

SENATE FINANCE COMMITTEE
March 16, 2015
9:18 a.m.

[9:18:05 AM](#)

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:18 a.m.

MEMBERS PRESENT

Senator Anna MacKinnon, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Peter Micciche, Vice-Chair
Senator Click Bishop
Senator Mike Dunleavy
Senator Lyman Hoffman
Senator Donny Olson

MEMBERS ABSENT

None

ALSO PRESENT

Sam Cotten, Commissioner, Department of Fish and Game;
Kevin Brooks, Deputy Commissioner, Department of Fish and Game;
Mike Hanley, Commissioner, Department of Education and Early Development;
Heidi Teshner, Director, Division of Administrative Services, Department of Education and Early Development;
Elizabeth Nudelman, Director, School Finances and Facilities, Department of Education and Early Development;
Heidi Drygas, Commissioner, Department of Labor and Workforce Development;
Paloma Harbour, Director, Division of Administrative Services, Department of Labor and Workforce Development;

PRESENT VIA TELECONFERENCE

SUMMARY

SB 26 BUDGET: CAPITAL

SB 26 was HEARD and HELD in committee for further consideration.

FY 16 BUDGET OVERVIEWS:

DEPARTMENT OF FISH and GAME
DEPARTMENT OF LABOR and WORKFORCE DEVELOPMENT
DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT

[9:18:30 AM](#)

Co-Chair MacKinnon discussed housekeeping.

[9:19:16 AM](#)

#sb26
SENATE BILL NO. 26

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

^OVERVIEW: FY 16 BUDGET DEPARTMENT OF FISH and GAME

[9:19:25 AM](#)

SAM COTTEN, COMMISSIONER, DEPARTMENT OF FISH AND GAME, testified that the three capital requests were an effort to capture the \$3 to \$1 matching federal funds.

[9:19:57 AM](#)

KEVIN BROOKS, DEPUTY COMMISSIONER, DEPARTMENT OF FISH AND GAME, explained that the three projects totaled \$15.250: \$13.875, federal; \$1.250, general fund match; \$125,000, Fish and Game funds.

Mr.Brooks spoke to the first project:

RN 60594
\$11,750,000
Wildlife Management, Research and Hunting Access

Brief Summary and Statement of Need:

The department proposes a multi-year appropriation approach to designate significant short-term

investments in the wildlife management infrastructure to use a dramatic increase in available federal Pittman Robertson Wildlife Restoration funding. The multi-year appropriation will enable the department to plan for targeted wildlife management, mapping, and hunter access improvements.

The department will create grant agreements with the U.S. Fish and Wildlife Service through the Wildlife Restoration program. The following program guidelines authorize this project initiative: restore and manage wildlife for the benefit of the public; build structures or acquire equipment, goods, and services to provide public access for hunting or other wildlife-oriented recreation; obtain data to guide and direct the regulation of hunting.

Project Description/Justification:

The department has been apportioned a significant increase in federal funding from the Pittman-Robertson (PR) program. There are two subprograms within PR, Wildlife Restoration and Hunter Education. The Wildlife Restoration subprogram is primarily used to restore and manage wildlife for the benefit of the public. It cannot be used for hunter education or for shooting ranges; the Hunter Education subprogram is available for those programs. Alaska receives funding through a formula based on land mass and the number of hunting license holders. Due to the geographic size alone, Alaska receives the maximum of five percent of the yearly gross receipts for Wildlife Restoration. The Wildlife Restoration subprogram, 20 to 25 times larger than Hunter Education, derives its receipts from federal excise taxes on the manufacture of handguns, long guns, ammunition, and archery equipment. For long guns and ammunition, 100 percent of the national gross receipts are set aside for this program and 50 percent from handguns and archery equipment. Sales nationwide on these items increased dramatically over the past twelve to fifteen months and consistently over the past seven years. Over seven years the program has increased nationwide by over 230 percent. A 25 percent match is required from non-federal sources to access funds and the division must obligate and expend additional funding as it becomes available. This appropriation does not request the full required match. The general fund match included will be used to initially launch federal grant

agreements. Pursuit of other sources of non-federal funding will be required to meet federal grant management guidelines (75 federal / 25 match).

9:22:01 AM

Co-Chair MacKinnon explained that the committee was searching for value in what the administration was proposing as investments in general fund dollars. She requested information concerning any other source of funds the department might have outside of general funds to use as a match for the project.

Mr. Brooks replied that normally within the operating component for wildlife, DF&G funds were used as match funds. He said that the department had currently fully allocated the revenue derived from hunting licenses and tags. He opined that the funding options were limited to general fund match and partnerships.

9:23:02 AM

Senator Dunleavy asked for an overview of the plans for the funding request in particular areas.

Mr. Brooks related that the focus of this request included Hunter Access, Sheep Management Plan, Wildlife Surveys - Research and Genetics, Data Systems for Wildlife Management, and Digital Mapping.

Senator Dunleavy asked whether there was a specific boat launch, in a specific locale, that the department was looking to upgrade.

Mr. Brooks replied that boater access projects would be discussed in the next request.

9:23:50 AM

Co-Chair MacKinnon related that in a previous overview the committee heard about a potential purchase of a hunting and fishing property from a corporation.

Mr. Brooks said he would follow-up on the issue.

Co-Chair MacKinnon inquired about any fees paid by out-of-state hunters who their game out of the state. She wondered whether that was an available revenue source.

Commissioner Cotton replied that legislation had been introduced that would address the issue.

[9:25:30 AM](#)

Vice-Chair Micciche understood that the capital request was for funding for five-years of the program.

Mr. Brooks replied in the affirmative.

[9:26:17 AM](#)

Senator Bishop inquired whether the department would be using drones in the sheep management program.

Mr. Brooks related that there had been discussions about the issue of drones. He said that the aerial range of the devices were being researched.

Senator Bishop asked about digital mapping.

Mr. Brooks stated that the department was a member of the Alaska Geospatial Council and that the goal was to identify wildlife populations that would benefit from the digital mapping.

Senator Bishop requested an update about funding from the previous year that had been used to purchase of top of the line cameras to assist with wildlife population counts.

Mr. Brooks indicated that he would get back to the committee with the information.

[9:28:41 AM](#)

Mr. Brooks spoke to the next request:

RN 30432

\$3,000,000

Sport Fish Recreational Boating and Angler Access

Brief Summary and Statement of Need:

This project allows the Division of Sport Fish to continue to construct and upgrade recreational power boating and sport fish angler access facilities state wide using Sport Fish Restoration apportionment funds comprised of 75 percent federal assistance and 25 percent non-federal match. Federal regulations require that 15 percent of the annual Sport Fish Restoration (Dingell-Johnson/Wallop-Breaux Amendment) apportionment be dedicated to projects that benefit recreational power boaters. Projects include boat launches, mooring floats, parking lots, restrooms, fish cleaning facilities, and other services.

Project Description/Justification:

Sport Fish Restoration (SFR) funds require a match of one state dollar for every three federal dollars, or a state match of 25 percent of the total project cost. The required match dollars are an investment that produces an instant threefold return. Since federal SFR funds are derived from excise taxes on the sale of sport fishing tackle, this capital request is a user pay/user benefit approach to providing access facilities. The facilities that result from this project improve recreational boating and sport fishing angler access to the fish and wildlife resources of the state. The Federal Assistance in SFR Act (16 USC 777-777k), also known as the Wallop-Breaux / Dingell Johnson program mandates that 15 percent of the federal funds available to the state be set-aside for boating access improvement and development projects. The annual amount of the federal receipts request is based on a set five-year 15 percent average of Alaska's federal apportionment of SFR funds, (currently covering Federal FY2013-2017). Any portion of the 15 percent set-aside for boating access projects that is unused reverts back to the U.S. Fish and Wildlife Service and is lost to the state; therefore, it is in the state's best interest to utilize these funds.

Sites will be selected so that all regions of the state receive a share of this program. Site development projects will be accomplished in cooperation with local government units and other state agencies. It has been the experience of the department that local communities are very supportive of better access facilities.

This project will provide some new access sites and will renovate or upgrade other sites. Many of the existing access sites throughout the state have either reached the end of their useful life and/or do not meet current standards. These sites no longer adequately serve the public and are very expensive to maintain. The facilities provided by this project will be designed for low maintenance over a service life of 20 years. The facilities will also be accessible to users with disabilities in compliance with the Americans with Disabilities Act.

User fees can be established for new and renovated facilities to place them on a self-supporting basis. User fees will be charged where feasible and will be used to offset the cost of site operation and maintenance. Under federal regulations, user fees charged at a facility developed with federal funds must be used for the operation, maintenance, or improvement of the facility. Fees collected in excess of actual site operation and maintenance costs must be credited back to the federal program. This ensures that the users of the facility benefit from the fees they pay.

Development and maintenance of sport angler and recreational boating access facilities and improvements is a core function and goal of the Division of Sport Fish Strategic Plan. One of the performance measures of this goal is to complete construction of a total of five priority boating access projects per year over a five year period. Additional and enhanced recreational boating access facilities are needed in order to provide improved and greater sport fishing opportunity throughout the state.

Mr. Brooks said that a list of anticipated projects for 2016 could be made available to the committee.

[9:29:44 AM](#)

Senator Dunleavy asked whether the discussed boat launches would be new or existing.

Mr. Brooks replied that the request involved fixing existing launches and building new ones; the department received the appropriation annually, and then spread it across launches throughout the state.

[9:30:41 AM](#)

Mr. Brooks continued to the final request:

RN AMD45482

\$500,000

Shooting Range Deferred Maintenance

Brief Summary and Statement of Need:

The Division of Wildlife Conservation operates three shooting range facilities; one outdoor range and two indoor ranges. The indoor ranges are 12-14 years old. Repairs to floors and roofs as well as painting is anticipated in the next few years. The outdoor range at Rabbit Creek needs shooting lane coverings and electrical upgrades. Parking facilities often need repair due to climatic conditions.

Prior Funding History / Additional Information:

The department will create grant agreements with the U.S. Fish and Wildlife Service through the Hunter Education subprogram of Wildlife Restoration. The following program guidelines authorize this project initiative: construct, operate, or maintain firearm and archery ranges for public use.

Project Description/Justification:

The department has been apportioned a significant increase in federal funding from the Pittman-Robertson (PR) program. There are two subprograms, Wildlife Restoration and Hunter Education. The Hunter Education subprogram derives its receipts from federal excise taxes on the manufacture of handguns and archery equipment. 50 percent of the national gross receipts are set aside for this program. Alaska receives funding through a formula based on state population. This entitles Alaska to one percent of the yearly gross receipts. This amount of funding can be used for a comprehensive hunter education program and/or the development and management of shooting ranges. A 3:1 match is required from non-federal sources to access funds and the

division must obligate and expend additional funding as it becomes available. The appropriation is anticipated to provide a source of funding for the significant repairs needed to facilities over the next several years. The department proposes an approach to designate significant short-term investments in the program and infrastructure of shooting ranges to use the significant increase in available PR funding dedicated to Hunter Education. The multi-year appropriation will enable the department to distribute funding for targeted repairs with assured funding.

[9:31:42 AM](#)

Vice-Chair Micciche asked for a list of the three ranges, their locations, and which was the outdoor range.

Mr. Brooks commented that the outdoor range was at Rabbit Creek Shooting Range in Anchorage. He added that there was an indoor range in Fairbanks and a smaller one in Juneau.

[9:32:12 AM](#)

^OVERVIEW: FY 16 BUDGET DEPARTMENT OF EDUCATION and EARLY DEVELOPMENT

[9:32:46 AM](#)

MIKE HANLEY, COMMISSIONER, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, explained that he would be presenting a single capital project and several major maintenance projects.

HEIDI TESHNER, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, began with the first request:

RN 60679

\$4,600,400

Kivalina K-12 Replacement School - Kasayulie

Brief Summary and Statement of Need:

This project provides for the design of a new facility, approximately 34,425 square feet, to replace facilities built between 1962 and 1984. The current facility is at 175 percent capacity with 56 unhoused students.

Prior Funding History / Additional Information:

This project is the final project in the 2011 Kasayulie v. State Consent Decree and Settlement Agreement (3AN-97-3782 CI).

Ms. Teshner stated that the request would fund the school design; the total cost to the state for the project would be \$50.4 million.

[9:33:49 AM](#)

Senator Dunleavy asked what would happen if the legislature denied the request.

Commissioner Hanley explained that in the Kasayulie settlement the state agreed to provide funding for the construction of 5 schools; Kivalina was the final school to be built. He said he had been working with the plaintiffs to fund the project in phased form because the state was not ready to fund the settlement in its entirety. He said the case would most likely be reopened if the state failed to fund the request.

Senator Dunleavy understood that discussions were still underway as to the location of the school.

Commissioner Hanley replied in the negative. He said that the location of the school was approximately 8 miles from the barrier island that the community resided on.

[9:35:13 AM](#)

Senator Olson queried the repercussions of reopening the Kasayulie case.

Commissioner Hanley related that based on a recent discussion with the head of the Citizens for the Educational Advancement of Alaska's Children (CEAAC), the plaintiff in the case representing the rural district, there was no desire to reopen the case. However, reopening the case would be on the grounds that the state was continuing to fund urban schools to a greater extent than rural schools.

Senator Olson requested the cost to the state by reopening the case.

Commissioner Hanley stated that the expense would be whatever it cost to build the last school, plus legal fees.

Senator Olson asked whether the cost could decrease if the court went into summary judgement.

Commissioner Hanley deferred the question to the Department of Law (DOL).

[9:37:01 AM](#)

Senator Dunleavy spoke of the different costs of building the school that had been discussed; \$63 million, down from \$100 million. He asked whether the \$4.6 million request was in addition to the \$63 million.

Commissioner Hanley clarified that the \$4.6 million was the first phase in the \$50.4 million state share, He furthered that Kivalina was part of the Northwest Arctic Borough, which would pay for 20 percent of the expense.

Senator Dunleavy asked whether the borough was being forced the pay for part of the school as a result of the lawsuit settlement.

Commissioner Hanley explained that Kivalina had been on the department's capital improvement projects list (CIP) prior to the Kasayulie settlement. He said that the project had been on the list under the understanding that the borough had a 20 percent share. He furthered that when Kasayulie was settled, the easiest way to address the department's responsibilities to fund rural schools was to take the top 5 rural projects, one of which was Kivalina.

Sen. Dunleavy understood that the borough had to pay for a portion of the cost to build the school.

Commissioner Hanley shared that the borough could go to the voters to bond their project, or they could get on the CIP list. He said that if they were on the CIP list, their share would be 20 percent; if the voters voted for a bond their share would be 30 percent.

Senator Dunleavy understood that the state's share of the \$63 million would be 50.4 million, which left \$12.6 million coming from the borough. He asked whether this funding breakdown was part of the settlement.

Commissioner Hanley related that the funding amounts were not a part of the settlement. He reiterated that the department would fund the schools as they were prioritized on the CIP list. He said that there were several REAA's on the list, which contribute 2 percent, and others like Kivalina that were already on the list with a higher local contribution. He stressed that the lawsuit did not set an amount, rather it said that the department would honor the projects on the CIP list, and Kivalina was listed with a 20 percent share.

[9:40:21 AM](#)

Senator Dunleavy surmised that what had been agreed upon was that the state would build a school in Kivalina.

Commissioner Hanley replied yes.

Sen. Dunleavy wondered how DEED arrived at the cost of the school.

Commissioner Hanley related that there was a process to get on the CIP list. He related that often applicants arrived with a high number and then worked with the department to come up with a final figure.

Senator Dunleavy asked what would happen if there was no longer authority to cover the 70/30 split, if the committee elected to suspend the program.

Commissioner Hanley stated that the removal of the 70/30 would not have an impact on the project. He said it would eventually impact the funding for the REAA fund.

[9:42:22 AM](#)

Senator Olson asked whether the result of the lawsuit brought by the City of Ketchikan against the State of Alaska, over the state's education funding mandate, would affect the cost of the school in Kivalina.

Commissioner Hanley responded that if the Supreme Court had similar findings to the superior court, the state would have to find an alternative way to collect local share, which covered operating costs. He did not believe it would affect the construction cost of schools.

[9:43:21 AM](#)

Co-Chair MacKinnon noted that the chosen property for the school was 8 miles from the city center. She asked how the site was chosen for the school, and if there was property available closer to the center of the community.

Commissioner Hanley related that the school at Kivalina on its original site had risen to the top of the CIP list in 2007 for a renovation project. He said that concerns about the site were raised at that time by former Representative Reggie Joule and it was decided then to not invest more state funds at that site. He stated that the new site was on higher, less vulnerable ground.

Co-Chair MacKinnon lamented that the state had not been part of the process for the project, which would be of great financial cost to the state. She opined that department could set a cap on what boroughs could spend and then "drop the bill at the feet of the legislature". She asked what the square footage was of the standing school in Kivalina.

Commissioner Hanley did not have the information. He noted that the school was at 175 percent capacity.

Co-Chair MacKinnon commented that the new square footage would be 34,500 square feet for 140 students. She understood that the capacity numbers could be modified based on the usable square footage inside the school. She requested the number of square feet available for classroom space.

[9:47:28 AM](#)

Senator Dunleavy asked Co-Chair MacKinnon whether legal testimony would be provided to the committee concerning the state's legal obligation on the issue.

Co-Chair MacKinnon replied that she would check the availability of a representative from DOL to come before the committee to discuss the Kasayulie case as well as the lawsuit involving the state and Ketchikan.

[9:48:50 AM](#)

Senator Dunleavy asked for a timeline on the Kivalina construction project.

Commissioner Hanley related that the access road was a hindrance, and furthered estimated that construction would begin in 5 to 6 years. He said that the state had a commitment to fund the project in a manner that would allow the school to be constructed without delay. He offered to provide a letter from CEAAC that could speak to the issue.

[9:49:59 AM](#)

Vice-Chair Micciche felt that decisions about the construction of the school were being made without any regard for logic and reason. He asked whether there was a cost-per-student model used in consideration of the project.

Commissioner Hanley indicated that such a model was not used; however, there was a square footage model that limited the size of the school.

Vice-Chair Micciche asked whether there was a way to reopen the CIP request to reevaluate upgrading the old school in an effort to avoid the cost of the road construction. He characterized the project as an expansion of the community of Kivalina.

Commissioner Hanley said that he could not answer the question at this time. He stated that his goal was to honor the commitment that had already been made by the state through the settlement.

Vice-Chair Micciche felt that the committee's hands were tied due to the decisions of a past legislature. He requested an evaluation of the CIP request.

[9:52:58 AM](#)

Co-Chair MacKinnon noted that the community of Kivalina had been suffering significant erosion issues, she queried the relationship of the existing school to the coastline. She asserted that the legislature should have as much control as possible over the money it expended.

[9:53:43 AM](#)

Senator Dunleavy commented that it was a complex issue because it involved a rural school in an eroding community. He articulated that the legislature had long ago ceded control of the situation and was now only receiving bills, with an obligation to pay.

[9:55:09 AM](#)

Vice-Chair Micciche suggested that the project, with the construction of the new road, was an attempt to build the school as a catalyst to move the village. He said if that were the case he would be more supportive of the project.

[9:56:09 AM](#)

Co-Chair Kelly asked Senator Olson how far Kivalina was from Kotzebue and Point Hope.

Senator Olson replied that Kotzebue was approximately 75 miles away, Point Hope was about 80 miles.

[9:56:35 AM](#)

Senator Hoffman recounted a past discussion of the department's decision to take Kivalina and put it aside because the school could not be built within the next 5 years. He asked how the department planned to proceed with the utilization of the funds for the rest of the rural schools.

Commissioner Hanley stated that it did not make sense to fully fund the \$50.4 million at this time, but to do the construction in phases. He said that schools were ranked on a point system and that Kivalina was currently zeroed out and at the top. He relayed that the commitment to fund Kivalina had been recognized, but that it should not block the path of funding for other schools on the list.

[9:58:51 AM](#)

Co-Chair MacKinnon asked whether the legislature was required to use a particular amount of money for rural schools based on what was being spent on urban schools.

Commissioner Hanley related that in 2011 the legislature passed a bill to set money aside on an annual basis, based on the amount of money that was appropriated through the

70/30 program for communities that were able to bond and for communities that were not able to bond (the REAA Fund). He said that the REAA fund was populated at approximately \$38 million per year, with a cap of \$70 million. He related that the fund would ensure equity in the funding between urban and rural schools.

[10:00:29 AM](#)

Co-Chair Kelly thought that "education by lawsuit" was not the best way to educate Alaska's children. He furthered that determining what to spend in rural Alaska based on what was spent in urban Alaska was not a good way to fund schools. He felt that the problems in Kivalina would not be fixed with a \$60 million school. He said that there was no guarantee that a new school would result in better education for the children in Kivalina.

[10:02:04 AM](#)

Senator Dunleavy acknowledged the uniqueness of the situation. He thought that more legal information was necessary in order for the body to proceed on the issue. He added that the children of Kivalina deserved an education as much as any other children in the state, but that the mechanics of the issue needed to be examined.

[10:02:46 AM](#)

Senator Olson forecasted that the kindergarteners currently attending school in Kivalina would be halfway through their K-12 education by the time the state broke ground on a new facility. He wondered how the department planned to deal with the current problem of over-capacity.

Commissioner Hanley responded that there had been recent renovations done in order to allow the school to be functional. He said that students continued to be added each year, and that the teacher's lounge and the library had been converted into classroom space. He did not anticipate that renovation funds would be provided for the current facility while the school was listed on the CIP list.

Senator Olson related he was recently in Kivalina, and observed that smaller buildings had been added surrounding the main building, which presumably added to utility costs.

[10:04:34 AM](#)

Commissioner Hanley stressed that, lawsuits aside, based on the statutes in place to fund new projects, Kivalina would be at the top of the capital request list.

[10:05:18 AM](#)

Senator Dunleavy pointed out that the Northwest Arctic Borough should be listed on the recipient page as the recipient and not the Lower Kuskokwim School District.

[10:05:48 AM](#)

Ms. Teshner spoke to the next two capital requests:

RN AMD45658
\$3,941,192
School District Major Maintenance Grants

RN AMD60751
\$0
Reappropriation for School District Major Maintenance Grants

Brief Summary and Statement of Need:

The FY2016 Department of Education and Early Development appropriation in the amount of \$3,491,192 and reappropriation not-to-exceed \$10,000,000 will fund the first four projects on the January 2015 Capital Improvement Projects list for School Major Maintenance:

- 1) Petersburg Middle/High School Boiler Repair - \$24,565.00
- 2) Andrew K Demoski K-12 School Renovation, Nulato - \$10,637,668
- 3) Nome City School District - Districtwide Lighting Replacement - \$192,813
- 4) Bethel Campus Boiler Replacement - \$2,636,146

[10:06:45 AM](#)

Co-Chair MacKinnon asked if there was another revenue source aside from the general fund that could be allocated for the maintenance requests; she suggested the Public School Trust.

Ms. Teshner understood that, historically, major maintenance dollars came from the general fund.

ELIZABETH NUDELMAN, DIRECTOR, SCHOOL FINANCES AND FACILITIES, DEPARTMENT OF EDUCATION AND EARLY DEVELOPMENT, noted that there was one funding source from the cigarette tax that was used toward a municipal debt appropriation. She added that the Public School Trust Fund was small, and was currently use towards the foundation program funding. She said that money from that trust was specifically designated for education.

Co-Chair MacKinnon asserted that she had been reviewing the stipulations surrounding the trust, and it appeared that there could be some funds available that could be a funding source for the major maintenance projects.

[10:08:47 AM](#)

Senator Dunleavy understood that the school in Nulato had 32 students.

[10:09:24 AM](#)

Senator Bishop stated that there were over 40 students in the school, which had originally been built to house over 100.

Senator Dunleavy stated that, in the future, when constructing schools it would be important to consider growth and future capacity. He contended that student populations in most places in Alaska were dropping.

[10:10:22 AM](#)

Vice-Chair Micciche expressed the desire to investigate the Public School Trust, and the potential land trust that had been vetoed, as funding sources for education.

Co-Chair MacKinnon noted the request.

[10:11:04 AM](#)

Co-Chair MacKinnon pointed out to the committee that items 1, 3, and 4 on the project list were reimbursements. She wondered if the state was responsible for refunding cities that had paid for their own major maintenance.

Ms. Nudelman explained that projects could incur expenses up to three years prior to submitting an application, while still being considered in the application process. She furthered that the projects rated high and had been completed within the past three years.

Co-Chair MacKinnon considered the expense another uncontrollable cost that landed at the feet of the legislature and should be taken up in policy discussions.

[10:12:33 AM](#)

Co-Chair MacKinnon noted that the Nulato project had been on the major maintenance list for 10 years, and asked why it had not ranked higher, sooner.

Ms. Nudelman stated she could provide the information at a later date.

[10:13:07 AM](#)

Senator Olson relayed that the maintenance at Nulato would alleviate a possible health issue due to frozen toilets that had not been adequately fixed, which forced the use of honey buckets and heightened the risk of the spread of Hepatitis A.

[10:14:08 AM](#)

Ms. Teshner shared that the State Library, Archives, and Museums Building (SLAM) project was on schedule and on budget with the soft opening in May of 2016.

[10:15:22 AM](#)

AT EASE

[10:21:30 AM](#)

RECONVENED

^OVERVIEW: FY 16 BUDGET DEPARTMENT OF LABOR and WORKFORCE DEVELOPMENT

[10:21:59 AM](#)

HEIDI DRYGAS, COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, introduced the presentation, "Department of Labor and Workforce Development Capital

Budget Overview, Senate Finance, March 16, 2015"(copy on file). She turned to Slide 1, which listed the department's only capital request:

RN AMD60306

\$0

Reappropriation for AVTEC Information Technology Systems Refresh

Brief Summary and Statement of Need:

The unexpended and unobligated balance, estimated to be \$530,000, of the appropriation made in sec. 1, ch. 17, SLA 2012, page 121, lines 12-13 (Third Avenue Dormitory Replacement - \$16,075,000) is reappropriated to the Department of Labor and Workforce Development for the Alaska Vocational Technical Center information technology systems refresh.

Ms. Drygas stated that in FY 13 the department received a capital appropriation to replace Alaska Vocational Technical Center's (AVTEC) 3rd Avenue dormitory. She related that the only item left on the project was the 1 percent required for art, which was scheduled for completion by June 30, 2015. She said that the systems refresh was necessary to replace outdated equipment and maintain security compliance requirements.

[10:23:51 AM](#)

Senator Bishop asked whether the upgrades included both administrative and classroom upgrades.

Commissioner Drygas replied both.

Senator Bishop queried whether the dormitory was going to be finished on budget.

Commissioner Drygas relayed that the department was very confident that the dormitory would come in on budget. She reiterated that the only remaining expense was the 1 percent for art.

[10:24:50 AM](#)

Co-Chair MacKinnon wondered why the 1 percent for art was being considered, given the state's current fiscal climate.

She thought that the committee should get to see the art that Alaska's money was being spent on.

Commissioner Drygas related that she had a picture of the piece on her phone, for future reference. She added that the 1 percent for art expense was a state requirement.

[10:25:43 AM](#)

Senator Dunleavy clarified that there was a legal requirement.

Co-Chair MacKinnon suggested that during the current trying fiscal environment it might be necessary to reevaluate the 1 percent for art requirement.

Senator Dunleavy pontificated that policy should drive programs and then programs should drive the facility. He said that in education this was rarely the case. He noted that there were a number of labor training facilities across the state. He asked how the programs they offered were determined.

[10:27:21 AM](#)

Commissioner Drygas explained that the department was looking into the issue and had created a Career and Technical Education Taskforce to examine programs for inefficiencies.

[10:29:01 AM](#)

Senator Olson asked whether the dormitory would still open if the required 1 percent for art was not funded.

Commissioner Drygas replied in the affirmative.

[10:29:35 AM](#)

Co-Chair MacKinnon surmised that the piece of art in question had already been commissioned.

Commissioner Drygas said yes.

Co-Chair MacKinnon lamented that the legislature had placed the responsibility on itself through statute, which she believed needed to be examined.

[10:30:14 AM](#)

Vice-Chair Micciche asked what triggered the 1 percent.

Commissioner Drygas believed that state capital appropriations triggered the requirement for facilities.

Vice-Chair Micciche surmised that of the \$42 million appropriated since 2008 for AVTEC, \$420,000 had been set aside for art.

Commissioner Drygas replied that the requirement was for new facilities only, and that the amount for art in the dormitory was less than 1 percent of the appropriation.

[10:31:22 AM](#)

Senator Bishop believed that the full committee understood that AVTEC was out of compliance with its computer security. He expressed concern for security breaches.

[10:31:59 AM](#)

Senator Dunleavy referred to Alaska Statute, chapter 27, 35.27.020 Art Requirements. He said that the statute related to all state facilities, with preference given to Alaska Native art.

Co-Chair MacKinnon read the statute:

AS 35.27.020. Art Requirements For Public Buildings and Facilities.

(a) A building or facility constructed after June 30, 1975, or remodeled or renovated after June 30, 1975, shall include works of art, including but not limited to sculptures, paintings, murals or objects relating to Native art.

(b) The department, before preparing plans and specifications for buildings and facilities, shall consult with the Alaska State Council on the Arts regarding the desirability of inclusion of works of art.

(c) At least one percent or, in the case of a rural school facility, at least one-half of one percent of

the construction cost of a building or facility approved for construction by the legislature after September 1, 1977, will be reserved for the following purposes: the design, construction, mounting and administration of works of art in a school, office building, court building, vessel of the marine highway system, or other building or facility which is subject to substantial public use.

(d) A building or facility with an estimated construction cost of less than \$250,000 is exempt from the requirements of this chapter unless inclusion of works of art in the design and construction of the building or facility is specifically authorized by the department.

(e) The artist who executes these works of art shall be selected by the architect for the department with the approval of the department, after consultation with the Alaska State Council on the Arts and the principal user of the public buildings or facilities.

(f) The artist who executes these works of art in the public schools shall be selected by the superintendent of a school district in which a public school is to be built with the approval of the school board. Should the department find in the best interest of the state that the selection of the artist who executes these works of art by the superintendent may result in a cost overrun to the state or delay of construction, the department shall make the selection of the artist in consultation with the superintendent.

(g) The architect, superintendent, department, and the Alaska State Council on the Arts shall encourage the use of state cultural resources in these art works and the selection of Alaska resident artists for the commission of these art works.

[10:33:17 AM](#)

Co-Chair Kelly thought that the problem with the statute was that it paid for bad art. He said that pieces by Fred Machetanz or Eustace Zeigler hanging in public facilities were more than likely a result of the 1 percent for art statute, which he qualified were a "good thing". He opined that there was "a lot of stuff that just ain't art.....beauty

was in the eye of the beholder, but we all pretty much agree on ugly." He asserted that he was a supporter of the 1 percent, but that people should be discerning about what was called "art".

[10:35:12 AM](#)

Co-Chair MacKinnon related that it was commendable that past legislative bodies had been investing in Alaskan artists.

[10:36:28 AM](#)

Senator Olson asked how many students would occupy the AVTEC dormitory.

Commissioner Drygas answered that the building could house up to 160 students.

Senator Olson asked how full it would be immediately after construction was complete.

Commissioner Drygas said she would get back to the committee with the information.

Senator Olson stated that AVTEC's ability to continue providing services had come under question in the past few years.

[10:37:41 AM](#)

Commissioner Drygas presented Slide 2, "Capital Appropriation Status Report (CASR)", which showed that the department had 15 open capital appropriations, totaling \$42.5 million. She said that 92 percent of the funding was expended or encumbered, 3 projects were pending final billings before they could be closed, and another 5 projects, not including the reappropriation request, would be completed by the end of the fiscal year (Slide 3).

[10:37:56 AM](#)

Commissioner Drygas furthered that \$2.7 million were still unobligated, but the funding was necessary to complete the projects; of that funding, \$1.4 million were just received in FY 15 and activity on the project would pick up in the spring. She related that there were \$530,000 that were

anticipated to be available for lapse, or the reappropriation for the IT request.

10:38:42 AM

Commissioner Drygas moved to Slide 5, which read that the department's deferred maintenance back log comprised 9 projects, totaling \$15.1 million. She relayed that the department was not requesting an FY 16 deferred maintenance appropriation, but was focusing on completing projects that had already been funded. She shared that the AVTECH facility's maintenance team had utilized the appropriations for the following:

- student housing remodeling and mold remediation
- cafeteria and dish room remodel
- retrofitted air handling system and new ventilation system to the new Applied Technology campus
- replacement of boilers and underground aging fuel tanks

10:39:36 AM

Commissioner Drygas said that given the age of AVTEC's facilities there were many building needs well beyond the scope of general maintenance, which represented AVTEC's greatest facility maintenance challenge; continued investment in deferred maintenance would be needed to ensure that ground was not lost in addressing facility needs and avoiding the need for replacement facilities. She stressed that the facility needed to be fully functional to provide a safe and uninterrupted educational environment in order to deliver program services to train Alaskans for Alaska's jobs. She said that a capital project on the horizon for AVTEC was an upgrade to the maritime simulator, which would cost \$1.3 million; the project would be necessary to upgrade AVTEC's 3, full mission, bridge simulator hardware and software. She relayed that AVTEC was currently actively seeking federal or private funding opportunities to accomplish the \$1.3 million upgrade.

10:40:37 AM

Vice-Chair Micciche felt that more prevention work could be done through the maritime simulator exercise than all other efforts combined. He warned of the potential of losing a crude carrier due to challenging weather, noting that the

training facilities saved the state from potentially dangerous incidences. He revealed to the committee that AVTEC had been responsive on needed services for industries in the state that employed many Alaskans.

[10:41:43 AM](#)

Senator Olson asked how many maritime simulators were currently in the state.

Commissioner Drygas said that there was only one.

PALOMA HARBOUR, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, relayed that there was a computer based simulator in Kechikan, but that it was not a full mission bridge, which was what AVTEC offered. She asserted that the two were not the same. She added that there was a privately owned simulator in Anchorage that was not available for training Alaskans entering into the workforce.

[10:42:54 AM](#)

Co-Chair Kelly asked whether the facility had welding simulators.

Ms. Harbour responded that that department had partnered with training providers through a grant program to purchase welding equipment, but the equipment ultimately belonged to the training providers.

Co-Chair Kelly understood that there were a couple of simulators in the state that could travel from site to site. He said that they were great things to have.

[10:43:46 AM](#)

Co-Chair MacKinnon disclosed that her husband was the Executive Director of the Continuing Education Foundation and served on their board, which was one of the organizations that owned a welding simulator.

[10:44:23 AM](#)

Senator Olson asked how many students could be accommodated by the maritime simulator.

Ms. Harbour stated that about 500 students went through the program per year. She explained that the program was an on demand program that provided contract training.

[10:44:56 AM](#)

Senator Bishop asked for a full update on the maritime program in order to highlight the value of the program for the committee.

[10:45:27 AM](#)

Commissioner Drygas responded that the update could be provided.

Co-Chair MacKinnon discussed housekeeping.

[10:46:48 AM](#)

#

ADJOURNMENT

[10:47:07 AM](#)

The meeting was adjourned at 10:47 a.m.