Hultberg moved to slide 14 and discussed FY 13 budget increments and decrements.

Health Plans Administration

-Third Party Administrator contract increases: \$440.5
(Group Health and Life Benefits Fund/Other)

DMV

-Costs for server hosting: \$74.5 (GF/Program receipts)
-Establish state operated office in Kotzebue: \$87.5
(GF/Program receipts) plus one PFT position

General Services

-Central Mail postage increase: \$80.0 (Other)
-Lease costs: \$2,500.0 (Other)
-Facilities operation and maintenance costs: \$750.0
(Other)

-Facilities administration: \$80.0 (Other)

Office of Public Advocacy

-John R. Justice Program: \$150.0 (federal)

Finance

-IRIS position authority: \$1,500.0 (CIP receipts)
-Databasics decrement: (\$112.5) (GF/Program receipts)

APOC

- One time personal services and travel increase:
\$68.1 (UGF)

AOGCC

- Increased travel for regulatory oversight: \$36.3 (AOGCC receipts/DGF)

Co-Chair Thomas felt that every public office at the state and local level were required to maintain their own data entry programs. He wondered why DOA did not terminate a position, if the data entry work was conducted elsewhere.

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Commissioner Hultberg agreed to look into the issue.

Commissioner Hultberg concluded with slide 14 related to FY 13 capital requests.

- Nome State Office Building and Courthouse: \$10,000.0
- Repair State Office Building Parking Garage, Phase 1 of 3: \$2,500.0
- Alaska Geologic Materials Center Replacement Facility: \$4,000.0
- Douglas Island Building Renovation, Phase 1 of 3: \$9,200.0
- ETS bandwidth monitoring: \$800.0
- ETS bandwidth improvement for rural sites: \$1,500.0
- DMV driver knowledge testing system: \$550.0
- Statewide deferred maintenance, renewal, repair and equipment Projects: \$7,250.0 UGF and \$3,000.0 PBF
- Division of Retirement and Benefits capital projects: \$1,013.0

Representative Doogan asked about the Nome State Office Building capital request. He wondered whether the project had been included in the FY 12 budget. Commissioner Hultberg agreed to provide that information at a later date.

Representative Gara asked about the 10-year average annual increase, and felt that it was the largest increase that been related to lease payments. Commissioner Hultberg responded that the lease component was under general services at the top of slide 10. She explained that maintenance had driven the growth rate.

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ADJOURNMENT

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The meeting was adjourned at 3:52 PM.