

ALASKA LEGISLATURE

1712

HOUSE and SENATE FINANCE COMMITTEE FILES, 1997-1998

**HOUSE FINANCE COMMITTEE
EXXON TESTIMONY
STRANDED GAS ACT**

I am Beverly Mentzer, Exxon Company U.S.A.'s Alaska Gas Commercialization Manager. I appreciate the opportunity to address the House Finance Committee regarding House Bill 393 as you evaluate and progress the bill. I'd like to share our views regarding how this bill will facilitate the commercialization of Alaska's gas and highlight key areas of interest during the prior hearings.

I can assure you that Exxon continues to have a keen interest in commercializing Alaska's North Slope gas, which represents over one-half of Exxon U.S.A.'s gas resources. Since discovery of Prudhoe Bay, Exxon has devoted a significant amount of our technical and financial resources searching for a way to commercialize the gas. We have spent in excess of \$100M on these efforts.

This work has demonstrated that it will take a combination of fiscal and regulatory modifications and certainty, favorable market terms and significant cost reductions for a North Slope gas project to be economic.

We are not alone in this belief. The State's fiscal consultant, Pedro Van Meurs said that, "In order to make the Alaska North Slope LNG project economic, three objectives have to be achieved:

1. The costs of the project have to be reduced substantially.

2. The profitability of the project has to be improved through a fiscal package in which federal, state and local governments cooperate, and
3. The risks of the project have to be considerably reduced."

The risks he addressed include such things as gas price, cost overruns, fiscal stability and market access.

To help reduce fiscal risk, this bill provides reasonable guidelines and boundaries for development of a fiscal contract. It includes the opportunity for input from the legislature, local municipalities and the public during the contract development stage. It also appropriately requires legislative review and authorization of any fiscal contract.

A key objective of the bill is to keep options open for the state of Alaska to maximize the value of its gas resources. It does a good job in meeting this goal, but could be even better. Let me explain what I mean by looking at five key questions – Where? Who? What? When? And How?

- Regarding where the gas is located, the bill is not field-specific, but keeps options open by defining criteria for a qualified project.
- Regarding who can develop a project, there are only criteria to judge the intent and financial strength of potential qualified sponsors.
- Regarding what the fiscal terms should be, there are only guiding principles for future negotiations, and options for taxes to be considered.
- Regarding when this process may be initiated, there are only three years to apply for a fiscal contract, until June 30, 2001. If the Committee judges the

principles and processes outlined in the bill to be sound, three years is a short timeframe to keep these options open for a project of this magnitude.

- Regarding how the gas may be developed, the bill originally kept options open for both proven technology, such as LNG, and new technology, such as gas-to-liquids conversion. Following recent removal of the gas-to-liquids language, it is debatable whether Alaska wants to keep the door open today to encourage the evaluation of new technology which may expedite commercialization of Alaska's gas.

Because it has been a topic of extensive debate, I'd like to explain further the options and issues surrounding gas-to-liquids conversion. Prior to doing this, however, I want to emphasize that Exxon has a work program planned for LNG, but we also want to perform some GTL studies. Since no option is currently economic, we will work on every method that has the potential to commercialize Alaska's gas.

The most frequently asked question is whether gas-to-liquids conversion is really an option worthy of Alaska's serious consideration today. The answer is "yes." From Exxon's perspective, we have spent over \$300M on technology development and acquired 1500 patents worldwide. We have completed a feasibility study with the Qatar General Petroleum Company and are currently in negotiations with them on commercial terms for a possible project. The issue is not whether the technology is ready -- from our perspective it is --, but the issue is whether or not the technology is economic. The site-specific economics will be determined by such factors as product price,

for file

construction, operating and transportation cost and fiscal terms. A DOE report, which compared the economics of similar size LNG and GTL projects for Alaska, concluded that "both options are economically promising and warrant consideration in industry and government decision making." The DOE also predicted similar state revenues for both options.

Another question is how a bill designed with LNG in mind could be appropriate for another technology such as GTL. Because current options are high cost, *and high-risk* uneconomic and subject to the same fiscal regime; many of the LNG learnings apply, and enabling legislation which is general in nature is indeed appropriate.

In summary, the passage of House Bill 393 is a necessary step in the process of developing appropriate fiscal terms that could be specified for the life of the project. Such a fiscal contract could increase the competitiveness of an Alaska gas project, while meeting the long-term fiscal interests of the state.

I would be glad to respond to any questions now.

Alaska produce taxable income, taxed by the State of Alaska.

Last year, Westours paid approximately \$3.5 million dollars to the State of Alaska. She referred to Attachment 6, which outlines the number of people employed in Alaska, the amount of money spent on marketing Alaska, and the contributions to the Alaska economy.

*HB 12
House
Personal
Minutes*

Representative Ulmer stated she would not support the proposed CS, because the philosophy was inconsistent with the intent of the bill. She thought the original bill was intended to send the message that Alaska is a friendly business climate for foreign investors. The original bill changed the worldwide apportionment to the water's edge method, like all other states. With adoption of the proposed CS, Alaska would now be the only state not having the exemption to the federal code.

*file CS was to
of cruiseships*

The bill would also undermine an effort to implement a statewide tourism tax to create a flow of revenue for the marketing effort, similar to the taxation of fishermen to create a flow of revenue to regional aquaculture associations for hatchery efforts. She would like Committee members to consider adoption of the original bill.

Representative Barnes asserted that the cruise ships pay nothing for the use of Alaska's waters and docks. They pollute the environment and Alaska receives nothing in exchange. Representative Ulmer noted that they do pay corporate income taxes on their operations, plus other fees, such as landing fees. She noted the exemption in federal law that prevents multiple taxation in different jurisdictions, and the inconsistency with this law. She said that these cruise lines are paying taxes to the federal government.

Representative Brown thought it was appropriate to attempt to achieve a fair tax policy. The Department of Revenue has been researching this tax apportionment method for some time; the Income and Excise Division has taken the position that they should be taxed. She explained that Commissioner Fisher supported the proposed change. There was further discussion on the apportionment method.

(Tape change, HFC 91-64, Side 1)

Representative Boyer MOVED to adopt the proposed CS, dated April 19, 1991.

A roll call vote was taken on the MOTION.

IN FAVOR: Boyer, Barnes, Brown, Koponen, Larson, Navarre, MacLean, Phillips
OPPOSED: Sharp, Ulmer

The MOTION passed, 8 - 2.

Representative Jacko was not present for the vote.

TONY KNOWLES
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 313
P.O. Box 11360
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February 9, 1998

The Honorable Gail Phillips
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Phillips:

Today I am transmitting the Alaska Stranded Gas Development Act to advance the development of Alaska's vast supply of North Slope natural gas. This legislation follows the recommendations of the North Slope Gas Commercialization Team which was established by legislation last year to build a framework to improve the economic feasibility and competitiveness of a North Slope gas project.

The bill authorizes the state to negotiate contracts with project sponsors to improve the economic feasibility of developing stranded gas on the North Slope. Contract payments would replace some or all of the state and municipal taxes applicable to the gas project including: 1) state and municipal ad valorem property taxes; 2) production or severance taxes; and 3) state corporate taxes. The state's royalty share of produced gas would not be subject to such a contract. Contract payments would be designed to improve project economics by "back-end loading" tax liabilities to allow project investors to begin to recoup some of their investment before facing a heavy tax burden. The contract payments would also be designed to provide the state with an increased share of the project's revenue if energy prices increase or if the sponsors are able to substantially decrease anticipated project construction costs.

Such contract payments were envisioned in both the House Concurrent Resolution relating to North Slope gas and the gas commercialization team bill passed last year. While the bill is unique in many respects, there are precedents for this type of incentive. For example, the LNG project on the Kenai Peninsula, which provides significant jobs and production and property tax revenue, benefited directly from the Alaska Industrial Incentive Act which provided tax advantages critical for development.

There are several major benefits to the approach authorized in the bill. Fiscal arrangements can be tailored to the specific economics of a gas project. Contractual

The Honorable Gail Phillips
February 9, 1998
Page 2

payments are more likely to provide predictability for potential investors in a project. This method also addresses the critical element of local taxes by providing a mechanism for ensuring a steady payment stream to municipalities over the life of the contract.

Local hire and the use of local businesses in any project are also stressed in the legislation. Employers participating in the project are required to advertise locally for available positions, use Alaska job service organizations, and employ qualified Alaska residents and Alaska-owned businesses to the full extent permitted by law.

Any contract negotiated by the Administration would be subject to legislative review and public hearing. Additionally, I would encourage the legislature to require legislative approval of a contract because of the appropriate role of the legislature in such a unique and significant decision. Furthermore, if such a contract in lieu of taxes was considered a tax, the legislature may well be required to approve such action by law.

The bill recognizes that in the process of negotiating a contract it may be necessary to review confidential company data if the state's best interests are to be advanced. The bill strikes a balance between the public's right to review the basis for the contract and the company's right to protect proprietary information from their competitors. Confidentiality of proprietary information is limited to items that, if revealed, would both affect a company's competitive position and significantly diminish the commercial value of the information.

The Stranded Gas Development Act is a critically important step in our efforts to realize the benefits of the enormous gas resources on the North Slope. While it is true a number of other factors must be addressed before a North Slope gas project becomes a reality, such as project cost reductions, market conditions, and the need for more favorable federal tax laws, this bill lays the necessary groundwork for our success. I urge your prompt and favorable action on this measure.

Sincerely,



Tony Knowles
Governor

ALASKA STATE CHAMBER OF COMMERCE**Resolution 98-12****Development of Stranded Alaska North Slope Gas**

WHEREAS, Alaska has at least 26 trillion cubic feet of natural gas resources in the Prudhoe Bay field and five to ten trillion cubic feet of additional natural gas resources in other North Slope fields; and

WHEREAS, these natural gas resources are currently stranded, without a transportation means to reach a market; and

WHEREAS, possible favorable conditions for the sale of North Slope gas to Pacific Rim markets beginning after 2005 may exist; and

WHEREAS, the Alaska Legislature recently expressed their support for intensified activities to advance economic North Slope gas sales through their unanimous passage of House Concurrent Resolution No. 1; and

WHEREAS, the Alaska State Chamber also recognizes that the petroleum industry is developing technologies which may offer other alternatives to produce the gas in the future; and

WHEREAS, the Alaska State Chamber believes commercial development of stranded natural gas from the North Slope and the construction of associated facilities would greatly benefit the future economic health of the State of Alaska, its local governments and private enterprise; and

WHEREAS, the Alaska State Chamber supports the commercial development of natural gas from the North Slope including the construction and operation of the associated facilities;

THEREFORE, BE IT RESOLVED that the Alaska State Chamber urges the Governor and the Alaska State Legislature to continue to take those steps, particularly to provide a stable and appropriate fiscal and regulatory environment, which will give an Alaska stranded gas project the best opportunity to become commercially viable, thus enabling the earliest possible development of the resource.

ADOPTED

December 5, 1997

BY

Pamela LaBolle

Pamela La Bolle
President

BY

David W. Marquez

David Marquez
Chairman, Board of Directors

HB

393

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 5/7/98

FURTHER: 5/10/98

DATE TURNED
IN TO OFFICE: 5/10/98

Finance Committee considered CS FOR HOUSE BILL NO. 393(RES)

DEVELOP STRANDED GAS RESOURCES

and recommends:

- be replaced with 5 CS CS HB 393 (FIN)
- adopt previous _____ CS _____ (_____)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:

- same title
- new title
- House Bill:**
- same title
- technical title
- new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Bill of 1998</i>	<input checked="" type="checkbox"/>	<i>Frank Parrnell</i>	<input checked="" type="checkbox"/>		
<i>John Inman</i>	<input checked="" type="checkbox"/>				
<i>Spencer</i>	<input checked="" type="checkbox"/>				
Co-Chair:		Co-Chair: <i>Deane</i>	<input checked="" type="checkbox"/>		
Co-Chair:		Co-Chair: <i>Tommy</i>	<input checked="" type="checkbox"/>		

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
DNR/Mgmt & Admin	2/11/98		10.0
Revenue/Comm. Off	2/11/98		441.6

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

Bill Version: HB 393
BIL (H) Publish Date: 2/11/98

STATE OF ALASKA 1998 LEGISLATIVE SESSION

Revision Date: (Note if correction)

Dept Affected Natural Resources

Title: Contracts for payments in lieu of taxes
for stranded gas resources

BRU: Commissioner's Office

Component: Management and Administration

Sponsor: Rules Committee

Requestor: Governor

Component Serial No. 423

Expenditures/Revenues

(Thousands of Dollars)

	FY99	FY00	FY01	FY02	FY03	FY04
OPERATING EXPENDITURES						
PERSONAL SERVICES						
TRAVEL	10.0	10.0	10.0	10.0	10.0	10.0
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	10.0	10.0	10.0	10.0	10.0	10.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE

(Thousands of Dollars)

	FY99	FY00	FY01	FY02	FY03	FY04
1002 Federal Receipts						
1003 GF Match						
1004 GF	10.0	10.0	10.0	10.0	10.0	10.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	10.0	10.0	10.0	10.0	10.0	10.0

Estimate of any current year (FY98) cost: \$ _____

POSITIONS

	FY99	FY00	FY01	FY02	FY03	FY04
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS:

(Attach a separate page if necessary)

It is expected that negotiation of these contracts will require travel by the commissioner of the department.

Prepared by: Nico Bus *Nico Bus for*

Phone: 465-2400

Division: Support Services

Date: 8-Feb-98

Approved by Commissioner: *Nico Bus for John Swirey*

Date: 2-8-98

Agency: Natural Resources

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

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Revision Date: _____ Dept. Affected: Revenue
 Title: N. Slope Gas Line BRU: Administration and Support
 Component: Commissioner's Office
 Sponsor: Rules
 Requestor: Governor COMPONENT SERIAL NO. 123

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
PERSONAL SERVICES	81.6	82.7	84.0	85.3	86.6	87.9
TRAVEL	30.0	30.0	30.0	30.0	30.0	30.0
CONTRACTUAL	375.0					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS	5.0	5.0	5.0	5.0	5.0	5.0
TOTAL OPERATING	491.6	117.7	119.0	120.3	121.6	122.9
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	*** 191.6	117.7	119.0	120.3	121.6	122.9
1001 CBRF						
1048 University of AK receipts						
Other	300.0					
TOTAL	491.6	117.7	119.0	120.3	121.6	122.9

Estimate of any current year cost \$ _____

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

*** The legislation as currently drafted allows for the \$300,000 in contractual costs to be recovered from future applicants. This bill could be modified to provide that all costs would be borne by an applicant.

See Attached

Prepared by: Mary Marshburn, Roger Marks
 Division: Office of the Commissioner
 Approved by Commissioner: Wilson L. Condon
 Agency: Revenue

Phone: 343-9242
 Date: February 9, 1998
 Date: February 9, 1998

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
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This bill would authorize the executive branch to negotiate a contract with sponsors of proposed projects to develop stranded gas in Alaska. The payments required by the contract would replace some or all of the state and local taxes that would otherwise pertain to major economic activity engendered by the project.

A negotiated contract would make it possible to tailor the fiscal arrangements to meet the needs of the proposed project while, at the same time, ensuring the public benefits from the project. A set of arrangements providing for contractual payments in lieu of taxes is likely to provide fiscal terms that potential investors will believe are likely to remain permanently in place over the life of the project.

Given the extended time frame to develop and market the large volumes of stranded gas, revenues expected as a result of the bill are outside the time horizon of this fiscal note.

The fiscal note breakdown is as follows:

Personal Services: \$81,600.00

Salary and benefits to fund one DOR person devoted to the gas project.

Travel: \$30,000.00

The state must continue to inform Alaska communities of and involve them in discussion of contract and project issues. Some of the issues that affect them are community impacts induced by project development, payments to municipalities in lieu of taxes, availability of gas to communities and Alaska hire and contracting. In addition, the state will propose and advocate changes to the federal tax structure to improve project economics and evaluate federal regulatory changes to allow for regulatory certainty. This line item will fund travel within Alaska, to consultants and to Washington, D. C. for these purposes.

Contractual: \$375,000.00

\$75,000.00 to fund a socioeconomic study on the impacts induced on the local communities by project development. This study is a necessary step in constructing the foundation for discussion with municipalities and negotiations with project sponsors about payments to municipalities in lieu of taxes for the costs of and impacts from additional services and construction resulting from project development.

N. Slope Gas Line
Bill Analysis
February 9, 1998
Page 3

\$300,000 to fund contractual services and advice from experts in fiscal, regulatory, contract negotiation, legal, and financial areas. These technical and evaluative services would be necessary to the tax and regulatory work planned for the federal level; they would be required to assist the state in substantive and complex contract development and negotiation, potentially with multiple sponsors. The state does not have all of this expertise in-house. \$75,000 of these costs will be incurred in preparation for the application process regardless of whether there are applicants.

As per the proposed bill, contract applications may be made until June 30, 2004. Expenditures for contractual services, therefore, may be necessary any time between July 1, 1998 and June 30, 2004. Because there is no way of knowing now specifically when expenditures would be required, it may be beneficial to treat this \$300,000 as a continuing appropriation

The proposed legislation allows reimbursement of the state by the applicant for the expenses of an independent contractor used to assist in the evaluation of an application. We estimate that \$100,000 of the \$300,000 expenditure would be from this non-general fund source, leaving \$200,000 from the general fund.

Miscellaneous: \$5000.00

To fund supplies, LNG conference participation, purchase of technical reports, etc.

TONY KNOWLES
GOVERNOR



HB 313

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(907) 465-3500
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 9, 1998

The Honorable Gail Phillips
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear *Gail* Speaker Phillips:

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Such contract payments were envisioned in both the House Concurrent Resolution relating to North Slope gas and the gas commercialization team bill passed last year. While the bill is unique in many respects, there are precedents for this type of incentive. For example, the LNG project on the Kenai Peninsula, which provides significant jobs and production and property tax revenue, benefited directly from the Alaska Industrial Incentive Act which provided tax advantages critical for development.

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The Honorable Gail Phillips
February 9, 1998
Page 2

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Local hire and the use of local businesses in any project are also stressed in the legislation. Employers participating in the project are required to advertise locally for available positions, use Alaska job service organizations, and employ qualified Alaska residents and Alaska-owned businesses to the full extent permitted by law.

Any contract negotiated by the Administration would be subject to legislative review and public hearing. Additionally, I would encourage the legislature to require legislative approval of a contract because of the appropriate role of the legislature in such a unique and significant decision. Furthermore, if such a contract in lieu of taxes was considered a tax, the legislature may well be required to approve such action by law.

The bill recognizes that in the process of negotiating a contract it may be necessary to review confidential company data if the state's best interests are to be advanced. The bill strikes a balance between the public's right to review the basis for the contract and the company's right to protect proprietary information from their competitors. Confidentiality of proprietary information is limited to items that, if revealed, would both affect a company's competitive position and significantly diminish the commercial value of the information.

The Stranded Gas Development Act is a critically important step in our efforts to realize the benefits of the enormous gas resources on the North Slope. While it is true a number of other factors must be addressed before a North Slope gas project becomes a reality, such as project cost reductions, market conditions, and the need for more favorable federal tax laws, this bill lays the necessary groundwork for our success. I urge your prompt and favorable action on this measure.

Sincerely,



Tony Knowles
Governor

HB

397

HFIN

FILE

**Senate Bill 292/House Bill 397
FY98 Supplemental Appropriations**

Fast
Track
Sec.
1 k.

HB
370
1 a, b.

1 c.
1 d.
1 f.
1 g.

1 e.
1 h.
1 i.

	Dept.	BRU/ Comp	Description	(in thousands)		Governor's Request				
						Federal	Total GF	Other	Fund Source	Total
1	DOA	AHFC	Lease paym'ts provided by tenants in the Bank of America building for operating and maintenance costs	1	a		0.0	1,786.4	AHFC Corp Rcpts	1,786.4
2	CRA	Training and Development	GF match & anticipated federal funds for Bristol Bay economic disaster - lapse 6/30/99	1	b	7,000.0	1,875.0			8,875.0
3	DOC	Existing CRCs	Community residential centers	1	c		886.0			886.0
4	HSS	Maternal, Child, & Family Health	Maternal child care health specialty clinics	1	d		100.0			100.0
5	DMV	CIP	RSA w/UA to upgrade & modernize the Poker Flats Research Range	1	e	20,000.0	0.0			20,000.0
6	DOT	CIP	Glennallen to Tok Interstate Highway resurfacing and rehabilitation	1	f	8,500.0	0.0			8,500.0
7	DFG	Subsistence/ Special Projects	Subsistence projects	1	g	120.6	0.0			120.6
8	DOL	Unemployment Insurance Svcs	Programs to mitigate the Bristol Bay economic disaster	1	h		3,000.0			3,000.0
9	USA	CIP	University Receipts for Poker Flats Research Range, see subsection (e).	1	i		0.0	20,000.0	Univ Rcpts	20,000.0
10	DMV	Youth Corps	Alaska National Guard youth corps challenge program	1	j		608.0			608.0
11	DOA	Leases	Lease costs	1	k		1,029.4			1,029.4
12	DOA	Leases	Lease costs	2	a		383.6			383.6
13	DOA	Longevity Bonus	Delete	2	a		-1,000.0			-1,000.0
14	DOA	Office of Public Advocacy	Office of Public Advocacy costs	2	a		265.4			265.4
15	DOA	Public Defender Agency	Public Defender Agency costs	2	a		351.0			351.0
16	DOA	EPORS	EPORS additional retirees	2	b		59.7			59.7
17	DOA	Pioneers' Homes	Revenue shortfall	2	c		0.0			0.0



3/10/98 pm

**Senate Bill 292/House Bill 397
FY98 Supplemental Appropriations**

Fast Track Sec.

	Dept.	BRU/ Comp	Description	(in thousands)		Governor's Request				
				Gov's Sec #		Federal	Total GF	Other	Fund Source	Total
18	CED	Insurance Operations	Hearing examiner	3	a		28.7			28.7
19	CED	Banking, Securities & Corp.	Hearing examiner	3	b		21.6			21.6
20	CRA	Capitalize a fund	AHFC corp rcpts to the power cost equalization and rural electric capitalization fund (source: stripper well receipts). Note: these receipts are normally appropriated as federal funds.	4	a		0.0	1,700.0	Fed RcpB AHFC Corp Rcpts	1,700.0
21	CRA	PCE	Power cost equalization (PCE) program. Note: appropriated as GF in previous year's supplemental, see 4(a).	4	b		0.0	1,700.0	Power Cost	1,700.0
22	DOC	Parole Board Admin & Operations	Operating costs	5	a		50.0			50.0
23	DOC		Operating costs	5	b		721.0			721.0
24	DOC	Inmate Health Care	Prisoner health care costs	5	c		2,500.0			2,500.0
25	DOC	Transportation & Classification	Prisoner transportation costs	5	d		240.0			240.0
26	DMV	Capitalize a fund	Disaster Relief Fund	6			2,000.0			2,000.0
27	DOE	AVTEC	AVTEC grants to students	7		75.0	0.0			75.0
28	DFG	Commercial Fisheries/HQ Fish Management	Situsuilq hatchery land lease costs	8	a		56.8			56.8
1 m. 29	DFG	Commercial Fisheries/Special Projects	Sitka herring roe kelp fishery	8	b		0.0	463.8	Test Fish	463.8

**Senate Bill 292/House Bill 397
FY98 Supplemental Appropriations**

	Dept.	BRU/ Comp	Description	(in thousands)		Governor's Request				
				Gov's Sec #		Federal	Total GF	Other	Fund Source	Total
30	DFG	CIP	Fund change for Fairbanks Indoor Shooting Range and Hunter Education Facility Construction from federal funds to fish and game funds	8	c	-500.0	0.0	500.0	Fish & Game Fund	0.0
31	DFG	Subsistence	Operating costs	8	d		56.0			56.0
32	DFG	Wildlife Conservation/ EVOS	Harbor seal study in Prince William Sound (EVOSS funds)	8	e		0.0	80.0	EVOSS	80.0
33	DFG	Office of Commissioner	United States and Russia talks on Bering Sea issues	8	f	25.0	0.0			25.0
34	HSS	ATAP	Caseload reduction savings	9	a		-1,500.0			-1,500.0
35	HSS	Vital Statistics	Lease space costs	9	b		18.0			18.0
36	HSS	Health Planning & Facilities Management	Planning and management costs associated with planning and design of the public health laboratory	9	c		0.0	180.0	Stat Desig Prgm Rcpts	180.0
37	HSS	General Relief Medical	Program costs	9	d		1,484.3			1,484.3
38	HSS	Medicaid State Programs	Medicaid school-based services for grants to school districts	9	e	1,306.6	0.0			1,306.6
39	HSS	Indian Health Services	Entitlement growth and increased IHS reimbursements	9	f	12,018.4	0.0			12,018.4
40	HSS	Medicaid State Programs	Medicaid school-based services for costs related to adoption caseload backlog - lapse 6/30/99	9	g	886.7	0.0			886.7
41	HSS	CIP	Delete - Yukon Kuskokwim Health Corporation/State Community Health Services building Design and Construction	9	h	-6,333.0	-1,000.0			-7,333.0
42	HSS	CIP	Add - Bethel public health clinic	9	h	6,333.0	1,000.0			7,333.0
43	LAW	4th Judicial District	Criminal trials	10	a		100.0			100.0

w/d

**Senate Bill 292/House Bill 397
FY98 Supplemental Appropriations**

	Dept.	BRU/ Comp	Description	Gov's Sec #	(in thousands)	Governor's Request				
						Federal	Total GF	Other	Fund Source	Total
44	LAW	Attorney General	Judgments and claims	10	b		130.1			130.1
45	LAW	Ofc of Special Prosecution and Appeals	Court challenges to statutes dealing with medical procedures and parental consent for abortions - lapse date 6/30/99	10	c		300.0			300.0
46	LAW	Oil & Gas Litigation	Operating costs	10	d		2,500.0			2,500.0
47	DMV	CIP	Alaska National Guard - Counterdrug program	11		100.0	0.0			100.0
48	HSS		Describes purpose of section and intent that funds should be used for projects and services that benefit children. Note: Contingent general fund appropriation did not become operational and therefore is not available to reduce general funds appropriated	12	a		0.0			0.0
49	HSS	Medicaid Facilities and Non-Facility	Program costs because federal match rate not as high as originally anticipated.	12	b	-7,770.1	7,770.1			0.0
50	HSS	DFYS	Reduction in federal Title XX block grant	12	c.1		119.3			119.3
51	HSS	Youth Facilities	Operating costs	12	c.2		290.0			290.0
52	HSS	Foster Care Augmented Rate	Operating costs for special needs foster children	12	c.3		355.6			355.6
53	HSS	Capitalize a fund	Alaska Children's Trust	12	c.4		2,000.0			2,000.0
54	DMV	Alaska National Guard/Youth Corps	Youth Corps challenge program or similar at-risk youth intervention programs - lapse date 6/30/99	12	c.5	786.0	681.0			1,467.0

**Senate Bill 292/House Bill 397
FY98 Supplemental Appropriations**

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	Dept.	BRU/ Comp	Description	(in thousands)		Governor's Request					
				Gov's Sec #		Federal	Total GF	Other	Fund Source	Total	
55	DPS	Council on Domestic Violence and Sexual Assault	Provide training on domestic violence and sexual assault for school, medical, and other personnel - lapse date 6/30/99	12	c.6		100.0				100.0
56	DOR	CSED	Grants for child support enforcement purposes	12	c.7	1,238.4	65.2				1,303.6
57	DOR	CSED	Non-reimbursable costs of collecting child support paym'ts for children in state custody & to repay required reimbursements.	12	c.8		140.0				140.0
58	CRA	CIP	Health and Safety capital improvements to Head Start facilities in the state.	12	d.1		500.0				500.0
59	DOE	CIP	Power house demolition at Mt. Edgecumbe High School	12	d.2		158.3				158.3
60	GOV	CIP	Americans with Disabilities Act compliance for state agencies	12	d.3		1,000.0				1,000.0
61	HSS	CIP	Americans with Disabilities Act upgrades, through competitive grants, for facilities that serve mental health trust beneficiaries	12	d.4		100.0	100.0		MH-TAAR	200.0
62	HSS	CIP	Technology improvements to support child protection or prevention services	12	d.5	225.0	225.0				450.0
63	HSS	CIP	Improvement of the alcohol & drug abuse management information system.	12	d.6		392.0				392.0
64	HSS	CIP	Client data integration information system project	12	d.7	200.0	400.0	200.0		MH-TAAR	800.0
65	HSS	CIP	Computer and communication improvements for the state public health nursing program	12	d.8		400.0				400.0

**Senate Bill 292/House Bill 397
FY98 Supplemental Appropriations**

	Dept.	BRU/ Comp	Description	(in thousands)		Governor's Request				
				Gov's Sec #		Federal	Total GF	Other	Fund Source	Total
66	HSS	CIP	DFYS for field safety, transportation equipment purchases, to support child protection or prevention services	12	d.9		410.2			410.2
67	HSS	CIP	Repair and upgrade of the heat, ventilation, and control system at McLaughlin Youth Facility	12	d.10		450.0			450.0
68	HSS	CIP	Design and construction of a Kenai public health center	12	d.11		1,705.0			1,705.0
69	HSS	CIP	Construction of a youth detention facility in Ketchikan	12	d.12		1,518.3			1,518.3
70	HSS	CIP	Construction of a detention unit and probation offices at McLaughlin Youth Facility	12	d.13		5,297.0			5,297.0
71	HSS	CIP	Construction of a youth detention facility in the Matanuska-Susitna Borough	12	d.14		4,100.0			4,100.0
72	DMV	CIP	Repairs and upgrades to the Alaska National Guard youth corps facility at Camp Carroll	12	d.15		230.0			230.0
73	DPS	CIP	Appropriated to the Council on Domestic Violence and Sexual Assault, for the phase three installation of the domestic violence and sexual assault information system	12	d.16		85.0			85.0
74	DOC	CIP	Appropriated to the Division of Community Corrections, for equipment and vehicles for the sexual predator monitoring program	12	d.17		100.0			100.0
75	HSS	CIP	Inhalant prevention and treatment programs	12	d.18		800.0			800.0
76	DOC	Administrative Svcs	Misc claims and stale dated warrants	13	a		1.7			1.7

**Senate Bill 292/House Bill 397
FY98 Supplemental Appropriations**

	Dept.	BRU/ Comp	Description	(in thousands)		Governor's Request				
				Gov's Sec #		Federal	Total GF	Other	Fund Source	Total
77	DOE	Administrative Svcs	Misc claims and stale dated warrants	13	a		3.6			3.6
78	DFG	Administrative Svcs	Misc claims and stale dated warrants	13	a		1.7			1.7
79	HSS	Administrative Svcs	Misc claims and stale dated warrants	13	a		4.0			4.0
80	DOL	Administrative Svcs	Misc claims and stale dated warrants	13	a		0.1			0.1
81	LAW	Administrative Svcs	Misc claims and stale dated warrants	13	a		0.5			0.5
82	DPS	Administrative Svcs	Misc claims and stale dated warrants	13	a		2.1			2.1
83	DOA	Administrative Svcs	Misc claims and stale dated warrants	13	a		26.4			26.4
84	DOR	CSED	Misc claims related to telephone charges	13	b	54.2	27.9			82.1
85	DNR	State Fire Suppression	Fire suppression activities	14	a		13,000.0			13,000.0
86	DNR	Recorder's office	Workload increases at the state recorder's office	14	b		100.0			100.0
87	DNR	Resource Develop/ Land Development	Demolition and asbestos abatement at the old Eagle School site	14	c		155.0			155.0
88	DNR	Resource Develop/ Geological Development	Geological materials center deferred maintenance, sample storage expansion, mining land records, mineral deposit database, and guide to Alaska mineral data	14	d	118.5	0.0			118.5
89	DNR	Agricultural Revolving Loan Program Admin	From Agricultural revolving loan fund for protection of collateral for loans	14	e		0.0	65.0	Ag Rev Loan Fund	65.0

**Senate Bill 292/House Bill 397
FY98 Supplemental Appropriations**

	Dept.	BRU/ Comp	Description	(in thousands)		Governor's Request				
				Gov's Sec #		Federal	Total GF	Other	Fund Source	Total
90	DNR	Parks Management	Fund source change for operations of the division of parks and outdoor recreation	14	f		0.0			0.0
91	CRA	Various	Ratify overexpenditures \$2,364.4	15	1		0.0			0.0
92	DOE	Various	Ratify overexpenditures \$45.8	15	2		0.0			0.0
93	DEC	Various	Ratify overexpenditures \$110.2	15	3		0.0			0.0
94	GOV	Various	Ratify overexpenditures \$0.01	15	4		0.0			0.0
95	DOL	Various	Ratify overexpenditures \$10.9	15	5		0.0			0.0
96	LAW	Various	Ratify overexpenditures \$14.0	15	6		0.0			0.0
97	CTS	Various	Ratify overexpenditures \$0.8	15	7		0.0			0.0
98	DOA	Leases	Delete - Records Storage Costs	16	a		-120.0			-120.0
99	CED	Administrative Svcs	Add - Records storage costs	16	b		2.5			2.5
100	CRA	Administrative Svcs	Add - Records storage costs	16	b		0.2			0.2
101	DOC	Administrative Svcs	Add - Records storage costs	16	b		0.8			0.8
102	DOE	Administrative Svcs	Add - Records storage costs	16	b		37.3			37.3
103	DEC	Administrative Svcs	Add - Records storage costs	16	b		1.2			1.2
104	DFG	Administrative Svcs	Add - Records storage costs	16	b		5.5			5.5
105	GOV	Administrative Svcs	Add - Records storage costs	16	b		2.8			2.8
106	HSS	Administrative Svcs	Add - Records storage costs	16	b		5.6			5.6
107	DOL	Administrative Svcs	Add - Records storage costs	16	b		1.9			1.9
108	LAW	Administrative Svcs	Add - Records storage costs	16	b		31.8			31.8
109	DMV	Office of Commissioner	Add - Records storage costs	16	b		0.1			0.1

**Senate Bill 292/House Bill 397
FY98 Supplemental Appropriations**

	Dept.	BRU/ Comp	Description	(in thousands)		Governor's Request				
				Gov's Sec #		Federal	Total GF	Other	Fund Source	Total
110	DNR	Mgmt & Admin.	Add - Records storage costs	16	b		1.8			1.8
111	DPS	Administrative Svcs	Add - Records storage costs	16	b		0.8			0.8
112	DOR	Administrative Svcs	Add - Records storage costs	16	b		7.4			7.4
113	DOT	Statewide Administrative Svcs	Add - Records storage costs	16	b		3.4			3.4
114	CTS	Administrative Svcs	Add - Records storage costs	16	b		0.6			0.6
115	LEG	Leg Finance	Add - Records storage costs	16	b		0.1			0.1
116	LEG	Leg Audit	Add - Records storage costs	16	b		0.6			0.6
117	DOA	Administrative Svcs	Add - Records storage costs	16	b		15.6			15.6
118	DOR	CSED	For Juneau office relocation costs	17	a	36.6	18.8			55.4
119	DOR	Alcohol Beverage Control Board	Increased personnel costs	17	b		16.0			16.0
120	DOT	Capitalize a fund	Alaska Marine Highway System for costs and lost revenue from refunded tickets resulting from the 1997 Prince Rupert blockade of the M/V Malaspina	18	a		1,741.2			1,741.2
121	DOT	Southeast Vessel Operations	Legal defense and other costs associated with the 1997 Prince Rupert blockade of the M/V Malaspina	18	b		0.0	518.1	AMHS Fund	518.1
122	DOT	CIP	Capital improvements to the King Cove Harbor	18	c		600.0			600.0
123	DOT	CIP	Chignik Small Boat Harbor	18	d		1,000.0			1,000.0
124	DOT	CIP	Capital improvements to the St. Paul Harbor	18	e		2,000.0			2,000.0

Senate Bill 292/House Bill 397
FY98 Supplemental Appropriations
(in thousands)

	Dept.	BRU/ Comp	Description	Gov's Sec #		Governor's Request				
						Federal	Total GF	Other	Fund Source	Total
125	UoA	Statewide Services	Settlement of a claim	19	a		606.5			606.5
126	UoA	CIP	From University of Alaska receipts for planning and design costs for a multi-agency fisheries facility in Juneau	19	b		0.0	1,700.0	Univ Rcpts	1,700.0
127	CTS	Commission on Judicial Conduct	Attorney fees	20			55.6			55.6
Grand Total						44,420.9	65,017.7	28,993.3	0.0	138,431.9
Funding Summary						<u>Governor</u>		<u>Enacted</u>		
Federal						44,420.9				
General funds						65,017.7				
Other						28,993.3				
Total						138,431.9				

on file
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Ann 1

April 2, 1998

The Honorable Bert Sharp
Senate Finance Co-Chair
Alaska State Legislature
State Capitol, Rm. 516
Juneau, AK 99801-1182

The Honorable Mark Hanley
House Finance Co-Chair
Alaska State Legislature
State Capitol, Rm. 507
Juneau, AK 99801-1182

The Honorable Drue Pearce
Senate Finance Co-Chair
Alaska State Legislature
State Capitol, Rm. 518
Juneau, AK 99801-1182

The Honorable Gene Therriault
House Finance Co-Chair
Alaska State Legislature
State Capitol, Rm. 511
Juneau, AK 99801-1182

Dear Finance Co-Chairs:

Since our transmittal of amendments on February 25, a few more items have come to our attention. The FY98 capital supplemental amendment for DCED and the two FY98 capital supplemental amendments for DOT would have been submitted as RPLs if the Legislative Budget and Audit Committee was reviewing RPLs during the session.

Please consider these projects as you work through the supplemental and capital budget bills.

SB 292 and HB 397 FY98 Capital Supplemental Amendments

1. These funds are for rocket and satellite launches and services provided by the Kodiak Launch Complex.

Section 3. Department of Commerce and Economic Development. Add a new paragraph to read:

- (c) The sum of \$5,000,000 is appropriated to the Department of Commerce and Economic Development, Alaska Aerospace Development Corporation, for launch

(d) project costs of the Kodiak Launch Complex, from the following sources:

Federal receipts	\$4,500,000
Alaska Aerospace Development Corporation receipts	500,000

Also amend Section 23(a) Lapse Provisions to include 3(c) as a capital project.

2. The Department of Education will be phasing the Mt. Edgecumbe power house hazardous waste removal and demolition.

Section 12. Capital Appropriations from the Reallocation of Medicaid State Match. Amend Sec. 12(d)(2) to read:

(2) the sum of \$40,000 [\$158,300] is appropriated from the general fund to the Department of Education for power house demolition at Mt. Edgecumbe High School.

3. This project is part of the Copper River Highway consent decree.

Section 8. Department of Fish and Game. Add a new paragraph to read:

(g) The sum of \$50,000 is appropriated from the general fund to the Department of Fish and Game for the lower Copper River salmon habitat restoration project.

Also amend Section 23(a) Lapse Provisions to include 8(g) as a capital project.

4. These are new federally-funded projects within the Department of Transportation and Public Facilities.

Section 18. Department of Transportation and Public Facilities. Add new paragraphs to read:

(f) The sum of \$50,000 is appropriated from federal receipts to the Department of Transportation and Public Facilities, measurement standards and commercial vehicle enforcement, for a data communications project.

(g) The sum of \$4,893,750 is appropriated from federal receipts to the Department of Transportation and Public Facilities for the Cordova airport runway rehabilitation project.

Finance CoChairs
April 2, 1998
Page 3

Also amend Section 23(a) Lapse Provisions to include 18(f) and (g) as capital projects.

SB 231 and HB 327 New Capital Budget Projects

1. Department of Natural Resources, Municipality and Borough Special Assessments, \$15,000 general funds. This project was briefly mentioned at the Senate Finance Committee hearing on March 28.

Detailed back-up materials for all amendments are attached. I have also attached a listing of all capital projects in the supplemental bill. If you have any questions, please call Dan Spencer (x4681) or Dawn Mach (x4697).

In addition, the Department of Transportation and Public Facilities has submitted federal authority changes to the proposed FY99 capital budget today, which are still under review. These changes are all non-general fund project additions or other changes to the federal aid highway and aviation programs. We expect to transmit these additional amendments to you tomorrow.

Sincerely,

Annalee McConnell
Director

Attachments

cc: Mike Greany, Legislative Finance

03/10/98
13:34:44

LEGISLATIVE TELECONFERENCE NETWORK SYSTEM
PARTICIPANT LIST (ALL PARTICIPANTS)
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FOR:ANC

TCN: 80460
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LOCATION: ANCHORAGE

HB 397
HB 397
HB 397

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BARBARA
BRANT

FRISBY _____ ANS ?
BRINK _____ ANS ?
MCGEE _____ ANS ?

DIV ENERGY TESTIFY
PUBLIC DEFENDER TESTIFY
PUBLIC ADVOCATE TESTIFY

Director Div of Energy (DCEA?)

*Director OP Advocacy
DOA*

Director Pub Def Agcy DOA

HB

400

HFIN

FILE

HOUSE COMMITTEE REPORT

(11) .

Date Referred to Committee: March 31, 1998

FURTHER REFERRALS:

Date of Committee Action: 4/29/98

The FINANCE Committee considered:

HB 400

HOUSE BILL NO. 400

DEPT OF COMMUNITY & ECONOMIC DEVELOPMENT

"An Act combining parts of the Department of Commerce and Economic Development and parts of the Department of Community and Regional Affairs by transferring some of their duties to a new Department of Commerce and Rural Development; transferring some of the duties of the Department of Commerce and Economic Development and the Department of Community and Regional Affairs to other existing agencies; eliminating the Department of Commerce and Economic Development and the Department of Community and Regional Affairs; relating to the Department of Commerce and Rural Development; adjusting the membership of certain multi-member bodies to reflect the transfer of duties among departments and the elimination of departments; and providing for an effective date."

recommends it be replaced with the following committee substitute CSHB 400 (C + C) 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) DCED, 3/27/98

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<i>Gene Theriault</i> Theriault	K			
<i>Edon Mulder</i> Mulder	X			
<i>Brussendorf</i> Brussendorf		X		
<i>Vic Kohring</i> Kohring	X			
<i>DAVIES</i> DAVIES		X		
<i>DAVIS</i> DAVIS			X	

CHAIR'S SIGNATURE *Gene Theriault*
 Chair Theriault

FISCAL NOTE

Bill Version: CSHB 400 (L&C)

(H) Publish Date: 3/31/98

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Revision Date (Note if correction) _____ Dept. Affected (multiple) _____
 Title An Act combining the Departments of Commerce BRU (multiple) _____
and Economic Development and Community and Reg Affairs Component (multiple) _____
 Sponsor Representative Kohring _____
 Requester Hs Labor & Commerce Committee Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Personal Services	(130.5)	(130.5)	(146.9)	(146.9)	(146.9)	(146.9)
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	(130.5)	(130.5)	(146.9)	(146.9)	(146.9)	(146.9)

CAPITAL EXPENDITURES	1,812.5					
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CHANGE IN REVENUES (1007)	(25.8)	(25.8)	(25.8)	(25.8)	(25.8)	(25.8)
----------------------------------	---------------	---------------	---------------	---------------	---------------	---------------

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,682.0	(130.5)	(146.9)	(146.9)	(146.9)	(146.9)
1005 GF/Program Receipts						
1037 GF/Mental Health						
1007 Interagency Receipts	(25.8)	(25.8)	(25.8)	(25.8)	(25.8)	(25.8)
TOTAL	1,656.2	(156.3)	(172.7)	(172.7)	(172.7)	(172.7)

Estimate of any current year (FY98) cost: _____

POSITIONS

Full-time	(2)	(2)	(2)	(2)	(2)	(2)
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See attached analysis.

Prepared by Tom Lawson, Director
 Division Administrative Services
 Approved by Commissioner Deborah B. Sedwick
 Agency Commerce and Economic Development

Phone (907)465-2506
 Date 3/27/98
 Date 3/27/98

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FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 400

ANALYSIS: (continued)

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT Fiscal Note Calculations for HB 400

HB 400 would combine the Departments of Commerce and Economic Development and Community and Regional Affairs, creating a new Department of Commerce and Rural Development, and would transfer a few programs to other state agencies, including the Departments of Labor and Health and Social Services. No existing programs are eliminated in this legislation. We estimate that it will take twelve to twenty-four months to implement this legislation, including moving staff, merging programs, etc. Following is our best estimate of the fiscal impacts.

Staff Savings

This fiscal note shows the estimated savings in staff associated with the merger of DCED and DCRA. This bill may result in the elimination of some administrative support positions. However, during a twenty-four month transition period, no administrative support staff should be eliminated. In fact, administrative workloads will increase because of the merger and transfer of financial and computer systems, personnel issues which will arise, office relocations, and budget development and implementation. Initially, one Commissioner and Executive Secretary will be eliminated in the Commissioner's Office. In addition, an Administrative Services Director will be downgraded to an assistant director and the Director of the Division of Community and Rural Development will be downgraded to a Program Coordinator. All DCED and DCRA directors are partially exempt and therefore subject to the State's Personnel Rules. One of the personnel rules requires that when a downgrade occurs, salaries must be matched and if this is not possible, salaries are to be frozen for two years. Consequently, there is no savings with the downgrade of the director of Administrative Services, however there is savings beginning in FY01 with the downgrade of the DCRD director to program coordinator. All other staff eliminations or other savings will have to await implementation of this legislation and a comprehensive evaluation by all affected agencies of the impacts. Specific positions which will need to be evaluated in the first 12 months include: a Deputy Commissioner; a Special Assistant to the Commissioner II; and division directors. In the second year of implementation, administrative support staff in divisions and administrative services personnel will be evaluated for possible elimination. Following is our estimate of personal services savings:

	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04
Commissioner	\$ (109.5)	\$ (109.5)	\$ (109.5)	\$ (109.5)	\$ (109.5)	\$ (109.5)
Secretary	(46.8)	(46.8)	(46.8)	(46.8)	(46.8)	(46.8)
DCRD director to Program Coord.	0.0	0.0	(16.4)	(16.4)	(16.4)	(16.4)
Total Personal Services Savings	\$ (156.3)	\$ (156.3)	\$ (172.7)	\$ (172.7)	\$ (172.7)	\$ (172.7)

Moving Costs

DCRA and DCED offices in Juneau and Anchorage are consolidated with no additional lease costs. This fiscal note includes a total of \$1,658.4 for moving costs as a capital budget item. We estimate that a total of 253 positions will need to be moved to accommodate the departmental transfers that are entailed in this legislation. The Department of Administration, Division of General Services and Supply, has developed a cost per position moving factor of \$6.1. This factor was developed through an analysis of recent office moves in Juneau and Anchorage. Additional money (\$25.0 each for Juneau and Anchorage) will be needed to contract for the services of an architect to design office facilities for those employees who will be relocated. Finally, we foresee the need, at least on a short term basis, for new office space when current offices cannot accommodate transferred staff. Space is not available in the Anchorage Department of Health and Social Services Frontier Bldg. offices for the Child Care Assistance Program. Additional space will need to be leased in the Frontier Bldg. for this program. We have included \$65.1 to cover these costs. Because employees from two departments will be relocated to multiple departments and in order to ensure appropriate management of all moving funds, we have consolidated all moving costs into this fiscal note and recommend that the appropriation for moving costs be made to the Office of Management and Budget. Following is a summary of our moving cost estimates:

FISCAL NOTE

STATE OF ALASKA
1998 LEGISLATIVE SESSION

BILL NO. HB 400

ANALYSIS: (continued)

DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT Fiscal Note Calculations for HB 400

Moving Costs (continued)

	FY 99	FY 00	FY01	FY 02	FY03	FY 04
Moving 260 positions at \$6.1 each	\$ 1,543.3	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Space Design Contract	50.0	0.0	0.0	0.0	0.0	0.0
<u>New Office Space Requirement</u>						
Child Care Asst. DHSS/Anch.	65.1	0.0	0.0	0.0	0.0	0.0
Total Moving Cost	\$ 1,658.4	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0

Computer Systems One Time Costs

Money will be needed for computer systems conversions. We estimate that \$ 125.0 as a one time capital appropriation for FY 99-FY 04 period will be needed for costs to convert DCRA computers to the DCED system or vice versa. Costs include server/hub upgrades, software upgrades and license fees. In addition, costs are estimated for separate Child Care Assistance and JTPA offices. It is assumed that programming and conversion task will be undertaken with in-house staff. Cabling costs are included in the moving cost estimate. The integration of the separate DCRA and DCED computers will speed public services and improve the ability of the public to access departmental information.

Space Planning & Leasing

The Department of Administration, Division of General Services will provide support to the affected agencies. This support will include: issuing ITB's/RFP's for new space requirements; enforcing space standards; negotiating lease improvements; and, coordinating building modifications with DOT/PF in State owned buildings. It is difficult to determine staff requirements due to the unknown number of bids, moves, building improvements, etc. that will be required. It is estimated that at least one Procurement Specialist III for six months will be necessary to handle the work.

	FY 99	FY 00	FY01	FY 02	FY03	FY 04
Procurement Specialist III	\$ 29.1	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0

HB 400 Space Allocation Worksheet

I. Juneau

Agency/Program	Going To	Current Office Location			
		9th Flr SOB	DCRA BLDG	Plywood Palace	Vintage Park
Statewide Services Delivery	Labor		7		
Subtotal		0	7	0	0
Commissioner's Office	DCRD	5	6		
Commissioner's Office	Deleted	0	(2)		
Administrative Services	DCRD	18	20		
Banking, Sec. & Corp.	DCRD	20			
Insurance	DCRD	30			
Occupational Licensing	DCRD	37			
Trade & Development	DCRD	11			
Tourism	DCRD	10			
Investments	DCRD				39
ASMI	DCRD			10	
Data Processing	DCRD		1		
Training and Development	DCRD		2		
Statewide Assistance	DCRD		5		
Community & Economic Dev.	DCRD		5		
Energy Operations	DCRD		1		
Head Start	DHSS		3		
Subtotal		131	41	10	39
Total		131	48	10	39

Preferred Option

DCRA Programs to 9th Floor SOB	41	(41)		
SSD to Labor		(7)	7	
Occ. Licensing to DCRA Bldg.	(37)	37		
Net change	4	(11)	7	

Total Number of Positions Moved 85

HB 400 Space Allocation Worksheet

II. Anchorage Agency/Program	Going From	Going To	Current Office Location							
			7th Flr Frontier	13th Flr Frontier	Ak Energy Bldg	Post Office Mall	AIDEA Bldg	APUC Bldg.	UAA Diplomacy	
JTPA	DCRA	Labor					11			
Statewide Services Delivery	DCRA	Labor					3			
Subtotal			0	0			14	0	0	0
Child Care Assistance	DCRA	DHSS					10			
Subtotal			0	0			10	0	0	0
Commissioner's Office	DCED	DCRD	1							
Administrative Services	DCED	DCRD	1							
Banking, Sec. & Corp.	DCED	DCRD	5							
Insurance	DCED	DCRD		20						
Occupational Licensing	DCED	DCRD	26							
Trade	DCED	Gov	4							
Development	DCED	DCRD	9							
Investments	DCED	DCRD	5						46	
APUC	DCED	DCRD								
ATMC	DCED	DCRD	3							
ASTF	DCED	DCRD								7
AADC	DCED	DCRD			4					
AIDEA	DCED	DCRD						32		
Administrative Services	DCRA	DCRD					13			
Data Processing	DCRA	DCRD					6			
Training & Development	DCRA	DCRD					21			
State Assessor	DCRA	DCRD					2			
Local Boundary Comm	DCRA	DCRD					3			
Community Dev Assistance	DCRA	DCRD					6			
Energy Operations	DCRA	DCRD					23			
Subtotal			54	20	4		74	32	46	7
Total			54	20	4		98	32	46	7

Preferred Option

Trade staff to Gov's Office (N/C)		4								
DCRA to new DCRD office		74					(74)			
DCED to new DCRD office		74	(54)	(20)						
JTPA/SSD to Labor							(14)			
Child Care Assistance to DHSS							(10)			
Net Change		148	(54)	(20)	0		(98)	0	0	0

Total Number of Positions Moved 168

Personal Services worksheet

FY 99/00	GF	IA	Total	Savings	Notes
DCED Commissioner	91.4	18.1	109.5	109.5	delete
DCED Secretary	39.1	7.7	46.8	46.8	delete
total savings	130.5	25.8		156.3	
FY01+					
DCED Commissioner	91.4	18.1	109.5	109.5	delete
DCED Secretary	39.1	7.7	46.8	46.8	delete
DCRD director	102.0		102.0		
downgrade to R20	85.6		85.6	16.4	
total savings	146.9	25.8		172.7	

Calculation of moving costs

The average of \$6,100 is based on costs of Juneau and Anchorage moves of state agencies over the last several years. We have portrayed the costs in terms of both cost per position and costs per square feet.

The following cost categories are typically encountered.

	Average Cost / Position	Average Cost / Sq Ft
A.Move Property	198	1.06
B.Move Phones	239	1.38
C.Move Computers / Networks	656	3.55
D.Move Systems Furniture	1,834	9.94
E.Construct Tenant Improvements	3,166	15.71
Total Estimated Cost	6,093	31.65

Costs are averages based on moves of 10 to 75 positions. Smaller moves will be at a higher unit costs and larger moves at a lower unit cost.

System furniture costs include minor re-configuration and parts purchase. If additional workstations are required costs range from \$4,500 to \$5,000 per workstation.

The Tenant Improvement costs assume only minor building renovations to accommodate new tenants. These costs vary widely depending on the nature of the facility and the needs of the agency.

No costs are included for ADA or other building code requirements. Computer costs include wiring and terminations. No costs are included for hardware or software network compatibility problems.

New CC office:		Cost Est.	Qty	Ext. Cost
New server for CC, software, etc.	15000	1	\$	15,000
Cabling and wire centers (covered in move costs)	500	10	\$	-
State WAN connection (startup costs)	7000	1	\$	7,000
Intranetware licenses	50	10	\$	500
			\$	-
			\$	22,500

New JTPO office:		Cost Est.	Qty	Ext. Cost
New server for CC, software, etc.	15000	1	\$	15,000
Cabling and wire centers (covered in move costs)	500	14	\$	-
State WAN connection (startup costs)	7000	1	\$	7,000
Netscape Communicator Pro (or CC mail clients)	60	14	\$	840
Intranetware licenses	50	14	\$	700
			\$	-
			\$	23,540

DCED OPTION 1: DCRA switches to Netware		Cost Est.	Qty	Ext. Cost
Cabling in Anchorage (covered in move costs)	350	76	\$	-
Intranetware licenses	45	176	\$	7,920
new server for Juneau	9000	1	\$	9,000
new NTW licenses for RAS	100	10	\$	1,000
Netscape Communicator Pro	50	426	\$	21,300
Additional costs for upgrading hubs, etc.			\$	35,000
			\$	-
			\$	74,220

DCED OPTION 2: DCED switches to NT Server/Win95		Cost Est.	Qty	Ext. Cost
Cabling in Anchorage (covered in move costs)	350	76	\$	-
Win95 upgrades	80	250	\$	20,000
NT CAL	45	250	\$	11,250
Exchange CAL	45	250	\$	11,250
Additional costs for upgrading hubs, etc.			\$	35,000
			\$	-
			\$	77,500
Total DP expenses:			\$	125,000

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Bill Version: CSHB 400 (L&C)
(H) Publish Date: 3/31/98

Revision Date: first
Title: Merger of DCED & DCRA

Department Affected: DCRA, DCED, Labor, DH
BRU: All

Sponsor: Kohring
Requestor: _____

Component: All _____

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	-981	-981	-981	-981	-981
TRAVEL	-35	-35	-35	-35	-35
CONTRACTUAL	-31	-31	-31	-31	-31
SUPPLIES	-7	-7	-7	-7	-7
EQUIPMENT	0	0	0	0	0
LAND & STRUCTURES					
GRANTS, CLAIMS					
MISCELLANEOUS					
TOTAL OPERATING	-1054	-1054	-1054	-1054	-1054

CAPITAL	192	0	0	0	0
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REVENUE FUND SOURCE	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-1054	-1054	-1054	-1054	-1054
FEDERAL FUNDS					
OTHER FUND SOURCE					
TOTAL	-1054	-1054	-1054	-1054	-1054

POSITIONS:

FULL-TIME	-13	-13	-13	-13	-13
PART-TIME	0	0	0	0	0
TEMPORARY	0	0	0	0	0

Estimate of current year impact: 1,054 - 192 = 862

ANALYSIS: (Attach a separate page if necessary)

see attached

Prepared By: Mike Krieger *Mike Krieger* 3/27/98 Phone: _____
Division: _____ Date: _____

Approved By: Representative Vic Kohring *Vic Kohring* 3-27-98 Date: _____
Agency: _____

HB 400 Fiscal Note Issue: Staff Relocations

- The administration uses an amount of \$6,100 per staff relocation. This total includes \$3,166 to "Construct Tenant Improvements" and \$1,834 to "Move Systems Furniture." These two items total \$5,000 per employee.
- The \$6,100 amount also includes \$656 per relocated employee for computer moving and networking. This cost is redundant to the \$125,000 amount in the Administration's fiscal note for computer system conversions.
- The merger of the two departments does not require significant tenant improvements nor furniture moving. For such position relocations, this fiscal note uses the amount of \$444 ($6,100 - 5000 - 656 = 444$).

1. HB 400 transfers job training programs and the child care programs to other Departments. The Juneau based staff for these programs are located in the DCRA building. The physical relocation of staff would include:

Juneau Staff

- 3 Head Start staff from DCRA building to Department of Health & Social Services building
- 7 Statewide Service Delivery (job training programs) staff from DCRA building to Department of Labor building

10 staff at \$5,455 ($6,100 - 656 = 5,455$) totals \$54,550. This assumes that \$3,166 per employee is needed to "construct tenant improvements."

2. The following amounts are to relocate some Juneau based staff to consolidate the administrative services staff together, although there is considerable rationale for this move to not occur: a) Relocation should not be done before any evaluation is performed by the administration on reducing administrative support since there will be 39 fewer employees and fewer programs having associated administrative overhead, and, b) Administrative functions of the staff would not be significantly changed, only management oversight would be changed. Regardless, the following scenario is presented:

- Relocate 13 DCRA administrative staff to 9th floor State Office Building
- Relocate 11 Trade and Development to DCRA building
- If needed for sufficient space on the 9th floor (SOB), relocate the Commissioner, Deputy Commissioner and 2 Administrative Assistants to the DCRA building (space available due to DCRA Commissioner Office reduction)

28 staff @ .444 each = 12.4

Total Moving Cost:

Scenario 1	Move 10 staff	54.4
Scenario 2 (if needed)	Move 28 staff	12.4
Computer (assumes fiscal note would remain the same for this item although original fiscal note moves 259 employees)	lump sum	<u>125.0</u>

HB 400 IMPLEMENTATION TOTAL: 191.8

Anchorage Staff

1. Child Care & Job Training Programs Staff:

The Administration's fiscal note included moving Anchorage based Child Care and Job Training staff from the Post Office Mall to other locations. Anchorage based staff are located in their own suites at the Post Office Mall. They currently report to a director located in Anchorage, who in turn reports to the Commissioner's Office in Juneau. The merger would just change the management person being reported to.

The Post Office Mall lease has 3, 1-year options that extends through December 31, 2002. When the departments consolidate their offices at the Bank of America/Robert Attwood Building, the employees will be relocated there. It would be poor fiscal management to move the employees twice within a short period. Therefore, there is no need to relocate these employees until the new State Office building is available when they can be located with their respective departments.

b. Remaining Program Staff

The merged department will have 173 staff in Anchorage, not including the independent authorities such as AIDEA, APUC, etc. The Administration's fiscal note shows a cost of 1,055, to relocate these staff in one unspecified location. They concluded that it was necessary to immediately relocate all staff, regardless of the pending move to the Bank of America/Robert Attwood Building. As stated above, this would be poor fiscal management.

Summary:

1. Policy development needs to come from the upper management. Upper management is charged with providing focus and direction to staff. Staff do not need to be relocated in order for management to meet to discuss goals and to relay the needed tasks to staff.
2. As staff will be relocating to the Bank of America/Robert Attwood Building in a short time, it is fiscally imprudent to move staff, especially with modern telecommunications and computer networking.
3. Therefore, there is 0 cost for implementation of HB 400 for the Anchorage based staff.

Section 14. Local Government Agency

An agency shall be established by law in the executive branch of the state government to advise and assist local governments. It shall review their activities, collect and publish local government information, and perform other duties prescribed by law.

The agency established by this section is the Department of Community and Regional Affairs (formerly the Local Affairs Agency). It is the only executive agency mandated by the constitution (the local boundary commission created in Section 12 is one of five boards and commissions created by the constitution). Its presence here symbolizes both the importance placed on local government matters by the constitution's authors and the state interest they saw in fostering strong local self-government.

Section 15. Special Service Districts

Special service districts existing at the time a borough is organized shall be integrated with the government of the borough as provided by law.

At the time of the convention, school districts were the primary special service districts in existence. In keeping with the general constitutional objectives of minimizing local jurisdictions and favoring general purpose over special purpose government, the delegates voted to require school districts to be absorbed by boroughs. Under this scheme, the borough levies taxes to support education and approves the budget of the school district, which otherwise continues under the management of a local school board and separate school administration. Within general tax and budget restraints, borough school districts have substantial autonomy. A number of the delegates wanted independent school districts to remain autonomous after statehood; they were defeated by the approach adopted by convention which is reflected in this section.

Initially, the local government committee draft article stipulated that proposed changes be submitted to the legislature during the first ten days of any session and that they would "become effective at the end of the session unless disapproved by a resolution concurred in by a majority of all members of each house."⁵⁴ Subsequently, it was further provided that a change would be "effective forty-five days after presentation or at the end of the session, whichever is earlier . . ."⁵⁵ This amendment was adopted so that acceptable changes would not be unnecessarily delayed because of prolonged legislative sessions.

While the legislature is thus given the veto power and is also required to prescribe standards and methods for the establishment of boroughs, the constitution does not grant it regulatory authority over boundary commission activities.⁵⁶ The boundary commission has the authority, subject to law, to "establish procedures whereby boundaries may be adjusted by local action."⁵⁷

The Local Government Agency

The prominence that the convention gave to the state role in local affairs is evidenced by the fact that the "local government agency" is the only executive agency specifically required under the constitution. Delegates generally subscribed to the principle that, unless a grave

⁵⁴ Committee Proposal/6/a.

⁵⁵ Constitution, Article X, Section 12.

⁵⁶ Proceedings, p. 2750.

⁵⁷ Constitution, Article X, Section 12. It would appear questionable, therefore, whether the legislature has any direct or implied constitutional power to authorize annexation or other boundary changes by local action, since this power rests in the boundary commission.

need existed, no agency, department, commission, or other body be specified in the constitution. As one delegate stated in regard to the local government agency, "Unless there is some very, very compelling reason given for including such an agency as proposed in Section 14 in the constitution, I think we're violating the principles and policies we've already adopted here."⁵⁸ However, in view of the general belief that the success of the local government plan was dependent upon the existence of an effective agency at the state level, provision for a mandatory agency was included in the constitution.

Thus, Section 14 of Article X, establishing the local government agency, provides:

An agency shall be established by law in the executive branch of the state government to advise and assist local governments. It shall review their activities, collect and publish local government information, and perform other duties prescribed by law.

The general intent was to establish an executive agency that would help assure that the new local government system became operative and that state responsibility for local affairs was properly discharged. Thus, the final language was carefully drawn to be as broad and open-ended as possible. The convention specifically avoided designating the organizational location of the agency. While at various times references were made to it being a state department,⁵⁹ this question was left to legislative determination.

The convention also did not stipulate the functions of the agency, but the record is replete with references to the types of activities that would properly fall within its scope:

⁵⁸Proceedings, p. 2670.

⁵⁹Minutes, 12th, 18th, 19th Meetings.

*Help the people and local officials in various parts of the state obtain by their own efforts the kind of local self-government they need and can afford.⁶⁰

*Assist in establishing and organizing local government and in changing of classifications.⁶¹

*Provide assistance and advice to cities, boroughs, service areas, etc.⁶²

*Provide assistance in home rule charter drafting to boroughs and cities.⁶³

*Provide assistance and overview with respect to local debt and obligations, particularly since no debt ceiling was established in the constitution.⁶⁴

*Provide assistance and advice to unorganized boroughs, other unorganized areas, and small communities.⁶⁵

*Represent the state in local government affairs; provide coordination between state and local government; and assist in reconciling conflicts between local home rule and state control.⁶⁶

*Collect and supply data that would help the local boundary commission in the formulation of boundaries.⁶⁷

*Collect and publish information relating to local government.⁶⁸

⁶⁰ Commentary, p. 3.

⁶¹ Proceedings, pp. 2670, 2758.

⁶² Proceedings, p. 2758; Minutes, 9th Meeting.

⁶³ Minutes, 12th Meeting; Proceedings, pp. 2671-2673; 3614-3615.

⁶⁴ Proceedings, pp. 2757-2758.

⁶⁵ Proceedings, p. 3621; Minutes, 23rd Meeting.

⁶⁶ Proceedings, p. 2757; Minutes, 16th Meeting.

⁶⁷ Minutes, 24th Meeting.

⁶⁸ Proceedings, p. 2757; Committee Proposal/6a/Enrolled.

*Carry on continuing studies to assist the people and the legislature in determining what changes may be necessary from time to time in the interests of better local government for all.⁶⁹

While suggesting several kinds of activities for the local government agency, the constitutional record is totally silent about the manner in which it is to discharge its responsibilities. The same is true generally of the agency's relationship to local government units. Several references are made to state services being provided along local unit (i.e., borough) lines,⁷⁰ but there is no explanation of the purpose of this intent nor of the manner in which it is to be accomplished. The convention assumed that the purposes of such an agency were sufficiently self-evident.

Home Rule

An oft-repeated theme of the convention, and the stated purpose of the local government article, was the provision of maximum local self-government to the people of Alaska.⁷¹ As envisioned, the self-government concept applies not only to formal home rule cities and boroughs, but extends also to general law units and even to unorganized areas, where it may take the form of local participation in state policy making and the provision of state services. This home rule philosophy was held to be the vehicle for strengthening both state and local governments

⁶⁹ Commentary, p. 3.

⁷⁰ For example, Minutes, 9th Meeting.

⁷¹ See Constitution, Article X, Section 1. Typical were such statements of intent as: "all units of government will be able to have the necessary authority to perform all functions needed for proper local government," Minutes, 23rd Meeting.

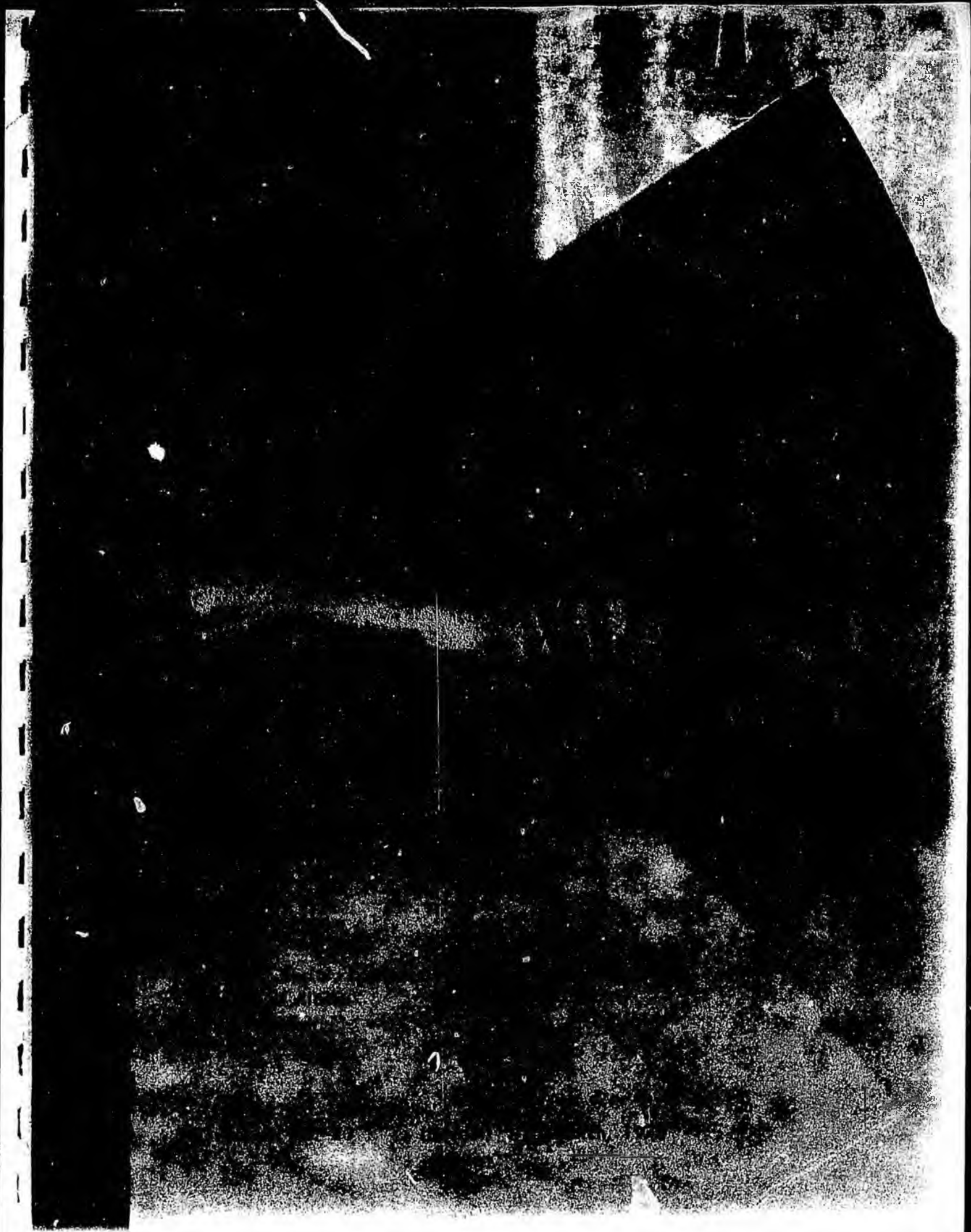
by permitting the people to deal with local problems at the local level. It was also to be the means for promoting local government adaptation in a state with great variations in geographic, economic, social, and political conditions.

This home rule philosophy was not believed to be inconsistent with a strong state role in local affairs. As the above discussion indicates, the exercise of state authority was considered essential in matters of incorporation and boundaries, i.e., the creation of local governments and their areas of jurisdiction were felt to be matters ultimately of state responsibility. When properly established, however, their internal organization and operations were to be primarily local concerns, particularly in the case of home rule units. Moreover, a "strong state role" also meant that the state would support local governments with financial aid and technical assistance.

Before Alaska became a state, there was little self-determination either at territorial or local levels. Federal law prescribed the powers of the territorial legislature, severely limiting the scope and types of local government that could be established and restricting the powers that could be exercised by incorporated cities.⁷² Throughout its deliberations, therefore, the local government committee emphasized the need for effective constitutional provisions for home rule and self-determination.⁷³

⁷²In its effort to establish municipal home rule under the territory, the League of Alaskan Cities found that this could be done only by the U.S. Congress. Also, see Chapter III, pp. III-7 - III-15.

⁷³Minutes, 4th, 7th, 9th, 11th, 12th, 16th, 17th, 18th, 19th, 23rd, 24th, 25th, 27th Meetings.



House Bill 400

Overlapping Missions of DCED and DCRA

The Departments of Commerce & Economic Development and Community & Regional Affairs both promote rural development. Overlapping missions and activities include:

- Rural Economic Development
- Fisheries
- Rural Tourism
- Infrastructure Planning, Funding, and Assistance
- Rural Sanitation Projects and Funding
- Energy Development
- Electrical Utility Assistance
- Assistance to Economically Distressed Regions
- Small Business Development

HB 400

DCRA/DCED Merger

Cost Savings

Commissioner Office Consolidation

Commissioner	110
Dep Commissioner	110
Special Assistant	87
Special Assistant	71
Executive Secretary	45
Admin Clerk	<u>35</u>

458

Administrative Services

Division Director	117
Admin Mgr	75
Internal Auditor III	77
Program Budget Analyst III	64
Admin Asst	44
Grant Administrator I	<u>44</u>

421

Division of Community and Regional Development Director

102

102

Miscellaneous

Travel	35
Contractual (moving, DP, transp, vehicle, etc)	31
Supplies	<u>7</u>

73

TOTAL

\$1,054,000

HB 400

Overlapping Economic Development Related Activities of DCED and DCRA

The Departments of Commerce & Economic Development and Community and Regional Affairs both promote economic development. Overlapping activities include:

<u>ACTIVITY</u>	<u>DCRA</u>	<u>DCED</u>
• Rural Economic/ Business Development	Rural Development Initiative Fund (RDIF)	Rural Development Initiative Fund (RDIF)
	Alaska Regional Development Organizations (ARDOR)	Business Assistance Program Western Alaska Economic Development (coordinates with ARDOR)
	Alaska Rural Development Council (ARDC)	Small Business Program Evaluation Task Force Small Business Economic Development (SBED)
• Rural Tourism	Rural Development Initiative Fund	Rural Tourism Infrastructure
	Community Block Grants Rural Development Authority Loans and Mini- Grants	Bristol Bay/Kuskokwim Area Tourism
	Alaska Regional Economic Assistance Program	
• Rural Sanitation & Infrastructure Projects: Planning/Funding/ Management/Operations	Capital Matching Grant/Loan Program	Alaska Industrial Development & Export Authority
	Rural Utilities Business Advisory (RUBA)	Alaska Public Utilities Commission
	Bulk Fuel Revolving Loan Fund	Alaska Energy Authority
	Bulk Fuel System Evaluation & Upgrades	

ACTIVITY

- Energy/Electrical Development & Funding

- Utility Assistance

- Assistance to Economically Distressed Regions

- Fisheries

DCRA

Rural Electric & Power Project Loans
Rural Energy Program
Power Cost Equalization
Rebuild America
Bioenergy
Rural Bulk Fuel Tank Program
USDOE Wind Projects
Power Project Loan Fund
Rural Electrification Revolving Loan Fund

Rural Utilities Business Advisory (RUBA)
Circuit Rider Program
Electrical Emergencies Program
Local Government Assistance Program

Exxon Valdez Oil Spill Unincorporated Rural Community Grant

South East Alaska Community Economic Revitalization Team

Community Development Quota

Shared Fisheries Business Tax Program

Various Economic Development Programs Listed Above

DCED

Alaska Industrial Development & Export Authority

Alaska Energy Authority

Power Cost Equalization

Alaska Science & Technology Foundation

Alaska Public Utilities Commission

AS 44.33 Article 4, Areas Impacted By Economic Disaster

Community Development Quota

Alaska Seafood Marketing Institute

Various Economic Development Programs Listed Above

HB 400 Hearing

Sponsor's Rebuttals To DCED

Following are Representative Kohring's rebuttals to the February 25, 1998 testimony of the Department of Commerce & Economic Development deputy commissioner.

Item 1, Missions: The deputy commissioner stated that the Department of Commerce and Economic Development (DCED) has a fundamentally different mission than the Department of Community and Regional Affairs (DCRA). The deputy commissioner stated that DCED programs focused on the private sector businesses, and that DCRA focused on public entities.

Sponsor's Rebuttal:

1. DCED provides funding for publicly owned projects. The Governor's proposed fiscal year 99 capital budget includes **\$16.8 million** of AIDEA funds. These include funds for the Departments of Administration, Community & Regional Affairs, Education, Corrections, Environmental Conservation, Transportation & Public Facilities, Revenue, Natural Resources, Military & Veteran's Affairs, Public Safety, Health & Social Services, and the University of Alaska. (These include water and sewer projects, contrary to the deputy commissioner's statement.)

2. The Alaska Public Utilities Commission (APUC) oversees private and public utilities. The APUC is inherently involved in public and private infrastructure development. These include welectric, ater, sewer, natural gas, refuse, cable television, and telecommunications utilities.

3. In the DCED's FY 1999 Operating Budget Overview document, it states that one of the functions of the Division of Trade and Development is

“...helping communities develop needed infrastructure.”

Summary: Both DCED and DCRA participate in planning and funding of public and private projects.

Item 2, Duplication: The DCED deputy commissioner states that there is no duplication with DCRA.

Sponsor's Rebuttal:

There are many overlapping functions of the two departments. These functions include rural tourism, infrastructure, community facilities, energy and electrical projects, and small business development, and the Rural Development Initiative Fund Loan (RDIF) program.

Summary: Both departments perform many overlapping functions.

Item 3, Relocation Costs: The DCED deputy commissioner states that many staff would have to be relocated due to the merger. This would require the need to hire two full

time "space planners." The reason stated for the office space consolidation was that department administration and management needed all staff in one location.

Sponsor's Rebuttal:

1. Presently, DCED and DCRA have staff in **many** locations. Exhibit 3 shows that DCED already houses its staff in several separate locations: 3 in Juneau, 7 in Anchorage, 2 in Fairbanks, 1 in Tok, and 1 in the state of Washington. Also, there are DCED staff located overseas in the Pacific Rim region. Modern telecommunications greatly decrease the need for housing all employees under one roof.
2. Few programs are being transferred to other departments. A total of 52 employees will be transferred to other departments, but 23 are in remote locations and will not be relocated.
 - There are 3 Headstart staff (DCRA) in Juneau that need to be relocated to the Department of Health and Social Services. Otherwise, all DCRA staff in Juneau can stay in the DCRA building, which is located within one block of the DCED headquarters office.
 - JTPA/STEP staff statewide (16) already share space with other departments. The 10 staff in Juneau are already co-located with the Department of Labor. At question are the 3 staff in Anchorage and 3 staff in Fairbanks.
 - Child Care Assistance program staff (10) are all located in Anchorage, in the "Post Office Mall." At question is whether they would need to be relocated to a site where other Department of Health staff are located. This could be accomplished when leases expire and offices can be consolidated.

Summary: The worse case scenario is that 19 staff would be relocated, although it would seem that only the 3 Headstart staff would need to relocate. "Space planners" obviously are not needed, especially two of them. Relocation costs will be minimal, **far below the \$1 million cost savings every year from the merger.** (Using the administration's estimate of \$5,000 per relocation, the cost will range from \$15,000 to \$95,000.)

Item 4, Deputy Commissioners: The DCED deputy commissioner states that the new department would require two deputy commissioners.

Sponsor's Rebuttal:

The new department will have a grand total of 463 employees. This includes 104 employees working in the "independent" entities (46 in APUC, 32 in AIDEA, 19 in ASMI, and 7 in ASTF). Therefore, the new commissioner will directly oversee only 359 employees, still a small department. Even with 463 employees, the new department would be the 4th smallest.

Only 3 other departments have two deputy commissioners. Additionally, there will still be a special assistant in the new department, which is currently in the DCED. This special

assistant, as well as the directors, will be able to assist the commission with duties. There is no need for two deputy commissioners.

Summary: Only one deputy commissioner is needed.

HB 400 Hearing

Sponsor's Rebuttals To DCRA

Following are Representative Kohring's rebuttals to the February 25, 1998 testimony and the February 27 memorandum of the Department of Community & Regional Affairs' deputy commissioner.

I. February 25 Testimony Rebuttal

Item 1: The DCRA deputy commissioner stated that the Department of Commerce and Economic Development programs funded (publicly and) privately owned projects, but that DCRA only funds public entities, not private parties.

Sponsor's Rebuttal:

See Exhibit 1: DCRA's Rural Development Investment Fund (RDIF) shows 34 private entity loan recipients.

DCRA's Rural Development Authority (RDA) Mini-Grants Awards list shows 6 private/public partnership grants.

Item 2: The DCRA deputy commissioner states that DCRA does not participate in rural tourism development.

Sponsor's Rebuttal:

See Exhibit 1: DCRA's Rural Development Investment Fund (RDIF) shows 13 loans for rural tourism related loans, such as charter boats, bed & breakfasts, RV parks, etc.

DCRA's Community Block Grants includes rural tourism grants to communities for salmon bakes and bed & breakfasts.

DCRA's Rural Development Authority grant applications (both funded and not funded) include rural tourism related projects, such as arts & crafts entrepreneurship and marketing, salmon bakes, bed & breakfasts, and eco-tourism guided tour development

DCRA's Rural Development Authority (RDA) Mini-Grants Awards list shows 10 rural tourism grants.

AS 44.47.900(a)(3), the Alaska Regional Economic Assistance Program clearly requires DCRA to be involved in tourism development, as well as regional economic issues and international trade.

Item 3: The DCRA deputy commissioner stated that DCRA funds mostly publicly owned infrastructure projects.

Sponsor's Rebuttal:

Exhibit 1: DCRA's Rural Development Investment Fund (RDIF) shows only 1 of 34 loans to be for infrastructure, and that one loan was for a privately owned RV parks.

DCRA's Rural Development Authority (RDA) Mini-Grants Awards list shows 0 out of 23 grants used for infrastructure.

DCRA's Community Block Grants eligible project listing includes 16 non-infrastructure projects.

Summary: DCRA and DCED both fund/administer a) private and public projects, b) rural tourism projects, and c) infrastructure/community facilities/energy and electrical projects. **Why have two separate departments perform these same tasks?**

II. February 27, 1998 DCRA Memorandum Rebuttal

Item 1: Rural Economic & Small Business Development

Stated in the deputy commissioner's memorandum was that DCRA has **limited** involvement in assisting communities develop a community strategy for a) health and safety, b) community infrastructure, and c) jobs/economic development. DCRA assists 3-10 communities in this **limited service**.

Further stated is that DCRA encourages a comprehensive approach to community development, rather than preparing only an economic development stately because **many issues affect the success of economic development efforts**.

Rebuttal Points:

If only a few communities are receiving only limited assistance from DCRA, will rural communities ever become independent? **HB 400 will provide the framework to have greater coordinated assistance for rural communities.**

I agree that a comprehensive approach to economic development is needed. However, it would seem that an effective strategy is needed **especially** because of the many factors that affect development. DCRA should be inherently involved in such strategy, otherwise DCRA never will focus on effective development. **HB 400 will provide that focus that appears to be currently lacking in DCRA.**

Item 2: DCRA states that after a development strategy is determined, they refer community officials to other agencies, including DCED.

Rebuttal Point: If DCRA is not involved with developing the strategy, and only serve as a "middle man" agency, DCRA should be merged into the DCED where such coordination

can be **far more effective**. This increased effectiveness **supports approval of HB 400**.

Item 3: DCRA states that their regional development efforts are primarily provided through funding and administrative support of the ARDOR program. DCRA "encourages" the ARDORs to concentrate on development initiatives.

Rebuttal Point: Not surprisingly, funding for the ARDOR program comes from interagency receipts from DCED. Under HB 400, ARDOR will be directly funded through the new Department of Commerce and Rural Development, and **DCRA's role as the "middle man" and "cheer leader" agency will cease, as will administrative duplication**. This further **supports approval of HB 400**.

Item 4: DCRA operates the Rural Development Initiative Fund (RDIF) loan program. DCRA states that the RDIF loan program differs from the DCED's Small Business Economic Development Revolving Loan program in that they serve different clienteles.

Rebuttal Point: As shown in Exhibit 1, DCED is also involved in the RDIF program. Obviously efficiencies in management can be achieved if the RDIF program if it was operated under one department. Further management streamlining can occur, resulting in additional savings **after HB 400 is passed**.

Item 5: DCRA agrees that it provides infrastructure scoping, planning, and funding. DCRA states that it also provides rural sanitation business management assistance. However, DCRA states that DCED does not perform these tasks.

Rebuttal Point: Alaska Industrial Development and Export Authority is contained within DCED. AIDEA is an important part of that department as it is an important program for economic development and international/domestic trade. According to the 1997 AIDEA annual report,

Development Finance Program

Through this program AIDEA may own and operate projects that bring economic benefits to the people of Alaska and are shown to be financially feasible. The projects typically provide **infrastructure** support for resource utilization and development.

In the course of funding these projects, AIDEA is inherently involved in early scoping and planning phases. Also, AIDEA is active in scoping and planning activities, as shown by their participation in the South East Alaska Community Economic Revitalization Team (SEA-CERT). Therefore, DCED is involved in infrastructure scoping, planning, and funding.

The Alaska Public Utilities Commission, within DCED, provides business management and operations technical assistance.

Obviously, both departments participate in these duties. Passage of HB 400 will provide **efficiency** by combining similar activities in one department.

HB 400

Benefits to Moving Child Care & Headstart Programs into the Department of Health and Social Services

The newly established federal Child Care & Development Fund requires states to “**serve families through a single, integrated child care system.**” By combining the Headstart and Child Care programs into the Department of Health & Social Services (DHSS), HB 400 will provide the Administration the opportunity to gain efficiencies and provide better service to Alaska’s families.

1. Headstart

HB 400 places all child care programs and Head Start into the Department of Health & Social Services. This is consistent with the federal Child Care & Development Fund initiative to have an integrated child care system.

This federal grant initiative program is designed to develop linkages of various child and health care programs to promote comprehensive services to families:

“To remain self-sufficient, many families need other services along with child care. State and local planning should link child care to the following services:

- Health
- Family Support Services
- **Head Start**
- and others

This shows that Head Start is closely linked with health, child care, and other social services. DHSS provides these other services. **By placing Head Start into DHSS, this desired linkage will be more efficient than by leaving Headstart in DCR.**

2. DHSS Lead Agency for Child Care Programs

According to the State of Alaska’s Child Care and Development Fund Plan (October ‘97 - September ‘99), the Department of Health & Social Services has been designated the lead agency. The two departments have entered a written agreement identifying areas of mutual cooperation regarding providing child care (including Head Start) in Alaska.

Placing the Child Care programs into DHSS will eliminate cumbersome interagency coordination.

3. Overlapping functions of the two departments

- HB 400 provides greater grant fund oversight: According to DCRA's budget documents,

"DCRA and the Department of Health and Social Services wish to streamline funding of the Child Care & Development Fund by better coordinating budgeting for the program. Therefore, grant fund management is transferred to DHSS from DCRA."

This shows that the child care programs are closely linked in both departments and there are efficiencies to be gained.

- According to the Alaska Child Care & Development Fund Plan, DHSS will provide payment to providers for parents who are required to participate in required work activities through the Division of Public Assistance. It also states that DCRA will provide funding to the parents, if the DHSS public assistance case manager makes that decision. **This shows that the two departments are doing the same task.**
- The two departments are jointly developing the Child Care Management Information System. **This also shows that the two departments are doing the same task.**
- DHSS licenses child care facilities to which DCRA provides funding.

Summary: Moving DCRA's Headstart and Child Care programs into the Department of Health & Social Services makes sense, and is consistent with the coordinating actions taken by the two departments. Getting these programs together in one department will better serve Alaska's families.

House Bill 400
Merger of Departments of Commerce & Economic Development
with Community & Regional Affairs

HB 400 proposes to merge two existing departments that have overlapping economic development functions. Upper administration is proposed to be cut. This will save approximately \$1 million **every year** in upper management salaries and expenses. HB 400 proposes no reductions in providing job training and child care assistance, nor any other programs. This bill reduces unneeded bureaucracy while leaving programs intact.

Currently, job training programs such as JTPA, STEP and the Business Incentive Program are located within the Department of Community and Regional Affairs (DCRA). The One-Stop program is also within DCRA. Job training programs are within the Division of Community and Rural Development, a division which also oversees Head Start and Child Care programs. HB 400 will transfer the Head Start and Child Care (day care assistance) to the Department of Health & Social Services. The Job Training programs will transfer to the Department of Labor.

- DCRA currently has many varying programs from local government operations technical assistance to energy and sanitation facilities development to economic diversification projects. Having the additional burden of job training and child care assistance programs stretches this small department in many directions; hence, rural development has been slow. With a focus on economic development in the proposed merged department, job opportunities will increase in rural and urban areas.
- The Legislature is working with every department in state government to focus on the legislative intent for each department's mission and to define each department's goals to achieve the core mission. This is the first step in realigning government functions to eliminate duplication. The goal is to provide the core mission programs at the lowest cost. The transfer of the JTPA, STEP, BIP and One Stop programs from DCRA to the DOL are consistent with the statutory intent and purpose of the departments.

According to statute, the Department of Labor's mission is:

AS 23.05.010, Purpose. The Department of Labor (DOL) shall foster and promote the welfare of the wage earners of the state, improve their working conditions and **advance their opportunities for profitable employment.**

Whereas, according to statute, DCRA's mission is:

AS 44.47.050 Purpose of department: The purpose of the department (DCRA) is to render maximum state assistance to government at the community and regional level.

- Currently, DCRA refers JTPA and STEP program trainees to employment services and to DOL. DCRA provides funding to DOL for this service.
- Both DOL and DCRA withhold job training funds to cover administration costs. Included in those costs are redundant bureaucracy costs. If the "middle man" agency is removed, more funds would be going to training Alaskans.

ALASKA STATE LEGISLATURE



Interim:
600 East Railroad Avenue
Wasilla, Alaska 99654
(907) 373-1842
Fax (907) 373-4729

Session:
State Capitol Building, Room 421
Juneau, Alaska 99801-1182
(907) 465-2186
Fax (907) 465-3818

REPRESENTATIVE VIC KOHRING DISTRICT 26

Sponsor Statement for HB 400

Representative Vic Kohring

Focusing on economic development is the main purpose for merging two existing departments into the new Department of Commerce and Rural Development. The proposed divisional structure will ensure local government assistance continues, infrastructure planning is enhanced, and that economic development strategy and project funding is centralized and optimized.

The missions of the departments of Commerce and Economic Development and the Community and Regional Affairs are similar, to promote economic development of Alaskan communities. The two departments compliment one another, however cross department coordination can be difficult. Two separate management structures and goals result in a scattered development strategy. Having a unified development vision and placing funding resources under one department will better serve all Alaskan communities, and Alaska as a whole.

Currently, the departments of Commerce and Economic Development and the Community and Regional Affairs have economic development programs, along with job training and child care programs. These non-development, non-commerce related programs will be moved to the departments of Labor and Health & Social Services, respectively. Under the new departments, these important programs can be integrated with existing programs in those departments while providing better service to Alaskans. This reorganization frees the new Department of Commerce and Rural Development to focus on economic development activities.

Alaska's fiscal crisis necessitates reengineering government. This merger will eliminate one commissioner's office, but does not eliminate services. While creating budget savings, program delivery and economic development will be enhanced and streamlined in the new Department of Commerce and Rural Development.

HB 400

Merger of the Department of Commerce and Economic Development with the Department of Community and Regional Affairs to form the proposed Department of Commerce and Rural Development

Objectives

- combines two departments that have similar economic development missions
- transfers statutory programs unrelated to economic development in job training and child care to other departments which perform similar, overlapping functions
- allows the new department to focus on economic development throughout Alaska

Features

- eliminates one commissioner's office and upper administrative division staff in one of the departments
- does not eliminate or cut programs, nor impacts service delivery
- unifies financial resources under one division to provide optimum funding for private or public projects and businesses
- infrastructure development will be coordinated and enhanced; infrastructure is inherent to economic development and community self-sufficiency
- places Child Assistance Programs into the Department of Health and Social Services
- places Job Training Partnership Act and other job training programs into the Department of Labor

Results

- **over \$1 million in savings every year** from eliminating one commissioner's office and upper administrative staff
- construction projects can receive optimum funding to minimize debt service for communities and private owners
- projects will be completed sooner due to faster project funding identification, allows for economic development to occur faster
- businesses benefit by having one-stop access to loan programs

Representative Vic Kohring
Stater Capitol Building
Juneau, Alaska 99801

March 2, 1998

Dear Vic,

It came as no surprise to me when I read about your "Merger Bill", HB 400. I was delighted to read that you are still attempting to bring some fiscal sanity to the Rapacious Ones of Juneau.

As I understand the bill, it would deliver the same services while deleting entire sections of upper management and their entourage, the secretaries, offices and other amenities of upper management.

I think this is a wonderful, even inspired approach. If two large departments have sections that do like functions, it makes good sense to merge them under one management. If you place Headstart under HSS, that will eliminate the potential complaint that one commissioner could not handle *all* of the efforts of both departments.

My only problem is that it seems to give the impression that the efforts of these two department are wholesome and necessary to the people of Alaska. I doubt it. If one were to carefully go through the functions of each subsection with the notion that government is to be a limited force, designed to educate and protect the citizenry, then most, if not all could be abolished.

I hope some day a majority in the Legislature will realize this and let us be free to live our own lives.

Fred James
Aloha Nui Loa,

Fred James

POB 499

Palmer, AK 99645

Representative Vic Kohring
Alaska State Legislature
State Capitol Building, Room 421
Juneau, Alaska 99901

March 5, 1998

Dear Representative Kohring,

HB 400 represents a wonderful opportunity for the legislature to make a statement that good cost efficient government is important to the people of Alaska. In these days of diminishing oil revenues the legislature has two clear options 1) protect big , inefficient government and cut funding for programs that impact citizens to pay for this bureaucracy or 2) reduce upper level bureaucracy and rearrange government so that it more efficiently delivers services and programs which will, in this case, result in saving one million dollars worth of programs from the budget knife.

It sounds like a simple choice cut bureaucracy or cut programs. The Department of Commerce and DCRA are ideal candidates for a merger. In the Days of excess revenues this was a luxury the State chose.

No longer can any state funded activity stand on its own merit of whether or not it is a nice idea. Today, with budget shortfalls, legislators must make tough comparative decisions. How does protecting an entrenched bureaucracy compare to cutting funding for the actual programs that department is suppose to deliver.

When any legislative effort suggests reducing funding there is always opposition from those effected. In this case the upper level bureaucracy may make an pleas to protect their empire. Let 'em squeal. The sky is not falling. Your duty as a legislator is to compare those arguments with the benefits the state could accomplish with the dollar savings.

Good government is not glamorous. The viewpoint of "if it is not broke don't fix it" ignores the benefits of efficient , effective government. Not only does HB 400 deliver better services but allows programs the financial freedom not to be cut. In some small way this bill allows the legislature to

restore credibility in state government.


Robert Hall

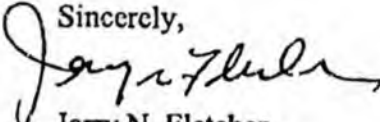
March 5, 1998

Representative Beverly Masek
Alaska State Legislature
State Capitol Building RM. #418
Juneau, AK 99801

Re: Bill HB 400

Dear Ms. Masck,

We are in total support of overlapping the functions of the DCED and the DCRA. I support Bill HB 400 in order to help bring government spending under control.

Sincerely,

Jerry N. Fletcher

Tanana Power Company, Inc.

P.O. BOX 873509

WASILLA, ALASKA 99687

TELEPHONE 907-373-5599

OR (907) 366-7101

April 2, 1998

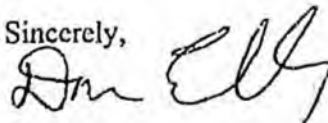
Representative Vic Kohring
State Capitol Building, Room 421
Juneau, Alaska 99801-1182

Representative Kohring:

Having operated a rural electrical utility for over 35 years and lived in rural Alaska for over 15 years, the need for a comprehensive approach to rural development has become very apparent. I support HB 400 because it promotes a unified and comprehensive system for rural development. The additional saving that would result from HB 400 is icing on the cake.

Thank you for time and effort.

Sincerely,



Don Eller

Representative Vic Kohring
Alaska State Legislature
State Capitol Building, Room 421
Juneau, Alaska 99801

March 5, 1998

Dear Rep. Kohring:

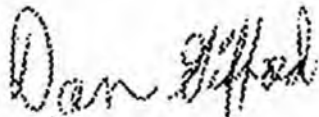
I wish to state my full support for House Bill 400, which merges the Departments of Community & Regional Affairs and Commerce & Economic Development. The concept of this legislation to essentially restructure government is something that is long overdue.

As the Legislature continues to reduce spending, it's important that you look at ways to achieve efficiencies in the delivery of services to the public. No longer should you simply cut across the board but rather you should prioritize spending and focus our resources on the essentials. Your legislation helps us to do just that, because it cuts out wasteful bureaucracy instead of programs. It also is geared toward infrastructure development-the foundation of a strong economy which is a more appropriate expenditure of state funds instead of expensive Salaries for government employees.

Most important in my mind however, is the fact that FIB 400 saves the taxpayers, like me, dollars. The estimated one million dollars a year in savings by cutting out high paid upper management positions is precisely what we need to be doing. As a small businessman, I expect my elected officials to be careful with how they spend the public's money.

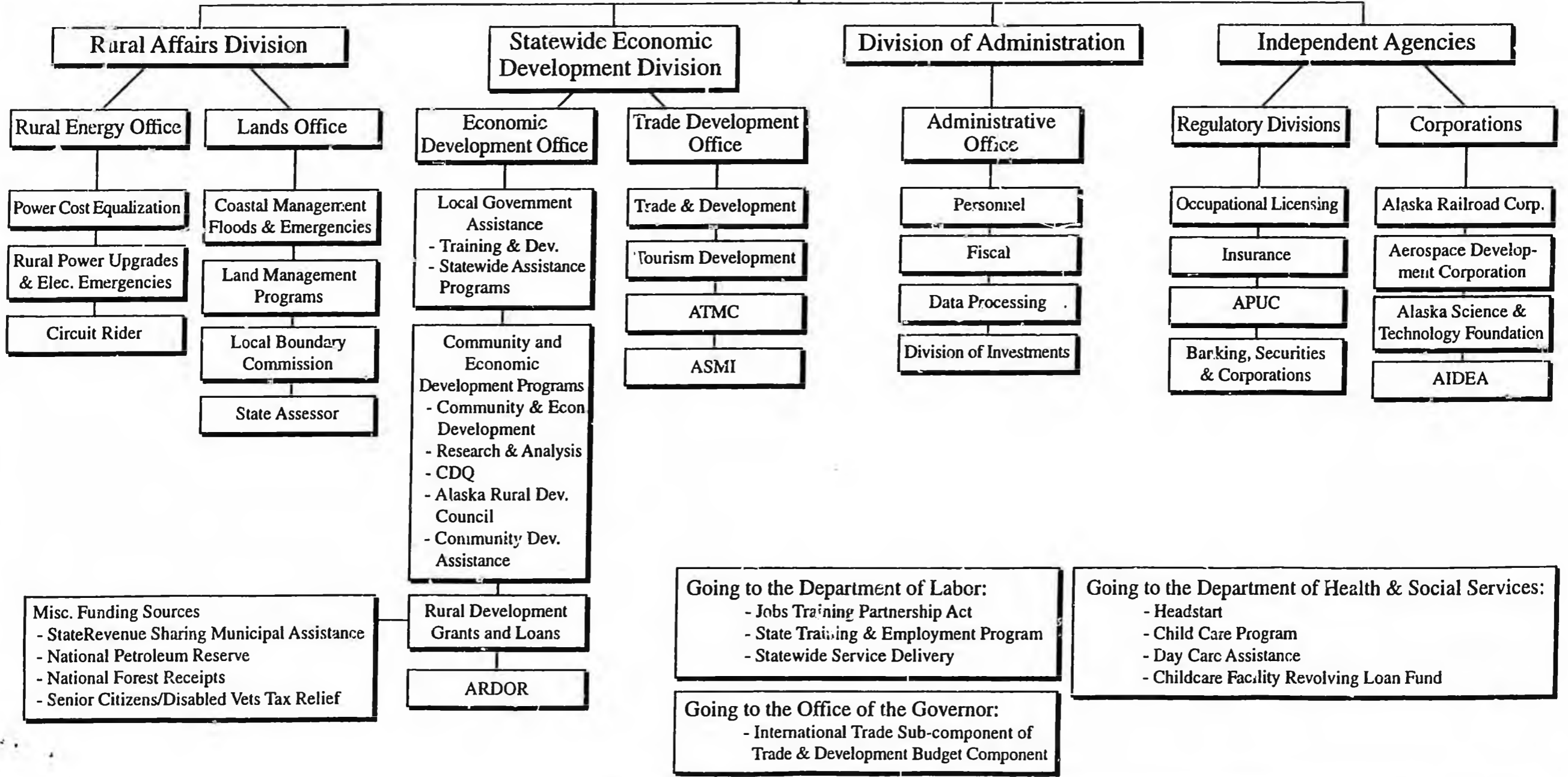
Thanks for filing this important legislation.

Sincerely,



Dan Gifford
P.O. Box 874803
Wasilla, Alaska 99687
907-373-5606

DEPARTMENT OF COMMERCE AND RURAL DEVELOPMENT



Misc. Funding Sources
 - State Revenue Sharing Municipal Assistance
 - National Petroleum Reserve
 - National Forest Receipts
 - Senior Citizens/Disabled Vets Tax Relief

Going to the Department of Labor:
 - Jobs Training Partnership Act
 - State Training & Employment Program
 - Statewide Service Delivery

Going to the Office of the Governor:
 - International Trade Sub-component of
 Trade & Development Budget Component

Going to the Department of Health & Social Services:
 - Headstart
 - Child Care Program
 - Day Care Assistance
 - Childcare Facility Revolving Loan Fund

ROLL CALL: HOUSE FINANCE COMMITTEE

DATE 4/29/98

SUBJECT 7 HB 400 w/ fiscal note
CED

MEMBER	YES	NO
FOSTER		
GRUSSENDORF		✓
KELLY	✓	
KOHRING	✓	
MARTIN	✓	
MOSES		✓
MULDER	✓	
DAVIES JOHN		✓
DAVIS GARY	✓	
HANLEY		
THERRIAULT	✓	

TOTAL

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PASSED _____
 FAILED _____

STATE OF ALASKA
1998 LEGISLATIVE SESSION

Bill Version: CSHB 400 (L&C)
(H) Publish Date: 3/31/98

Revision Date: first
Title: Merger of DCED & DCRA

Department Affected: DCRA, DCED, Labor, DH
BRU: All

Sponsor: Kohring
Requestor: _____

Component: All _____

COMPONENT SERIAL NO:

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 99	FY 00	FY 01	FY 02	FY 03
PERSONAL SERVICES	-981	-981	-981	-981	-981
TRAVEL	-35	-35	-35	-35	-35
CONTRACTUAL	-31	-31	-31	-31	-31
SUPPLIES	-7	-7	-7	-7	-7
EQUIPMENT	0	0	0	0	0
LAND & STRUCTURES					
GRANTS, CLAIMS					
MISCELLANEOUS					
TOTAL OPERATING	-1054	-1054	-1054	-1054	-1054

CAPITAL	192	0	0	0	0
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REVENUE FUND SOURCE	0	0	0	0	0
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FUNDING: (Thousands of Dollars)

GENERAL FUND	-1054	-1054	-1054	-1054	-1054
FEDERAL FUNDS					
OTHER FUND SOURCE					
TOTAL	-1054	-1054	-1054	-1054	-1054

POSITIONS:

FULL-TIME	-13	-13	-13	-13	-13
PART-TIME	0	0	0	0	0
TEMPORARY	0	0	0	0	0

Estimate of current year impact: 1,054 - 192 = 862

ANALYSIS: (Attach a separate page if necessary)

see attached

Prepared By: Mike Kriebler *Mike Kriebler* 3/27/98 Phone: _____
Division: _____ Date: _____

Approved By: Representative Vic Kohring *Vic Kohring* 3-27-98 Date: _____
Agency: _____

HB 400 Fiscal Note Issue: Staff Relocations

- The administration uses an amount of \$6,100 per staff relocation. This total includes \$3,166 to "Construct Tenant Improvements" and \$1,834 to "Move Systems Furniture." These two items total \$5,000 per employee.
- The \$6,100 amount also includes \$656 per relocated employee for computer moving and networking. This cost is redundant to the \$125,000 amount in the Administration's fiscal note for computer system conversions.
- The merger of the two departments does not require significant tenant improvements nor furniture moving. For such position relocations, this fiscal note uses the amount of \$444 ($6,100 - 5000 - 656 = 444$).

1. HB 400 transfers job training programs and the child care programs to other Departments. The Juneau based staff for these programs are located in the DCRA building. The physical relocation of staff would include:

Juneau Staff

- 3 Head Start staff from DCRA building to Department of Health & Social Services building
- 7 Statewide Service Delivery (job training programs) staff from DCRA building to Department of Labor building

10 staff at \$5,455 ($6,100 - 656 = 5,455$) totals \$54,550. This assumes that \$3,166 per employee is needed to "construct tenant improvements."

2. The following amounts are to relocate some Juneau based staff to consolidate the administrative services staff together, although there is considerable rationale for this move to not occur: a) Relocation should not be done before any evaluation is performed by the administration on reducing administrative support since there will be 39 fewer employees and fewer programs having associated administrative overhead, and, b) Administrative functions of the staff would not be significantly changed, only management oversight would be changed. Regardless, the following scenario is presented:

- Relocate 13 DCRA administrative staff to 9th floor State Office Building
- Relocate 11 Trade and Development to DCRA building
- If needed for sufficient space on the 9th floor (SOB), relocate the Commissioner, Deputy Commissioner and 2 Administrative Assistants to the DCRA building (space available due to DCRA Commissioner Office reduction)

28 staff @ .444 each = 12.4

Total Moving Cost:

Scenario 1	Move 10 staff	54.4
Scenario 2 (if needed)	Move 28 staff	12.4
Computer (assumes fiscal note would remain the same for this item although original fiscal note moves 259 employees)	lump sum	<u>125.0</u>

HB 400 IMPLEMENTATION TOTAL: 191.8

Anchorage Staff

1. Child Care & Job Training Programs Staff:

The Administration's fiscal note included moving Anchorage based Child Care and Job Training staff from the Post Office Mall to other locations. Anchorage based staff are located in their own suites at the Post Office Mall. They currently report to a director located in Anchorage, who in turn reports to the Commissioner's Office in Juneau. The merger would just change the management person being reported to.

The Post Office Mall lease has 3, 1-year options that extends through December 31, 2002. When the departments consolidate their offices at the Bank of America/Robert Attwood Building, the employees will be relocated there. It would be poor fiscal management to move the employees twice within a short period. Therefore, there is no need to relocate these employees until the new State Office building is available when they can be located with their respective departments.

b. Remaining Program Staff

The merged department will have 173 staff in Anchorage, not including the independent authorities such as AIDEA, APUC, etc. The Administration's fiscal note shows a cost of 1,055. to relocate these staff in one unspecified location. They concluded that it was necessary to immediately relocate all staff, regardless of the pending move to the Bank of America/Robert Attwood Building. As stated above, this would be poor fiscal management.

Summary:

1. Policy development needs to come from the upper management. Upper management is charged with providing focus and direction to staff. Staff do not need to be relocated in order for management to meet to discuss goals and to relay the needed tasks to staff.
2. As staff will be relocating to the Bank of America/Robert Attwood Building in a short time, it is fiscally imprudent to move staff, especially with modern telecommunications and computer networking.
3. Therefore, there is 0 cost for implementation of HB 400 for the Anchorage based staff.