

SB

74

SFIN

FILE

SB 74

was referred to the
Senate Finance
Committee

Hearing(s) were held

The bill did not move
from Committee

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February 6, 2001

The Honorable Rick Halford
President of the Senate
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear President Halford:

I am transmitting to you today two supplemental appropriation bills for Fiscal Year 2001, including this one which I urge you to put on a "fast track" for final action as early in March as possible. The legislature and public are already familiar with the Special Olympics and gas line projects in this "fast track" bill, but several other issues also need attention sooner than the regular supplemental schedule allows.

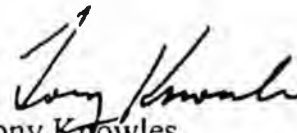
In my State of the State/State of the Budget speech, I proposed that we join together to quickly provide \$500,000 toward the success of an extraordinary event that will take place in Anchorage early next month. The organizers of the Special Olympics World Winter Games have garnered tremendous financial and in-kind support to bring athletes and their families to Alaska from all over the world, but they need our help now to complete the funding for lodging and other basic expenses.

We also need early supplemental action so state agencies can proceed quickly with intensive preparations to receive an application for construction of the natural gas pipeline. As an example, the Departments of Fish and Game and Environmental Conservation will not be able to conduct a full field season this year unless they receive the necessary funds in time to hire staff and make other financial commitments. With an appropriation of \$1.96 million in March, we could intensify the overall gas line effort considerably and avoid a full year's delay on the necessary field work.

The Honorable Rick Halford
February 6, 2001
Page 2

Approval of this bill in March would make it possible to begin several transportation and fisheries research projects this summer. It would also ensure timely debt service payments and uninterrupted processing of Medicaid payments. These and other timing issues are described in the backup materials.

Sincerely,



Tony Knowles
Governor

FY2001 SUPPLEMENTALS

	A	B	C	D	E	F	G	H	I	J
1	Section Number		Department	BRU or Component	Supplemental Need	General Funds	Federal Funds	Other Funds	Fund Source	Total Funds
2	FAST TRACK SUPPLEMENTALS									
3	1		Administration	Pioneer Homes	Nurses salaries increased through statewide reclassifications to address critical staff shortages by bringing compensation more in line with other employers.	195.0				195.0
4	2		Court System	Trial Courts	Federal granted awarded for implementation of the Anchorage Drug Court pilot program.		150.0			150.0
5	3		Fish & Game	Sport Fish	Increase of federal authority for stock assessment and fisheries management projects to provide baseline data and help mitigate risks to sport fish opportunities resulting from the federal management process.		898.7			898.7
6	4	(a)	Governor	Elections	Costs incurred to comply with the Republican Party's request for the closed statewide primary election held in August 2000	252.2				252.2
7	4	(b)	Governor	Governmental Coordination	Reduce backlog due to large increase in oil and gas permit coordination workload compared to last year.	14.3				14.3
8	5	(a)	Health & Social Srv	Energy Assistance Program	Additional federal funds for Low Income Home Energy Assistance (LIHEAP) grants.		3,351.3			3,351.3
9	5	(b)	Health & Social Srv	Medicaid	Replace FY2001 funds which had to be used in July to pay prior year Medicaid claims to assure continuous payment of claims in April.		8,970.1	6,030.0	Statutory Designated Program Rcpts	15,000.1
10	6		Law	Govt Affairs	Continuing costs for prosecution of claims against Bank of America and other affiliated banks, and for litigation related to the allocation of public safety resources.	240.0				240.0
11	7		Military & Veterans' Affairs	Office of the Commissioner	Grant to Special Olympics to help cover lodging and other costs of the World Games being held in Anchorage in March.	500.0				500.0
12	8		Natural Resources	Gasline - Capital	Gas pipeline development-related activities to expedite field season research and other pre-application state responsibilities.	1,960.1				1,960.1
13	9	(a)	Revenue	Tax Division	Expert analysis for a major North Slope oil and gas property tax assessment challenge.	1,276.0				1,276.0
14	9	(b)	Revenue	Administ Support	Emergency replacement of air conditioner in computer room.	31.5				31.5
15	10	(a)	State Debt		Appropriate remaining balance of the general obligation bond redemption fund to the debt retirement fund.			102.2		102.2
16	10	(b)	State Debt		Additional appropriation needed to meet FY2001 debt service obligations.	639.8				639.8
17	11	(1)	Transportation	Capital	Fairbanks International Airport equipment storage maintenance facility to be funded with Passenger Facility Charges			905.0	International Airports Revenue Fund	905.0
18	11	(2)	Transportation	Capital	Fairbanks International Airport safety and maintenance equipment to be funded with Passenger Facility Charges			1,065.0	International Airports Revenue Fund	1,065.0
19	11	(3)	Transportation	Capital	Delong Mountain; airport access study		281.9			281.9
20	11	(4)	Transportation	Northern Region Facilities	Deadhorse Combined Facilities project funded from the Federal Aviation Administration lease		53.6			53.6
21	11	(5)	Transportation	Capital	Copper River Highway work done under the Consent Agreement	400.0				400.0
22	12				Lapse Provisions					
23	13				Effective Date					
24	FAST TRACK BILL TOTAL					5,508.9	13,705.6	8,102.2		27,316.7
25										
26	REGULAR SUPPLEMENTALS									
27	1	(a)	Administration	Leasing	Shortfall in amount funded for leases with the private sector	1,678.7				1,678.7
28	1	(b)	Administration	Office of Public Advocacy	Shortfall in current year funding exacerbated by increased costs, especially for Child in Need of Aid and guardian ad litem cases	1,791.0				1,791.0

FY2001 SUPPLEMENTALS

	A	B	C	D	E	F	G	H	I	J
1	Section Number		Department	BRU or Component	Supplemental Need	General Funds	Federal Funds	Other Funds	Fund Source	Total Funds
29	1	(c)	Administration	Office of Public Advocacy	Replenish current year funding used to pay remaining FY2000 costs.	77.4				77.4
30	1	(d)	Administration	Public Defender	Provide remaining funds needed for basic operations in current year.	380.3				380.3
31	1	(e)	Administration	Longevity Bonus	Current estimate of amount needed to fully fund Longevity Bonus formula program.	1,100.0				1,100.0
32	1	(f) and (g)	Administration	Pioneer Homes	Complete the Anchorage Pioneer Home emergency heating and ventilation system repairs, including replacing the unrealized program receipts previously appropriated.	1,000.0		-595.0	Receipt Supp Svcs	405.0
33	1	(h)	Administration	Retirement & Benefits	Trial preparation for retired employees' lawsuit concerning changes in group health benefits.			87.0	Benefit Systems Rcpts	87.0
34	1	(i)	Administration	Senior Services	Fully fund current projections for the senior General Relief Grants.	150.0				150.0
35	1	(j)	Administration	Senior Services	Additional federal funds to expand Family Caregivers Grants.		564.0			564.0
36	1	(j)	Administration	Senior Services	Robert Wood Johnson Foundation grant to work with community partners in rural Alaska to develop affordable assisted living for seniors.			50.0	Statutory Designated Program Rcpts	50.0
37	1	(k)	Administration	Motor Vehicles	Replace boating registration receipts shortfall during startup of program and renew Polaroid contract for drivers license photos due to lack of response to digital photo Request For Proposals.	287.2				287.2
38	2	(a)	Community & Ec Dev	Int Trade & Marketing	International Trade seed potato storage facility feasibility study.		16.0			16.0
39	2	(b)	Community & Ec Dev	Reg Com of AK	Unanticipated increases in costs for personnel, office move and management information system.			144.8	RCA Rcpts	0.0
40	3		Corrections	Corr Ind Prod Cost	Increase for materials used in the Correctional Industries programs.			650.0	Correctional Industries Fund	650.0
41	4		Court System	Judicial Conduct	Legal fees for formal disciplinary hearing.	41.9				41.9
42	5		Military & Vet.	Disaster Relief Fund	Core services funding not provided in base budget and 50.0 increment for satellite imaging to assist in search and rescue operations	680.0				680.0
43	6	(a)	Education & Early Dev.	Foundation	Use balance in foundation program resulting from October student count to offset shortfall in pupil transportation.	-1,913.1				-1,913.1
44	6	(b)	Education & Early Dev.	Pupil Transportation	Current estimate of projected shortfall for pupil transportation	2,111.4				2,111.4
45	6	(c)	Education & Early Dev.	Child Care Assistance & Licensing	Increase federal Child Care Development Funds.		5,500.0			5,500.0
46	6	(d)	Education & Early Dev.	Special & Supplemental Services	Increase federal Title I and Special Education funds.		4,700.0			4,700.0
47	7		Natural Resources	Fire Suppression	Fund fixed fire suppression costs that were not in base budget and variable costs incurred through fall fire season.	4,768.4	5,981.7			10,750.1
48	8	(a)	Health & Social Svcs	Medicaid	Medicaid caseload growth of 7% and higher average cost per month, particularly for hospital and pharmacy costs.	6,124.7	50,642.7	11,412.9	Statutory Designated Program Rcpts	71,180.3
49	8	(b)	Health & Social Svcs	Medicaid	Implement facility rate-setting settlements with Medicaid service providers.	23.1	34.8			57.9
50	8	(c)	Health & Social Svcs	Catastrophic & Chronic Illness	Caseload growth and increased pharmacy costs which exceed budgeted amount.	430.4				430.4
51	8	(d)	Health & Social Svcs	Subsidized Adoptions	Maintain existing appropriation level for subsidized adoption and guardianship by replacing TANF funds which could not be used for these costs as anticipated.	1,000.0		-1,000.0	Inter-Agency Rcpts	0.0
52	8	(d)	Health & Social Svcs	Community Dev Disabilities Grants	Technical correction in fund source from 120.0 GF to GF/Mental Health.					0.0
53	8	(d)	Health & Social Svcs	Svcs to Chronically Mentally Ill	Technical correction in fund source from 203.0 GF to GF/Mental Health.					0.0

FY2001 SUPPLEMENTALS

	A	B	C	D	E	F	G	H	I	J
1	Section Number		Department	BRU or Component	Supplemental Need	General Funds	Federal Funds	Other Funds	Fund Source	Total Funds
54	8	(e)	Health & Social Srvc	Probation Services	Appropriate interest earnings on the Juvenile Accountability Incentive Block Grant trust to the program.			125.0	Statutory Designated Program Rcpts	125.0
55	8	(f)	Health & Social Srvc	CMHG/Desig Eval & Treatment	Growth in services needed for Designated Evaluation and Treatment.	974.1				974.1
56	8	(g)	Health & Social Srvc	Vital Statistics	Reduce backlog of requests for birth, death and other certificates using increased receipts from fees.			225.0	Receipt Supp Svcs	225.0
57	9	(a) and (b)	Various Agencies	Increased Fuel Costs	Increased fuel costs in various agencies for heating, vehicles, aircraft, ferries, etc. due to higher oil and gas prices.	2,123.0		457.6	International Airprrts Revenue Fund	2,580.6
58	9	(c)(1)	Transportation	State Equipment Fleet	Technical transfer between appropriations from regional to headquarters State Equipment Fleet for fuel cost increases.			-300.0	Highway Working Capital Fund	-300.0
59	9	(c)(2)	Transportation	State Equipment Fleet Administration	Technical transfer between appropriations from regional to headquarters State Equipment Fleet for fuel cost increases.			300.0	Highway Working Capital Fund	300.0
60	10		Judgments & Claims	Law	Judgments and claims.	478.7				478.7
61	11		Labor	Workers' Compensation / Second Injury	Increase Second Injury Fund authorization for unanticipated increases in claim sizes and expansion of payouts resulting from recent court decisions.			325.7	Second Injury Fund	325.7
62	12	(a)	Community & Ec Dev	Community & Business Development	Lapse extension to June 30, 2004 of National Petroleum Reserve - Alaska grant appropriation in sec. 63, ch. 2, FSSLA 1999.					0.0
63	12	(b)	Community & Ec Dev	Capital	Appropriate grants from National Petroleum Reserve - Alaska receipts.		1,728.0			1,728.0
64	13		Natural Resources	Recorders Office	Increased costs of Palmer and Fairbanks Recorder's Office leases which expire this fiscal year.	100.0				100.0
65	14	(a) and (b)	Public Safety	Fire Svce Training	Technical fund source change from statutory designated program receipts to receipt supported services to fully fund a Fairbanks Fire Service Training position.					0.0
66	14	(c)	Public Safety	Capital	Change scope of prior Crime Lab capital appropriation to allow currently needed work.					0.0
67	15		Revenue	Municipal Bond Bank Authority	Funding for costs of additional municipal bond sales.			58.0	Muni Bond Bank Rcpts	58.0
68	16	(a)	Salary and Benefit Adjustments		Reduce Pro-Share appropriation from \$8.1 million to the \$883,100 amount actually needed to fund FY2001 labor costs.			-7,265.5	Statutory Designated Program Rcpts	-7,265.5
69	16	(b)	Salary and Benefit Adjustments		Clarify that only general fund lapses are used for labor costs.					0.0
70	17	(a)	Transportation	Central Region Facilities	Retrofit or replace fuel day tanks in Central Region to avoid Court Plaza type fuel spills.	34.0				34.0
71	17	(b)	Transportation	Northern Region Facilities	Retrofit or replace fuel day tanks in Northern Region to avoid Court Plaza type fuel spills.	236.0				236.0
72	17	(c)	Transportation	Northern Region Facilities	Operating costs for the Harborview Development Center.	93.0				93.0
73	18		Various Agencies	Miscellaneous Claims and State-dated Warrants	State-dated warrants and miscellaneous claims.	85.5	141.1			226.6
74					REGULAR SUPPLEMENTAL BILL TOTAL	26,855.7	69,308.3	4,675.5		100,694.7
75										
76					TOTAL FOR BOTH BILLS MINUS THE \$16.5m GF PLACEHOLDER IN FISCAL SUMMARY	16,864.6	83,013.9	12,777.7		111,656.2
77										
78										
79										

FY2001 SUPPLEMENTALS

	A	B	C	D	E	F	G	H	I	J
1	Section Number		Department	BRU or Component	Supplemental Need	General Funds	Federal Funds	Other Funds	Fund Source	Total Funds
80					Ratifications:					
81	19	(a)(1)	Administration	Older Alaskans Comm.	AR3530-90 Older Alaskan Commis	693.00				693.00
	19	(a)(2)	Labor and Workforce Dev. (for former Department of Community and Regional Affairs)	C&RA/1 Stop	AR52901-99 1-Stop/AJCN Staff Sup	249.68				249.68
82										
	19	(a)(3)	Corrections	Inmate Programs	AR50979-00 RSAT Prog Female Offenders Non-budgeted RSA for RSAT services ended up with revenue shortfall under RSA with DPS.	24,276.30				24,276.30
83										
	19	(a)(4)	Environmental Conservation		AR 48743-86 PIO UST	11.81				11.81
84										
	19	(a)(5)	Health & Social Srvc	Federal Mental Health Projects	AR 24651-98 Federal Mental Health Projects	33,156.34				33,156.34
85										
	19	(a)(6)	Health & Social Srvc	Medicaid	AR 22520-00 Medicaid Services Special FY2000 ratification	4,268,866.67				4,268,866.67
86										
	19	(a)(7)	Law		AR 13907-00 AHFC Outside Counsel	340.83				340.83
87										
	19	(b)	Natural Resources	Fire Suppression	AR37313-00 Fire Suppression	4,299,492.91				4,299,492.91
88										
	20				Lapse Provisions					
89										
	21				Effective Date					
90										

STATE OF ALASKA

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET

TONY KNOWLES, GOVERNOR

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February 14, 2001

Mindy Rowland
Louanne Christian
Alaska State Legislature
State Capitol
Juneau, AK 99801

Dear Finance Committee Secretaries:

Fast Track Supplemental:

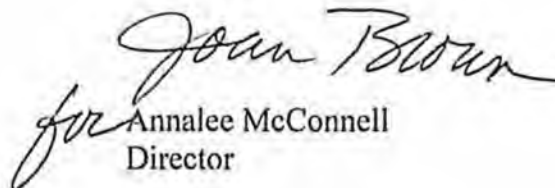
The attached information is the same content as what the Finance Committees have already received for the Department of Natural Resources' gas pipeline development request. However, we have rearranged the sequence to match the order in which agencies will be making their presentations to the Finance Committees. Please remove the existing backup information for section 8 and replace it with the attachment.

Regular Supplemental:

The Department of Health and Social Services has updated a spreadsheet that was previously provided to the Finance Committees with the packet of the "regular" supplemental bill backup information. The page to be removed and replaced with the attached spreadsheet is the third page of the section 8(a) backup.

If you have any questions, please call me (465-4660) or Joan Brown (465-4681). Thank you.

Sincerely,


for Annalee McConnell
Director

Attachments

cc: David Teal
Legislative Finance

KNOWLES ADMINISTRATION GAS PIPELINE PROJECT

MISSION STATEMENT

The Knowles-Ulmer administration is working aggressively to develop Alaska's enormous North Slope natural gas resources by advancing construction of an Alaska Highway natural gas pipeline. This pipeline project is designed to achieve the three principles most Alaskans agree on when it comes to commercializing Alaska's gas:

- Alaska hire, use of Alaska businesses and development of new gas-related industries,
- Access to natural gas for Alaskan communities, including use of gas for future development projects such as a liquid natural gas industry, and
- A fair share of revenues for Alaskans.

Planning Assumptions for FY 2001 Gas Pipeline Supplemental Budget

Timeline: April – June, 2001
Project Status: Pre-application
Funding Source: General fund/not reimbursable (AS 38.35.140(b))

1. A gas pipeline right-of-way application will be received on or about December 1, 2001 for the Alaska Highway route.
2. Permitting and construction activities will not occur during this period.
3. All agencies will have a liaison and technical staff available to accomplish the FY 2001 gas pipeline activities once a supplemental appropriation is received.
4. State Pipeline Coordinator (Gas) and Liaison activities during this period will include:
 - a) work plan and permit planning
 - b) records review and analysis (technical, engineering, permits, drill logs, land ownership documents, environmental plans & programs)
 - c) issue reports on records and plan reviews to SPC
 - d) pre-application consultations with producers
 - e) meetings with federal and Canadian agencies
 - f) identification & resolution of issues (legal, policy, process etc.)
 - g) public outreach
 - h) issue reports to commissioners and the legislature
 - i) development of detailed FY 2002 workplan
5. Agency technical staff activities during this period will include:
 - a) records review and analysis
 - b) identification of design and permitting requirements
 - c) data gathering
 - d) planning and initiation of 2001 field work
 - e) development of FY 2002 field work program
6. A Gas Pipeline Office (GPO) will physically be in place beginning in July 2001.
7. As provided in Administrative Order 187, agency liaisons are responsible for supervision of staff hired to work in the GPO. Staff providing support from a regional or central office on short-term work assignments will continue to work for their supervisor in coordination with the agency liaison.
8. The State Pipeline Coordinator's Office will provide furniture and computers for agency liaisons and staff hired before the GPO is established for use in their own agency offices.

Gas Pipeline - FY01 Supplemental Summary

	FY01 Total	# of Positions Added	Personnel 71000	Travel 72000	Contractual 73000	Supplies 74000	Equipment 75000
Covered by Administrative Order 187							
Environmental Cons.	\$ 141.9	6	\$ 69.5	\$ 32.4	\$ 40.0	\$	\$
Fish & Game	\$ 81.6	2	\$ 59.2	\$ 3.9		\$ 1.5	\$ 17.0
Governor's Office Governmental Coordination	\$ 12.0	1	\$ 11.4	\$ 0.6			
Labor	\$ 26.9	1	\$ 19.9	\$ 1.0	\$ 2.5	\$ 0.1	\$ 3.4
Public Safety	\$ 2.7			\$ 1.9	\$ 0.8		
Transportation	\$ 35.4	1	\$ 22.5	\$ 1.3	\$ 11.6		
Natural Resources	\$ 747.5	9	\$ 446.0	\$ 37.8	\$ 209.8	\$ 19.2	\$ 34.7
Various Divisions							
Division of Mining, Land & Water							
Division of Support Services							
Division of Geological & Geophysical Surveys							
Division of Parks & Outdoor Recreation:							
Office of History & Archaeology	\$ 110.2	4	\$ 69.1	\$ 0.5	\$ 24.9	\$ 9.2	\$ 6.5
State Pipeline Coordinator's Office	\$ 637.3	5	\$ 376.9	\$ 37.3	\$ 184.9	\$ 10.0	\$ 28.2
NOT Covered by Administrative Order 187							
Natural Resources							
Oil & Gas Division	\$ 213.9	0	\$ 36.7	\$ 19.8	\$ 157.4		
Administration							
Alaska Oil & Gas Conservation Commission (AOGCC)*	\$ -	0					
Governor's Office	\$ 419.5	2	\$ 37.8	\$ 83.7	\$ 295.0	\$ 13.0	
Law	\$ 203.7	1	\$ 40.4	\$ 0.2	\$ 155.7	\$ 0.9	\$ 6.5
Revenue	\$ 176.0	0	\$ 16.5	\$ 25.0	\$ 50.0		
FY01 Total Supplemental Request	\$ 1,960.1	23	\$ 743.4	\$ 207.6	\$ 922.8	\$ 24.7	\$ 61.6

* Note: AOGCC is part of the coordinated project team, but will not require funding for gasline activities until FY2002.

Sec. 8 Rev.

**Description of Services in the Governor's FY2001 Supplemental
Gas Pipeline Budget Request
(Financial Summary Attached)**

DEPARTMENT OF ENVIRONMENTAL CONSERVATION

Summary \$141.9

The Department of Environmental Conservation (DEC) traditionally plays an important role in projects such as the proposed gas pipeline. The department is responsible for ensuring that impacts to the environment and human health are minimized. The project will require numerous DEC permits, plan approvals, state certifications of federal permits or approvals to operate under established general permits or DEC regulations.

During FY 2001, the department will participate in updating the environmental impact studies, reviewing the State right-of-way application, and reviewing the overall project design for compliance with DEC statutes and regulations. DEC will provide pre-application assistance and permitting for major air pollution sources, such as compressor stations, and perform site-specific reviews for camp and other discharges, which take into account specific discharge and receiving water characteristics.

Pre-application work with the project sponsor to update and perfect DEC permit applications¹ and supporting environmental documentation will reduce future delays in approving DEC permit applications. A proactive approach to permitting issues before the applications are filed will eliminate the need for time-consuming and costly modifications down the road, ensuring that environmental protection is "built-in" to the project applications that are published for public review.

DEC believes that the proposed scope of work for FY 2001 is the minimum level of effort necessary to provide the site-specific information needed for the planning process. By initiating the program immediately, DEC will capture the current (2001) summer field season. This proactive approach to integration of environmental protection and human health concerns into the planning process will minimize costly delays to the gas pipeline project.

Assumptions

In addition to the general planning assumptions used by all agencies, DEC has made the following assumption:

- Pre-application work with the project sponsor to update and perfect DEC permit applications¹ and supporting environmental documentation will reduce future delays in approving DEC permit applications. A proactive approach to permitting issues before the applications are filed will

¹ DEC approvals: The project will require numerous DEC permits, plan approvals, state certifications of federal permits or approvals to operate under established general permits or DEC regulations.

- Compressor stations - construction and operation air permits, approval of stormwater pollution control plans, fuel storage spill prevention and response contingency plan approval.
- Construction Camps - water quality certification of fill permits, fuel storage spill prevention and response contingency plan approvals, solid waste disposal permits, domestic wastewater plans and permits, non domestic wastewater permits, contaminated site assessments and cleanups, food service permits, drinking water plan approval, pesticide permits.
- Pipeline excavation or VSMS - non-domestic wastewater permits, contaminated site assessments and cleanups.
- Construction material sites - non-domestic wastewater permits, contaminated site assessments and cleanups.

eliminate the need for time-consuming and costly modifications down the road, ensuring that environmental protection is "built-in" to the project applications that are published for public review.

Immediate Pre-Application Work Tasks (April - June 2001)

- Hire Department of Environmental Conservation liaison to work with the State Pipeline Coordinator and other state agencies to establish an operating gas pipeline office.
- Hire four environmental program specialists (air, water, spill prevention & response, environmental health) to work with the project sponsor, and other state and federal agencies on issues within their program jurisdiction and expertise.
- Hire an air quality chemist to work with the project sponsor on summer air quality monitoring objectives.
- Complete a preliminary analysis of existing environmental information (ANGST EIS, federal and state lease documents, environmental plans etc.) and identify data gaps and additional information needs.
- Identify pollution prevention or control issues of concern including air, liquid and solid waste reduction, recycling and reuse plans, waste collection, treatment and disposal systems, fuel storage and handling systems, drinking water source protection, collection and treatment systems, food safety practices and pesticide or herbicide use requirements.
- Meet with the project sponsor to outline the scope of the project design, DEC authorities and approval requirements, potential issues and DEC/sponsor work contacts to work specific issues.
- Develop FY 2002 permit review staff work plans and begin recruitment to hire in July.

DEPARTMENT OF FISH AND GAME

Summary \$81.6

The Alaska Department of Fish and Game (ADF&G) traditionally plays an important role in projects such as the proposed gas pipeline. The department is responsible for ensuring that impacts to fish, wildlife and their habitats are minimized. For planning and oversight purposes, the gas pipeline project can be broken into three distinct phases, pre-construction, construction and post-construction. Past experience has shown the most cost-effective approach to addressing potential impacts to fish and wildlife resources is through proactive participation in the planning process (design stage for engineering efforts). Early identification of issues provides both land management planners and design engineers the time and information needed to mitigate impacts.

ADF&G believes that the proposed scope of work for FY 2001 is the minimum level of effort necessary to provide the site-specific information needed for the planning process. By initiating the program immediately, ADF&G will capture the current (2001) summer field season. This proactive approach to integration of fish and wildlife concerns into the planning process will minimize costly delays to the gas pipeline project.

Assumptions

In addition to the general planning and budgeting assumptions used by all agencies, ADF&G made the following additional assumption for FY 2001 budgeting:

- A compressed timetable for gas pipeline construction requires expedited action to fulfill ADF&G work activities. ADF&G assumed the need to be prepared for some level of construction activity in FY 2003.

Work Activities

- Fill two positions, the Pipeline Liaison/Surveillance Supervisor and the Design/Permitting Coordinator. Emphasis will be preparation for summer 2001 field activities through records review and analysis. Additional work activities include coordination with divisional representatives to identify potential data gaps, selection and hiring of staff joining the program in FY 02 and, working with the SPC and other agency Liaisons to create the gas pipeline office. ADF&G would like to use the existing JPO facilities to house staff, however, if office space is not available, temporary space may be available in the ADF&G, Region II facility.
- The longer it takes for ADF&G to receive funding with which to hire two lead JPO staff in FY01, the greater the chance that the department will lose the first of three critical field seasons (Summer '01, Winter '01-02, and Summer '02). We believe we need to have our Pipeline Liaison/Surveillance Supervisor (R22) and Gas Pipeline Design/Permitting Coordinator (R20) *in place by April 1st* in order to ensure that ADF&G will be able to evaluate enough of the existing archival information to be able to set up and conduct an effective summer field season. The amount of lead time ADF&G needs to make these hires by April 1st depends on whether we can find qualified applicants in-state, and whether these applicants can indeed be hired (given current restrictions on hiring retirees, including under the RJP program).

OFFICE OF THE GOVERNOR DIVISION OF GOVERNMENTAL COORDINATION

Summary \$12.0

The Division of Governmental Coordination (DGC), in the Office of the Governor, is the lead agency for the Alaska Coastal Management Program (ACMP). Projects located in Alaska's coastal zone are reviewed by DGC for consistency with the ACMP. The portion of the gas pipeline projects that falls within Alaska's coastal zone is subject to consistency review by DGC per 6 AAC 50.

Assumptions

In addition to the general planning assumptions used by all agencies, DGC has made the following assumptions:

- DGC liaison hired on May 1, 2001.
- The new DGC hire will locate either in the GPO, if it is open for business with available office space and computer equipment, or temporarily at the SPCO until the GPO office is opened.
- When available and collectable, all DGC liaison costs will be fully reimbursable.

A DGC Liaison position will be dedicated to the start up of the GPO and coordination of pre-application assistance, the coordination of the State's review of proposals for consistency with the Alaska Coastal Management Program (ACMP) and other GPO related activities.

Work Activities

The ACMP involves decision making from the local government, state agencies, and federal agencies. The earlier these players get together to discuss the issues presented by the proposed project, the easier it is to avoid costly and time-consuming conflicts during the project review process. Specifically the pre-application process is a forum to:

- 1) Identify necessary permits;
- 2) Identify agency and district concerns early enough to affect design without costly added re-design;

- 3) Get coordinators, permittees, local government and applicants on the same page and fosters productive dialogue;
- 4) Avoid duplication of efforts as everyone is aware of who is responsible for what;
- 5) Identify potentially conflicting agency and local government requirements at the outset so that they may be resolved; and
- 6) Give applicants a reasonable and predictable timeline rather than starting a review that is incomplete or exceeds agency capacity.

During FY 2001, DGC will fill the Liaison position. The new hire will be trained on the purpose and procedures of the ACMP and agency procedures including how to coordinate consistency reviews and facilitate interagency interactions. The new position will begin to assume the primary and technical liaison role between the ACMP and other participating agencies involved in setting up the GPO pipeline office. A work plan will be developed for the DGC liaison in coordination with GPO management. The DGC liaison will develop briefing papers for the director on issues related to the gas pipeline.

DEPARTMENT OF LABOR AND WORK FORCE DEVELOPMENT

Summary \$26.9

The Department of Labor (DOL) will assess the demand for labor resulting from both the construction and operation of the gas pipeline. In an effort to ensure that a qualified workforce exists at the time of gas pipeline construction, DOL will conduct occupational supply and demand analysis to identify potential workforce gaps. In addition, DOL will coordinate efforts to maximize the employment of Alaska residents and to ensure worker safety.

DOL will begin this work in FY 2001 by reviewing existing occupational information and identify data gaps. The information researched will include, though not be limited to, gas pipeline staffing patterns and indicators of occupational supply. Working with process industry experts, DOL will also review the existing occupational taxonomy (based on federal Standard Occupational Classifications) for adequacy. If additional occupational detail is needed to accurately analyze gas pipeline activity, more detailed occupational categories will be developed and data collection methods investigated.

DEPARTMENT OF PUBLIC SAFETY DIVISION OF FIRE PREVENTION

Summary \$2.7

The Department of Public Safety, Division of Fire Prevention is tasked by AS 18.70 to review all new, remodel, addition and relocated construction for fire and life safety, fire alarm and fire suppression criteria. The fire and life safety review pertains to commercial, industrial, business, institutional and residential use containing four or more dwelling units as outlined in the state adopted building, fire and mechanical codes. Additionally, the Division of Fire Prevention monitors system operation, testing and maintenance of all fire alarm and suppression systems and conducts fire prevention inspections and enforcement actions to insure identified hazards are corrected in a timely manner. It is assumed that we will be heavily involved in helping to develop workable, reliable, flexible and reasonable fire response plans for both permanent and temporary facility uses.

- In anticipation of the application for a natural gas pipeline and the creation of one stop shopping for the application process, centered at the Joint Pipeline Office, it is important to jump-start our participation. This is so training, research, documentation requirements and pre-engineering of technical obstacles can be speedily assessed and processes are put into place.

Summary S110.2

During Fiscal Year 2001, the Department of Natural Resources (DNR) will work with the State Pipeline Coordinator's Office (SPCO) and others to implement Administrative Order 187. The major DNR tasks associated with AO 187 implementation include land title work, mapping, geologic data assessment, hydrologic assessment, and archeological assessment. Each of these tasks will be completed in FY 2002.

Assumptions

- An early jump on land status and right-of-way issues will offer valuable input on routing alternatives and address permitting issues.
- The present demand for maps will continue and requests for increased detail will be made.
- Geologic hazard mitigation requires a state perspective that is broader than the narrow right-of-way focus of an applicant. The broader view can affect selection of routing alternatives.
- Preliminary knowledge of construction materials is needed to assist cost projections, site planning, and route adjustments.
- Initiating hydrologic review and compilation of existing literature and water data will save time, especially in the federal environmental review defined by the National Environmental Protection Act (NEPA).
- Compiling existing literature on archeological resources and preparing for site specific field work for summer 2001 will save time with the clearances required for permitting.

Deliverables

1. Title Report and Title System
This task includes the development of a title report for lands along the pipeline route that will define and ownership and use rights. Land title documents, maps, and text will be organized into a web-based storage and retrieval system accessible by all parties. This approach is much more efficient, cost effective, and user-friendly than a paper-based system.
2. Gas Pipeline Maps
Maps provide graphical information on routes, ownership, and landform. Initially supports needs of policy makers for preliminary information on routing and constraints. This effort will support agencies needs to view detailed information related to respective permitting duties.
3. Geologic Assessment
This task determines current level of knowledge about geologic hazards and construction materials that could affect future gas pipeline design, route adjustments, construction, and safety.
4. Hydrologic Assessment
This assessment of hydrologic data identifies and compiles current knowledge on surface and ground water quantity, quality, and timing. These data are needed for final pipeline routing and design. Protection of fisheries habitats and wetlands are dependent upon knowledge of water. Water data is critical to environmental analysis required under NEPA.
5. Archeological Assessment
This task assesses the current level of knowledge on archaeological sites listed on the Alaska Heritage Resources Site inventory, identifies information gaps, and assesses survey and evaluation needs.

Immediate Pre-Application Work Tasks (April - June 2001)

- Build a working system for title reports; integrate with existing DNR land records.
- Hire Natural Resource Officer to begin title research.
- Hire GIS Specialist / Analyst Programmer III to support title work and mapping demands.
- Begin work on title reports; look for overlap between TAPS renewal and the gas line.

- Generate preliminary maps and routing graphics to support multiple user needs.
- Hire non-perm geologists for compiling existing data on geologic hazards and construction materials, complete about 25% of this task.
- Map detailed route location showing proposed ANGTS pipeline route. Verify resolutions on information on alternate routes; initiate mapping database for the project.
- Hire non-perm archaeologists to compile known archaeological site location data and identify areas of insufficient data that require survey and evaluation.

DEPARTMENT OF NATURAL RESOURCES
STATE PIPELINE COORDINATOR'S OFFICE

Summary **\$637.3**

During Fiscal Year 2001, the State Pipeline Coordinator's Office (SPCO) will implement Administrative Order 187. The major task associated with AO 187 implementation is the creation of a functional Gas Pipeline Office (GPO). The GPO will be an operating unit of the SPCO. The Federal-State Joint Pipeline Office is the other operating unit of the SPCO.

Gas Pipeline Office

The GPO will provide multi-agency one-stop permitting, authorization, and oversight, comparable to that provided to the Trans Alaska Pipeline and common carrier pipelines on the North Slope by the Joint Pipeline Office. The main tasks associated with creation of the GPO are finding and moving to new offices; staffing the office; and creating the internal policies and procedures that will allow the participating agencies to work effectively together. The SPCO budget request for the GPO delays creating the new office until FY2002, and delays hiring of many technical staff until an application is received, to reduce expenses.

Before receipt of an application, the agencies involved in the GPO will:

- Inventory existing information on the Alaska Natural Gas Transportation System (highway) route. Determine which of the information may be proprietary.
- Create a comprehensive list of required permits and authorizations and information and actions needed to process those permits and approvals for a highway application. Identify impediments to issuance of permits and authorizations.
- Develop and implement an aggressive plan for filling information gaps. Implementing the plan will provide a technical jump-start to permit and authorization processing.
- Develop aggressive plans to quickly and efficiently overcome identified impediments and process authorizations and permits. Creation of the plans will provide a procedural jump-start to permit and authorization processing. Creating the plans within the GPO will allow coordination between the tasks and resources of individual agencies, reducing duplication and redundancy, and producing better products faster and cheaper.
- Work with federal and Canadian agencies to agree upon application requirements and quick, efficient, coordinated review and approval processes. The goals of the effort are Memoranda of Understanding between the parties and participation of those entities in the Gas Pipeline Office.
- Work with project proponents to assure that statutory and regulatory requirements are understood and that the applications that are submitted to agencies within the GPO are as complete and responsive to those requirements as possible. Minimizing post-application information requests may be the single most effective means of speeding application processing.
- Begin engaging and informing the public of permitting and authorization efforts. More public participation efforts at the beginning will streamline statutorily required efforts later.

After receipt of permit applications during FY 2002, GPO staff will be processing those applications.

The SPCO will provide the management and administration of the GPO. SPCO technical staff within the GPO will perform lands and engineering work to process a gas pipeline right-of-way application, and will manage work by other state agencies and consultants in support of ROW application processing.

In addition to the general assumptions applicable to all gas pipeline budget requests, the SPCO budget request for GPO work is based on the following assumptions:

- A Gas Pipeline Office will physically be a reality beginning in July 2001.
- Hiring of SPCO and other GPO staff will be in the amounts and according to the timing indicated in the budget supporting documents.
- The SPCO will provide all administrative services for the GPO.

Gas Pipeline Office Management

During FY01, the State Pipeline Coordinator will delegate to his deputy all pipeline authorization and oversight responsibilities that do not relate to a gas pipeline. By May 2001, the SPC will be focused exclusively on the gas pipeline project. In FY 2001, he will focus on managing the Gas Pipeline Office startup and other tasks identified above. The Deputy SPC will assist the SPC with gas pipeline work until those delegations are completed.

A deputy SPC for the Gas Pipeline Office will be hired in May 2001 and will assume responsibility for office and project management, including: workplan review, approval, and consolidation; budget review, approval, and consolidation; permit and authorization requirement and progress tracking; and field season planning and implementation.

The existing JPO Public Information Officer (PIO) will provide support to SPCO gas pipeline efforts until a new PIO position is filled in the beginning of FY2002. The PIO will be responsible for responses to public and media inquiries, and for the Gas Pipeline Office public outreach program. The latter duty is now envisioned to include a quarterly newsletter, a web site, and bi-monthly public meetings, in addition to the notices, meetings, and hearing that will be statutorily required.

An existing Executive Secretary at JPO will provide support to the SPC and deputies until the position is filled at the beginning of FY 2002.

The Engineering, Right-of-Way, and Administration sections are discussed below.

Gas Pipeline Office Right-of-Way Section

The ROW Section of the GPO will perform the following work during FY 2001 prior to receipt of an application:

- Review previously submitted materials for relevancy to statutory requirements and likely proposals.
- Begin to develop checklists of requirements for authorizations, lists of impediments to authorizations, and a work plan to address both.
- Assist in the establishment and maintenance of the administrative record.
- Begin coordination with other landowners and land managers.

During FY2001, the ROW Section will provide quasi-legal assistance to the Commissioner and State Pipeline Coordinator.

Gas Pipeline Office Engineering Section

The Engineering Section will evaluate the adequacy of pipeline system engineering across state-owned land. The work will ensure that sound engineering practices have been followed and that, where assumptions or judgments have been made, they are reasonable and justified. The evaluation is likely to involve engineering expertise from SPCO staff, ADOT staff (through RSAs), and outside consultants.

The engineering staff will perform the following work during FY 2001:

- Review previously submitted materials for relevancy to requirements and likely proposals.
- Begin to develop checklists of engineering requirements for authorizations, lists of engineering challenges, questions, and impediments, and a responsive workplan.
- Assist project proponents in planning their engineering work, to assure that the work is performed in a manner that allows efficient review by GPO staff.
- Establish and maintain the engineering files and records.

Gas Pipeline Office Administration Section

An Administration Manager will be hired in May 2001 to oversee all administrative aspects of the startup and the functioning GPO. The manager will supervise the administrative staff that perform or support hiring, space procurement, supply and equipment procurement, space allocation, personnel management, computer system administration, document production, records management, budgeting, accounts payable and receivable, billing, reception, and other administrative tasks.

A System Administrator will be hired in May 2001 to set up and maintain a local area network for the new facility. The Administrator will purchase, set up, and configure computers for all staff located at the GPO.

A Records Manager will be hired in May 2001 to establish and maintain physical and electronic filing systems for agencies and functions with the GPO, and ensure compliance with applicable State and Federal retention schedules and regulations. The Records Manager will supervise three filing clerks who will be hired in FY 2002.

Gas Pipeline Office Procurement

Assumptions leading to contractual budget requests are provided in the support documents. Additional comments on specific items follow:

- We intend to "fast track" the file inventory contract, since much of the early GPO work will be based on the results of that effort. File inventory work will occur in FY 2001.
- We expect staff recruitment to be difficult, and have included recruitment assistance in our request. Most of the costs are in FY 2001, with some continuing into FY 2002.
- The DNR Support Services Division will provide administrative support for the GPO in FY 2001.
- Assumptions for rent, travel, and equipment are provided.

ALASKA DEPARTMENT OF NATURAL RESOURCES DIVISION OF OIL AND GAS

Summary \$213.9

ANS Gas Pipeline Studies (Royalty Modification)

In addition to the risks associated with the enormous cost of an ANS gas development project and the uncertain future of potential gas markets, successful completion of the project could depend on the economic impact of the State's fiscal regime. Of particular concern is how and when the State earns revenue for its royalty share of the resource. Alaska's royalty regime is regressive and insensitive to a project's profitability. The royalty regime also is insensitive to the risks assumed by the project developer. Although the State's tax policy vis-à-vis the gas pipeline have been examined, the effect of the State's royalty ownership of the gas resource has not been studied.

This study will examine how the royalty "take" of the State affects the ANS gas project and identify alternative royalty mechanisms. The alternatives will be designed to afford the greatest positive contribution to the success of the project at the least cost to the State's royalty revenue. Issues such as what is appropriate revenue share that the State should receive for its royalty ownership, the timing of royalty revenues, and how the royalty share should be valued will be studied. The study will be designed to

precede a more detailed evaluation of ANS gas pipeline economics that would be needed if an AS 38.05.180(j)-type royalty modification is required.

Modification of the State's royalty on the gas that will supply the ANS Gasline project may remove an impediment to the project's successful completion. If this is the case, the State will need to understand what changes to the royalty regime will produce the best results.

ANS Gas Pipeline Study (Royalty-In-Kind ANS Gas Marketing Strategy and In-state Natural Gas Demand)

It is timely to fund this project as the ANS natural gas pipeline route location and out-of-state markets are being finally determined. Natural gas from Cook Inlet has provided Southcentral Alaskans with a low cost and clean burning fuel for over thirty years. The proximity of natural gas has given a location advantage for industry, and lower heating and electric bills for local businesses and residences. Other communities in Alaska could enjoy these same benefits if their requirements are identified and a portion of the large gas reserves on the Slope are directed to meet their needs.

In addition, the large, mature, Cook Inlet gas fields are nearing their end-of-life production discoveries of similar size in this well-known basin are uncertain, but unlikely. Any future loss of natural gas to Southcentral will cause unemployment and high investment cost to households forced to convert from their existing gas-fired furnaces and hot water heaters to alternative fuel sources.

The citizens of the state may benefit if royalty gas is sold in-state to guarantee a supply to local users and perhaps earn higher revenues. However, royalty gas sold in-state may crowd out small ANS gas producers from a ready market and produce a disincentive to new and smaller entrants on the North Slope who may bring competition to lease sales and energy to exploration ideas.

This research project will reconcile these conflicting forces and provide a structure for decision-making for royalty-in-kind policy and that produces the best overall, long-term, policy for the supply of ANS gas to Alaska residents.

Gas Pipeline Supply Side Study

For FY 2001, the Division of Oil and Gas will begin a study to quantify the additional gas resources that might be available for development from sources along and near possible natural gas pipeline routes across the state. Additional natural gas resources might be available from the eastern Beaufort Sea, the ANWR coastal plain, and the Brooks Range areas. Natural gas resources might also be found in the Yukon-Kandik, Tanana, Minchumina-Holitna, Susitna, Copper River and Cook Inlet Basins of central and south-central Alaska. Estimates of the volume of these potential gas resources and possible reserves, the types of gas present and their locations, a discussion of developmental issues and the timing with which such potential resources might be brought on-line to supply additional product to an Alaska gas pipeline (and possibly community trunk-lines) will contribute significantly to any gas-line feasibility study and to out-year planning as the project proceeds. This project will require FY 2002 capital budget funding for completion.

Approval of the supplemental will allow the division to initiate project planning and make early commitments for geological studies to be conducted during summer 2001. Failure to accomplish field work in 2001 will likely force the division's field studies to continue into summer 2002. Authorization of this supplemental will allow division staff to begin compilation and analyses of existing literature and geological data (maps, field samples, sample analyses, geophysical data) necessary for design of the summer's field programs.

ANS Gas Sales (Reservoir Studies)

Major gas sales from the Prudhoe Bay reservoir will likely result in lower annual reservoir pressures compared to the no-gas-sales case. Little reliable and detailed information exists in the public domain concerning the effect of major gas sales on oil production rates and ultimate recovery of oil from Prudhoe

Bay. Some oil production could be deferred while some may also be lost forever depending on the timing of gas sales, the volumes involved and the mitigation measures employed to stem pressure decline. The goal of this project would be to gather information from the producers and various consultants and make the information available to interested parties. Detailed reservoir simulation models would not be built and run since the cost would be prohibitive. Information primarily would have to come from the Prudhoe Bay lessees. Without that cooperation the project would not succeed. Depletion options for the Point Thomson reservoir could, but need not, be included in this study. A consultant would be retained to review the data and results for completeness and accuracy.

The state as a North Slope gas and oil royalty owner needs to know what effect gas sales will have on future oil production (volume and timing) and how any perceived negative effects from major gas sales can be managed and mitigated. In addition to gas sales, NGLs and LPGs are available to send down the gas line along with the gas if sales of these products are justified. Sales of additional NGLs (now mixed with the oil in TAPS or sold to other north slope fields for enhanced oil recovery) and sales of LPGs (the same molecules now used at Prudhoe Bay for miscible injectant) can also effect future oil production both at Prudhoe Bay and across the North Slope. Understanding the effects and trade offs of the various gas sales options and analyzing the various pipeline scenarios against the effects on future oil production will reduce uncertainty around the project and help define "ramp up" strategy, use of gas from fields other than Prudhoe Bay, gas liquids option, reserves and timing trade offs and annual volumes of gas reasonably available for sale. Members of the public, the Legislature and the AOGCC will want these types of physical waste and economic waste questions analyzed and answered before the gas line project goes forward. The project sponsors will want at least implicit approval from the regulatory agencies that the project can proceed under the basic assumptions that the project sponsors put forward. Moving forward with this reservoir study now will prevent a later delay or reevaluation of the preferred alternative in the future. It will take considerable time to award a contract, establish contacts with the North Slope lessees, assemble the required data, analyze the data and then report the results. To the extent effort and work products can be shared between DNR and the AOGCC, that sharing will occur.

OFFICE OF THE GOVERNOR

Summary S419.5

The Governor's Office requests funds for implementation and operation of the Alaska Highway Natural Gas Policy Council. The Governor created the council on January 26 to hold statewide meetings to obtain the views of Alaskans on how the state can best promote a gas commercialization project and maximize benefits for Alaskans. He asked the council to report back with recommendations by November 30 so their work can be incorporated into gas line legislation and project development. Among the issues the council will consider are:

- Benefits of natural gas development to Alaska communities, including those located in rural areas of Alaska;
- Best uses of the state's royalty share of the gas and promotion or attraction of investment for in-state and value-added processing;
- Costs and benefits of the state taking delivery of its royalty share of the gas in Alaska versus allowing a project developer to include the gas in its delivery flow to the Lower 48 states;
- Options for projects utilizing gas-to-liquids, liquified natural gas, and natural gas liquids;
- Demand for in-state natural gas consumption and its effects on a gas project;
- Environmental impacts and necessary protection measures;
- Training and readiness of Alaskans for jobs on a gas project; use of the Alaska labor pool by contractors and subcontractors, and use of Alaska businesses; and
- State promotion and facilitation of project financing, including potential ownership by the state of some or all of a project.

A professional staff member and a temporary secretary will support the council's activities. The request funds up to five face-to-face council meetings and ten statewide public hearings. Expert consultants will be engaged to assist the council as necessary.

DEPARTMENT OF LAW

Summary 203.7

The Department of Law is responsible for retaining expert legal advice in Washington D.C. and Ottawa, Canada, on the numerous national and international regulatory issues that are raised by potential gas development on the North Slope. Additionally Law is responsible for providing legal advice to the State Pipeline Coordinator's Office and other agencies in carrying out their responsibilities in conjunction with the gas pipeline project.

Contractual Work

The first time a North Slope gas project received serious consideration, the regulatory, executive branch and legislative process for selecting and permitting an Alaska gas pipeline took eight years, from 1974 to 1982. The State was active in the entire process not only to promote its choice but also to obtain legal structures that expedited the selection process, protected the State's right to take royalty gas in kind in Alaska, and its right to impose its own environmental conditions on the right of way over state lands. The State also investigated a one billion-dollar equity participation in the project, and helped secure tariff and other financial structures that assisted the disposition of royalty gas.

There will be extensive regulatory, executive branch and legislative proceedings in FY 2002 both in the United States and Canada. The environmental impact statements at the Federal level need to be revised. The tariff mechanism, a subject of the Federal Energy Regulatory Commission (FERC) responsibility, needs to be revised to modern financial conditions. The FERC also will issue updated terms and conditions for the basic certificate for the Alaska Natural Gas Transportation System (ANGTS). The FERC has to resolve the issue of whether investments made for the ANGTS in the 1980's can be carried forward into the rate base of any new project. The FERC and other federal authorities have to decide whether other applicants are entitled to be heard at this time or whether the ANGTS statutory preference precludes consideration of those applications. The State also will have to coordinate its right of way terms and conditions and procedures with those of other landowners. At a minimum, it is reasonable to expect the State to advocate its interests to the Department of Interior, the FERC, the Department of Energy, the White House, the Environmental Protection Agency, the Congress, and the national and affected regional governments of Canada. The funds requested will assist the State in that effort.

The early resolution of numerous national and international regulatory and legal issues raised by potential gas development on the North Slope will result in a more efficient, quicker pre-application and permitting process and an earlier construction start-up. For that reason, the Department of Law requests an FY 2001 supplemental appropriation for contractual costs in the amount of \$150,000.

Personnel

The Commissioner of the Department of Natural Resources has requested that the Department of Law retain a full time attorney to assist the Gas Pipeline Group in its duties. Other agencies involved in the project have also anticipated that their involvement in the project will require additional legal services from Department of Law. An additional position is requested to serve the needs of the Departments of Fish and Game, Environmental Conservation, and Transportation as well as any other agency that may encounter a legal question in conjunction with their work on the gas project.

One attorney position, and a second attorney position to be added in FY 2002, shall provide legal advice and perform the legal work necessary to assist the Gas Pipeline Group in the processing of permits and

authorizations of gas pipelines. In addition, the attorney shall assist as necessary with permits and authorizations by other agencies; assist the Group in performing work necessary to oversee construction of Gas Pipelines; and provide other assistance as necessary to the Group's staff in their areas of expertise.

The attorneys will be located in the Anchorage offices of the Department of Law. It is anticipated that the services these attorneys will provide will be necessary as soon as staff in the State Pipeline Coordinator's Office and in the other agencies involved in the gas pipeline project are in place and their work is underway. Law's FY 2001 supplemental request for this position is \$53,700.

DEPARTMENT OF REVENUE

Summary \$75.0

The Department of Revenue would use professional services contracts to begin its analysis of the state's fiscal regime for natural gas development. A North Slope gas project would be significantly larger than existing operations in Cook Inlet, raising fiscal issues never before thoroughly analyzed by the State of Alaska. The economics of a natural gas project are much different than that for oil development and production, and the Department needs to ensure that the state's existing tax structure is not a disincentive to commercialization of Alaska's natural gas reserves. The contractor(s) will research and analyze how best to structure Alaska's economic rent to improve the competitiveness of a North Slope natural gas project in the market, while at the same time protecting the state's interests.

Active participation in the effort to encourage, promote and analyze the various proposals for commercialization of Alaska's natural gas reserves will require meeting with public officials in Washington, D.C. and Canada, oil and gas producers, pipeline operators, the financial community and potential natural gas customers. It also will be necessary to attend key sessions on natural gas markets to maintain Alaska's presence in the discussions and to protect the state's interests.

REVISED FY 2001 Actual Costs - Selected Categories of Services

Highlighted area sets out changes in calculations made to the Selected Categories of Service Expenditures which are printed on 2/2/01. A call reference error has been corrected and accounting system corrected. This has been done.

Date	Abortions	AD Waiver	CCMC Waiver	Dental Services	Hospital	IHS	Mental Health	MRDD Waiver	Nursing Homes	OAA Waiver	Other Services*	Pharmacy	Drug Rebate	Physician Services	Psych Hospitals	RPTC	Transportation	Total Selected**	
04-Jul-00	0.0	82.3	37.5	214.2	6,190.4	3,084.8	889.0	318.5	1,280.0	213.3	561.9	1,000.0	(80.0)	1,472.4	642.9	340.4	1,307.5	16,727.3	
11-Jul-00	0.0	205.0	38.6	323.9	2,266.2	666.3	741.7	723.4	1,841.7	258.8	618.9	1,430.0	(124.0)	1,278.7	297.1	322.2	425.6	11,226.6	
18-Jul-00	0.0	157.5	53.3	298.8	1,391.3	615.7	1,108.1	471.2	817.3	328.0	715.1	1,000.0	(11.0)	1,212.6	130.5	515.3	470.3	9,443.6	
25-Jul-00	0.0	111.5	22.0	293.7	1,470.5	596.9	804.9	481.9	496.9	269.1	619.4	1,153.0	(103.1)	1,142.9	133.2	387.6	271.3	8,254.9	
01-Aug-00	0.0	75.5	134.1	163.5	1,427.4	1,013.2	993.7	757.4	2,243.8	219.3	418.4	1,110.0	(11.0)	1,230.4	135.3	246.3	509.1	10,897.5	
08-Aug-00	0.0	158.6	106.6	307.0	2,113.4	1,136.5	929.6	879.3	342.3	274.8	455.2	1,100.0	(41.1)	1,256.8	207.9	366.9	584.0	10,283.4	
15-Aug-00	0.0	183.4	106.2	(17.4)	1,739.3	3,627.0	492.7	674.7	552.6	335.2	493.1	1,220.0	(18.0)	639.0	217.1	339.7	(44.7)	9,742.7	
22-Aug-00	0.0	130.5	106.8	217.8	1,800.9	922.5	789.2	627.7	517.7	254.1	664.2	1,000.0	(1.0)	1,054.9	123.4	238.7	312.8	9,049.3	
29-Aug-00	0.0	111.5	61.7	258.2	2,158.2	1,939.7	975.5	444.9	681.5	153.2	408.6	1,030.0	(4.0)	1,097.8	156.6	392.2	523.4	10,339.1	
05-Sep-00	0.0	95.2	73.1	172.8	1,011.6	405.7	624.9	412.3	2,115.5	254.5	300.1	1,040.0	(1.0)	584.6	145.7	401.8	358.1	7,992.8	
12-Sep-00	0.0	226.5	65.8	(2.7)	1,957.8	2,730.6	591.9	1,105.7	526.7	338.0	399.5	1,570.0	(18.6)	1,104.0	205.6	340.7	261.7	10,379.9	
19-Sep-00	0.0	132.2	125.7	94.1	1,484.4	4,252.4	477.7	671.9	705.0	254.6	511.1	1,670.0	(85.8)	890.6	107.2	508.3	131.4	10,832.8	
26-Sep-00	98.3	130.9	158.6	242.6	1,444.3	794.2	926.6	1,423.4	318.6	299.3	610.9	1,117.0	(387.4)	628.5	216.5	421.9	331.2	8,776.4	
03-Oct-00	0.5	141.5	65.6	138.9	1,620.1	4,134.5	460.4	840.3	1,703.0	208.9	381.6	1,310.0	(84.3)	865.0	151.0	563.8	(59.3)	10,604.3	
10-Oct-00	(4.0)	159.7	53.2	187.0	984.1	2,290.1	563.2	573.1	780.1	314.6	411.3	691.0	(622.9)	385.6	178.1	224.4	247.2	7,416.8	
17-Oct-00	(0.4)	193.7	65.1	278.5	1,712.6	438.7	789.7	834.6	1,118.0	359.0	1,371.2	1,322.0	(382.3)	1,279.0	177.7	382.8	698.7	10,638.8	
24-Oct-00	2.8	112.3	96.5	209.1	1,516.0	814.1	786.1	872.0	132.4	251.9	500.3	1,117.3	(37.7)	1,132.1	290.7	312.1	361.6	8,469.0	
31-Oct-00	1.1	88.8	85.4	353.1	1,349.8	623.9	698.7	570.1	375.8	187.2	369.1	1,038.3	(184.7)	1,070.6	178.8	643.7	540.3	8,010.0	
07-Nov-00	1.2	213.8	49.5	240.6	1,790.9	951.3	834.8	731.3	2,578.2	325.3	554.8	1,148.0	(13.9)	1,115.8	279.9	249.7	368.2	11,420.2	
14-Nov-00	2.4	230.9	85.9	333.9	1,026.3	1,266.1	731.8	881.8	63.7	310.2	516.8	1,233.0	(0.4)	1,132.1	177.3	280.5	495.6	8,768.5	
21-Nov-00	6.2	173.4	70.5	225.4	1,319.8	1,003.9	908.7	831.6	716.5	355.7	605.6	1,228.0	(48.8)	1,078.9	165.3	1,108.9	435.2	10,186.9	
28-Nov-00	2.9	61.7	70.8	184.9	1,336.7	567.0	502.3	612.8	788.4	119.1	322.5	1,037.3	(18.0)	1,066.6	173.9	165.6	281.0	7,275.5	
05-Dec-00	3.0	156.8	70.2	325.4	1,984.3	577.5	959.8	695.2	1,863.3	297.6	538.4	1,255.3	(11.7)	1,192.0	194.7	474.3	387.4	10,963.5	
12-Dec-00	3.4	222.1	184.8	380.6	2,129.9	725.1	877.4	960.0	1,005.3	314.8	653.7	1,158.5	(618.0)	1,181.7	42.1	685.5	513.5	10,620.5	
19-Dec-00	3.6	112.1	78.8	217.2	1,252.7	4,800.3	181.1	865.1	659.2	188.2	510.1	1,192.0	(612.3)	315.5	348.9	229.7	(263.5)	9,205.8	
26-Dec-00	0.9	55.1	62.8	(217.8)	904.0	802.9	625.6	238.2	225.6	117.4	388.8	1,001.0	(1,288.3)	828.2	155.2	427.7	(306.4)	4,626.8	
01-Jan-01	13.5	659.5	347.8	1,088.5	8,218.8	7,448.8	2,454.4	2,912.2	3,496.6	1,183.2	2,538.8	4,498.0	(1,080.3)	4,193.5	884.8	1,768.2	1,271.4	40,659.0	
01-Feb-01	14.4	671.3	380.2	1,133.1	6,436.9	7,671.7	3,319.1	3,988.9	3,532.7	1,189.3	2,662.5	4,682.4	(1,074.5)	4,258.3	906.9	1,821.7	1,565.4	41,563.7	
01-Mar-01	15.4	682.6	370.7	1,148.6	6,480.1	7,845.2	3,328.2	3,007.6	3,533.3	1,178.7	2,585.6	4,703.6	(1,097.0)	4,283.9	907.8	1,868.4	1,241.0	41,884.5	
01-Apr-01	16.3	696.6	381.6	1,190.2	6,608.7	7,788.2	3,366.9	3,084.5	3,520.1	1,211.0	2,600.7	4,749.4	(1,140.3)	4,320.2	923.7	1,927.2	1,218.8	42,436.8	
01-May-01	17.4	710.9	393.4	1,218.2	6,709.8	7,828.4	3,311.3	3,168.1	3,506.3	1,226.2	2,610.2	4,834.6	(1,132.5)	4,311.8	926.8	1,969.9	1,209.0	42,827.4	
01-Jun-01	18.4	723.8	400.6	1,258.3	6,792.8	7,802.1	3,311.3	3,220.1	3,512.8	1,242.6	2,627.3	4,926.8	(1,189.4)	4,318.8	930.1	2,021.5	1,176.3	43,095.6	
Projected FY01 Total	217.3	7,866.2	4,373.5	12,632.1	84,430.3	86,946.4	39,140.9	37,054.4	45,550.9	13,981.2	29,433.9	64,058.8	(12,769.7)	61,917.6	10,712.0	21,949.3	17,126.0	504,520.0	
FY99 Total	0.0	3,232.8	1,927.5	4,764.3	62,074.7	59,493.1	35,943.9	20,763.1	43,282.0	8,301.4	19,415.6	30,613.9	(7,895.3)	42,233.2	7,693.8	10,090.7	15,066.5	357,001.2	
FY00 Total	0.0	5,475.1	2,911.9	12,391.9	64,675.0	66,332.5	41,100.2	26,695.8	40,170.2	10,830.8	28,599.1	44,176.8	(9,412.8)	48,253.3	9,886.9	15,428.3	13,658.8	421,173.9	
Projected FY01 Total	217.3	7,866.2	4,373.5	12,632.1	84,430.3	86,946.4	39,140.9	37,054.4	45,550.9	13,981.2	29,433.9	64,058.8	(12,769.7)	61,917.6	10,712.0	21,949.3	17,126.0	504,520.0	
% Change FY99 to 00	0%	69%	51%	160%	4%	11%	14%	29%	-7%	30%	47%	44%	19%	14%	29%	53%	-9%	18%	
% Change FY00 to 01	217%	44%	50%	1%	31%	31%	-5%	39%	13%	29%	3%	22%	36%	3%	8%	42%	25%	20%	
FY01 Monthly Totals																			
Jul Totals	0.0	557.3	151.4	1,130.6	11,318.5	4,963.8	3,543.7	1,995.0	4,435.9	1,069.2	2,515.3	4,643.6	(1,022.3)	5,106.6	1,203.7	1,565.4	2,474.8	45,652.4	
Aug Totals	0.0	657.6	515.3	929.1	9,239.2	8,639.0	4,180.7	3,384.1	4,337.9	1,236.8	2,439.5	5,266.2	(73.5)	5,268.8	840.3	1,581.7	1,884.6	50,312.1	
Sep Totals	98.3	584.9	423.2	506.7	5,897.9	8,182.9	2,621.1	3,613.3	3,665.9	1,146.4	1,821.6	3,279.8	(497.8)	3,207.7	674.9	1,672.6	1,082.4	37,981.9	
Oct Totals	0.0	695.9	365.8	1,166.6	7,082.7	8,301.3	3,298.1	3,690.1	4,109.3	1,319.6	3,033.5	4,601.3	(2,148.8)	4,732.4	975.8	2,126.8	1,788.5	45,138.9	
Nov Totals	12.7	679.7	276.6	984.8	5,473.7	3,788.2	2,977.7	3,057.3	4,146.8	1,110.3	1,999.7	4,648.1	(181.1)	4,393.4	796.4	1,804.7	1,579.9	37,651.1	
Dec Totals	10.9	546.2	338.6	806.4	6,170.9	6,905.8	2,843.7	2,958.5	3,753.4	791.0	2,090.9	3,437.4	(1,329.3)	3,517.4	740.9	1,817.1	1,942.8	35,316.7	
FY01 To Date Totals	121.9	3,721.6	2,119.0	7,523.2	45,783.0	40,781.0	18,264.9	18,898.3	24,449.1	11,800.1	13,900.6	26,786.4	(4,068.7)	28,228.3	5,232.0	10,568.4	9,763.0	252,053.1	
FY00 To Date Totals	0.0	2,377.1	1,212.7	5,741.3	39,347.2	25,638.3	21,277.2	13,073.1	23,689.4	5,017.8	18,062.7	20,821.0	(4,466.0)	24,226.1	4,967.1	7,005.7	9,808.3	215,798.0	
To Date Difference	121.9	1,344.5	906.3	1,781.9	5,835.8	15,142.7	7,011.3	5,825.2	759.6	6,782.3	1,112.1	4,965.4	(1,699.7)	2,001.7	274.9	3,662.8	(1,035.3)	36,255.1	

Sec. 8(a) replacement page

Please note that these categories have been calculated to provide interested parties expenditures for specific types of services provided by Medicaid. All services provided by Medicaid are not included; Non-MMIS items are not considered. Therefore, these numbers will not equal numbers or categories provided in the Division of Medical Assistance's Annual Report. Other Services includes services such as, hospice, chiropractic, waiver determinations, etc. Data source: MMIS and DMA accounting -- actual checkwrite data has been extracted to provide information on selected categories.

- The result of these actions will ensure a quick and professional response to technical engineering issues, plan review of gas line facilities, support camps, and fire alarm and suppression system building permit approvals.
- We will eliminate unnecessary lag time between project submittals and project approvals, allowing us to hit the ground running once there is an applicant.
- There will already be a system in place to serve the applicant and the learning curve for the technical issues and process documentation will have already been achieved.
- It is anticipated that parts of the project will be accomplished through the design/build process. This will allow concurrent design, review and phased construction of individual and group projects at the same time and as in any major new endeavor the newest technologies will be used to increase the efficient operation of the gas line. It is important that we be aware and educated on new technologies to support these concepts as they relate to natural gas production, distribution, compression and refrigeration.
- Early on we will be able to establish working relationships with partner agencies and applicant engineers to form a basis of understanding to the intent of building, mechanical and fire codes in support of their projects.

This supplemental will provide required training for 2 persons (including travel) regarding the engineering overview of Natural Gas distribution, compression and refrigeration of pipelines and their associated facilities.

DEPARTMENT OF TRANSPORTATION & PUBLIC FACILITIES

Summary \$35.4

Funds are needed for a liaison position for overall coordination of pipeline activities within the department and liaison to the SPCO. Technical staff is also needed to assist in highway right-of-way (ROW) permitting issues. Department of Transportation and Public Facilities (DOT&PF) is owner of the highway ROW and thus must participate in any permitting activities that take place on or across it.

Assumptions

In addition to the general planning and budgeting assumptions used by all agencies, DOT&PF made the following additional assumption for FY 2001 budgeting:

- The pipeline office will need copies of the full set of highway ROW files along the corridor as well as a full set of geotechnical reports.

Tasks and Resources

An SPCO Liaison/Engineer III will be hired May 1, 2001 and located in the Anchorage Pipeline Office. This position will act as gas pipeline coordinator for the department and as liaison to the SPCO. This position will be familiar with the processes related to ROW permits for encroachments, utilities, construction, driveways, lane closures, etc. This position must be able to deal with issues as they arise concerning bridge integrity and impacts of overweight and oversized loads on the state's road system.

DEPARTMENT OF NATURAL RESOURCES

Division of Mining, Land, and Water: Realty Services & Water Sections
 Division of Support Services: Land Records Information Section
 Division of Geological and Geophysical Surveys
 Division of Parks and Outdoor Recreation: Office of History and Archaeology

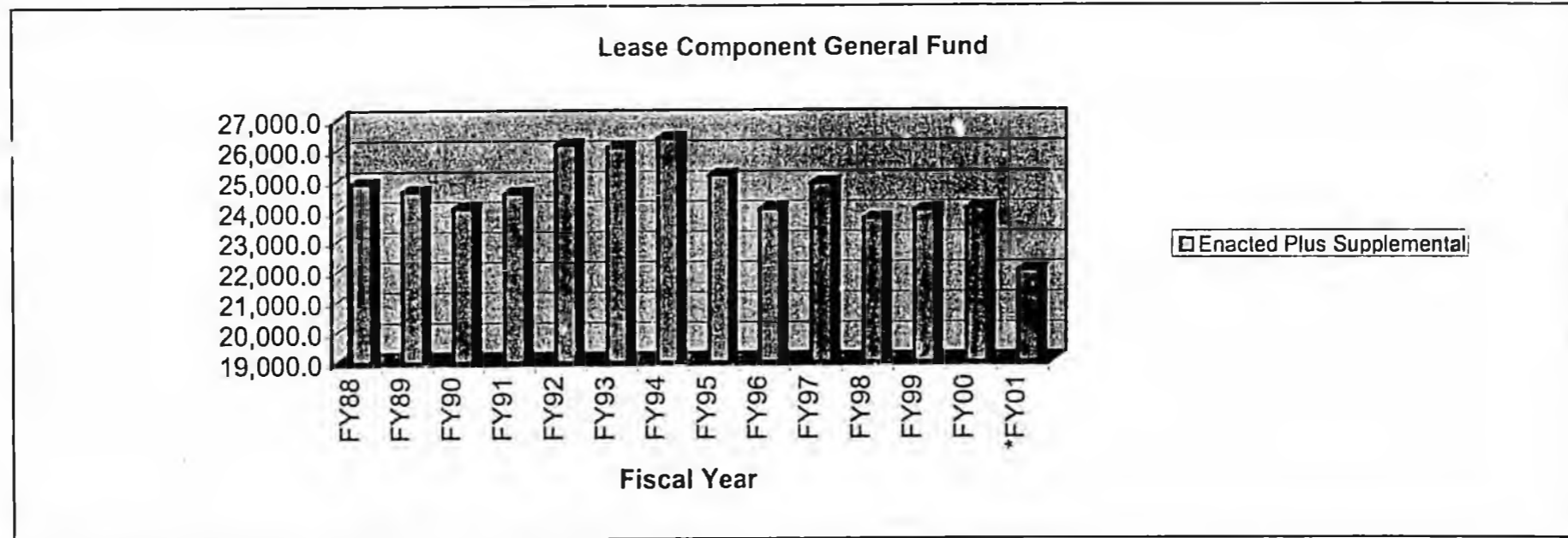
Department of Administration
 Division of General Services
 Component: Leases
 14 Year Funding History
 (General Fund Only)

	<u>FY88</u>	<u>FY89</u>	<u>FY90</u>	<u>FY91</u>	<u>FY92</u>	<u>FY93</u>	<u>FY94</u>	<u>FY95</u>	<u>FY96</u>	<u>FY97</u>	<u>FY98</u>	<u>FY99</u>	<u>FY00</u>	<u>*FY01</u>
Gov Amd	24,897.5	25,137.2	25,508.7	25,582.3	23,569.2	26,297.4	26,484.9	26,419.8	24,390.5	24,177.6	23,594.2	24,740.2	25,303.8	22,193.2
Enacted	24,897.5	24,641.6	24,075.4	24,075.4	22,569.2	25,442.4	24,631.0	24,570.1	23,171.0	23,570.6	22,425.6	23,329.5	23,370.0	20,331.7
Supplemental	0.0	0.0	0.0	500.0	3,600.0	642.9	1,752.4	600.0	870.0	1,341.0	1,293.0	678.4	706.3	1,678.7

Recap:

Enacted + Supplemental	24,897.5	24,641.6	24,075.4	24,575.4	26,169.2	26,085.3	26,383.4	25,170.1	24,041.0	24,911.6	23,718.6	24,007.9	24,076.3	22,010.4
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* FY01 Supplemental Request



BACKGROUND

Federal law requires that within a state Medicaid program, a state must pay for abortions medically necessary because of **rape, incest, or because the pregnancy threatens the life of the mother**. Federal funds may only be spent on these specific cases.

However, states may pay for other abortions out of state funds. In addition to the mandatory Medicaid services, **Alaska formerly paid through GRM for abortions that a physician certified were therapeutic** as defined in 7 AAC 47.290.

In July of 1998, funding for the GRM program was deleted from the budget, eliminating the funding source for payment for therapeutic abortions not covered by Medicaid.

Planned Parenthood v. Perdue

This case arose in **June of 1998** as a complaint requesting:

Declaratory judgment that a regulation was unconstitutional, and
A TRO and **permanent injunction** to preventing enforcement of that regulation.

The temporary restraining order was denied.

The case was resolved on a motion for summary judgment.

CONCLUSIONS OF THE SUPERIOR COURT

- Failure to fund medically necessary abortion constrains and interferes with a fundamental right and violates the right of privacy in the Alaska Constitution.
- Alaska's constitutional right to privacy entitles Medicaid eligible women to funding for medically necessary abortion by virtue of their eligibility for pregnancy-related services under Alaska's Medicaid program.
- DHSS must either spend money to subsidize medically necessary abortion or refrain from spending any money on pregnancy related services.

The state requested a **stay** in Superior Court and **appealed** the Superior Court ruling to the Supreme Court.

STATE ARGUMENTS

- While the right of privacy in Alaska is broader than its federal counterpart, this **privacy right is not absolute.**
- Limiting state funding for abortion does not **create an obstacle** to the exercise of a woman's right to an abortion.
- There are compelling state interests that favor funding childbirth and the decision to provide state funding for pregnancy and childbirth does not **penalize the decision** to abort.
- Budget decisions are a legislative function and the court may not appropriate or re-appropriate funds for a purpose expressly rejected by the legislature because this **violates separation of powers doctrine.** However, there is a narrow exception when a law is clearly unconstitutional, and broadly appropriated funds are already appropriated and reasonably available.

This exception does not apply here because Alaska Medicaid funds are **neither broadly appropriated nor available** because:

1. Medicaid funds are conditionally appropriated based on the condition that DHSS pay only for services authorized in statute and qualify for federal financial participation ("federal matching"); and
2. The abortions at issue here are neither authorized under statute nor eligible for federal financial participation.

The state's request for a **stay was denied** in the Superior Court.

The state renewed its request for a stay in the Supreme Court.

ORDER OF THE SUPREME COURT (single justice denying the stay)

- The Superior Court appears to have followed the Supreme Court's interpretation of the privacy clause.
- The Superior Court did not order an appropriation, but relaxed legislative restrictions on funding already appropriated.
- It has not been clearly shown, at this early stage, that the state's appeal will probably succeed.

SHOW CAUSE HEARING

- Plaintiffs argue the state is in contempt of the Superior Court's April 1999 order. The state argues that **DHSS has made every effort to comply** with the order while it pursues its appeal of the underlying ruling.
- DHSS has **requested appropriations** to pay for these services.
- DHSS has **searched its existing appropriations** but because of the constraints of the DHSS budget structure and Budget Act rules it cannot spend existing appropriations for this service.
- The Alaska Constitution provides that **only the legislature may appropriate**; the executive agencies cannot create an appropriation where none exists.
- For these reasons, the state argues that it has not **willfully** violated the Court's order because of the **impossibility** of compliance.

- 06/18/98** **Complaint for Declaratory Judgment and Temporary Restraining Order (TRO)**
Plaintiffs request a restraining order to prevent the enforcement of the regulation that describes what abortions Medicaid may cover, and a declaration that the regulation is unconstitutional insofar as it does not allow Medicaid payments for all medically necessary abortions.
- 06/30/98** **Hearing on TRO**
The court heard oral argument on the issue of balancing harm between plaintiffs and the state if the court were to enjoin the regulation once GRM funding ended.
- 07/01/98** **Order Denying TRO**
The court held that there could be irreparable harm to both plaintiffs and the state, and that plaintiffs had not made a clear showing that they would win the lawsuit.
- 08/19/98** **Motion for Summary Judgment**
Plaintiffs moved to resolve the case based on written briefing from both sides rather than having a trial.
- 03/16/99** **Memorandum Decision Granting Motion for Summary Judgment**
The court found the regulation describing what abortion services could be paid for under Medicaid unconstitutional based upon a woman's right of privacy.
- 04/02/99** **Final Judgment, Superior Court**
The court issued a judgment permanently enjoining the state from enforcing the regulation on abortion payments under Medicaid, and declaring that regulation unconstitutional.
- 04/13/99** **Motion for Stay in Superior Court**
The state asked the court to hold the judgment in abeyance while our appeal was pending because DHSS has no funds available to pay for these services.
- 3/19/99** **Motion for Costs and fees**
Plaintiffs asked the Superior Court to make the state pay their costs and attorney fees because they prevailed in that court.
- 04/30/99** **Appeal to Alaska Supreme Court**

The state appeals to the Supreme Court arguing the Superior Court order violated separation of powers doctrine when it orders the state to pay without an appropriation.

- 10/19/99** **Decision Granting Motion for Costs and Fees, and Denial of Motion for Stay in Superior Court**
Superior Court finds that PP is a public interest litigant and gets full attorney fees and costs, and denies the state's motion for stay because the state will not be irreparably harmed and success on the merits in the Supreme Court is unlikely.
- 11/03/99** **Renewed Motion for Stay in Alaska Supreme Court**
The state again requests that the Superior Court injunction be held in abeyance while the appeal is pending because the state has no means of paying without legislative authority.
- 11/24/99** **Appeal Brief filed in Alaska Supreme Court**
- 12/06/99** **Motion to Show Cause / Contempt, Superior Court**
Plaintiffs ask the court to hold the state in contempt because it has not paid for therapeutic abortions not otherwise paid for under Medicaid as directed in the order.
- 12/30/99** **Order Denying Stay, Supreme Court**
A single justice of the Alaska Supreme Court denies the state's motion for a stay, stating "the injunction does not compel an appropriation; rather, in effect, it simply relaxes the legislative restrictions on funding already appropriated," and finds that it is not clear the state would succeed in its appeal.
- 03/27/00** **Order to Show Cause, Superior Court**
Court finds plaintiffs have made prima facie showing of failure to comply with court order. Court orders an evidentiary hearing.
- 04/07/00** **Briefing complete in Supreme Court.**
Oral argument requested.
- 06/21/00** **Evidentiary hearing, Superior Court, to show cause why the State should not be held in contempt for failure to comply with the Court's April 1999 judgment.**
- 07/27/00** **Oral Argument** to determine whether the State should be held in contempt in the Superior Court. The court rules from the bench. DHSS is not held in contempt, but court removes all impediments to payment from Medicaid.
- 09/18/00** **Order of Superior Court clarifying earlier April 1999 Final Judgment.**

- 10/13/00** **Supplemental briefing** in the Supreme Court on issues raised in the contempt motion below.
- 11/15/00** **Oral Argument** on the appeal of the Final Judgment of the Superior Court before the Alaska Supreme Court.
- 01/25/01** **Order of Superior Court** granting plaintiffs' attorney fees and costs for motion to show cause.

MEMORANDUM

State of Alaska

Department of Revenue, Administrative Services Division

TO: Annalee McConnell, Director
Office of Management and Budget

DATE: February 17, 2001

THRU: Larry Persily
Deputy Commissioner

PHONE: 465-2312

FROM: Mike Maher, Director
Administrative Services Division

FAX: 465-1685

SUBJECT: Air conditioner
supplemental request

The House Finance Committee has asked the Department of Revenue for more information on our request for \$31,500 in General Fund money to replace the air conditioner in our computer server room on the 11th Floor of the State Office Building in Juneau. This request is part of the "fast-track" supplemental budget bill, CS HB 117 (FIN) AM.

Specifically, the committee wanted to know how much we have spent on repairs over the past two years, the cost of damage as a result of air conditioner malfunction, and the personnel time required to deal with the problem and restore computer data after malfunctions.

Repair and damage costs over the past two years have totaled \$13,803.

The air conditioner is 19 years old. When it stops working, the small room (which is filled with data servers and other computer equipment) quickly overheats. When the temperature climbs too high, the equipment shuts down to protect itself. The risk is that when that happens, the uncontrolled heat can damage the hard drives, corrupting data. A total failure could put the dividend program and other essential services at risk.

The other danger from the old air conditioner — in addition to lost data and repair expenses — is the risk of water damage to the 10th Floor. The existing unit is water-cooled, and leaks are part of the continuing problem. The new unit will be air-cooled, with the air unit on the roof.

We believe a new unit is far preferable to continuing repair bills and increasing risk to important data.

Repair Costs

Our repair costs over the past two years include:

Replace humidifier contact and bulbs	\$490.70
Replace evaporator coil	\$4,262.50
Replace hot gas bypass valve	\$865.41
Repair water leak	\$304.45
Repair water level sensor	\$161.40
Install fans and emergency light	\$2,249.00
Replace belts and contacts	\$104.06
Troubleshoot water shut-off problem	\$60.00
Replace humidity sensor	\$350.00
Replace compressor	<u>\$1,500.00</u>
Total repairs	\$11,185.76

Damage

The two damaged disk drives that resulted from one of the malfunctions cost \$618.00 each to replace. The Cisco switch was approximately \$2,000.00.

Total damages **\$2,618.00**

Personnel Costs

As I indicated to the committee, we have arranged with Department of Administration security personnel to contact one of our two programmers when they notice that the emergency light is on outside the computer room. (The light is wired to a temperature sensor.) The programmers who are on-call estimate they have been called in 10 to 12 times for a total of 40 hours in recent months. In general, there has been no direct cost to the agency because these employees have been willing to adjust their work week. But had we not been able to work this out, the cost would have been close to \$2,500.00 for overtime.

Although there may be no direct cost, this disruption to the programmers' scheduled work week results in additional time away from the office during the regular work schedule.

An additional 30 to 40 hours has been spent during the regular work week restoring data, replacing damaged disk drives and replacing the Cisco switch. Since this was done during regular work hours, it significantly detracts from the programmers' normal activities.

In addition, while it is impossible to calculate the cost, there have been several days of total downtime and two to three days of partial disruption to the entire agency while data was restored or disk drives replaced.

If you have any additional questions, please contact me at 465-2312.

**Department of
Transportation and Public Facilities**

Subject of RPL: DeLong Mountain Airport Access and Related Planning	ADN/RPL #: 25-1-6367
Amount requested: \$ 281,850	Appropriation Authority: Ch 135 SLA 2000 Sec 1 pg 35 ln 11
Funding source: Capital: Federal Highway Administration	Statutory Authority: AS 02

PURPOSE

These funds result from a special federal appropriation in the FFY2001 USDOT appropriations act. They will be used to prepare the preliminary design feasibility and permitting of the DeLong Mountain airport. This work will be administered through the Alaska Industrial Development and Export Authority (AIDEA).

The proposed airport at the DMTS Port facility would consist of a 6,000 foot runway and related facilities. The owner would be the Alaska Industrial Development and Export Authority. The new facility could be made a part of the existing facility at the Port. This airstrip would be capable of handling the larger aircraft that currently serves the region, such as Boeing 727 and 737's.

Over the past decade numerous analyses and discussions with NANA Regional Native Corporation, AIDEA, and Cominco Alaska (the mining company at Red Dog Mine) have centered on the difficult transportation issues in Northwestern Alaska. This funding grant will be used to better determine what kind of infrastructure and the location of the airport.

An airport facility is required at the DeLong Mountain Regional Transportation System (DMTS) Port facility to better serve the people of Northwest Alaska and their number one employment base. This port serves as the fuel and bulk commodities facility for the DeLong zinc belt, an area now being recognized as the world's largest and richest zinc district and the Red Dog Mine, the world's largest zinc producer which employs over 500 people. The mine is located inland some 52 miles from the port and is over 400 miles from the state's contiguous road system. All air access in and out of the industrial facility is through the airport at the mine. The Red Dog Mine has an anticipated operating life of at least an additional 40 years, and it is anticipated that satellite orebodies will continue to be found that will extend its life well beyond 2040.

The transport of fuel and supplies to the nearby village of Noatak was initiated in the past few years by using the airstrip at the Red Dog mine. This effort is very important to a village that sees utility costs exceeding \$.55/kwh (1999). Currently, these bulk fuels come from the DMTS Port fuel storage, and then are trucked 52 miles to the mine area and loaded onto large aircraft for transportation. This fuel transport would be more efficient and less costly using the proposed DMTS airport. Expansion of this fuel transport opportunity to the other villages in the region for as much as 2 million gallons annually is anticipated. Thus, an airport at the DMTS Port would provide a much more economical way to provide fuel to villages and it would greatly reduce the risk of fuel spills from the traditional method of river barge fuel transport.

The existing airport at the Red Dog Mine and related facilities is located within the DeLong Mountains and experiences numerous days when the airport is closed due to bad weather. A

backup alternative for the daily service, and for evacuation in times of emergencies, would be beneficial to the 500+ employees of the operation.

The expanded DMTS regional Port needs an airport for proper operation. Although not employing as many people as the mine, the summer months see in excess of 100 people that depend on the airport at the Red Dog mine. This existing airport is inoperable for extended periods of time due to poor weather in its mountainous location.

Finally, the expected relocation of the village of Kivalina would be much better served by an airstrip located near the Port. Shorter mobilization distances would enhance movement of men and material to the Kivalina site and consequently lower costs.

PREVIOUS LEGISLATIVE CONSIDERATION

There have been no previous requests before the legislature for this project.

TIMING ISSUES

This funding is appropriated in the FFY2001 USDOT appropriations act specific to this project. The appropriations act was signed by President Clinton in late October, 2000 (PL106-346). In anticipation of the funding allocation, this project is in the DOT&PF capital budget, but, in order to complete the planning study before the next federal budget deliberations (June, 2001), it must be started immediately. Funding is imminent, available as soon as the Federal Highway Administration processes the program application, which will be submitted by the end of January. The application process is a formality, since Congress earmarked the funding. The funds lapse on July 31, 2001.

BUDGETARY ISSUES

Requirements of the federal-aid highway program dictate that the Department of Transportation & Public Facilities (the designated state transportation agency) administer these funds. However, this project will be completed by AIDEA through a Memorandum of Agreement. This federal program, Transportation, Community & System Preservation (TCSP) requires no state/local match.

The preliminary estimated construction cost of airport construction is \$9.4 million to be requested by AIDEA in the next USDOT budget. Alaska DOT&PF would not be directly involved in the budgetary aspects of this project except for being the designated state transportation agency. This request will not impact current or future staff.



February 7, 2001

Senator Dave Donley
 Senator Pete Kelly
 Co-Chairs, Senate Finance Committee
 Alaska State Legislature

619 E. Ship Creek Avenue
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 Anchorage, Alaska 99501

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Dear Senators Donley & Kelly:

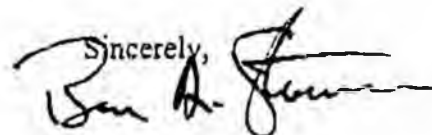
On behalf of the Board of Directors of the 2001 Special Olympics World Winter Games Alaska, I ask for your strong support of SB No.74, as introduced by Governor Knowles. Included in the supplemental appropriations request is \$500,000 to our organization to assist in our operating costs.

Beginning February 28, 2001 over 2,950 Special Olympic Athletes, coaches and officials will start arriving in Anchorage to compete in seven Olympic style sport competitions. Our obligation, as the hosts, is to provide seven essential services to these guests; housing, food, transportation, medical services, public safety/security, sports management and entertainment. Our budget forecast is estimated to be \$16.5 million. To date, we have commitments from a variety of funding sources totaling \$15,674,281. The \$500,000 we have requested from the Governor and Legislature would put our organization to within 97% of forecasted revenues.

Many of our revenue sources have restrictions as they come from Federal Granting agencies or philanthropic foundations and consequently several of our largest expenditures, ie: housing and food, cannot be allocated back to those sources. It is our intent to use the funds, requested in SB 74, to offset our housing and food expenses. These costs are estimated to be approximately \$3.4 million. We will not use the funds for any non-athlete related expenditures such as payroll of general and administrative costs.

As can be expected, the majority of our operating expenses will be incurred during the first two weeks of March. We ask the Legislature to expediently approve SB 74 to enable our organization to quickly access these funds so we might fulfill our financial obligation to the organizations that will provide the housing and food services for our guests

Thank you for your consideration and continued support. If further clarification or information is required, can be reached at 907.277.2684.

Sincerely,


Ben A. Stevens
 President & CEO

STAFF

Ben Stevens, *President & CEO*
 Melissa Anderson, *Executive Director & COO*

SITE: ANCHORAGE LIO

COMMITTEE:
Senate Finance

DATE: 2-8-2001

SUBJECT OF MEETING:

SB 73 - Overview: Governor's
Supplemental Budget

UPDATE #:



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Johanna Munson			Ans ?s
Kelly Micoello			Ans ?s
Barbara Brink		Public Defender	Ans ?s
Richard McMahon		DNR Land Records	Ans ?s
Ben Stevens			Ans ?s

Anc LIO

Brant McGee	O.P.A.	}	all for SB 73
Chuck Hosack	DMV		
Wan Thompson	RCA		
Pat Poland	DCED		
Barbara Brink	Pub. Def.		

Anc L10

Name

Representing

Testifying

Mat Su

Gary Shuidan

Div. of Longevity Prog.

on SB73