

ALASKA LEGISLATURE

HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996

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drawing board. Mr. Cullimore stated that they have a meeting with Firehole next week to finalize their agreement. He said that they will be the operating arm and Firehole will supply the financing.

Director Binkley asked how large the facility was in Branson, Missouri? Mr. Cullimore stated that it was 60,000 square feet. He asked what the cost of the construction was for that facility. Mr. Cullimore said that it cost \$5.5 million. Next, Director Binkley asked what the admission cost was? Mr. Cullimore stated that it cost \$8.50 for adults, there is a senior price, and a group price. Director Binkley continued asking Mr. Cullimore how long the show lasted? Mr. Cullimore stated that their show lasts about an hour. He said what they do is when the public comes in they are given a demonstration of the sound system, shown the signature film, and then they present the theme film. Director Binkley asked how large the theater was. Mr. Cullimore stated that the theater seats 550 and this is a very large theater. He said that the screen is 62 feet high and 84 feet wide; however, he said with the Anchorage theater they would probably have a 400 seat theater and approximately 55 to 57 foot high screen.

Director/President & CEO Hatfield asked how many people they expect to go through the Northern Crossroads Discovery Center. Mr. Cullimore stated that if they do not get at least 400,000 people through the facility in one year making money would be tough. Mr. Crane said that in their study they have projected at least 400,000 people in the first year.

Director Binkley asked Mr. LoPatin about the time line he talked about at the last Board Meeting. Mr. LoPatin stated that they do not have a construction budget, and because it is the middle of October they are not going to have a construction budget before their projected time line. He said that they had their first meeting with a local architect yesterday, but there will be some sliding on the timeliness; at least the first two. Mr. LoPatin stated that they do have a preliminary budget which is in the range of \$10 to \$14 million. He said that the whole project would be phased. Mr. LoPatin stated that the first phase of the project will be the large screen theater and approximately 20,000 square feet of retail. He continued by stating that surrounding this will be a very large public area where people can meander around and will also be a staging area for the tour companies. Mr. LoPatin stated that the tour companies are thinking about using this area in the facility to drop people who are getting ready to get on a plane or getting ready to get on a boat. He said right now these people are being dropped at the Egan Center, but if they move to the Northern Crossroads Discovery Center there will be an immediate assembly of a couple hundred thousand people who are dropped at the door.

Mr. LoPatin said that they wanted to be under construction next year so they can open the following season. He stated that they do not want to open next August, so it moves them into the spring. Mr. LoPatin said that if they find out that it is an eighteen-month build then the best thing to do is to get started in August. He said that if they can build it in less than eighteen months they will. He said he would like to get it started in the spring of 1996 and have it open in the spring of 1997. Director Binkley asked if his time line was changing from eighteen months to twelve months? Mr. LoPatin said that it looked that way.

Mr. LoPatin stated that the Legislature is meeting again in January and all their ducks need to be in line. He said that the legislature and the railroad need to know that the construction is going to start in the spring or fall of 1996. Mr. LoPatin stated that it is very critical that construction begin next year and that they do everything else by the end of this year. Director Binkley asked if he anticipated having the contractor in place, financing in place, final building plans completed, and everything else in place by January. Mr. LoPatin said that the contractor would be in place, the schedule in place, the financing in place, and the final construction costs in place.

Governor Sheffield thanked Mr. Crane, Mr. Cullimore, and Mr. LoPatin.

Governor Sheffield declared a ten minute recess at 10:40 a.m.

Governor Sheffield called the meeting back to order at 10:50 a.m.

NEW BUSINESS ACTION ITEMS

Item G - Approval of Leases

Item G - 4 - Contract No. 7050. Somers & Associates (Reconsideration)

Mr. Burns stated that the Board is reconsidering this lease because of some public comment that came in before the public notice period was completed. Governor Sheffield stated that if there were no comments from the Board of Directors on the

public comment letters that were included in the packet, then the lease will stand approved.

Mr. Burns stated that Mr. Pruhs and Mr. Somers were present in the audience, as well as Mr. Somers contractor. He stated that there are concerns that the property was not properly valued, and how the utilities installation functions. Mr. Burns said that on the appraisal aspect, they require that the ARRC use an independent appraiser to establish the value of the railroad's property. He stated that Mr. Chilton Hines, who is a MAI Certified Appraiser in Fairbanks, has periodically been on contract with the railroad and performed the appraisal under his current contract. Mr. Burns said that when Mr. Hines completed the appraisal it was forwarded to ARRC's Real Estate department to review for any mistakes. He stated that since the September 1995 meeting the Real Estate Department Staff has interviewed Mr. Hines on the details of the appraisal to make sure that he does not want to make any modifications. Mr. Burns then said that Mr. Hines is very comfortable with the appraisal he did on this property. He stated that this is one of the areas that the railroad is charging 10%.

Mr. Burns continued by stating that there has been some questions asked whether the utilities' installation will somehow be subsidized to the businesses. He said the railroad did not request an appraisal for raw land, they requested an appraisal to reflect the intended development, so that is how the appraisal was done. Mr. Burns then stated that in the conventional sense as an investor, the investment of this money is well justified since the railroad will receive it all back in three years and continue to earn 10% after that. He said that the railroad has tried very hard to work with the City of Fairbanks so that the City can take advantage of this installation to further their master plan for water and sewer specifically to serve the Bullwinkle property and to create a loop out of the Aurora subdivision and Nome Drive areas. He said that the work the railroad is doing now does not have any City of Fairbanks involvement in serving the lease lots. Mr. Burns stated that the City of Fairbanks extension will go generally west-northwest, and it may be usable for the lease lots that the railroad has not leased yet, but clearly it is a benefit, and the City of Fairbanks' engineer will tell the Board that it is for areas that they have previously served. He said that they discussed this subject at length last year, and he is not sure how the railroad can overcome the misconception or perception problem on this matter.

Director/President & CEO Hatfield asked how he chose Mr. Chilton Hines. Mr. Burns stated that the railroad goes out each year for appraisal contracts for Anchorage and Fairbanks, so Mr. Hines was chosen through a RFP process which included a criteria of experience and certification. He said that Mr. Hines has previously won these contracts before and there are times he has not won them.

Governor Sheffield stated that most of the complaints center around two things, one is the evaluation of the property and the fact that the railroad did not charge up front for the cost to the users for the utilities. Mr. Burns stated that he has provided Mr. Beistline with a copy of the appraisal and the instructions that were given to the appraiser which said, appraise these lease lots as fully improved. He said that it is certainly an alternative that Mr. Beistline could promote that the railroad could have asked the appraiser to appraise the land unimproved, and then when the improvements were installed the railroad could have the land reappraised.

Governor Sheffield stated that if you are going to build a subdivision you would not build a subdivision and have everyone put their own improvements in. He said that nothing would happen for a long time. Governor Sheffield stated that the builder usually puts the utilities in and then he charges for his lots appropriately. Mr. Burns said that as the developer of this property it is typical of the railroad to install these utilities to municipal specifications.

Director/President & CEO Hatfield stated that the only other alternative that he can think of is that the participants put their own utilities in and the railroad gives them rent credits which essentially ends up in the same place. Mr. Burns also stated that it ends up in the same place, but it needs to be approached for the full demand of the potential project. He said that if the railroad does the rent credit approach it is reasonable to consider their money at a reasonable interest rate. Mr. Burns said that the railroad is really forestalling the day that the corporation starts making its money. He stated that there is a rent credit clause built into leases, but in this case with up to eight or nine lease lots someone needed to be in charge and coordinating the project before individual projects could commit to it.

Governor Sheffield asked Mr. Burns how long this project has been in the works. Mr. Burns said that Princess Hotels approached the railroad in 1990, and they looked at the site to build their hotel before they constructed down river. He stated that there were public meetings in Fairbanks for this project. Mr. Burns continued by stating that in 1992 when Princess Hotels decided to build down river at another location the railroad brought back the property to the Chena River Commission, which was a group Mayor Sampson initiated.

Director/President & CEO Hatfield stated that the very first Board meeting he ever attended, that the Princess Hotel made a proposal to the Board that they were not going to use this property, because they did not want to spend the money to put the utilities on to the property. He said that the estimate to put the utilities on the property at that time was significantly higher.

Director Binkley asked if Ms. Johnson had reviewed the letter from Mr. Beistline. Mr. Burns stated no. Director Binkley said that it looked like Mr. Beistline's counsel wrote the letter, and he said that in the letter it referred to the railroad's lease policy, item 2.04, Performance for Construction Bonds, and they are asking whether the railroad is violating their own policy by not requiring performance or construction bonds, and he would like to know if Ms. Johnson could speak about this. Mr. Burns stated that the construction of the letter is, everything is possibly, maybe, and could be. He continued by stating that without Mr. Beistline and himself getting to where they understand what specific items need to be discussed it is hard to evaluate. He said that if this were specifically about Mr. Somers he would expect his bank would not let him go out and even start without a VHA or AHFC loan. Mr. Burns stated the bank is going to want to know who has the take out and they would be glad to lend them the interim. Director/President & CEO Hatfield asked Mr. Burns if the bank requires the construction bonds, would the railroad require one also. Mr. Burns said that he doubted that the railroad would cause the unnecessary expense if it was redundant. He also stated that if the railroad believes the intent of the lease policy has been served by other peoples actions then they probably would not ask.

Director Binkley stated that he does not understand what Mr. Beistline is speaking about when he says that the railroad is getting the City of Fairbanks to go after state grant monies. Mr. Burns stated that he does not know if the railroad will ever rise above the misconceptions of this. He said that the City of Fairbanks on its accounts has had up to \$900,000 in DEC funding for water and sewer projects, and it is a matching funding. Mr. Burns stated that the City of Fairbanks has not had the money to match it. He said that the railroad was going to do all the utilities on their own, but as a courtesy the railroad went to the City Manager, who was Mr. Mark Boyer at the time, and asked if there was anything they would like to accomplish. He continued by stating that Mr. Boyer said that they should not forget the DEC matching money.

Director Binkley asked if it is the City of Fairbank's plan to extend the utilities regardless of whether the townhouses went forward or not. He said that he understands the City is going to extend the main sixteen-inch line west out to Peger Road and across Peger Road regardless of whether the proposed townhouse project went forward or not.

Governor Sheffield asked what if Mr. Somers builds this and goes flat on his face. Mr. Burns stated that Mr. Somers has offered a personal guarantee, and beyond the personal guarantee when the condominium documents are brought together, because it is lease property, there is going to have to be reserves. He said that there is going to have to be a condominium management provision that addresses reserves for rent

because the condominium association has to be liable under AHFC's requirements. Mr. Burns stated that he suspects sometime down the road it will become appropriate replacing Mr. Somers personal guarantee with a properly documented escrow account from the condominium association. Director Binkley asked how Mr. Burns envisioned this happening. Mr. Burns stated that they could go several years until there is a stable association, charge a one-time assessment of each owner, and they could return to the railroad for a one time payment for ten years. Director Binkley asked if any of this was going to be addressed in the lease? Mr. Burns said no.

Director Binkley asked if anyone has looked at his personal financial statement to make sure that the guarantee is substantial. Mr. Burns stated that he has not looked at it, but the railroad's process is that any credit application goes through the Finance Department. Governor Sheffield asked what the Finance Department said about Mr. Somers financial statement. Mr. Burns said that they approved him for the contract. Director Binkley asked Director/President & CEO Hatfield if he was comfortable with the railroad's Credit Department's review of Mr. Somers credit application. Director/President & CEO Hatfield stated that he was, and he has confidence in the people who work for the Credit Department.

Director Binkley stated that he feels the Board has covered all the concerns that have come forward through the public comment process.

Governor Sheffield stated that the Board does not need a motion if they are all satisfied that the objections from the public comments have been clarified because the lease was approved at the last meeting. Commissioner Perkins asked if they had notified Mr. Beistline about this meeting. Mr. Burns stated yes that he phoned his office Monday, October 16, 1995. Director Burton stated that this sounds like a good deal for the railroad. Director Binkley said that one of the things he is still concerned about is the length of the term, the 105 years; however, the lease policy is very clear and allows for the two thirty-five-year options and he has applied for this and it is in conformance to the policy and he does not see anywhere around that aspect. He continued by stating that he feels that this is something the Board should look at in the future.

Governor Sheffield stated that this lease will stand approved.

Commissioner Hensiey arrived at 11:40 a.m.

Item G - 5. Pruhs Investment Company, Inc. (Reconsideration)

Governor Sheffield stated that this lease is under the same situation as Contract No. 7050, Somers & Associations (Reconsideration). Governor Sheffield asked Mr. Burns if he had any additional comments that the Board does not have in their board books? Mr. Burns said no.

Mr. Burns stated that the comments applying to the Pruhs lease he would characterize as a fall out from the Somers & Associations lease.

Commissioner Perkins stated that his concern before was approving the lease before the public comment had expired. He said this lease is the right deal for the railroad.

Governor Sheffield stated that this lease stands approved.

Governor Sheffield stated he would entertain a motion to recess to Executive Session for consideration of Item B (Status of Contracts, Litigation, and Legal Claims), Item D (Update on Labor Negotiations), Item E (Update on Crowley Contract), a portion of Item H (1996 Budget Process), and Item K-1 (Contractual Matter with another Railroad). Director/President & CEO Hatfield moved that the Board recess to Executive Session to discuss Items B, D, E, a portion of H, and K-1, and the motion was seconded by Director Burton. There were no objections and the Board recessed to Executive Session at 11.50 a.m.

The public meeting reconvened at 3:50 p.m.

Item F - Resolution No. 95-14, Relating to the Financing of the New 100 Ton Open Top Hopper Cars

Secretary James Blasingame stated that the Board approved the purchase of new 100 ton open top hopper rail cars at their September 20, 1995 Board Meeting. He further stated that the Resolution which is before them today (Resolution No. 95-14) pertains to the financing program to acquire the equipment, and Ms. Patricia Dunn, Vice President, Finance and Administration, would be speaking on this subject.

Ms. Dunn stated that they are proposing that Key Bank of Alaska finance the hopper

cars. She said that their rate is 6% and there is no prepayment penalty. Ms. Dunn stated that the railroad was offered a slightly lower rate from another institution; however, there is a substantial prepayment penalty. She said that Key Bank of Alaska gives the railroad more flexibility in case of refinancing or other reasons for prepayment, so they are recommending the 6% rate proposal and that this financing needs to be completed by December 15, 1995. She said that the arrangement with Key Bank of Alaska provides for the bank to disburse the full amount into an escrow type account and as the railroad accepts the hopper cars, then they will disburse the funds from this account. Ms. Dunn stated any remaining principal will be applied to the principal of the loan after the complete receipt of the hopper cars.

Director Binkley asked about National Bank of Alaska's proposal. He said that he looked at their proposal and it shows a variable rate 5.72% and annual payments of \$541,000; and Key Bank's proposal shows a 6% rate and annual payments of \$466,000; why is there an \$80,000 difference? Ms. Dunn said that the reason for this is because instead of a regular amortization schedule, the principal and interest changes every month although the payment stays the same. She stated that the National Bank of Alaska's example is a flat principal amount every month, but the interest varies every month, so the payment is different every month. Ms. Dunn stated because the railroad would be paying more principal up front the payment starts out much higher and gets lower toward the end of the loan term. She stated that it is a very favorable interest rate at this time, but after that they do not know what will happen.

Director/President & CEO Hatfield made a motion that the Board adopt Resolution No. 95-14, Relating to the Financing of the New 100 Ton Open Top Hopper Cars. Commissioner Perkins seconded the motion. Governor Sheffield asked if there was any further discussions. There were no further discussions and no objections and Resolution No. 95-14 was approved.

Item G - Approval of Leases Continued

Item G -1, Contract No. 7030, Orca Enterprises

Mr. Burns stated that at the Fairbanks Board Meeting the Board approved a lease for Orca Enterprises; however, they have come back to the Board to ask for an increase in the amount of land they would like to lease.

Director Burton moved that this lease be approved and Director/President & CEO Hatfield seconded the motion. There were no further discussions and no objections, and Contract No. 7030, Orca Enterprises was approved.

Item G - 2. Contract No. 7065, David and Jeanne Gransbury

Mr. Burns stated that this gentleman is already involved with the railroad, and has leases on two separate parcels. He said that he is requesting to integrate his leases so he can make improvements to the property. Mr. Burns stated that there is a moderate increase in the rent, and it is a request for a thirty-five-year lease term.

Director Binkley moved that this lease be approved and Commissioner Perkins seconded the motion. There were no further discussions and no objections, and Contract No. 7065, David and Jeanne Gransbury was approved.

Item G - 3, Contract No. 6091, M. K. Properties

Mr. Burns stated that M. K. Properties is the successor of various interests that have occupied this property. He said that it is a fenced construction yard, and some trucking is done out of this location. Mr. Burns stated that the purpose of this lease is there is a strip of land in between two leaseholders that effectively had been misunderstood and an object to some dispute. He continued by stating that the dispute is settled and M. K. Properties is incorporating this into their leasehold.

Director Binkley moved that this lease be approved and Director/President & CEO Hatfield seconded the motion. There were no further discussions and no objections, and Contract No. 6091, M. K. Properties was approved.

BRIEFING ITEMS

Item I, Financial Highlights

Board Secretary James Blasingame stated that Ms. Dunn, Vice President, Finance & Administration, would be reviewing this with the Board.

Ms. Dunn stated that as of September's year-to-date the railroad has exceeded projected net income of \$2.4 million by \$4.4 million; the railroad is at \$6.8 million. She said that September did not meet budget because we anticipated the railroad to achieve a net income of more than \$800,000, but only made \$300,000 instead. Ms. Dunn stated that most of this was due to additional unexpected expenses including the flood.

She said that month-to-date revenue was \$5.906 million which exceeded the budget

slightly. Director Binkley asked about the flood money, which he was under the understanding that the railroad might be able to recoup some of the money. Ms. Dunn stated that at this point from the emergency response the railroad might be able to get back \$190,000. She said that they have not booked it yet.

Item H - Transportation Highlights and Revenue Forecast

Board Secretary James Blasingame introduced Mr. George Erickson, Vice President, Transportation Services to review the revenue forecast.

Mr. Erickson stated that they are pretty close to on target on their budget. He said that year-to-date they are above plan on every commodity except pipe. Mr. Erickson stated that on petroleum they are \$943,000 a head of plan. He said that they might lose two naphtha shipments this year. Mr. Erickson said that they are very close to target on coal. He stated that they have taken it up another \$200,000 because they are still running gravel trains. Mr. Erickson continued by stating that on the interline they are ahead of plan for the month of September. He said that Passenger Service continues to grow in revenue. Mr. Erickson stated that they have started to run a mixed passenger and freight train on the weekends, and a wine tasting excursion train ride is starting up in December.

Mr. Erickson showed the Board some graphs which are attached as Exhibit A.

Governor Sheffield thanked Mr. Erickson.

Governor Sheffield introduced Mr. John Burn, Vice President, Real Estate and Facilities to review the revenue forecast from Real Estate.

Mr. Burns stated that since 1992 when he has come on board with the railroad there has been a 10% growth each year; however, but looking at the five-year plan the permit lease revenue is leveling out. He said that this is called a skeleton of a revenue projection. Mr. Burns stated that in 1996 and up they are looking at a growth in the range of 5% to 7%.

Governor Sheffield thanked Mr. Burns.

Item K - Update on Kenai Flood

Governor Sheffield introduced Director/President & CEO Hatfield.

Director/President & CEO Hatfield stated that the damage the railroad has sustained, that has been booked, is below \$100,000. He said that when the corporation applies to FEMA (Federal Emergency Management Administration) for reimbursement of the damages there will be a difference in the way it is calculated. Director/President & CEO Hatfield stated that the railroad will be reimbursed for the machine time and supervisory time that the railroad normally does not bill itself. He said that the result of this, is how much dredging will be required in Seward. He continued by stating that the survey's for the dredging will be done next month. Director/President & CEO Hatfield then stated that the railroad could be reimbursed by FEMA for approximately \$460,000 to \$600,000. He said that the railroad has an excellent relationship with FEMA. Director/President & CEO Hatfield continued by stating that the one thing the railroad did get criticized for was one of its bridges in the Seward area. It was designed in such a manner that it caused debris to gather and caused flooding of a subdivision up stream. He stated that it looks like FEMA will pay for this mitigation project to make it into a single span bridge to eliminate the flooding problem.

Commissioner Perkins stated that Resurrection River has been diverted, so what little sedimentation that was going in there will not be going in there now. He said that he believes that this will only last a couple of years. Director Binkley asked who diverted the river. Commissioner Perkins stated that the Department of Transportation diverted it.

Item K - 1. Contractual Matter with Another Railroad

Governor Sheffield stated that he would like to appoint a subcommittee to take care of an obligation of a contractual matter with another railroad. He said that he has appointed Director Lindsey, Director Binkley, and himself.

VI OPPORTUNITY FOR PUBLIC COMMENT

Governor Sheffield introduced Mr. Charles McKee.

Mr. McKee stated that he would like to pass out a 1934 issue of lawful money. He said that his name is Charles McKee and he is speaking in front of the Board of the Alaska

Railroad Corporation Board of Directors Meeting on October 19, 1995. Mr. McKee stated that he has before him the Alaska Mining Laws both Federal and Territorial and he is going to pass them around so they can look at the fact that the Railroad Act was to accelerate the mining activity within the State of Alaska. He said that the reason being is so the State of Alaska could continue to enjoy the circulation of lawful money.

Mr. McKee stated that he has submitted a claim of lien and he did not have proper spelling or proper grammar in it, and the reason why he did it was to see if anyone would comment on it which would indicate that they read it. He said no one commented on his brief which completed Einstein math which he titled "Millennium" which he received 150 year copyright on it. Mr. McKee stated that he did not receive any comment on that, although it had correct spelling and grammar in it. He said that he was denied by no written comment, but he had received written comment simply because it was incorrect spelling and grammar. Mr. McKee stated that he also submitted it to Frank Murkowski, and he wrote the following to him; what you are about to read under my claim of lien agreed under seal is base line data requiring all Alaskan's statutes not to designate deaths by grant of faith and consequently that is the summary of what he was submitting for this claim of lien.

He said that the reason why he comes to the Board is because he wants to facilitate monies to the development of the Alaska Railroad system. He continued by saying that he would like to increase and expand its structure and he wanted to point out the reason why he is capable of doing so. Mr. McKee stated that he is not allowing the state to own and control his identity which is why he did not allow them to photograph his picture for the State Identification.

Mr. McKee said that this is for men only and they need to take this very seriously the State has no right to own your identity. He stated that he identifies himself with the love of Abba light-to-light, and consequently he is capable of increasing the value of money rather than money controlling him. Mr. McKee said that there is a difference between power or grace that has more power than power in and above itself will ever have.

He said that this information needs to be seriously considered because he is not bound to the lie. Mr. McKee stated that the lie being that money, whether it be this, gold or lawful money, or just paper currency which is not redeemable, but money never does make value in and of itself. He said that it requires people, and as soon as the people are controlled by the monetary system, which is nothing it cannot produce value in and above itself in order for it to be really legitimate, it has to incorporate men in to its system where it actually controls your identity where they have to submit to it, each and every state.

Mr. McKee stated that not all states require that you have to have photographed identification, whether it be State Identification or Driver's License and he has also commented to an insurance person that labor unions are inefficient and he said it was because actuaries get in there and write the rules of safety and the union memberships don't abide by those rules then they can be held accountable prior to their insurance coverage for job safety. He said that the gentleman took a very dim view of his awareness of the fact and stomped out as he addressed the situation to him. Mr. McKee stated that they turn around and indicate to the public that unions are inefficient and he turns around and tells the insurance actuaries why it is inefficient because they are in there on both sides of the equation, the public sector, government, and the private sector, unions, and non-represented people indicating that you have to buy insurance or you have to be in the union, and if you are in the union you have to comply by these regulations within the work rules of the union whether it be railroad union or whatever.

He said that he is here to indicate, that he does not have to comply with the protectionary aspect of what unscrupulously devised to sequester your true accreditation to creating wealth, controlling you in the monetary system and then when a purchase of fee simple land for estimated value of \$80 million. Mr. McKee stated when the monetary money they are talking about has no value and they are indicating to the people that work the system are also part of that non-value system and consequently this is peace time night so it is not a fluctuating situation. He said that it has a minted, it says \$5.00 on it face value, and it is smaller than a dime, and it cost him \$54.50 to purchase \$5.00 worth of gold.

Governor Sheffield thanked Mr. McKee.

Governor Sheffield introduced Mr. Dave Morgan, Acting City Manager for the City of Whittier.

Mr. Morgan stated that he would like to thank Mr. Hatfield and Mr. Burns because of a couple of projects that they have been working on have moved a long, and the reason why it has happened is because Mr. Hatfield and Mr. Burns have significantly helped them.

Mr. Morgan said that Coastal and Alaska Interstate Gas contacted him yesterday and it looks like they will be exercising their option earlier than they thought. He stated that they now have a time line on natural gas coming into Whittier which at the earliest will

be next summer and the latest is the summer after depending on what they found during the construction phase of the activity. Mr. Morgan said that Ketchikan and several other communities have already begun to send letters of conversation to convert their system to L & G.

Mr. Morgan stated that they have met with the Boat Owners Association, Orson Smith who is leading the Harbor Expansion Project for the Corps. of Engineer, and another Mr. Smith from DOT, who is their engineer, and many of the City of Whittier's Council Members, and it looks like they will be able to go into the center of the City, and they have narrowed the design down to two designs and they are working very closely with the railroad on this. Mr. Morgan said that it looks like they are going to meet their time lines on having the design by January and hopefully put in place their contracts and financing next summer and try to have a new harbor.

Mr. Morgan stated that the good news is the geophysical came back from the Corps of Engineers on all the drilling, and it all came back clean. He said things seemed to be moving pretty well. Mr. Morgan stated that Mr. Burns and Mr. Hatfield have been briefing the City of Whittier on what has been going on with Crowley. He said that he hopes that once they get into these projects there can be a committee or a group from the Board and from the railroad, and one from the City Council and City Chamber. Governor Sheffield stated that on this issue he has spoken with Mr. Lou Dickinson, who use to be c the Alaska Railroad Board initially when the State purchased it and was also an owner in Dowl Engineers; he is going to serve on this committee a long with himself. He said he is going to ask one more person to serve to interface with the City of Whittier.

Governor Sheffield thanked Mr. Morgan for his comments.

VII ANNOUNCEMENTS

There were no announcements.

VIII DIRECTOR/CEO/STAFF COMMENTS

There were no Director/CEO/Staff comments.

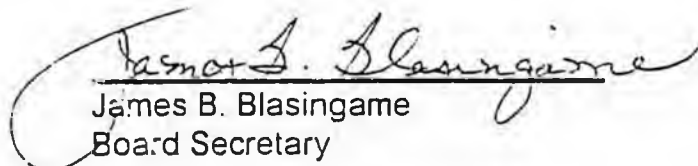
IX
ADJOURNMENT

There being no further business, the meeting was adjourned at 5:10 p.m.

APPROVED BY:


Governor Bill Sheffield /
Chairman of the Board

ATTESTED BY:


James B. Blasingame
Board Secretary

Date Nov. 16, 1995

Regular Board Meeting
October 19, 1995

DENNIS R. WASHINGTON

INTERNATIONAL WAY
POST OFFICE BOX 8182
MISSOULA MONTANA 59807
TELEPHONE (406) 523-1300
FAX (406) 523-1399

October 4, 1995

Governor William Sheffield
Chairman
The Alaska Railroad Corporation
327 Ship Creek Avenue
Anchorage, AK 99510-7500

Dear Governor Sheffield:

I would like to open a confidential dialogue with you on how I might proceed with an offer to purchase The Alaska Railroad Corporation. I have attached a letter that I have sent to Governor Tony Knowles, President Drue Pearce, and Speaker Gail Phillips expressing my intentions and defining why I have such a strong interest in owning and operating the Railroad. I understand that the Railroad is set-up to be an independent, stand-alone company but whose stock is owned by the State of Alaska. I need your advice on how I can proceed to accomplish a transaction.

I stand ready to provide you with extensive background material on myself and the relevant ventures I'm involved in. I believe you will be convinced that I have the necessary resources and experience to complete this undertaking.

I would be pleased to come and meet with you to discuss the proposal. Please let me hear from you.

Sincerely,



Dennis Washington

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cc: Robert Hatfield-ARRC

Sec. 42.40.170. Executive sessions. (a) The question of holding an executive session shall be determined in accordance with AS 42.40.160. A subject may not be considered at an executive session unless it is mentioned in the motion calling for the executive session or is auxiliary to a subject mentioned. An action may not be taken at an executive session.

(b) Only the following subjects may be discussed in an executive session:

(1) matters, the immediate knowledge of which would clearly have an adverse effect upon the finances of the corporation;

(2) unless the person has requested to have the subjects discussed in public, subjects that tend to prejudice the reputation and character of a person;

(3) matters that, by law or municipal charter or ordinance, are permitted to be kept confidential from public disclosure;

(4) matters pertaining to personnel;

(5) matters pertaining to the corporation's legal position;

(6) land acquisition or disposal; and

(7) proprietary or other information of a type treated as confidential under the standards and practices of the United States Interstate Commerce Commission, including practices that protect information associated with specific shippers, divisions, and contract rate agreements. (§ 2 ch 153 SLA 1984)

HB

137

HFIN

FILE

HOUSE COMMITTEE REPORT

(11)

Date Referred: January 30, 1995

FURTHER REFERRALS:

Date of Committee Action: 3/2/95

The FINANCE Committee considered:

HB 137

HOUSE BILL NO. 137

APPROP: SUPPLEMENTAL FOR FY 95

"An Act making supplemental appropriations for operating expenses of state government for fiscal year 1995; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 137 (FIN) the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
	Hanley	<input checked="" type="checkbox"/>			
	Kelly Mulder	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>	
	Grussendorf				<input checked="" type="checkbox"/>
	Pannell			<input checked="" type="checkbox"/>	
	Navarre				<input checked="" type="checkbox"/>
	Kohring	<input checked="" type="checkbox"/>			
	Brown				<input checked="" type="checkbox"/>
	Martin	<input checked="" type="checkbox"/>			
	FOSTER	<input checked="" type="checkbox"/>			

CO-CHAIR'S SIGNATURE

Hanley

FOSTER

FY 95 SUPPLEMENTAL APPROPRIATION Sections 1-73

Old Sec #	New Sec #	DEPT.	BRU/COMPONENT	DESCRIPTION	Governor's Amended Request						House					
					GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds	GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds
1		Law	Oil & Gas Litigation/Oil & Gas	Increased costs resulting from ongoing oil and gas litigation.	13,500.0				4,500.0	18,000.0	13,000.0				4,500.0	17,500.0
2		Revenue	Mental Health Trust Authority/Mental Health Trust Authority	RSA w/ DOR, DNR, & Permanent Fund Corp.					298.3	298.3					155.0	155.0
3		DMVA	Disaster Relief Fund	Disaster Relief associated with fall flooding.	10,000.0				35,700.0	45,700.0	8,200.0				35,700.0	43,900.0
4		Corrections	Admin & Support Commissioner's Office	Court Appointed Cleary Monitor	67.0					67.0	67.0					67.0
4			Admin & Support/ Commissioner's Office	Set up Juneau Office for Commissioner & Staff	44.5					44.5	0.0					0.0
4			Admin & Support/ Commissioner's Office	Estimate for all costs in resolution of 2 personnel legal actions.	98.0					98.0	98.0					98.0
4			Admin & Support/ Board of Parole	Projected shortfall for personal services - \$3.1 and board member compensation - \$6.7.	9.8					9.8	0.0					0.0
4			Admin & Support/ Correctional Academy	To hold a training academy in order to increase pool of applicants for Correctional Officers.	366.3					366.3	172.0					172.0
4			Statewide Operations/ Inmate Health	Increased costs for inmate health package	2,100.0					2,100.0	2,000.0					2,000.0
4			Statewide Operations/ Correctional Industries Admin	To alleviate personal services underfunding (\$194.3) and hire two additional Correctional Industries Managers (\$99.0).	293.3					293.3	99.0					99.0
4			Statewide Operations/Out-of-State Contractual	Costs associated with Arizona prison contract.	2,392.4					2,392.4	2,392.4					2,392.4



FY 95 SUPPLEMENTAL APPROPRIATION Sections 1-73

Old Sec #	New Sec #	DEPT.	BRU/COMPONENT	DESCRIPTION	Governor's Amended Request						House					
					GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds	GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds
4			Statewide Operations/ Sixth Ave. Correctional Center	Three additional Admin Clerk II positions for remainder of FY 95 to free up Correctional Officers for safety and security tasks.	51.9					51.9	0.0				0.0	
4			Statewide Operations/ Spring Creek Correctional Center	Two additional Adult Probation Officers plus housing, feeding and clothing for increased inmate capacity.	156.6					156.6	156.6				156.6	
4			Statewide Operations/ Wildwood Correctional Center	Ten additional positions plus housing, feeding and clothing to reduce vacancy factor and provide for upsizing by 59 beds.	772.3					772.3	772.3				772.3	
4			Statewide Operations/ All Institutions	Reduce vacancy factor in institutions.	3,130.5					3,130.5	0.0				0.0	
4			Statewide Operations/ Community Corrections Dir.	Increased CRC Capacity	726.3					726.3	726.3				726.3	
4			Statewide Operations/ Southeast Region Probation	Increase probationary visits to smaller towns and communities under its supervision.	31.8					31.8	0.0				0.0	
4			Statewide Operations/ Point MacKenzie	Funding for transferred positions from Wildwood and food, clothing and gratuities for prisoners.	52.0					52.0	52.0				52.0	
5		DPS	Alaska State Troopers/ Detachments	Funding to fill 10 vacant Trooper Positions for three months.	265.0					265.0	0.0				0.0	
Subtotal					34,057.7	0.0	0.0	0.0	40,498.3	74,556.0	27,735.6	0.0	0.0	0.0	40,355.0	68,090.6

FY 95 SUPPLEMENTAL APPROPRIATION Sections 1-73

Old Sec #	New Sec #	DEPT.	BRU/COMPONENT	DESCRIPTION	Governor's Amended Request						House					
					GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds	GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds
1		Governor	Elections	Unanticipated overtime & costs associated with recounts	212.2					212.2	170.0					170.0
2		Administration	Rural Alaska Television Network/RATNET	Deleted												
3		Administration	Office of Public Advocacy/OPA	Operational shortfall	530.0					530.0	200.0					200.0
4		Administration	Public Defender/ Public Defender	Operational shortfall	36.0		89.0			125.0	50.0					50.0
5		Administration	Retirement & Benefits/EPORS	Operational shortfall	37.5					37.5	27.5					27.5
6		Administration	Leasing & Facilities/Leasing	Operational shortfall	93.0					93.0	93.0					93.0
7		Administration	Alaska Public Offices Commission/APOC	Admin Procedures Act - due process hearing re: Gravo	49.5					49.5	35.0					35.0
8		Administration	Personnel EEO/Personnel EEO	Additional Labor Arbitration costs	139.6					139.6	0.0					0.0
9		Law	Legal Services/Mental Health Lands	Judgements & Claims	1,854.8					1,854.8	300.0		1,124.8			1,424.8
10		Law	Legal Services/Operations	Repay Federal Gov't for inappropriate cost allocation charges	500.0					500.0	500.0					500.0
11		Law	Legal Services/Operations	Judgements & Claims	4,394.1					4,394.1	494.8					494.8
12		Law	Legal Services/Operations	Gubernatorial election lawsuit	50.0					50.0	0.0					0.0
13		Revenue	Revenue Operations/Gaming	Charitable Gaming Task Force Meetings			33.8			33.8	0.0					0.0
14		Revenue	Alcohol Beverage Control Board/ABCB	License denial appeal costs in Egegik			15.0			15.0	0.0					0.0
15		Revenue	Revenue Operations/Treasury Management	Add'l safekeeping and debt management advisor fees	259.5					259.5	0.0					0.0

FY 95 SUPPLEMENTAL APPROPRIATION Sections 1-73

Old Sec #	New Sec #	DEPT.	BRU/COMPONENT	DESCRIPTION	Governor's Amended Request						House					
					GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds	GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds
16		Revenue	Permanent Fund Dividend/PFD	Add'l data processing costs					91.1	91.1					0.0	
17		Revenue	Alaska Mental Health Trust Authority/Mental Health Trust Authority	Creation of Authority add'l costs					283.1	283.1					0.0	
18		Education	K-12 Support/Foundation Program	Increased student enrollment	2,000.0					2,000.0	0.0				0.0	
19		Education	Education Program Support/Federal Voc Educ Grants	Deleted												
20		Education	Alaska Postsecondary Education Commission/WAMI Medical Ed	Additional Contractual Costs	22.2					22.2	0.0				0.0	
21		Education	School Finance/Educational Facilities Support	Toksook Bay school district fuel spill settlement and cleanup costs	1,800.0					1,800.0	1,800.0				1,800.0	
22		Health & Soc. Svces	Med Assist/Med Non-Facilities	Operating Shortfall			871.7			871.7	0.0				0.0	
23		Health & Soc. Svces	Med Assist/Indian Health Services	Increased Indian Health Service Medicaid					4,000.0	4,000.0				4,000.0		
24		Health & Soc. Svces	Med Assist/Med Non-Facilities	Restore optional Medicaid services		483.0			483.0	966.0	0.0			0.0	0.0	
25		Health & Soc. Svces	Family & Youth Svces/Central Office	Maintain staffing and fill vacant positions to respond to high priority child cases	71.7	10.6			310.6	392.9	0.0			80.0	80.0	
26		Health & Soc. Svces	Family & Youth Svces/McLaughlin	Adequate staffing for increased client load.	580.5					580.5	460.0				460.0	
27		Health & Soc. Svces	State Health Services/Epidemiology	To control Tuberculosis outbreak & conduct epidemiological investigations.	342.0					342.0	342.0				342.0	

FY 95 SUPPLEMENTAL APPROPRIATION Sections 1-73

Old Sec #	New Sec #	DEPT.	BRU/COMPONENT	DESCRIPTION	Governor's Amended Request						House					
					GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds	GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds
28		Health & Soc. Svces	Institutions & Admin/Alaska Psychiatric Hospital	Fund source change to reflect uncollectible program receipts			(1,417.1)	1,268.2	148.9	0.0			0.0	0.0	0.0	
28		Health & Soc. Svces	Institutions & Admin/Harborview Development Center	Fund source change to reflect shortfall in interagency receipts				164.9	(495.9)	(331.0)			0.0	0.0		
29		Health & Soc. Svces	Admin & Support/Admin Svces	Judgements & Claims	410.2					410.2	410.2				410.2	
30		Labor	Administrative and Support/Labor Market Info	Statewide demographic information and analysis	55.6					55.6	0.0				0.0	
31		Commerce & Economic Development	Tourism/Alaska Tourism Marketing Council	Restore television & newspaper advertising	1,875.0		625.0			2,500.0	0.0				0.0	
32		Military & Vets	Front Section/ Disaster Relief Fund	Anticipated FY 95 Spring Disasters	900.0					900.0	0.0				0.0	
33		Natural Resources	Front Section/Fire Suppression	Fire Suppression activities for the fiscal year ending June 30, 1994	1,660.0					1,660.0	1,660.0				1,660.0	
34		Natural Resources	Front Section/Fire Suppression	Fire Suppression activities for the fiscal year ending June 30, 1995	7,195.0					7,195.0	4,445.0				4,445.0	
35		DFG/DEC/DNR		Lapse date extension re: Trustee Council restoration projects per RPL's 11-5-9990& 9991						0.0						
36		Public Safety	Statewide Support/Community Jails	Increased Operating costs	682.4					682.4	0.0				0.0	
37		Public Safety	Alaska State Troopers/Detachments	Arbitrator's Award	200.0					200.0	191.0				191.0	
38		Public Safety	Statewide Support/Civil Air	Support & Rescue Operations	156.0					156.0	23.0				23.0	

FY 95 SUPPLEMENTAL APPROPRIATION Sections 1-73

Old Sec #	New Sec #	DEPT.	BRU/COMPONENT	DESCRIPTION	Governor's Amended Request						House					
					GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds	GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds
39		Public Safety	Alaska State Troopers/Detachments	Switch Funds to offset shortfall in program receipts for Concealed Weapons fiscal note	186.5		(186.5)				0.0	90.0		(90.0)		0.0
40		Public Safety	Alaska State Troopers/Narco Task Force	Switch Funds to offset shortfall in seized assets	115.0		(115.0)				0.0	115.0		(115.0)		0.0
41		Transportation	Statewide M&O/Highways & Aviation	Snow removal	2,170.0						2,170.0	2,000.0				2,000.0
42		Transportation	Statewide M&O/Facilities	Snow removal	49.8						49.8	49.8				49.8
43		Transportation	Anchorage International Airports/Field Maintenance	Snow removal						350.0	350.0				350.0	350.0
44		Transportation	Statewide M&O/Highways & Aviation	Erosion repairs to Nanwalek (English Bay) airport	25.0						25.0	25.0				25.0
45		Transportation	Statewide M&O/Highways & Aviation	Temporary bridge across Nutirvik Creek	340.0						340.0	340.0				340.0
46		Transportation	Statewide M&O/Highways & Aviation	Culvert Replacements- Birchwood Loop & Rabbit Creek Roads	100.0						100.0	100.0				100.0
47		Transportation	Statewide M&O/Highways & Aviation	Haines highway mudslides	30.0						30.0	30.0				30.0
48		Transportation	Statewide M&O/Highways & Aviation	Spring maintenance program	750.0						750.0	150.0				150.0
49		Transportation	Statewide M&O/Highways & Aviation	Copper River Highway litigation	230.3						230.3	0.0				0.0

FY 95 SUPPLEMENTAL APPROPRIATION Sections 1-73

Old Sec #	New Sec #	DEPT.	BRU/COMPONENT	DESCRIPTION	Governor's Amended Request						House					
					GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds	GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds
50		Transportation	Statewide M&O/Highways & Aviation	Legal bills re: Native allotment issues	89.7					89.7	0.0				0.0	
51		Transportation	Anchorage International Airports/Safety	Court-ordered personnel costs					145.0	145.0	0.0				0.0	
52		Transportation	Marine Highway Stabilization	Interest earned on money in Alaska Marine Highway Fund	739.8					739.8	0.0				0.0	
53		Community & Regional Affairs	Employment Training/Rural Development/Rural Development Grants	Extend Set-aside for rural development mini grant program						0.0						
54		Community & Regional Affairs	Community Assistance Grants/Organizational Grants	Organizational Grant for City of Egegik	50.0					50.0	0.0				0.0	
55		Corrections	Statewide Operations/Cook Inlet Pre-Trial	Switch funds to reflect program receipt shortfall - prisoner phones	200.0		(200.0)			0.0	0.0		0.0		0.0	
56		Corrections	Statewide Operations/Community Jails	Facilitate transfer of component from Public Safety	39.3					39.3	0.0				0.0	
57		Corrections	Administration & Support/Comm. Office	Cleary contempt of court fines	750.0					750.0	750.0				750.0	
58		Corrections	Administration & Support/Comm. Office	Personnel legal actions	457.0					457.0	0.0				0.0	
59		University of AK	Anchorage/Prince William Sound	Snow & Ice removal	130.1					130.1	0.0				0.0	
60		Court System	Trial Courts/Trial Courts	North Slope Royalty case & Grievance Settlement	158.6					158.6	120.0				120.0	
62		Various	Admin Services/Admin	Misc Claims & Staledated warrants	216.0					216.0	216.0				216.0	
					32,933.9	493.6	(284.1)	1,433.1	5,315.8	39,892.3	15,187.3	0.0	(205.0)	1,124.8	4,430.0	16,537.1
Capital Items										0.0						
63		Revenue	Alaska Housing Finance Corp	Deleted						0.0	0.0				0.0	

FY 95 SUPPLEMENTAL APPROPRIATION Sections 1-73

Old Sec #	New Sec #	DEPT.	BRU/COMPONENT	DESCRIPTION	Governor's Amended Request						House								
					GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds	GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds			
64		Revenue	Alaska Housing Finance Corp	Supplemental and Senior Housing to match HUD allocation level					1,800.0	1,800.0					0.0			0.0	
65		Public Safety	Civil Air Patrol	Replace roof at CAP Merrill Field hangar	41.6					41.6					0.0			0.0	
66		Public Safety	Community Jail	Upgrade Homer Jail to meet fire and building codes	100.0					100.0					0.0			0.0	
67		Public Safety	Community Jail	Upgrade North Slope Borough for improved emergency access	45.0					45.0					0.0			0.0	
68		University Of AK	Fairbanks Campus	Butrovich Building panel removal	153.0					153.0					0.0			0.0	
69		University Of AK	Fairbanks Campus	Butrovich Building panel replacement	1,326.0				1,000.0	2,326.0					0.0			0.0	
70		Providing for an extended lapse date for Section 54.								0.0									
71		Defining sections 63-69 as capital projects								0.0									
72		Providing for effective date for Section 57.								0.0									
73		Providing for effective date of this Act.								0.0									
Subtotal					34,599.5	493.6	(284.1)	1,433.1	8,115.8	44,357.9	15,187.3	0.0	(205.0)	1,124.8	4,430.0	16,537.1			
					Total General Fund Sources					36,242.1									16,107.1
Total (Including Fastrack Sectional)					68,657.2	493.6	(284.1)	1,433.1	48,614.1	118,913.9	42,922.9	0.0	(205.0)	1,124.8	44,785.0	84,627.7			
					Total General Fund Sources					70,299.8									43,842.7
New		Administration		Citizens' Foster Care Review	48.0					48.0					0.0			0.0	
New		Administration	Longevity Bonus/Longevity Bonus Grants	Lapse Appropriation	(700.0)					(700.0)					(700.0)			(700.0)	
New		Health & Soc. Svces	Assistance Payments/Aid to Families w/ Dependent Children	Lapse Appropriation		(2,000.0)			(2,000.0)	(4,000.0)				(2,000.0)			(2,000.0)	(4,000.0)	
New		Governor		Fair Labor Standards Act Salary Adjustments	(225.1)				(80.5)	(305.6)				(225.1)			(80.5)	(305.6)	

FY 95 SUPPLEMENTAL APPROPRIATION Sections 1-73

		Governor's Amended Request									House					
Old Sec #	New Sec #	DEPT.	BRU/COMPONENT	DESCRIPTION	GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds	GF	GF Match	GF/PR	GF Mental Health	Other	Total Funds
		Total New Sections			(877.1)	(2,000.0)	0.0	0.0	(2,080.5)	(4,957.6)	(925.1)	(2,000.0)	0.0	0.0	(2,080.5)	(5,005.6)
										0.0						0.0
		Grand Total HB 137, HB178 & New Sections			67,780.1	(1,506.4)	(284.1)	1,433.1	46,533.6	113,956.3	41,997.8	(2,000.0)	(205.0)	1,124.8	42,704.5	83,622.1
					Total General Fund Sources					67,422.7	Total General Fund Sources					40,917.6

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

OFFICE OF THE GOVERNOR

OFFICE OF MANAGEMENT AND BUDGET
DIVISION OF BUDGET REVIEW

P.O. BOX 110020
JUNEAU, ALASKA 99811-0020
PHONE: (907) 465-2178
FAX: (907) 465-2090

March 2, 1995

The Honorable Mike Navarre
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Representative Navarre:

You have asked for further information concerning our request, dated February 24, 1995, regarding changing \$89,000 of the general fund supplemental appropriation for the Public Defender Agency to general fund program receipts. We have proposed this funding source change because these receipts are expected to be available to help offset some of the shortfall faced by the Public Defender. An explanation of how this shortfall came about follows.

Last year, Governor Hickel proposed a FY 95 budget for the Public Defender of \$8,002,400. The House Finance Committee proposed a reduction of \$466,200 and the Senate Finance Committee proposed a reduction of \$648,400. The Conference Committee budget for the Public Defender Agency was \$7,426,900, a reduction of \$575,500.

The Senate Finance Committee also included intent language that directed the Public Defender Agency to request from the Legislative Budget and Audit committee the authority to receive and expend general fund program receipts, the source of those funds being recovery of costs from clients, primarily collections from Permanent Fund Dividends. The Senate reductions were significantly larger than the House cuts primarily due to this funding avenue. The program receipt funding was not included in the budget because we had not yet developed projections on the amount of funds expected to be available for appropriation.

During the interim, the Public Defender Agency requested authority to receive and expend \$389,000 of general fund program receipts from these recovered costs. The Legislative Budget and Audit (LB&A) committee, at its September 26 - 27, 1994 meeting, approved only \$300,000 of the request.

We still anticipate the availability of the \$89,000 not approved at that LB&A committee meeting, nor at the committee meeting on January 17, 1995. We believe appropriating these funds will

meet the intent of the legislature to help fund the Public Defender's operations from those costs recovered from clients, and will help to avoid the adverse impact on the rest of the criminal justice system that is likely to occur if the Public Defender is forced to delay cases due to a shortage of funds at the end of the fiscal year.

Please feel free to call me if you have questions or need further assistance.

Sincerely,

A handwritten signature in cursive script that reads "Nancy J. Slagle".

Nancy J. Slagle
Director

Attachments

cc: Sharon Barton, Dept. of Administration

March 22, 1984

DCRA - Carry forward
Rural Development Grants - sec. 53
Supplemental
Explanation/Background
from FY94 Legislative

Nancy,

Attached is additional information regarding the need for an extension of the lapse date for the FY 84 Rural Development Grants AR to June 30, 1985. I have discussed alternatives with the department.

The schedule for awarding these grants often results in the execution of grant agreements late in the fiscal year in which funds are appropriated. Prior to 1988, the department had requested an extension of lapse date directly from the Division of Finance, Department of Administration. Beginning in FY88, the Department tried to obtain support for conversion of these funds to a continuing appropriation. A high percentage of these grants are used for capital construction which is often delayed due to permit requirements, a short construction season, inclement weather, and lack of availability of building materials.

Apparently, with further discussions, it was determined that the "better option would be to request during each legislative session the inclusion of the Rural Development Grants in the respective reappropriation bill for an extension of lapse date"; and on March 15, 1988 a memo was sent to OMB to that effect. From that point on, the department and OMB have followed suit in each succeeding year.

As a side note—it is not acceptable to merely encumber funds since work and obligations cannot be made by June 30 of the current fiscal year, and, therefore, an encumbrance would not be legal. Furthermore, because the department tries to "use up" all of the funds in this particular component, any amounts that are left over from the regular grant awards are turned into Mini-Grant Projects. (Appx \$220.0 in FY94)

The Department of Transportation and Public Facilities found themselves in a similar situation—June 30 of each fiscal year was not an appropriate cutoff for use of that year's funds in the Highways and Aviation components within the Maintenance and Operations BRU. Rather than include a change in the reappropriations bill—they have successfully included a statement extending their lapse date to August 31 within their operating budget request. It is my understanding that Division of Finance agreed with this change mainly because the books for the fiscal year close at the end of August. It may be untenable to suggest that an entire year could be accommodated in this manner.

A final solution to this dilemma would be a statutory change. Given the lateness in the session, for the coming year we may need to go back to the "old" method. In any regard, we can't allow this to fall through the cracks. Attached are copies of backup materials. Your suggestions?

Governor's FY 95 Supplemental Requests								
(House Bill 178 Sectional)								
Section	Dept	Program/Description	General Fund Match	General Fund	General Fund Program Receipts	General Fund Mental Health	OTHER	TOTAL
1	GOV	Division of Elections - additional costs for primary and statewide recount		212.2				212.2
2	DOA	RATNET - maintain full-year service (fundraising efforts offset rest of shortfall)		36.7				36.7
3	DOA	Office of Public Advocacy - maintain required services		530.0				530.0
4	DOA	Public Defender Agency - maintain required services		125.0				125.0
5	DOA	EPORS - retirement of one legislator and increased insurance costs		37.5				37.5
6	DOA	Leasing - increased costs in current leases		93.0				93.0
7	DOA	APOC - full APA hearing in State v. Gravo		49.5				49.5
8	DOA	Personnel/Labor Relations - reduce backlogged arbitrations		139.6				139.6
9	LAW	Weiss V State - plaintiff costs in Mental Health Lands Trust case		1,854.8				1,854.8
10	LAW	US Dept of Health & Human Svc - repayment of inappropriate charges to grant		500.0				500.0
11	LAW	Judgments and Claims - various cases		494.8				494.8
12	LAW	Litigation Costs - challenge to '94 election		50.0				50.0
13	DOR	Charitable Gaming - task force meetings			33.8			33.8
14	DOR	ABC Board - hearing on license denial			15.0			15.0
15	DOR	Treasury - debt management and custodial fees previously netted against earnings, bond sales		259.5				259.5
16	DOR	PFD Division - data processing					91.1	91.1
17	DOR	Ak Mental Health Trust Authority - implementation costs not in fast-track supplemental					283.1	283.1
18	DOE	Foundation Funding - estimated shortfall		2,000.0				2,000.0
19	DOE	Vocational Education - questioned costs on federal grant amount still under negotiation		615.7				615.7

5/19/95

* Attachment #1

Section	Dept	Program/Description	General Fund Match	General Fund	General Fund Program Receipts	General Fund Mental Health	OTHER	TOTAL
20	DOE	ACPE - WAMI - contract for students at University of Washington		22.2				22.2
21	DOE	Toksook Bay Fuel - settlement of litigation and clean up of fuel spill at school		2,197.0				2,197.0
22	DHSS	Medicaid - Pharmaceutical Drug Rebate			871.7			871.7
23	DHSS	Indian Health Services - increased claims from federal medicaid share					4,000.0	4,000.0
24	DHSS	Medicaid - Restore services such as eyeglasses, acute dental care and hearing aids	483.0				483.0	966.0
25	DHSS	Family & Youth Services - provide child protection to high priority cases	10.6	71.7			310.6	392.9
26	DHSS	DFYS - Youth Facilities - Maintain staffing levels at McLaughlin Youth Center for increased admissions		580.5				580.5
27	DHSS	Public Health - control TB outbreak		342.0				342.0
28	DHSS	Alaska Psychiatric Hospital (APH) - fund source change due to loss of third-party receipts			-1,417.1	1,268.2	148.9	0.0
28	DHSS	Harborview - fund source change due to declining revenues from fewer residents				164.9	-495.9	-331.0
29	DHSS	Greenfield v. State - judgments & claim		410.2				410.2
30	LABOR	Labor Market Information - statewide info and analysis for economic development		55.6				55.6
31	DCED	Alaska Tourism Marketing Council - national advertising		1,875.0	625.0			2,500.0
32	DMVA	Declared Disasters - estimated annual spring disaster costs (5 year average)		900.0				900.0
33	DNR	FY 94 Fire Suppression - June 1994 firefighting expenditures		1,660.0				1,660.0
34	DNR	FY 95 Fire Suppression - maintain adequate level of funding at seven-year average		7,195.0				7,195.0
35	DFG/DEC/ DNR	Lapse Date Extension for Trustee Council FY 95 restoration projects approved through RPL process						0.0
36	DPS	Community Jails - increased cost from renegotiation of contracts to conform with operating standards of the Dec 1994 Governor's Task Force on Community Jails Program report		682.4				682.4

Section	Dept	Program/Description	General Fund Match	General Fund	General Fund Program Receipts	General Fund Mental Health	OTHER	TOTAL
37	DPS	Arbitrator's Award - state trooper termination settlement		200.0				200.0
38	DPS	Civil Air Patrol - operating costs		156.0				156.0
39	DPS	Concealed Weapons - loss of receipts due to low sale of permits		186.5	-186.5			0.0
40	DPS	Narcotics Task Force - uncollectible receipts from seized assets		115.0	-115.0			0.0
41	DOT/PF	Highways & Aviation Snow Removal		2,340.0				2,340.0
42	DOT/PF	Statewide facilities maintenance and operations for snow removal		60.0				60.0
43	DOT/PF	Anchorage International Airport snow removal					250.0	250.0
44	DOT/PF	Erosion Repairs at Nanwalek Airport (English Bay)		25.0				25.0
45	DOT/PF	Temporary bridge across Nutirwik Creek due to washout		340.0				340.0
46	DOT/PF	Culvert Replacements Birchwood Loop Road & Rabbit Creek Road		100.0				100.0
47	DOT/PF	Haines Highway mudslide (personnel and equipment costs)		30.0				30.0
48	DOT/PF	Highways & Aviation Maintenance - spring maintenance program		750.0				750.0
49	DOT/PF	Copper River Hwy Litigation		230.3				230.3
50	DOT/PF	Native Allotments Legal Issue		89.7				89.7
51	DOT/PF	Anchorage International Airport - court ordered personnel costs					145.0	145.0
52	DOT/PF	Alaska Marine Highway System Fund - appropriate some of fund's earnings (\$739,836) into fund for service added by prior Administration		739.8				739.8
53	DCRA	Lapse date extension for Rural Development Grants						0.0
54	DCRA	City of Egegik first-year organizational grant		50.0				50.0
55	CORR	Cook Inlet Correctional Center - undercollection of receipts for prisoner telephone calls		200.0	-200.0			0.0
56	CORR	Preparation for transfer of community jails from Public Safety		39.3				39.3
57	CORR	Contempt of Court fines		1,611.5				1,611.5
58	CORR	Legal personnel actions		457.0				457.0

Section	Dept	Program/Description	General Fund Match	General Fund	General Fund Program Receipts	General Fund Mental Health	OTHER	TOTAL
59	UNIV	Snow & Ice Removal at Anchorage and Prince William Sound campuses		130.1				130.1
60	COURT	North Slope Royalty Case Trial costs		106.9				106.9
61	COURT	Retroactive Magistrate pay		51.7				51.7
		Subtotal	493.6	30,998.7	-373.1	1,433.1	5,215.8	37,768.1
62	ALL	Miscellaneous Claims and Stale-dated Warrants						
		Administration		27.9				27.9
		Education		0.1				0.1
		Health and Social Services		16.1				16.1
		Labor		85.6				85.6
		Fish and Game		2.8				2.8
		Public Safety		0.4				0.4
		Transportation		7.5				7.5
		Community and Regional Affairs		15.3				15.3
		Corrections		8.1				8.1
		Total Misc	0.0	163.8	0.0	0.0	0.0	163.8
TOTAL OPERATING SECTIONS			493.6	31,162.5	-373.1	1,433.1	5,215.8	37,931.9
Capital Supplemental Requests								
63	REV	AHFC - low income weatherization after Kobuk River flooding					258.8	258.8
64	REV	AHFC - supplemental housing program					1,800.0	1,800.0
65	DPS	Civil Air Patrol hangar roof at Merrill Field		41.6				41.6
66	DPS	City of Homer jail - upgrades to code		100.0				100.0
67	DPS	North Slope Borough jail - improved access		45.0				45.0
68	UNIV	Butrovich bldg panel removals		153.0				153.0
69	UNIV	Butrovich Building - panel replacement		1,326.0			1,000.0	2,326.0
		Total Capital Supplementals	0.0	1,665.6	0.0	0.0	3,058.8	4,724.4
70		Lapse date language for section 54						

			General Fund Match	General Fund	General Fund Program Receipts	General Fund Mental Health	OTHER	TOTAL
Section	Dept	Program/Description						
71		Capital project identifier for secs. 63-69						
72		Conditional language on contempt of court fines; sec. 57						
73		Immediate effective date for sections not listed in previous two sections.						
		Grand Total	493.6	32,828.1	-373.1	1,433.1	8,274.6	42,656.3
		<i>General Funds Only Total</i>	<i>34,381.7</i>					

AMENDMENT # 6

Adopted

TO: CSHB 137 (Fin)

BY: Hanley

Page: 3

Line: 13

Delete: (\$80,000)

Insert: 310,600

Discussion: Allows Dept. to receive all federal funding available.

Adopted

AMENDMENT # 10

TO: CSHB 137 (Fin)

BY: Foster

Section 27: The sum of [\$2,000,000] \$2,170,000 is appropriated from the general fund to the Department of Transportation and Public Facilities, statewide highways and aviation maintenance and operations, for operations necessitated by winter ice and snow, and for the spring maintenance program for the fiscal year ending June 30, 1995.

Delete Section 34.

Adopted

AMENDMENT # 11

BY: Rep. Ben Grussendorf

TO: CSHE137(FIN)

Add a New Section to read:

*Sec. ____ The sum of ^{400.0}~~\$739,836~~, attributable to interest earned on money in the Alaska Marine Highway System Fund (AS 19.65.060), is appropriated from the general fund to the Alaska Marine Highway System Fund (AS 19.65.060).

Adopted

AMENDMENT #13

TO: CS HB 137 (Fin) work draft
2/27/95

BY: Rep. Brown

Add new section:

110.02
"The sum of \$130,100 is appropriated from the general fund to the University of Alaska, Anchorage and Prince William Sound campuses, for unanticipated snow and ice removal costs for the fiscal year ending June 30, 1995."

This amendment would provide \$116,800 for excessive snow and ice removal incurred at UAA and \$13,300 at PWS campuses. According to DOT-PF, snowfall in Anchorage (through 2/22/95) was 150% of average annual snowfall.

Adopted

AMENDMENT #14

OFFERED IN THE HOUSE
TO: CSHB 137 (FIN)

BY REPRESENTATIVE NAVARRE

+ Parnell

Page 5, line 25

Delete "\$120,000"

Insert "\$158,600"

Adopted
—

AMENDMENT #15

TO: CSHB 137 (Fin)

BY: Foster

Add a new section to read:

Section _____: The sum of \$1,800,000 is appropriated from corporate receipts to the Department of Revenue, Alaska Housing Finance Corporation, for the supplemental housing program.

Adopted

AMENDMENT # 16

Finance Committee

Representative Therriault

TO: CS HB 137(FIN)
Work Draft 9-GH0036\F

Add new section:

~~\$~~ 1,989.0

The sum of ~~\$2,326,000~~ is appropriated to the University of Alaska, statewide programs and services, for Butrovich Building panel replacement from the following sources:

General fund receipts	\$1,326,000 7 989.0
University receipts	1,000,000

(this was section #69 in HB 178)

AMENDMENT # 19

Adopted

TO: CSHB 137 (Fin)

BY: Harley

Add a new section to read:

* Sec. ____ The sum of \$1,500,000 is appropriated from the general fund to the disaster relief fund (AS 26.23.300) for costs associated with declared disasters, including disasters declared for fire suppression.

Amend the title by inserting after the words "operating appropriations;" the following:

making an appropriation to the disaster relief fund;

Discussion: This make the title conform with the \$1.5 million dollar amendment which capitalizes the disaster relief fund and is therefore not a supplemental.

AMENDMENT # 20

Adopted

TO: CSHB 137 (Fin)

BY: Hanley

Page 3, line 5

Delete	(\$494,838)
Insert	<u>\$4,394,100</u>

Discussion: This amendment fully funds the increased amount for six new judgments as requested in the February 24 letter from OMB.

AMENDMENT # 21

Adopted

TO: CSHB 137 (Fin)

BY: Hanley

Add a new section to read:

Sec. ____ (a) Section 36 of this act takes effect only if the attorney general notifies the office of management and budget in the Office of the Governor, and the revisor of statutes, that there is no pending issue and no court order in the *Cleary, et al. v. Smith, et al.* (3AN-81-5274 Civ) that would prevent the court system from depositing the Department of Corrections contempt of court fines in the general fund.

(b) If sec. 36 of this act takes effect, it takes effect on the date of the attorney general's notification under (a) of this section.

Discussion: This adds language as proposed by OMB in the original bill.

ROLL CALL
 HOUSE FINANCE COMMITTEE

MEETING OF 3/2/95

SUBJECT Add back old sec 15
259.5 Treasury fees ~~Ree~~

MEMBER	YES	NO
THERRIAULT		
BROWN		
GRUSSENDORF		
KELLY		
KOHRING		
MARTIN		
MULDER		
NAVARRE		
PARNELL		
HANLEY		
FOSTER		
TOTAL		

PASSED: _____

FAILED: _____

WHITE PAPER ON

ATMC FY95 SUPPLEMENTAL - EXPENDITURES PLAN
February, 1995

OVERVIEW

Tourism is the fastest growing industry in the state and the second largest private sector employer. With careful planning and sufficient funding, the industry has the potential to further diversify, create new jobs and enhance the economy of all regions of the state.

Currently over 20,000 Alaska jobs are directly dependent on tourism in Alaska, while another 52,000 jobs are impacted by visitor spending. Providing supplemental funds to the ATMC will maintain the yearly growth rate in primary jobs for Alaskans, and impact thousands of other jobs throughout the entire state. Without a strong basic tourism marketing program, Alaska will continue to lose its share of the market. This in turn will reduce jobs throughout the state and impact the lives of many Alaskans who depend upon these jobs to provide for the well being of their families.

Timing of the supplemental will dictate in part how the funds are expended. If received in late March or early April, the programs as outlined below will be funded. If received in May or June, the newspaper program will be dropped and those funds will be added to television.

The following plan is based on the ATMC receiving a supplemental of \$1,875,000 in general funds and \$625,000 in program receipts for a total of \$2.5 million.

TELEVISION

\$2,435,000 (97%) of the supplemental will be spent on national cable television advertising.

The ATMC generated phenomenal exposure for Alaska through the Good Morning America broadcasts and interested millions of people in visiting the state. Instead of capitalizing on this unique opportunity by following with a strong marketing effort in FY95, the ATMC's national broadcast advertising was cut by 90% due to the governor's veto. This all but eliminated the state's presence on national television.

The opportunity to capitalize on the success of Good Morning America still exists, but the

state needs to act now while the level of awareness and interest in visiting Alaska is high. Letting this opportunity pass would be detrimental to the continued success of the ATMC's program since the council's budget is no longer at a level where it is possible to generate similar exposure for the state.

Television advertising is a vital part of the ATMC's marketing mix. Not only does it generate new interest in visiting Alaska, it also creates immediate support for the direct response advertising programs. While it's possible to cut back on television advertising for a short period without affecting the number of visitors coming to the state, eventually the lack of television advertising will have a negative affect on the visitor industry and the state's economy. The visitors coming to Alaska now, are due in part to the advertising that ran over the past several years. If the ATMC's television advertising schedules stay at the current low level, there will be a decline in the number of visitors coming to the state as we approach the year 2000, even though we may see a slight increase prior to the decline.

Supplemental funding will allow the state to return to the television airwaves, greatly increasing the number of weeks and the number of network stations on which Alaska's message is broadcast. In addition, nationally syndicated television programs that have proven successful in the past will be added to the ATMC's media schedule. If a consistent and competitive television program is maintained, the state can expect to see a record number of visitors coming to Alaska in FY96 and an increase in visitation for years to come.

Current television commercials exist and no new production is needed. Commercials could begin airing immediately.

	<u># OF WEEKS</u>	<u># OF NETWORKS</u>	<u># OF TV SPOTS AIRING</u>	<u>GROSS IMPRESSIONS*</u>
FY95 CURRENT	10	2	825	81,103,000
FY95 WITH SUPPLEMENTAL	29	20	5,487	1,041,814,000

(*Gross impressions refers to the number of individuals that may potentially see the advertisements being aired.)

A strong broadcast schedule in the remaining half of FY95 will allow the state to regain the momentum that was created through Good Morning America. The timing of the funding is critical as 40% of the decisions to go to Alaska and 64% of the bookings are made during the March - May period. Even if funding is provided past this key period, recent trends indicate that more visitors are booking their Alaska trip less than three months from the time they

requested the Vacation Planner. This means that television advertising that runs as late as May and June will still have an impact on travel this summer, in addition to impacting future programs as well. Television has always been a strong image vehicle for the ATMC and a good response vehicle. The ATMC's conversion study shows that as many as 15% of those people responding to the ATMC's television advertising actually visit the state.

NEWSPAPER

\$50,000 is needed to restore the FY95 newspaper program to past levels.

Placement of a large ATMC ad in national newspapers generates additional editorial coverage about the state in the form of special Alaska Travel sections. As the ATMC's support has been scaled back, fewer newspapers have been willing to commit to running a major feature on Alaska. Other newspapers that continue to run Alaska Travel sections have reduced the size and quality of their sections. The New York Post, which traditionally runs an Alaska Travel section, indicated it would not produce a section this year due to the lack of state advertising support. Its possible that other Alaska Travel sections may also be lost.

A supplemental expenditure of \$50,000 will provide the state with additional newspaper features in 5-10 medium or large-sized city newspapers. Alaska Travel sections provide annual reinforcement of Alaska's images as an attractive world-class destination. In addition, these features provide an arena for smaller space advertisers to showcase their sales message in an ideal environment. Because many smaller advertisers do not have the budget to run large space ads or to run them with any frequency or continuity, this once-a-year opportunity is very important. The presence of an ATMC ad lends additional credibility and an implied endorsement as well as providing an "anchor" for the section. Newspaper advertising is one of the ATMC's most effective programs in terms of producing actual visitors to the state, with 28% of those people responding actually coming to visit.

FULFILLMENT/POSTAGE

\$15,000 is needed to fund postal rate increases.

Without additional funding, the ATMC will not be able to continue sending State Vacation Planners to potential visitors at the end of FY95. Although the ATMC knew there would be an increase in postal rates in FY95, the amount and timing of the increase were unknown when the budget was being prepared. An additional \$15,000 (4%) over last year's budget was set aside to cover expenses. The postal increase, however, went into effect earlier than anticipated (January) and was higher than expected (15% increase), leaving the ATMC with a shortfall.

Updated: Judgment	February 2, 1995 Date of Judgment	Amount	Interest thru 06/30/95 Anticipated	Total	Cumulative Total
1) Bruce Mattox v. State	7/1/94	600.60	20.50	621.10	621.10
2) S.E. Conservation Council v. State	5/9/94	45,665.87	5,554.17	51,220.04	51,841.14
3) Transamerican Premier Insurance v. State	6/27/94	25,000.00	2,683.36	27,683.36	79,524.50
4) S Cowper/D Pope Hickel v. Cowper	7/21/94	20,295.21	2,036.31	22,331.52	101,856.02
5) Ak Legal Services Corp CSED v. Hillen	10/26/94	17,808.07	1,282.94	19,091.01	120,947.03
6) George Clifton v. S Humphrey-Barnette	11/11/94	3,000.00	202.13	3,202.13	124,149.16
7) Myra Munson (Mat-Su) Hickel v. S.E. Conference (Supreme Court)	2/18/94	29,783.16	8,010.64	37,793.80	161,942.96
8) Myra Munson (S.E. Conf) Hickel v. S.E. Conference (Supreme Court)	2/18/94	29,783.16	8,010.64	37,793.80	199,736.76
9) David Crosby (Leavitt) Hickel v. S.E. Conference (Supreme Court)	2/18/94	23,140.03	6,904.39	30,044.42	229,781.18
10) Don Clocksin (ADP) Hickel v. S.E. Conference (Supreme Court)	2/18/94	11,870.00	3,186.43	15,056.43	244,837.61
11) Seattle-First National Bank Golden Valley Electric v. AEA	12/21/94	250,000.00	0.00	250,000.00	494,837.61

MEMORANDUM

State of Alaska
Department of Corrections
Division of Administrative Services
PHONE (907)465-3376, FAX (907)465-2074
P.O. Box 113000, Juneau, Alaska 99811-3000

TO: Annalee McConnell, Director
Office of Management & Budget

DATE: January 13, 1995

FILE: A-1-8H; A-1-20

FROM: Margaret Pugh, Commissioner

SUBJECT: *FY95 Supplemental
Request*

Attached is the Department of Corrections FY95 Supplemental Request. Using the form you provided on December 30, 1994, each supplemental need is briefly described according to the nature of the problem, dollar amount of each request, and source of funding.

These supplemental funds will provide the resources necessary for short-term stabilization of the Alaska Correctional System and provide the resources that will keep the system out of contempt of court action relating to the Cleary Final Settlement Agreement.

The FY95 Supplemental Request totals \$13,424.5, with an additional \$2,500.0 which will need further discussion. Receipt of the \$2,500.0 is imminent and will be recorded to the unrestricted general fund, which opens up the possibility of an add/delete supplemental request for the FY95 operating budget, or a request to the Legislative Budget and Audit Committee for the approval to receive and expend these funds as a capital authorization.

Should you have any questions or need additional information, please contact me.

Attachments

CC: Allen J. Cooper, Acting Deputy Commissioner

Shirley J. Minnich, Director
Division of Administrative Services

Frank Sauser, Director
Division of Institutions

Vikki Deakin, Acting Director
Division of Community Corrections

DOC Budget Files

PROPOSAL for X FY 95 Supplemental _____ FY96 Budget Amendments

General Fund	Non-General Fund	Total
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Essential for safety, health, etc.

**Necessary to maintain acceptable service
level in non-safety areas:**

Others:

Proposed reductions to the Hickel budget:

The Department of Corrections does not have an area or program that can be cut to absorb the following requests without further impacting prisoner and staff safety and security needs which would likely evoke further court sanctions against the Department for Cleary Final Settlement Agreement violations. During prior year budget reduction efforts, high personal services underfunding resulted in forced vacancies in security staff positions throughout the Institutions without any reductions to prisoner populations. Prisoner support stocks (i.e., food, clothing, bedding, etc, etc.) have been virtually depleted sustaining prior year budget cuts and are not capable of handling increased prisoner populations.

While cost containment and administrative efficiencies are continually on our list of organizational values, the cost of Corrections is largely driven by forces over which the Department has no control nor can it effectively be reduced without compromising the mission of the Department. Each program is interdependent on the other to fulfill a portion of the overall requirement to protect the public and provide opportunities for the reformation of offenders who are under the lawful care, custody, and control of the Department.

Currently, the gap between supply of existing correctional services and ever-increasing demands continues to widen.

PROPOSAL for X FY 95 Supplemental _____ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
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Essential for safety, health, etc.

**Necessary to maintain acceptable service
level in non-safety areas:**

Others: Office of the Commissioner	\$ 44.5		\$ 44.5
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With the transfer of the Commissioner's Office from Anchorage to Juneau, a supplemental appropriation for this component will be necessary. Costs are estimated for 5 1/2 months of FY95 and include the one-time cost to set up the Juneau office for the Commissioner and staff.

Travel: \$ 29.6

It is anticipated that, with the Commissioner's interaction with the Legislature, travel between Juneau and Anchorage will be minimum during the last six months of FY95. An analysis of travel expenditures to-date indicates that additional funding is required for a minimum of four (4) trips by the Commissioner to supervise the Anchorage Central Office, and three (3) trips for the Commissioner's staff to attend Legislative Hearings. Additionally, sufficient travel funds are needed to enable the Commissioner and her staff to make regular on-site inspections/visits to every DOC Institution and Probation Office in the State.

Contractual: \$ 10.9

The set-up and continued operation of the Commissioner's Juneau Office will increase the communication costs for this component, i.e., telephone (state network, base and long distance), postage, FAX, etc. A new copier and other small office machines must be leased/purchased.

Supplies: \$ 1.5

General office consumables, etc.

Furniture/Equipment: \$ 2.5

Miscellaneous furniture for Commissioner's Office

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.			

Necessary to maintain acceptable service
level in non-safety areas:

Others:	\$67.0		\$67.0
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Court Ordered Monitor:

The Alaska Court has ordered the continuation of a court appointed monitor in compliance with Section III (L) and VI (A) of the Cleary Final Settlement Agreement. The \$67.0 amount of compensation, which the court said was to be paid by the Department of Corrections, was determined reasonable by the court through an analysis of the court appointed monitor's proposal of \$88.4 and the State's counter offer of \$58.7. The FY95 Operating Budget for the Agency does not contain sufficient funds to cover this action.

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental _____ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.			
Necessary to maintain acceptable service level in non-safety areas:			
Others:	\$ 1,611.5		\$ 1,611.5

Contempt of Court Fines:

On September 9, 1994, the Superior Court found the State in contempt for exceeding court ordered prison capacities. The court ordered the State to pay \$ 1,000 per day for every day the system is over capacity and \$ 500 for every day each individual facility is over capacity. The Final Settlement Agreement reflects a ten day period in which a facility can be over emergency capacity before a fine is imposed. However, the Court's contempt order did not reflect this language. The Department of Law has asked for clarification of the formula to be used in calculation of these fines.

For the purpose of this request, calculation of these fines include the assumption that no more than nine (9) Institutions will be over capacity in one given day beginning on September 9, 1994 through June 30, 1995.

\$500.00 per day X 9 Institutions X 293 days =	\$ 1,318,500
\$1,000.00 per day Department fine X 293 days =	<u>\$ 293,000</u>
Total	\$ 1,611,500

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental _____ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.			

Necessary to maintain acceptable service
level in non-safety areas:

Others:	\$ 9.8		\$ 9.8
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Alaska Board of Parole Underfunding:

The Alaska Board of Parole's FY95 authorization was reduced by an unallocated \$ 14.6 (3%). In addition, personal services was underfunded by \$ 8.6. In an attempt to stay within the budget, the Board no longer conducts in-person hearings outside of the Anchorage Bowl, Fairbanks, and Juneau. Hearings for the four Institutions and seven probation offices outside of those areas are held telephonically. In addition to reducing travel expenses, the Board held a position open as long as possible, nearly three months into FY95, to meet personal services shortfalls. In spite of the measures taken to reduce expenditures, the Board is still faced with a projected shortfall in personal services of \$ 3.1, and a projected shortfall in compensation paid to board members of \$ 6.7.

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.	\$ 366.3		\$ 366.3

Correctional Academy:

The department must provide existing facilities with sufficient safety and security staff to handle increased prisoner populations. Operating facilities in an overcrowded condition is seriously raising the incidents of problems in the Institutions. In order to maintain the safe, orderly operation of Institutions, all available security staff positions had to be filled. The existing Correctional Academy budget only contains minimal funds to train the existing staff. Recruit salaries, travel, and per diem costs associated with attending the six week academy are not included in the operating budget authorization. The requested supplemental funding is needed to pay for the 51 recruit academy held in the first half of FY95, which was needed to fill critical security vacancies throughout the correctional system and an additional 20 recruit academy being planned for April 1995 (FY95).

**Necessary to maintain acceptable service
level in non-safety areas:**

Others:

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental _____ FY96 Budget Amendments

General Fund	Non-General Fund	Total
-----------------	---------------------	-------

Essential for safety, health, etc.

Necessary to maintain acceptable service
level in non-safety areas:

Others:

\$ 555.0

\$ 555.0

Resolution of Personnel Legal Action:

The Department of Law represents the Department of Corrections on all pending legal actions related to personnel. Specific information on these cases is privileged and pertains to strategies and details of the case. The amount requested is a present minimum estimate for the cost of resolution of two cases which are close to conclusion.

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental _____ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.			
Necessary to maintain acceptable service level in non-safety areas:	\$ 99.0		\$ 99.0

Correctional Industries-Administration Associated with Spring Creek (\$49.5)
and Wildwood C.C. (\$49.5)

Due to up-scaling of the Department's prisoner population at the Spring Creek and Wildwood Correctional Centers, the Alaska Correctional Industries was directed to increase the number of job opportunities and the availability of vocational instructions at these facilities. The costs associated with this additional programming is as follows:

A. In Spring Creek, an additional shift was added at the Furniture Plant to maximize utilization of existing space and equipment. A joint cooperative venture contract to manufacture burial caskets and associated products for a private corporation was negotiated to create the additional required market demand. In order to implement this shift, a full-time Correctional Industries Production Manager I position was needed to supervise operations.

B. The Correctional Industries activities at Wildwood were completely terminated and equipment/space mothballed when that facility was down-scaled in FY93. Correctional Industries programming was reintroduced at minimal levels in FY94 when prisoners first returned and the metal fabrication and office systems furniture shop was again reopened. Due to the recent increase in prisoner populations, additional product lines were introduced to this manufacturing facility (office panels systems, ergonomic chairs) through an expanded marketing effort to create the required directed increase in prisoner employment and programming. In order to return the Wildwood shop to its FY93 employment level, a full time Correctional Industries Production Manager was assigned to supervise the increased operations.

Others:

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental _____ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.			
Necessary to maintain acceptable service level in non-safety areas:	\$ 194.3		\$ 194.3

Correctional Industries-Administration Personal Services Underfunding:

Supplemental funds are requested to reduce Correctional Industries-Administration component's personal services underfunding to zero. Management staff was directed to fill all existing positions within this component in FY95 to meet the statewide correctional industries programming demands. This commission's administrative overhead allocation is nearly \$33.0 less than the FY93 incurred expenditures.

In prior years, increased costs of doing business forced this component to reallocate resources from other areas just to maintain minimum functions. This supplemental provides funds to maintain basic services for the remainder of FY95.

Others:

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental _____ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.	\$2,392.4		\$2,392.4

Out-Of-State Contract Beds:

To reduce prisoner populations throughout Institutions across the State, the department has entered into a professional services agreement which will move 206 prisoners to out-of-state prison beds. This action has been undertaken to stop the court contempt sanctions from accruing at a rate of approximately \$5,500 per day. The costs of these beds are \$59 per day, compared to in-state rates of \$106 per day effective January 1, 1995. These beds will be used according to classification criteria implemented in FY95 and are secured through June 30, 1995.

* 206 Beds X \$59.00 X 181 Days	= \$ 2,199,874
* Contracted Transportation	= \$ 120,000
* Gratuities (Alaska Inmates in Arizona)	= \$ <u>72,500</u>
Total	\$ 2,392,374

**Necessary to maintain acceptable service
level in non-safety areas:**

Others:

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental _____ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.	\$ 3,130.5		\$ 3,130.5

Institutions Statewide:

Alaska's ~~11.6%~~ retention rate among correctional officers is good, the fifth ^{highest} ~~lowest~~ in the nation. The national average is 11.6%. In comparison, the assigned vacancy factor and underfunding of personal services far exceed the actual realized vacancy rate among correctional officers. Unrealistic vacancy factors and underfunding of personal services are short-term answers to budget restrictions which increase costs, such as overtime, in the long run. While it is recognized that state resources are declining, reality dictates that funding for adequate staffing must be available to ensure a safe and effective operation can be maintained at all times. When does a 24-hour facility, staffed with stressed, overtired, overworked, and frustrated correctional officers reach its minimum limit of safety? So far, the correctional facilities have not had to deal with riots and/or loss of life. However, major incidents within the facilities are on the rise. This request adds only enough personal services funding to provide stabilization of existing personnel staffing levels within the Institutions to reduce the level of risk to staff and prisoners alike. In addition, minimal non-personal services funds are also requested to cover the support costs (i.e., travel back to point of arrest, increased communication costs, printing/binding, supplies including food and clothing) of increased prisoner populations at all Institution facilities statewide. Due to depleted stocks resulting from the sustaining of previous budget reductions, facilities are not able to cover the support costs of increased prisoner populations.

See Page 2 of this request for an Institution by Institution breakout of the supplemental amount

Necessary to maintain acceptable service level in non-safety areas:

Others:

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.	\$2,100.0		\$2,100.0

Inmate Health Care:

Although Inmate Health Care has implemented numerous cost containment measures and continues to identify and implement efficiencies by conducting thorough reviews of procedures and developing contracts that achieve savings, there is a shortage of \$2,000.0 for health services provided by physicians, dentists, hospitals, security agencies (guard hires for hospital stays), optometrists, and diagnostic testing agencies outside of Institutions.

Inmate Health has expended approximately \$1 Million dollars in hospital care for the first four and one half months of FY95. [The incredibly high expenditures are due to inmates who have required extended ICU stays and surgeries due to HIV related illnesses, osteomyelitis, heart disease (three different inmates with serious heart problems requiring surgery and hospitalization), cancer, a pancreatic blockage, and septicemia. Additionally, there have been visits to the emergency room and hospital stays for lesser illnesses.]

Supplemental funds have continually been requested in prior year operating budgets to cover Inmate Health Care funding shortfalls due to efforts to contain up-front Agency costs. The prior administrations have been reluctant to add a significant amount of funding up-front to cover these higher prisoner health costs and has continually requested that the Agency address the funding shortfall issue through the supplemental process.

Inmate Health Care was allocated a 2.5% vacancy adjustment in the FY95 authorization. The actual vacancy rate is less than 1%. This unrealistic vacancy and turnover rate plus underfunding for necessary overtime for nurses has created a personal services funding shortfall of approximately \$100.0 in FY95.

Necessary to maintain acceptable service level in non-safety areas:

Others:

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.			
Necessary to maintain acceptable service level in non-safety areas:	\$200.0 GF (\$200.0) GF/PR		\$ 200.0 GF (\$200.0)GF/PR\

Prisoner Telephone Funding Source Change:

The Alaska Public Utilities Commission and the vendor are still in negotiations at the same time that the department is working with the vendor to clarify and define specific points in the contract language. In addition, information received by this Department indicates that, due to a pending decision in federal court which will affect the regulations of inmate phone systems, approval by the Alaska Public Utilities Commission (APUC) will be delayed for an undetermined period of time.

The 18th Legislature approved a \$ 200.0 funding source change from general funds to general fund program receipts within the Cook Inlet Correctional Center to reflect anticipated receipts for a prisoner telephone system to be implemented during FY95. These receipts cannot be realized until a variance is approved and the contract language is defined and agreed to by the vendor.

This funding source change will ensure adequate funding levels for FY95. The FY96 budget currently continues the program receipt authority although APUC has yet to review the proposal with a contractor and grant their approval.

Others:

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental _____ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.	\$ 51.9		\$ 51.9

Sixth Avenue Correctional Center Administrative Positions:

As the prisoner population increases at the Sixth Avenue Correctional Center, more and more emphasis must be placed on safety and security staffing needs within the Institutions. Correctional Officers are currently performing full-time clerical and computer oriented duties. These functions must be performed by less costly and appropriately classified Administrative Clerks to free up the correctional officers to provide safety and security at the facility. This request funds three Administrative Clerk II positions for the remainder of FY95.

**Necessary to maintain acceptable service
level in non-safety areas:**

Others:

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental _____ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.	\$ 928.9		\$ 928.9

Spring Creek (\$156.6) and Wildwood C.C. (\$772.3) Bed Increases:

To utilize every available Institutional bed, the FY95 budget requested funding to increase the Spring Creek Correctional Center by 50 beds and to upscale Wildwood Correctional Center to full capacity by bringing online the 59 available beds in that facility. Although funding was subsequently rejected, the over population crisis required that these beds be brought online. This request will provide the funding necessary to support the costs associated with the addition of staff and programs to allow the Department to legally add these beds to the correctional system.

Spring Creek Correctional Center

There is presently a court motion to hold the Department in contempt for filling the Spring Creek beds prior to putting on additional security staff and prisoner programs to support the increased population. This request includes funding for two (2) Adult Probation officer II positions for approximately six months and incremental costs associated with housing, feeding and clothing prisoners.

Wildwood Correctional Center

The upscaling of Wildwood Correctional Center by 59 beds requires funding to provide staff support for an additional ten positions (One Correctional Officer III, seven Correctional Officer II's, one Adult Probation Officer II, and one Cook II) positions and to reduce the vacancy factor allocated to this component from 17.2% to a sustainable level for the remaining portion of FY95. In addition, incremental funds associated with housing, feeding and clothing prisoners is necessary to maintain the additional 59 beds for the remainder of FY95.

**Necessary to maintain acceptable service
level in non-safety areas:**

Others:

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental _____ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.	\$ 1,472.3		\$1,472.3

Community Residential Treatment Beds:

The FY95 Operating budget included funding for 412 CRC beds. To reduce overcrowding, classification criteria changes were implemented in FY95. This change required an increase in CRC beds to accommodate increased placements. The Department contracted for 567 CRC beds. Forty one (41) of these beds, purchased through an emergency procurement, expired on December 31, 1994. Of these forty one (41) beds, sixteen (16) are being continued on a per diem basis through June 30, 1995, bringing the departments current number of available beds to 542. ~~An additional sixty (60) beds are being considered for Keftan and Wasilla.~~ To maintain this higher level of CRC beds for the remainder of FY95, supplemental funding is required.

**Necessary to maintain acceptable service
level in non-safety areas:**

Others:

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental _____ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.	\$ 31.8		\$ 31.8

Southeast Region Probation :

The Southeast Region Probation component is currently unable to conduct field visits to the smaller towns and communities under its supervision. In addition, management cannot audit district probation offices and staff cannot meet the Alaska Police Standards Council training requirements, potentially subjecting the State and the Department to substantial liability. Travel reimbursement for moving expenses for two employees is delayed. Security equipment is needed for probation offices as well as upgraded computer equipment. All of these needs are not enhancements to services but are basic needs which were not funded in the FY95 operating authorization.

The responsibilities and requirements of the Adult Probation Offices are in place to prevent potential liabilities to the State and to protect the safety and welfare of the public.

**Necessary to maintain acceptable service
level in non-safety areas:**

Others:

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.	\$ 362.5		\$ 362.5

Point MacKenzie Rehabilitation Program:

The Point MacKenzie Rehabilitation Program has been in existence for just over a year and has an operational presence on two farms. There is housing for 92 prisoners but staffing and fiscal support to maintain the safety and security of prisoners at this level is not available. This supplemental request will provide the additional funding support required by the reclassification of LTC positions to Correctional Officers, fund the six correctional officer positions which were transferred without funding from Wildwood Correctional Center and enhance the fiscal resources needed to feed, clothe, and provide gratuities for prisoners. The requested amount is the minimal level of funding necessary to maintain this program level at 92 beds through June 30, 1995.

**Necessary to maintain acceptable service
level in non-safety areas:**

Others:

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental _____ FY96 Budget Amendments

	General Fund	Non-General Fund	Total
Essential for safety, health, etc.			
Necessary to maintain acceptable service level in non-safety areas:			
Others:	\$ 6.8		\$ 6.8

Miscellaneous Claims:

The Department has received past due prior year invoices from various vendors for services rendered during FY90, FY91, and FY92. These claims have been researched and verified as obligations not yet paid. Research indicates that these unpaid invoices were not received or were lost during the fiscal year in which the obligations occurred and were not included in the final expenditure determinations. A valid prior year obligation exists and payment is due.

Proposed reductions to the Hickel budget:

PROPOSAL for X FY 95 Supplemental _____ FY96 Budget Amendments

* Needs discussions at the next Meeting	General Fund	Non-General Fund	Total
		2,500.0	2,500.0

Other:

Federal Funds

Federal funds have been identified as available to the Alaska Department of Corrections. The impetus for approaching the U.S. Marshall's office for funding stemmed from the overcrowded conditions sustained by correctional facilities statewide. To obtain these federal funds for the state, this department met the requirements set forth by the U.S. Marshall's office. However, these funds have been identified as a direct recovery of capital expenditures incurred by Corrections through Capital Budget appropriations for facilities modifications. Due to this determination, funds cannot be recorded directly to the FY95 operating budget. Two ways to secure these funds for Corrections have been identified.

1. Submit an FY95 add/delete supplemental request.
Under this scenario, the funds will be secured and deposited into the unrestricted general fund and an add/delete supplemental would be requested. Approval of an add/delete supplemental request to the operating budget by the legislature would enable Corrections to secure these funds for FY95 operating shortfalls.

2. Secure these funds for capital expenditures.
According to the Division of Finance, The Legislative Budget and Audit committee would have to approve a request to secure these funds for this purpose. Since the original appropriations and expenditures were from the general fund source, funds secured from a federal fund source cannot be considered a reimbursement. Therefore, a request to receive and expend federal funds must be approved.



Alaska Court System
State of Alaska

OFFICE OF ADMINISTRATIVE DIRECTOR

300 K Street
Anchorage, Alaska 99501

ROBERT G. FISHER
Manager of Fiscal Operations

December 30, 1994

Dan Spencer
Budget Analyst
Office of Management & Budget
P. O. Box 110020
Juneau, Alaska 99811-0020

Dear Dan:

The court system is requesting supplemental appropriations for two budgetary shortfalls. One request relates to the upcoming trial for the Arctic North Slope Royalty case. This litigation involves a dispute over natural gas royalties. In 1992, certain oil royalty disputes were resolved. The trial is scheduled to start in April and finish in September. Our request is limited to costs for FY 95. Prior to this time, it was not possible to predict when the case would go to trial.

The other appropriation request is for funding for retro-active pay increases for certain magistrates. During an annual review of the magistrate classifications, we discovered that some magistrates had not been given pay increases as required by Supreme Court Order.

The requests are explained further in the enclosures. Please let me know, if you need additional information.

Sincerely,

Robert G. Fisher

Enclosures

123094a

Alaska Court System
Supplemental Budget Request
Arctic North Slope Royalty Case
FY 95

Background:

The Juneau Trial Courts are requesting supplemental funding of \$106,900 for FY 95 for the extraordinary costs associated with the Arctic North Slope Royalty case. This case was filed in 1977 and originally involved a dispute over oil and gas royalties between the State and 12 North Slope petroleum producers. Some of the claims of the lawsuit were settled out-of-court in 1992 just before trial was to commence. Still unresolved are claims over natural gas royalties. The trial is expected to last from April to September, 1995 and involves British Petroleum, Atlantic Richfield, Mobil and Exxon. The trial has been assigned to a superior court judge, whose workload will be assigned to the requested temporary judicial position. The requested funding will permit hiring of clerical and legal support staff and paying other costs of the trial. A summary of the request is presented below.

Fiscal Summary:

(FY 95 costs only)

Personal Services

	<u>Salary</u>	<u>Benefits</u>	<u>Total</u>
Pro tem superior court judge PPT (partially vested retired judge), 3 months	\$9,810	\$2,624	\$12,434
Law Clerk I 1SD, PPT, 8 months	21,216	8,227	29,443
In-Court Clerk 12A, PPT, 4 months	9,032	2,416	11,448
File Clerk 8A, NPP, 4 months	7,112	888	7,800
Bailiff 6A, NPP, 3 months	4,773	462	5,235
Total Personal Services			<u><u>66,360</u></u>

Travel

6,200

Transportation and per diem for pro tem judge. Two round trips per month (Anchorage to Juneau \$444) and long-term per diem at \$45 a day for a net 79 days in Juneau.

Contractual

29,300

Jury fees for 18 jurors at \$25 a day for 65 trial days

Equipment

5,000

Bar code reader system and database software for document indexing and tracking.

Total FY 95 Costs

\$106,860

Alaska Court System
Supplemental Budget Request
Retrospective Magistrate Pay Correction
FY 95

Background:

The Alaska Court System requests supplemental funding of \$51,700 to correct the pay of certain magistrates. Magistrate pay is governed by Supreme Court Order and is based on a complex weighted point system. A review of prior classifications was performed while preparing the current Supreme Court Order. This review resulted in retroactive reclassifications and pay increases for the magistrates listed below. The 1994 Legislature funded the reclassifications for FY 95 and subsequent years. This is a request for funding for obligations arising in prior fiscal years.

Fiscal Summary:

Personal Services

Employee

	<u>Amount</u>
Michael Jackson, Kake District Court, pay period 7/1/91 - 6/30/93	\$19,600
Bradley Gater, Nome Trial Courts, pay period 7/1/91 - 6/30/93	6,900
William Garrison, Naknek District Court, pay period 7/1/92 - 6/30/93	4,900
George Peck, Seward District Court, pay period 7/1/88 - 6/30/93	15,900
Dorothy Kameroff, Emmonak District Court, 7/1/90 - 6/30/93	10,400
	<hr/>
Total	<u><u>851,700</u></u>

Alaska Court System
Budget Amendment Request
Arctic North Slope Royalty Case
FY 96

Background:

The Juneau Trial Courts are requesting a FY 96 budget amendment of \$52,300 for the extraordinary costs associated with the Arctic North Slope Royalty case. This case was filed in 1977 and originally involved a dispute over oil and gas royalties between the State and 12 North Slope petroleum producers. Some of the claims of the lawsuit were settled out-of-court in 1992 just before trial was to commence. Still unresolved are claims over natural gas royalties. The trial is expected to last from April to September, 1995 and involves British Petroleum, Atlantic Richfield, Mobil and Exxon. The trial has been assigned to a superior court judge, whose workload will be assigned to the requested temporary judicial position. The requested funding will allow continuation of clerical and legal support staff and paying other costs of the trial. The FY 95 costs of this case were requested in a supplemental request for the FY 95 operating budget request. A summary of the FY 96 request is presented below.

Fiscal Summary:

(FY 96 costs only - July & August 1995)

Personal Services

	<u>Salary</u>	<u>Benefits</u>	<u>Total</u>
Pro tem superior court judge <i>PPT (partially vested retired judge), 2 months</i>	\$6,540	\$1,749	\$8,289
Law Clerk I <i>13D, PPT, 2 months</i>	5,304	1,419	6,723
In-Court Clerk <i>12A, PPT, 2 months</i>	4,516	1,208	5,724
File Clerk <i>8A, NPP, 2 months</i>	3,558	344	3,900
Bailiff <i>6A, NPP, 2 months</i>	3,182	308	3,490
Total Personal Services			<hr/> 28,126

Travel

4,400

Transportation and per diem for pro tem judge. Two round trips per month (Anchorage to Juneau \$444) and long-term per diem at \$45 a day for a net 58 days in Juneau.

Contractual

19,800

Jury fees for 18 jurors at \$25 a day for 44 trial days

Total FY 96 Costs

\$52,326

5. The department's FY 95 supplemental request for oil and gas litigation was originally 20,800.0. Here again, due to the BP and ARCO tax settlements, this amount should be reduced to 18,000.0 for a savings of 2,800.0.

(2,800.0)

(2,800.0)

MEMORANDUM

State of Alaska
Department of Law

Shelby Stastny
Director
Office of Management & Budget

DATE: October 13, 1994
FILE NO.:
TEL. NO: 465-3600
SUBJECT: FY 95 Oil and Gas
litigation supplemental

Emp

FROM: Bruce M. Botelho
Attorney General

The Department of Law urgently requests approval of a supplemental appropriation for oil and gas litigation in FY 95 in the amount of \$20,800,000.

The department is now in the trial preparation stage for three major cases. One of these cases involves royalty matters set for trial in the spring of 1995. The remaining cases are tax matters set for formal administrative proceedings. These cases are complex, involving substantial amounts of time and expense to prepare. Other on-going disputes include title challenges involving resource-rich lands that have high potential value to the state, the validity of a federal ban on the export of ANS crude oil, violations of the statehood compact affecting the recovery of oil and gas revenues from withdrawn federal lands, close monitoring of compliance with the TAPS settlement, and whether certain operating costs should be included in pipeline tariffs. A detailed confidential briefing on all of these issues is available at your convenience.

The legislature partially funded the FY 1995 oil and gas special litigation budget request unit by appropriating \$15.0 million (sec. 22(a), ch. 3, FSSLA 1994) of the estimated \$36 million needed to finance a full year of litigation activities. Because of the expense of document collection, production and organization, the need to take numerous depositions, and the employment and preparation of experts for all of these cases, the original appropriation will be expended mid year.

It is imperative that a special supplemental appropriation bill be introduced for consideration by the legislature at the earliest possible time. There is precedent for expedited consideration of an oil and gas litigation-related supplemental appropriation (see, e.g., ch. 2, SLA 1983; ch. 1, SLA 1981). Please recall that we proposed expedited consideration for the FY 94 supplemental as well. We received excellent support from your office during legislative consideration. However, the bill carrying the supplemental became bogged down when the legislature was deadlocked over use of the Constitutional Budget Reserve Fund

Shelby Stastny, Director
Office of Management & Budget

October 13, 1994
Page 2

(CBRF). We recommend that the supplemental be made from the state general fund rather than the CBRF. Any reconciliation necessary to reflect an expenditure from the CBRF for collection of petroleum revenues could be made in another appropriation bill enacted late in the session.

I would be pleased to discuss with you privately the effect an interruption in funding would have on the state's litigation effort. A description here in a public document would not serve the best interests of the state.

BMB:JLB:tg

MEMORANDUM

State of Alaska Department of Revenue

TO: Nancy Slagle, Director
Division of Budget Review
Office of Management & Budget

DATE: December 15, 1994

FILE NO: mhta.sup

TELEPHONE NO: 465-2335

THRU: Bob Baratko, Director
Administrative Services Division
Department of Revenue

SUBJECT: FY95 Supplemental Request
for Alaska Mental Health
Trust Authority

FROM: Mary Sutton, Finance Officer
Administrative Services Division
Department of Revenue

The Department of Revenue requests a "fast track" supplemental for FY95 start up costs for the Alaska Mental Health Trust Authority. In meetings with Deborah Smith, the Executive Director of the Alaska Mental Health Board, we developed an operating budget for FY95 in the amount of \$711.1. This is to be funded from the Mental Health Trust Settlement Income account (1092).

The supplemental request of \$711.1 will be allocated across the line items as follows:

Line Item	Amount
Personal Services	\$127.6
Travel	\$ 25.0
Contractual	\$380.8
Supplies	\$6.0
Equipment	\$171.7
Total	\$711.1

As you know, a decision was only recently reached in the Weiss v. State case. Therefore, we were unable to prepare an FY95 budget in the normal process. It is the intent of the Department to begin the operations of the Authority as soon as possible thus necessitating this "fast track" supplemental request.

Supplemental Request
December 15, 1994
Page 2

If you need further information, please contact Bob at 465-2312 or me at the above number.

cc: Deborah Smith, Executive Director, Alaska Mental Health Board