

SENATE FINANCE COMMITTEE
February 13, 2013
9:02 a.m.

[9:02:12 AM](#)

CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 9:02 a.m.

MEMBERS PRESENT

Senator Kevin Meyer, Co-Chair
Senator Anna Fairclough, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy

MEMBERS ABSENT

Senator Lyman Hoffman
Senator Donny Olson
Senator Pete Kelly, Co-Chair

ALSO PRESENT

Elizabeth Sweeney Nudelman, Director, School Finances and Facilities, Department of Education and Early Development; Bob Banghart, Division Operations Manager, State Library, Archives, Museum; Linda Thibodeau, Director, Libraries, Archives and Museums; Jeanmarie Davis, Director, Division of Support Services, Department of Natural Resources; Ed Fogels, Deputy Commissioner, Department of Natural Resources; Joe Balash, Deputy Commissioner, Department of Natural Resources.

SUMMARY

SB 18 BUDGET: CAPITAL

SB 18 was HEARD and HELD in committee for further consideration.

DEPARTMENT OVERVIEWS:

Department of Environmental Conservation
Department of Natural Resources

#sb18

SENATE BILL NO. 18

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

[9:02:17 AM](#)

Co-Chair Meyer stated that today's meeting would be abbreviated.

^DEPARTMENT OVERVIEW: DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

[9:02:59 AM](#)

ELIZABETH SWEENEY NUDELMAN, DIRECTOR, SCHOOL FINANCES AND FACILITIES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT reviewed capital budget items.

Reference Number (RN) 57038

Mt. Edgecumbe High School Heating Plant - Boilers and Utilidor Piping Replacement
\$1,500,000

Ms. Nudelman explained the campus heating replacement project for the Mt. Edgecumbe residential high school. She noted the project's importance since the heating system was originally purchased in the 1940s. The funding would secure the system, which experienced multiple breakdowns.

RN 52483

State Library, Archives and Museum Facility
Construction Funding
\$20,000,000

Ms. Nudelman noted that an additional \$30 million was required to complete the project. The total project was provided a quote which was guaranteed if funding was arranged by 2013. The collaborative effort of the governor's office and the legislature would provide the final funding required for the project.

[9:05:16 AM](#)

Ms. Nudelman introduced the first construction project.

RN 57019
Nightmute School Renovation/Addition
\$32,965,301

She highlighted the second construction project, an additional request for a project originally funded in FY 12. Permafrost conditions were discovered following a geotechnical report that changed necessary building elements for the project.

RN 57020
Kuineramiut Elitnaurviat K-12 Renovation/ Addition,
Quinhagak
\$13,207,081

[9:06:36 AM](#)

Ms. Nudelman stated that the following projects were ranked 1-12 as major maintenance items for the department with a total of \$22,263,119. The projects were ranked:

RN 57024
Valdez High School Roof Replacement
\$916,162

RN 57025
Metlakatla Elementary School Renovation
\$14,515,982

RN 57026
Petersburg Elementary School Exterior Wall Renovation
\$2,152,775

RN 57027
Nenana K-12 School South ADA Access Improvements
\$903,785

RN 57028
Tenakee K-12 School HVAC Controls Renovation
\$31,966

RN 57029

Nome-Beltz Building D Fire Sprinkler Replacement and
Fire Alarm Installation
\$417,350

RN 57030
Holy Cross K-12 School Roof Replacement
\$287,873

RN 57031
Kake High School Boiler Replacement
\$45,643

RN 57032
Cantwell K-12 School Sprinkler and Fire Alarm Upgrades
\$704,863

RN 57033
Valdez High School Fire Alarm and Sprinkler Upgrades
\$682,905

RN 57034
Galena Interior Learning Academy Composite Building
Roof Renovation
\$1,019,387

RN 57035
Nome-Beltz Jr/Sr High School HVAC Control Upgrades
\$584,428

Ms. Nudelman identified the final deferred maintenance project, which would address the Mt. Edgecumbe six-year plan.

RN 51757
Mt. Edgecumbe High School Deferred Maintenance
\$1,845,000

[9:07:35 AM](#)

Senator Dunleavy asked about RN 52483 listed on page 2. He queried the estimated cost of the building.

Ms. Nudelman clarified that the question addressed the State Library, Archives and Museum (SLAM) Facility Construction Funding.

Senator Dunleavy answered in the affirmative.

[9:08:54 AM](#)

LINDA THIBODEAU, DIRECTOR, LIBRARIES, ARCHIVES AND MUSEUMS, responded that the estimated cost of the SLAM project was \$132 million.

Senator Dunleavy asked for an estimation of the operating costs.

Ms. Thibodeau responded that the estimated operating costs were equal or approximately 10 percent less than current operating cost for the three current locations and two offsite storage locations.

Senator Dunleavy asked about the operating costs for the additional locations mentioned.

Ms. Thibodeau offered to provide the information to the committee.

[9:10:27 AM](#)

Co-Chair Meyer asked how much additional funding was required for the SLAM facility construction.

Ms. Thibodeau replied that the FY 14 governor's request was \$20 million. The total amount required to finish the project was \$50 million.

[9:10:58 AM](#)

Senator Dunleavy asked about RN 57019 on page 4. He asked about the consent, decree and settlement agreement for the Kasayulie case.

Ms. Nudelman responded that the settlement agreement required the building of five schools in rural Alaska from 2013 through 2016.

Senator Dunleavy asked about RN 57020 and the estimated cost determined in FY 12. He wondered why the estimate was wrong.

Ms. Nudelman stated that the estimated cost was determined when the district first applied for the school project. The figure was determined through a cost estimate done in 2008.

A geotechnical study was completed that determined that the building methods must change to accommodate a permafrost environment.

[9:13:12 AM](#)

Senator Dunleavy asked about RN 45658 on page 6. The recognized needs for major maintenance totaled \$254 million. He asked about the major maintenance plan outlined by the department.

Ms. Nudelman replied that the district would bring their needs forward. She discussed evaluating the applications each September to rank them. She stated that the department would seek areas for progress on major maintenance.

[9:14:07 AM](#)

Senator Dunleavy asked about page 7, RN 57024. He understood that the request for reimbursement was for a completed project. He asked if the process was anticipated.

Ms. Nudelman responded that the process was normal and anticipated. She stated that regulations allowed reimbursement for grant expenses up to 36 months prior. She stated that the project applications were for work that was either partially completed or completed. If the projects ranked with awards, then they were eligible for funding reimbursement.

Senator Dunleavy asked about completed projects on the major maintenance list.

Ms. Nudelman responded that the number of projects ranged from zero to twelve comparing to the total projects on the list.

[9:15:44 AM](#)

Co-Chair Meyer explained that the legislature addressed portions of the major maintenance list each year.

Vice-Chair Fairclough highlighted that the guaranteed price was temporary and the legislature might consider funding the \$35 million. She moved on to page 4, RN 57019, the Nightmute School Renovation/Addition. She asked if another school existed in close proximity to Nightmute.

Ms. Nudelman offered to respond later to Vice-Chair Fairclough with the information.

[9:17:21 AM](#)

Vice-Chair Fairclough asked if school gymnasiums were built to state specification standards.

Ms. Nudelman responded that DEED built gymnasiums to size standards based on the student count. If a building was used for reasons beyond education, the department did not fund it.

Vice-Chair Fairclough asked if Nightmute had another opportunity to expand their facilities. She commented that schools were typically the center or the heart of the small villages. She wondered about construction to increase the square footage of the existing facility.

[9:18:28 AM](#)

Ms. Nudelman responded that the department had a variance available in regulation that a district could apply for. The variances were for smaller space additions. Another solution would be to join community and school funds.

[9:19:08 AM](#)

Senator Bishop asked about the geotechnical report for RN 57020. He requested a copy of the report.

Ms. Nudelman offered to provide the information to Senator Bishop.

Senator Dunleavy asked about RN 57028 and the Tenakee School student numbers. He wondered about a plan for schools that appeared to be "on the edge" of viability.

[9:20:10 AM](#)

Ms. Nudelman responded that evaluation of new construction requests was performed by the commissioner when enrollment was at a low level. She stated that the department would consider maintenance applications.

Senator Dunleavy believed that St. Mary's was on the Kasayulie decree. He asked why St. Mary's was removed from the list.

Ms. Nudelman stated that she did not know, but would provide the information to the committee related to the settlement.

[9:21:13 AM](#)

^DEPARTMENT OVERVIEW: DEPARTMENT OF NATURAL RESOURCES

[9:22:10 AM](#)

JEANMARIE DAVIS, DIRECTOR, DIVISION OF SUPPORT SERVICES, DEPARTMENT OF NATURAL RESOURCES, presented the capital budget of \$28 million, with \$18 million of unrestricted general funds.

[9:23:13 AM](#)

ED FOGELS, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES introduced the first request.

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

Mr. Fogels informed the committee of the multi-phase project to automate the Department of Natural Resources (DNR)'s permitting system. The permitting initiative would increase efficiency.

[9:24:00 AM](#)

JOE BALASH, DEPUTY COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES highlighted the next request.

RN 51052
Strategic and Critical Minerals Assessment
\$2,745,000

Mr. Balash informed the committee about the second of five year's request for the assessment. The work was performed by the Division of Geologic Geophysical Survey assessing the potential statewide for rare earth elements and other critical minerals. Field work began in 2012. The intention

was to broadcast findings on the division's website for the public and for annual summits held in Fairbanks.

[9:24:59 AM](#)

Mr. Balash continued with the next project.

RN 31371
Oil and Gas Litigation and Arbitration Support
\$500,000

Mr. Balash discussed occurrences regarding reopeners in settlement agreements with the three primary lease holders on the North Slope. The reopeners resulted in a mutual agreement regarding the modification of valuation or transportation costs. Occasionally, arbitration was necessary, which the requested capital funds would support. In prior years, the department requested CIP funds for potential arbitration proceedings. Additionally, funds were employed to support litigation brought against the division in a dispute between any lessees.

[9:26:50 AM](#)

Mr. Balash discussed the next item.

RN 53984
Characterization of Conventional and Unconventional
Oil and Gas Resources
\$700,000

Mr. Balash noted that the item was combined for the Division of Oil and Gas and the Division of Geologic Geophysical Survey. The funding was used to assess new opportunities in Alaska. He provided an example of the work generated in a report released by the Division of Geologic Geophysical Survey.

Mr. Fogels discussed the next request.

RN 51045
Project Management for Forest Access Roads
Construction and Replacement/Repair of Bridges in the
Tanana
\$800,000

Mr. Fogels stated that the request was for general funds from the Division of Forestry to plan, locate, design and construct roads within forested lands in the interior. The roads were designed to allow Alaskans access to the forest for biomass energy and for personal firewood cutting.

[9:28:07 AM](#)

Mr. Fogels discussed the next item.

RN 51197
Public Access and User Facilities Improvements at the
Mouth of the Kasilof River Phase One
\$1,400,000

Mr. Fogels explained that the funding would be used for phase one of a project to build facilities at the mouth of the Kasilof River. Phase one would construct a parking lot for 120 vehicles, two vaulted toilets, turn around areas, signs and kiosks.

[9:28:44 AM](#)

Mr. Fogels addressed the next request.

RN 49201
Statewide Timber Inventories to Support Annual
Allowable Harvest Determinations and Federal
Coordination on Timber Sales
\$300,000

Mr. Fogels stated that the request for the Division of Forestry for timber inventories in the McGrath, Galena and Haines areas for timber harvesting and biomass energy.

RN 56462
River Bank Stabilization and Improvements at Bing's
Landing (Kenai River Special Management Area)
\$2,000,000

Mr. Fogels explained that the Division of Parks would make parking and access improvements to a high use area on the Kenai River. The funding would also help to repair damaged river banks in the area.

Ms. Davis discussed the next item.

RN 56503
Fairbanks Northern Region Office Building Generator
and Boiler Replacement
\$265,000

Ms. Davis explained that \$220 thousand of the funding was to replace the back-up generator, which provided back-up power source for the facility. The facility was used for dispatch in wild-land fire emergencies. She added that \$40 thousand was requested to replace two boilers in the facility.

[9:30:58 AM](#)

Mr. Fogels discussed the next item.

RN 33955
Wildland Fire Engine Replacement Phase Four of Six
\$800,000

Mr. Fogels explained that the fire engines had an average life span of 8 - 12 years. The division had 47 total fire engines, with 28 already replaced. The \$800 thousand appropriation allowed for the replacement of 8 more engines, leaving 11 for future years.

[9:32:01 AM](#)

Mr. Fogels referenced the next item.

RN 56459
Water Monitoring and Data Collection to Support
Adjudication of Water Rights Applications
\$300,000

Mr. Fogels explained that the appropriation allowed for installation of ground water monitoring wells. Demands on ground water increased in densely populated areas. Water rights impacted other water appropriations and monitoring the ground water would provide valuable information.

[9:32:50 AM](#)

Mr. Fogels discussed the next item.

RN 56460

Knik River Public Use Area Target Shooting Facility
Design and Construction Phase One of Three
\$200,000

Mr. Fogels stated that the funding would be used for the public target shooting facility construction. The area was highly used for sport fishermen and all-terrain vehicles.

Mr. Fogels discussed the next item.

RN 6865
National Historic Preservation Fund
\$150,000 G/F match
\$\$650,000 Federal Receipts

Mr. Fogels explained the federal and state matching program. The funding included grants for historic projects such as the repair of historic buildings.

[9:34:11 AM](#)

Mr. Fogels discussed the next item.

RN 49717
Juneau Historic Site House of Wickersham Renovation
and Habitability
\$200,000

Mr. Fogels explained the multi-phase project to renovate and make habitable the historic Wickersham House in Juneau. He continued with the next item.

RN 33960
Snowmobile Trail Development Program and Grants
\$250,000

[9:34:41 AM](#)

Mr. Fogels discussed the next item.

RN 37769
Federal and Local Government Funded Forest Resource
and Fire Program Projects
\$1,500,000 Federal Receipts

He explained that the funding was a federal authorization, including pass-through grants for clearing of hazardous

fuel or to provide equipment for volunteer fire departments.

[9:35:44 AM](#)

Mr. Fogels discussed the next item.

RN 6854
National Recreational Trails Grant Federal Program
\$2,600,000 Federal Receipts

Mr. Fogels explained that the federal receipts would be used for recreational trail improvements throughout the state. He continued with the next item.

RN 37762
Cooperative Water Resource Program Pass-through to
USGS for Stream Gaging Projects
\$2,500,000

Mr. Fogels explained the authorization for Statutory Designated Program Receipts. The program utilized the private sector and the local governments for water monitoring. The federal agencies did not have the ability to receive the money directly. He provided examples of monitoring water around mining sites.

[9:36:51 AM](#)

Mr. Fogels discussed the next item.

RN 6855
Abandoned Mine Lands Reclamation Federal Program
\$3,000,000 Federal Receipts

Mr. Fogels explained that the ongoing program funded by federal receipts allowed for reclamation of abandoned mine sights in Alaska.

[9:37:17 AM](#)

Mr. Fogels discussed the next item.

RN 56920
Trail and Trailhead Access in Alaska State Parks
\$750,000

Mr. Fogles explained that the title would be changed in the amended budget. The request would provide improved trailhead access to heavily used trails. The governor amended the request to broaden the scope beyond the state parks to other types of trailheads.

[9:38:18 AM](#)

Ms. Davis discussed the next items.

RN 51035
Deferred Maintenance, Renewal, Repair and Equipment
\$3,872,000

RN 6843
Parks and Outdoor Recreation Statewide Emergency
Repairs
\$482,000

Ms. Davis explained that the deferred maintenance package in which eight allocations at \$2,772,000 was designated for the Division of Parks and Outdoor Recreation. A separate allocation for \$1.1 million was designated for the forestry and fire facilities. She added that the item addressed the fourth year of the governor's five-year, \$100 million deferred maintenance initiative and effort. Projects ranged from emergency repairs to a large inventory of projects in both divisions ranked on an annual basis.

Mr. Balash advocated for another agency's capital budget request. The Department of Administration's \$15 million request for a geologic materials center upgrade. The funding would be used to purchase an existing building along with an upgrade and retrofit of the facility. The facility's contents were "priceless" with 70 years of samples that were collected around the state.

Co-Chair Meyer understood the importance of the core samples. He mentioned that the samples might lead to oil exploration and lease sales.

[9:41:20 AM](#)

Co-Chair Meyer asked about streamlining the permitting process discussed in RN 38872. He understood that permits should be expedited and he recommended against the

different phases of the project. He wondered why the entire project was not accomplished at once.

Mr. Fogels responded that automating the entire system at once would be impossible. The specific authorization required analysis prior to automating.

[9:42:37 AM](#)

Co-Chair Meyer queried the seven additional positions added to the operating budget as a result of the request.

Ms. Davis responded that the seven positions were funded with capital budget funding. She anticipated a FY 15 request to convert the positions to general fund as the capital project was completed. She explained that a portion of the project was a document content management system, which added the electronic file conversion. Another aspect of the project was the geographic location which required continual update. She hoped that other opportunities to expand the project with pipeline coordinators or the Division of Oil and Gas. The focus of the project was the Division of Mining Land and Water.

[9:44:46 AM](#)

Co-Chair Meyer asked about the seven positions hitting the operating budget in FY 15.

Ms. Davis planned to request conversion of the positions from capital to operating funds. She noted that annual software license fees in the \$380 thousand range would require conversion to an operating expense.

[9:45:05 AM](#)

Vice-Chair Fairclough asked about RN 6865, the National Historic Preservation Fund. She wondered if the \$200,000 request was the contribution from the general funds or federal funds.

Ms. Davis replied \$150 thousand of general funds, with the remainder being federal funds.

[9:45:58 AM](#)

Co-Chair Meyer asked about RN 6865, which was a request for another museum. The Department of Education and Early Development requested funding for the State Library and Museum. He wondered if RN 6865 was in the right department.

Mr. Fogels reminded that the State Historic Preservation Office was located in DNR.

[9:46:48 AM](#)

Senator Dunleavy appreciated Deputy Commissioner Fogels. He mentioned a state forest land sales and the responsiveness of the department.

Co-Chair Meyer appreciated the work of Deputy Commissioner Fogels as well.

[9:47:40 AM](#)

Senator Bishop recommended that boiler upgrades include compatibility with natural gas.

Ms. Davis responded that she would communicate the suggestion to the facilities personnel.

Co-Chair Meyer expressed concern about the projects requested in phases. He noticed that RN 51197 appeared as a phase project. He recommended paying for the projects outright, as opposed to requesting phases.

Senator Dunleavy asked about RN 56920 for trails management and trailhead access. He asked if the state purchased property that accessed trails.

Ms. Fogels responded that the department occasionally encountered situations with recreation access issues. Commonly easements existed that crossed multiple entities' land, which were often poorly marked. The item would identify trails properly and work with DOT to build adequate parking facilities within the DOT right-of-way.

[9:50:11 AM](#)

Vice-Chair Fairclough recalled testimony from two departments noting a partnership with the federal government by providing state funds to advance information. She wondered if other states were funding positions to

implement laws and regulations established by the federal government.

[9:51:04 AM](#)

Mr. Fogels pointed out the 402 Clean Water Act, which was coordinated by DEC. The program used state money to administer a federal program. He added that the coal regulatory program was funded in part by the federal government. He added that the state received less support from the federal government, which could be problematic for Alaska. He explained that the additional agencies would receive review of their capital budget in the weeks' meetings.

[9:52:58 AM](#)

SB 18 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

The meeting was adjourned at 9:53 a.m.