

SENATE FINANCE COMMITTEE

March 2, 2012

9:09 a.m.

9:09:16 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 Lesil McGuire, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Mark Lewis, Acting Director, Division of Administrative Services, Department of Education and Early Development; Sam Kito, Facilities Engineer, Department of Education and Early Development; Thomas Cherian, Director, Division of Administrative Services, Department of Environmental Conservation; Bill Griffith, Village Safe Water Program, Department of Environmental Conservation; Becky Hultberg, Commissioner, Department of Administration; Susan Colligan, Director, Division of Administrative Services, Department of Military and Veterans Affairs; McHugh Pierre, Deputy Commissioner, Department of Military and Veterans Affairs; Ed Fogels, Deputy Commissioner, Department of Natural Resources; Jean Davis, Director, Support Services, Department of Natural Resources; Ed Fogels, Deputy Commissioner, Department of Natural Resources; Senator Gary Stevens

SUMMARY

SB 160 BUDGET: CAPITAL

#sb160

SENATE BILL NO. 160

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

Department of Education and Early Development

[9:10:57 AM](#)

RN 52843

Alaska State Library, Archives and Museum Facility
\$20,000,000

MARK LEWIS, ACTING DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, (DEED), spoke to the request. He reported that the department adopted a "phase funding" approach to the project. The project engineers and DEED decided to delay construction until the facility was fully capitalized. The department spent slightly less than \$5 million on land acquisition and planning to date. The department collaborated with the Department of Transportation and Public Facilities (DOT) on facility design in addition to an RSA (reimbursable services agreement) for project management support. The total cost of the facility was estimated at \$128.5 million and \$74.5 million was outstanding.

Senator Ellis noted that he was a supporter of the facility. He wondered why DEED did not request the full amount for the project at a time when the state can afford to build it. He described the condition of the current three buildings as "decrepit." He felt the more responsible and cost effective approach was to request full funding and build the facility without delay. Mr. Lewis replied that DEED considered the capital budget funding total and other administration priorities. The department requested an amount that was deemed "appropriate" at the time. Phase funding was a more affordable approach for each annual budget.

Senator Ellis thanked the department for keeping the name of the project SLAM (Alaska State Library, Archives and Museum Facility) in concurrence with the legislature.

[9:14:05 AM](#)

Mr. Lewis explained that the following items were the department's prioritized projects, which included school construction and major maintenance grants. The major maintenance projects were the top 14 projects from the major maintenance list.

RN 54712

Lower Yukon - Emmonak K-12 School Addition/Renovation
\$36,056,700

RN 54774

Koliganek K-12 School Replacement
\$24,916,815

RN 54775

Whittier K-12 School Heating System Upgrade
\$815,725

RN 54777

Kaltag K-12 School Mechanical and Electrical Upgrades
\$783,193

RN 54779

Kake High School Kitchen Renovation
\$25,121

RN 54780

Metlakatla High School Annex Roof Replacement
\$41,345

RN 54781

Angoon High School Mechanical Upgrades
\$47,818

RN 54782

Merrelaine A Kangas K-12 School Renovation, Ruby
\$5,078,282

RN 54783

Kake High School Shower Repairs
\$43,205

RN 54784
Kake Elementary School Mechanical Ventilation
Completion
\$59,200

RN 54785
Shaktoolik K-12 School Renovation
\$9,176,358

RN 54786
Bristol Bay School Voc Ed Wing Renovation
\$1,538,395

RN 54787
Craig Elementary and Middle School Alternative Wood Heat
Installation
\$161,172

RN 54788
Bethel Campus Water and Sewer Line and Utilidor Repairs
\$5,994,455

RN 54789
Akutan K-12 School Siding Replacement
\$66,625

RN 54790
Sand Point K-12 School Pool Major Maintenance
\$72,774

Co-Chair Hoffman commented that he met with the Kasayulie case plaintiffs. He understood that the settlement stipulated specific funds that were eligible for use in renovation or construction of the five highest priority rural schools, which included Emmonak and Koliganek. He cited wording and at the bottom of page 3 of the Capital Budget Detail backup that referenced the settlement and the use of REAA (Regional Educational Attendance Area) money. He notified the governor regarding the unsuitable fund source for construction of the Emmonak School. He noted that the settlement was made with the Department of Law and the plaintiffs did not support the funding source.

Senator Thomas inquired about a major maintenance school project in Fairbanks for Ryan Junior High School. He believed that the project was next in line for funding after last year's cut off point. He relayed that the project dropped from the potential top of the list to number 43 and then back up to number 34. He wondered how that happened.

SAM KITO, FACILITIES ENGINEER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, responded that the list was generated annually and experienced a lot of turnover. Every year DEED received an additional new set of projects for review. Some of the new projects scored higher than existing projects on the list. The Ryan project was not a top scorer on the original list. Schools must demonstrate a worsening of conditions or re-submit an improved application to receive a higher score.

Senator Thomas understood the process and annual reevaluation. He felt that it was unusual for a school to decrease in priority by such a profound degree. He pointed out that the City and Borough of Fairbanks considered halting the use of the school due to life safety issues. The roof was not designed to withstand a seismic event. He did not accept the response from Mr. Kito.

[9:20:44 AM](#)

Co-Chair Stedman requested information that specified what projects on the current list were on the list from the prior year and the comparative rankings. He felt that the situation was unusual that the school dropped so low from the top cutoff spot and wanted to understand why. Mr. Kito agreed to provide that information.

RN 5175

Deferred Maintenance, Renewal, Repair and Equipment -
\$1,700,000

Mr Lewis offered that one DEED deferred maintenance project was included in the capital budget. He listed phase two of the Mt. Edgecumbe High School heating plant upgrades, siding replacement of the girl's dormitory, and wall replacement for the boy's dormitory as the projects selected.

Co-Chair Steadman asked for clarification of the heating project. Mr. Kito replied that the heating plant project

separated the heating system into two zones; the upper and lower campus's. Phase two consisted of the upper campus work and campus connection to the main heating plant in order to abandon the utilidor currently in use. He explained that the utilidor was a conduit that provided heat to the upper campus.

Department of Environmental Conservation

[9:24:15 AM](#)

RN 41376
Village Safe Water and Wastewater Infrastructure Projects
\$51,500,000

THOMAS CHERIAN, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, reported that the project provided financial and technical assistance to rural communities to plan, design, and construct water and sewer system improvements.

RN 46714
Municipal Water, Sewage, and Solid Waste Facilities
\$32,013,449.

Mr. Cherian indicated that the project provided grants to communities to plan, design, and construct drinking water and sanitation facilities for a total of sixteen projects.

RN 49697
Drinking Water Capitalization Grant - Subsidy Funding
\$4,634,000

RN 49698
Clean Water Capitalization Grant - Subsidy Funding FY2013
\$2,583,400

Mr. Cherian remarked that the federal government required the state to provide Capitalization Grant subsidies as part of the program.

RN 33826
Statewide Contaminated Sites Cleanup
\$2,000,000

Mr. Cherian stated that the project funded assessment, cleanup and monitoring activities at high-risk contaminated

sites, state-owned facilities and sites where the responsible party was unknown.

RN 54473

Village Safe Water New Technology Approaches
\$1,000,000

Senator Egan wondered what the new technologies were.

BILL GRIFFITH, VILLAGE SAFE WATER PROGRAM, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, voiced that the project investigated and tested new technological approaches to reduce state capital costs for existing systems. Federal dollars for the Village Safe Water (VSW) Program decreased from nearly \$73 million to less than \$27 million over the last eight years. The cost to address critical water and health needs increased each year. The current need was over \$700 million. He opined that the present approach to rural water and sanitation was unsustainable. The state cannot build new systems or maintain existing systems. He maintained that innovative and technological approaches that cut costs were the only solution. The department's goal was to cut the sewer and water costs in half. The department worked with the University of Alaska, Alaska Native Tribal health Consortium, and Cold Climate Housing Research Center to develop decentralized systems within a community for a single home or group of homes that worked in Alaska's climate.

[9:30:20 AM](#)

In response to a question by Senator Thomas, Mr. Griffith replied that the department met with the Cold Climate Housing Research Center and the Anchorage and Fairbanks branches of the University of Alaska and worked collaboratively with the communities on new approaches. He stressed that the department intended to request proposals from the private sector. Once approved through the University, a new system would be piloted in a home developed by the Cold Climate Housing Research Center.

RN 46946

Oil and Hazardous Substance First Responder Equipment
and Preparedness
\$750,000

RN 54566

Deferred Maintenance, Renewal, Repair and Equipment FY2013
\$200,000

Mr. Cherian remarked that the appropriation covered deferred maintenance in the State Environmental Health Laboratory.

Senator Olson asked what the opinion of the department was concerning proposed legislation to form a task force in order to address Village Safe Water issues. Mr. Griffith responded that the bill was pending. He reiterated that the rural water and sewer needs were tremendous. He noted that the bill outlined tasks that were currently completed annually by the department. The department shared the same concerns and goals and if established wanted to work with the sponsors of the bill.

RN 49749

Expansion, Upgrade, and Replacement of Existing Service
\$20,600,000

Senator Olson cited the VSW project and asked for specific information for the Unalakleet Water and Sewer System Improvements. Mr. Griffith detailed that due to erosion the raw water transmission main line from the water source was in danger. The line cannot be moved and a new water source needed to be established on the North River. Senator Olson asked for clarification on Golovin's Water System Improvements. Mr. Griffith noted he would provide the information to the committee after further research.

Department of Administration

[9:37:03 AM](#)

RN 54681

Nome State Office Building and Courthouse FY2013 Request:
\$10,000,000

BECKY HULTBERG, COMMISSIONER, DEPARTMENT OF ADMINISTRATION, reported that the funding provided for continued planning, design, and construction of a new State Office Building and Courthouse in Nome. The facility provided more working space.

RN 54507

Juneau - Repair State Office Building Parking Garage

Phase 1 of 3
\$2,500,000

RN 54683
Alaska Geologic Materials Center Replacement Facility
FY2013 Request:
\$4,000,000

Co-Chair Stedman queried whether the replacement facility was adequate to house the core samples. Commissioner Hultberg replied that currently the samples were inadequately housed. Phase one of the project would assess and determine the correct permanent structure. She stressed the importance of core sample preservation for the development of oil and minerals in the state.

Co-Chair Stedman noted that the appropriation was only for 2013. He toured a similar facility in Texas. He learned that geologists had re-examined old core samples, which lead them to recent shale discoveries. He felt Alaska's core samples contained potentially valuable information and was surprised at the poor condition they were stored in. The cost of drilling wells was exorbitant; core samples were not replaceable. He requested that the department report back to the committee on the permanent solution to ascertain the costs and implementation of the project. Commissioner Hultberg agreed to provide that information.

RN 54483
Douglas Island Building Renovation Phase 1 of 3 FY2013
\$9,200,000

Commissioner Hultberg offered that the total cost through phase three was estimated at \$17 million to \$21 million.

AMD 54931
Alaska Land Mobile Radio Software Emergency Response
Communication Security Upgrades
\$3,500,000

Co-Chair Hoffman queried the cost of the contractors used to maintain the equipment. Commissioner Hultberg agreed to provide that information. Co-Chair Hoffman wondered if the contract was a one-time contract. Commissioner Hultberg explained that the expense maintained the equipment and recurred annually. The appropriation was included in the

operating budget. She explained that the capital request was specifically for the system upgrade.

Co-Chair Hoffman referred to the detail backup that identified a high-risk of system failure with the security patches unless the hardware and software were refreshed. He asked for clarification. Commissioner Hultberg explained that refreshing the system involved upgrading the hardware and software where vulnerabilities were identified in security.

[9:44:05 AM](#)

Co-Chair Hoffman expressed concerns about the costs. Each year the department requested millions of dollars for the system. He wondered if she anticipated a multi-million dollar request in FY 2014. Commissioner Hultberg replied that she did not expect a request next year but requests were likely in future years. She emphasized that maintenance and operational costs were normal for a radio system. The ALMR (Alaska Land Mobile Radio) was the most cost effective system to meet the state's needs.

Co-Chair Hoffman queried the status of establishing shared cost with the municipalities. Commissioner Hultberg replied that a working group comprised of federal participants including participants from the Department of Defense, Alaska Municipal League, and state users were developing cost sharing proposals. The department will present the cost sharing proposal to the legislature next year. Co-Chair Hoffman wondered if there was an implementation deadline for the plan. Commissioner Hultberg replied that she planned to include cost sharing into the FY 2014 budget.

Senator Egan emphasized that the AMLR system was vital to Alaska, and would save the state money over time. He worried that agreements with municipalities were not established yet and wondered if there was enough operating budget money to maintain the system. Commissioner Hultberg replied that additional funds were requested in the capital budget for training. She felt that the Department of Administration (DOA) corrected mistakes from the past and improved its engagement with municipal users. She assured the committee that the department continually evaluated alternatives and would embrace a more cost effective alternative if prudent.

Senator Egan wondered if DOA was budgeting for software upgrades. Commissioner Hultberg replied that the specific request under discussion was for a software upgrade to the state's existing sites. In addition, the department's long range projection identified anticipated costs for regular software upgrades.

RN 54187

Enterprise Technology System Bandwidth Monitoring
Toolset
\$800,000

RN 54176

Enterprise Technology System Bandwidth Improvement
Project for Rural Sites
\$1,500,000

Commissioner Hultberg noted that bandwidth was a challenging issue for all of the state agencies and especially problematic in rural communities. The project will improve usage of existing bandwidth and is a one-time request.

RN 54040

Division of Motor Vehicles - Driver Knowledge Testing
System
\$550,000

Commissioner Hultberg highlighted that the funds provided an automated testing system in all of the Division of Motor Vehicles offices located throughout the state. The current system was purchased from a company that was no longer in business and replacement parts were not available.

RN 51600

Retirement and Benefits Disaster Recovery System Year 2
of 2
\$325,000

Commissioner Hultberg stated that the Division of Retirement and Benefits (DRB) was designated as the covered entity for both the active and retiree health plans. The division was legally mandated by the Health Insurance Portability and Accountability Act (HIPAA) to comply with the contingency plan standard for electronically protected health information technology systems and emergency access procedure standards.

RN 51599
Retirement and Benefits Combined Retirement System
Upgrade Year 3 of 5
\$350,000

RN 51598
Retirement and Benefits Document Management System
Year 3 of 4
\$338,000

Commissioner Hultberg reported that the project was in its third year, out of a four year plan to replace the antiquated microfiche and microfilm document storage methods for the Document Management System. The result was improved services for the state's retirees. The department's staff provided quick access to documents and resolved most issues directly.

Senator Egan wondered whether the work was performed in-house or contracted out. Commissioner Hultberg thought that most of the work was accomplished in-house and agreed to provide details on the contracted work.

RN 49602
Deferred Maintenance, Renewal, Repair and Equipment FY2013
\$10,250,000

Commissioner Hultberg detailed that \$7.25 million was appropriated from the general fund and \$3 million from the Public Building Fund (PBF) for FY 2013. The request included all of the deferred maintenance projects for the DOA. She added that \$6.25 million was allocated to the public building fund group. In FY 2014, \$500 thousand was appropriated for facilities, phone upgrades, and deferred maintenance. In FY 2014, \$500 thousand for the non-public building fund group, and \$3 million for the State of Alaska Telecommunication System (SATS) deferred maintenance was appropriated.

[9:53:25 AM](#)

Co-Chair Hoffman requested the complete list of projects under the \$10.25 million FY 2013 request. He commented that past appropriations were substantially less for deferred maintenance.

Co-Chair Stedman recalled a past capital budget request for expensive software upgrades for approximately \$70 million to \$100 million. He asked what resulted from the request. Commissioner Hultberg answered that the project was the Integrated Resource Information System Project (IRIS). The project was in the first year of a four year completion period. The project was replacing DOA's payroll and accounting systems. She agreed to provide updated information to the committee.

Department of Military and Veterans Affairs

[9:55:57 AM](#)

RN 47882

Interior Alaska Veterans Cemetery FY2013 Request:
\$2,000,000

RN 54798

Mobile Emergency Operations and Command Vehicle (MEOC)
Storage Construction
\$925,000

Senator Egan asked where the MEOC vehicle was currently housed.

SUSAN COLLIGAN, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, replied that the vehicle was housed in temporary housing on the Coolis Airfield. The department wanted to relocate the vehicle in the Matanuska Susitna Borough where better access to the road system existed.

Senator Egan noted the cost and asked if the building had other uses. Ms. Colligan responded that the building had a dual purpose. The facility could convert to an alternate state emergency operations center with the MEOC running communications from outside the facility.

Co-Chair Stedman asked for additional information about the MEOC.

MCHUGH PIERRE, DEPUTY COMMISSIONER, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS, explained that the vehicle was approximately 50 feet long and was a class c motor home. The vehicle was used with a truck and trailer and can be barged to Southeast Alaska. He explained that the MEOC

played a vital role in catastrophic emergencies and needed housing located outside of the bridges of Anchorage in case of emergency deployment.

Co-Chair Stedman asked how the vehicle deployed to Nome. Mr. Pierre replied that it would be barged with ice breaker assistance from the Coast Guard. Co-Chair Stedman asked if it could be transported in a C-130 or other airplane. Mr. Pierre stated that the MEOC fit into a C-17, which had limited landing capability in Alaska. The department owned smaller emergency communication systems that could fit into a Black Hawk helicopter or trailer. Co-Chair Stedman asked if the MEOC could be flown into Juneau or anywhere Alaska Airlines landed jets in the state. Mr. Pierre responded in the affirmative. Co-Chair Stedman asked if the state operated the aircrafts suitable to transport the vehicle. Mr. Pierre replied that the state had eight C-17 airplanes. Co-Chair Stedman concluded that the MEOC was a statewide Alaska based response vehicle. Mr. Pierre agreed.

RN 51393

Fort Richardson - Camp Denali - Install Fire Sprinkler System
\$3,000,000

Ms. Colligan delineated that \$1.8 million was appropriated from federal funds and \$1.2 million was a general fund match. The code upgrades were required by the Department of Defense.

RN 54824

Statewide Emergency Food Supplies FY2013 Request:
\$4,860,000

Co-Chair Stedman asked for an explanation of the request. Mr. Pierre responded that Alaska was isolated. In the case of a significant catastrophe the state needed an emergency food supply. The department's ultimate goal was to provide 800,000 meals suited for 40,000 people for 7 days. The supply would be stored in strategic areas around the state with a plan for an "automatic refresh mechanism."

[10:03:06 AM](#)

Co-Chair Stedman asked what the current condition of the state's food supply was. Mr. Pierre responded that the state relied on the community food banks. The food banks

had a short backup supply and inventory of food. In addition, the DMVA collaborated with the Department of Fish and Game (DFG) to establish emergency hunting and fishing openings.

Co-Chair Stedman asked where the department planned to locate the food storage facilities. Mr. Pierre identified possible locations in Wasilla, Bethel Armory, suitable facilities in Southeast Alaska, and in facilities where the DMVA housed generators around the state.

Co-Chair Stedman stated that he had difficulty believing that starvation was possible in Alaska.

RN 42898
National Guard Counterdrug Support
\$100,000 (Federal Receipts)

RN 42901
State Homeland Security Grant Programs
(\$9,500,000)

RN 49583
Deferred Maintenance, Renewal, Repair and Equipment FY2013
\$8,542,500

Ms. Colligan indicated that \$4.542.5 million of deferred maintenance funding was authorized from federal receipts, \$1,745 million was a general fund match and \$2.255 million was a straight general fund appropriation for the FY 2013 total.

Department of Natural Resources

[10:07:24 AM](#)

ED FOGELS, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES,

JEAN DAVIS, DIRECTOR, SUPPORT SERVICES, DEPARTMENT OF NATURAL RESOURCES, reported that the total capital project requests amounted to \$31.3 million, which \$18.5 million were general fund dollars.

RN 38872
Unified Permit Project and Document Management
\$3,300,000

Ms. Davis declared that the project supported the Department of Natural Resources (DNR) permitting reform strategies. The project modernized the permitting and case management system, which resulted in efficiencies.

RN 51052
Strategic and Critical Minerals Assessment
\$2,730,000

Ms. Davis explained that the request was a five year project to determine strategic and critical mineral deposits to help encourage development.

[10:09:47 AM](#)

RN 53984
Geologic Assessment of North Slope Shale Oil Potential
\$100,000

Ms. Davis relayed that the department hoped to spur new development by producing new data on the North Slope shale oil resource potential.

Co-Chair Stedman asked how the project tied in with the USGS (United States Geological Survey) process.

ED FOGELS, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES, responded that DNR worked cooperatively with the USGS by sharing information and data. Co-Chair Stedman noted that next year's request amounted to \$300 thousand.

RN 53995
Shale Oil Environmental Data
\$1,000,000

Ms. Davis detailed that the Division of Oil and Gas planned to develop an inventory of environmental data to support permitting for shale oil development. The data identified wetlands, streams, other jurisdictional water bodies; include surveys of habitat and animal/fish populations, surveys of subsistence activities, and other potential areas of conflicting resource use. The state planned to share the information data base with North Slope shale oil developers documenting environmental impact statements (EIS.)

Co-Chair Stedman asked if the request was triggered by Great Bear's leases. Mr. Fogels stated that in part the leases influenced the request. The department anticipated increased permitting activity on the North Slope. The baseline information provided support to future developers with the EIS; part of the larger NEPA (National Environmental Policy Act) permitting process.

Co-Chair Stedman worried that in context of how quickly shale gas was being developed elsewhere, the state was "behind the curve" on the development of shale oil. The state's lease rates were minimal compared with competitors. He wanted to know if the request was adequate to protect the state's interest in shale oil development. Mr. Fogles responded in the affirmative. He pointed out that the applicant was responsible for the permitting costs. The department's environmental data collection was not intended to displace the applicant's responsibility to provide environmental data. The purpose was to provide a baseline of data to foster interest towards North Slope project development. He added that DNR was working hard to "get ahead of the curve on shale oil exploration and development." The department created an inter-agency task force on shale oil.

[10:15:39 AM](#)

Co-Chair Stedman queried why core sample collection and storage was not under the purview of DNR. He reiterated his concern over the inadequate condition and poor storage of the core samples relative to the value they hold to the state for potential oil and gas development. Mr. Fogles reported that the current geologic materials center was a DNR facility operated by the Division of Geologic and Geophysical Surveys. He agreed with the described state of the facility. He noted that DNR drove the capital budget request but wanted DOA to take the lead considering its expertise with facilities.

Co-Chair Stedman stressed the importance of the value of preserving the core samples.

Senator Thomas concurred with Co-Chair Stedman and emphasized the importance of effective coordination between DNR and DOA.

Co-Chair Hoffman referenced DNR's admission in the capital budget detail that the state was at a crossroads with oil

and gas exploration and development. He stressed that the department was not giving the issue the attention it deserved.

[10:21:04 AM](#)

Senator McGuire referred to a new economic development strategy to market Alaska's resources by Commissioner Bell (Department of Commerce, Community and Economic Development) (DCCED.) She requested that DNR offer the data collected to DCCED for use in its initiative. Mr. Fogels assured the committee that DNR worked in close communication with DCCED.

[10:22:08 AM](#)

AT EASE

[10:33:11 AM](#)

RECONVENED

[10:33:20 AM](#)

RN 53979

Tok Long-Term Timber Sale for Biomass Energy FY2013
\$200,000

Ms. Davis voiced that the project would plan, design, and implement the sale and startup administration for a long-term timber contract in support of a wood fired power facility proposed by Alaska Power and Telephone in Tok. The utility requested a 20 to 25 year supply contract in order to obtain project financing. The utility hoped to eventually serve surrounding communities.

Co-Chair Stedman queried if the utility planned to use firewood or pellets. Mr. Fogels responded that the wood was ground up in a chipper to create a type of biomass which was burned in a high-tech boiler to generate energy, similar to the type installed in the Tok School.

Co-Chair Stedman wondered how many board feet of timber was required and what volume of energy was created. Mr. Fogels agreed to provide that information. Co-Chair Stedman further requested verification of an escape clause in the contract, in the event that an alternative energy supply was developed.

RN 49185

Assessment of In-state Gas Energy Potential - Phase 3 of 3
\$200,000

Ms. Davis offered that the three-year project (FY2013 was phase three) provided important data for evaluating natural gas potential in unexplored basins near transportation corridors and population centers. The project targeted the Nenana and Susitna basins exclusively.

Co-Chair Stedman asked why the department did not target the Yukon basin. Mr. Fogels replied that DNR geologists had initially evaluated all of the basins in Alaska. The geologists prioritized the Nanana and Susitna basins as the most suitable for the study.

RN 53966

Upgrade Well Log Tracking System (WELTS)
\$112,000

Ms. Davis explained that the project would upgrade the online WELTS system that provided information on groundwater data.

RN 51197

Lower Kasilof River Drift Boat Takeout - Phase 2 of 2
\$1,600,000

Co-Chair Stedman asked what type of takeout DNR was building. Mr. Fogels replied that the takeout consisted of a ramp and wench system. Currently, no public takeout was available on the lower portion of the river which made boat retrieval dangerous. The river had more use each year. Co-Chair Stedman wondered why a wench was needed. Mr. Fogels answered that the banks of the Kailof River consisted of long mud flats.

[10:41:10 AM](#)

Senator McGuire felt that the situation was more appropriately addressed through the private sector and provided an economic opportunity for small business. Mr. Fogels replied that presently there was no private sector interest.

Co-Chair Stedman asked if a DNR employee was needed to operate the takeout. Mr. Fogels agreed to provide the committee with more information.

Senator Hoffman requested information on what was completed during phase one of the project. Mr. Fogels agreed to provide the committee with more information.

Senator McGuire requested an opinion from the Department of Law regarding the State's liability for the ramp and takeout.

RN 53975
Coastal Marine Boundary Mapping
\$180,000

Ms. Davis stated that the request provided for a coastal boundary consultant to review the decisions of the US Baseline Committee. In 2006, the committee reevaluated Alaska's coastline which adversely affected the state's interest. The department was not informed of the committee's action at the time. The department believed that some of the committee's decisions were incorrect.

Mr. Fogels clarified that the committee redrew the three mile limit for Alaska that specified what land Alaska owned. The department felt that errors were made which cost Alaska many thousands of acres of submerged lands with resource potential and fisheries management issues.

Co-Chair Hoffman asked what role the Coast Zone Management Program could have played in the situation. Mr. Fogels replied that the issue dealt with technical surveys. The experts might have consulted the resource reports created by the coastal zone districts. He noted that the reports still might prove valuable in the review process.

Co-Chair Hoffman stressed that if the Coastal Zone program still existed the districts could have provided more support and backup to the department during the process.

RN 54849
Timber and Resource Roads
\$2,000,000

Ms. Davis explained that the project provided funding for the identification, planning and development of roadways to access timber, minerals, and other resources.

Co-Chair Stedman wondered why the request was not for a larger amount. Ms. Davis stated the department factored in the governor's other priorities when developing the budget.

[10:48:10 AM](#)

RN 6855

Abandoned Mine Lands Reclamation Federal Program
\$3,200,000 (Federal Receipts)

Mr. Fogels stated that the funds were used to clean up old coal mining sites.

RN 6865

National Historic Preservation Fund Federal Grant Program
\$750,000

Ms. Davis noted that \$100 thousand of the expenditure was a general fund match and the remainder came from federal receipt dollars. The program awarded grants to local governments, agencies, organizations and individuals for restoration or stabilization of historic properties, or survey, inventory, education, planning and training.

RN 33690

Snowmobile Trail Development Program and Grants
\$250,000

Ms. Davis mentioned that the funds for the program were provided by snowmobile registration fees. Funds were distributed in the form of matching grants.

Co-Chair Hoffman requested a list of recipients for the grants for the last five years of the program.

Co-Chair Stedman wanted DNR to include a forward projection for the program. Mr. Fogels agreed to provide the information.

RN 37769

Federal and Local Government Funded Forest Resource and Fire Program Projects
\$1,000,000 (Federal Receipts)

Ms. Davis offered that the project provided federal receipt authority for federally funded projects that supported forestry or fire programs.

10:51:04 AM

#

ADJOURNMENT

10:51:30 AM

The meeting was adjourned at 10:51 AM.