

ALASKA LEGISLATURE

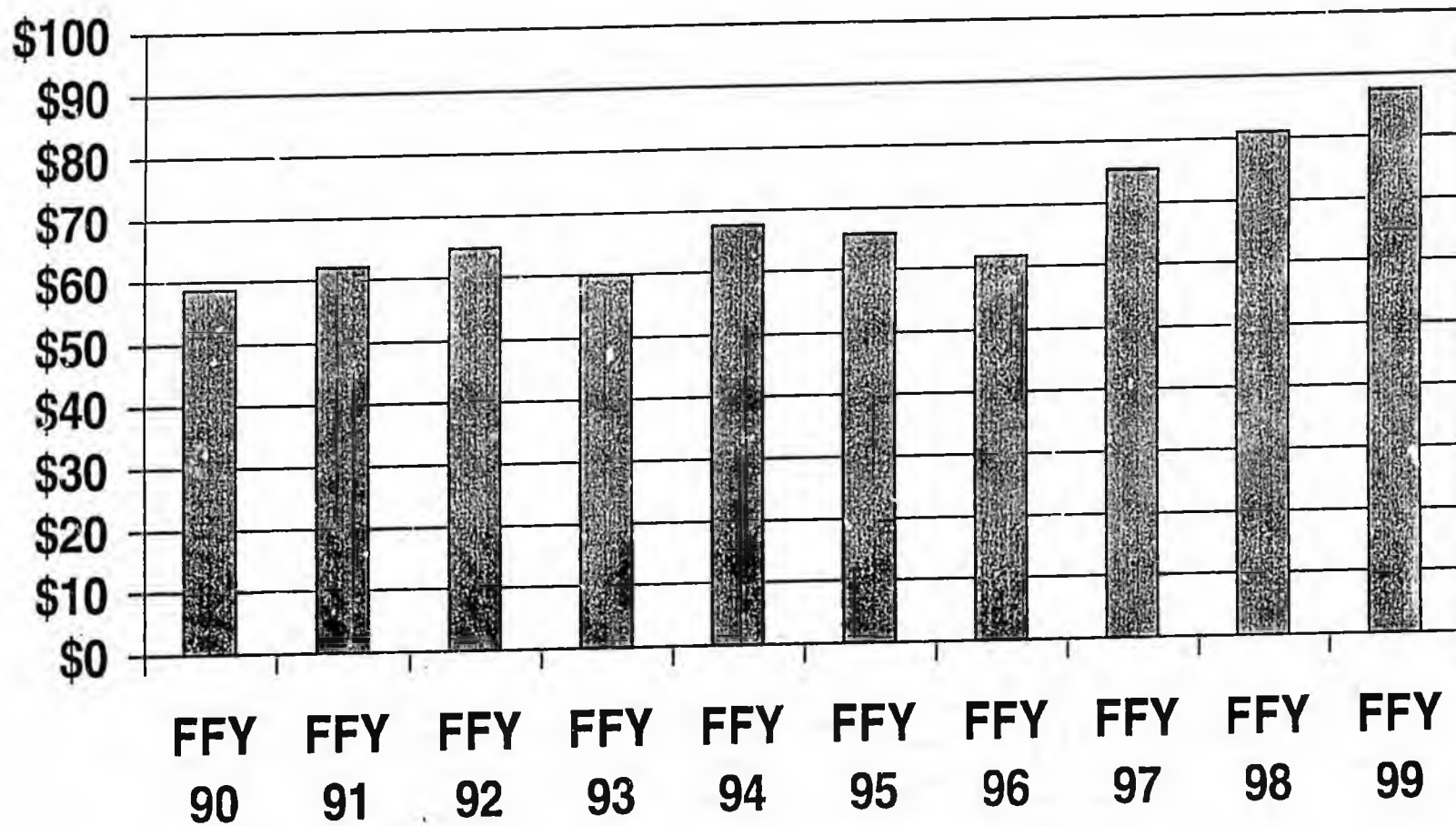
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HOUSE and SENATE FINANCE COMMITTEE FILES, 1999 - 2000

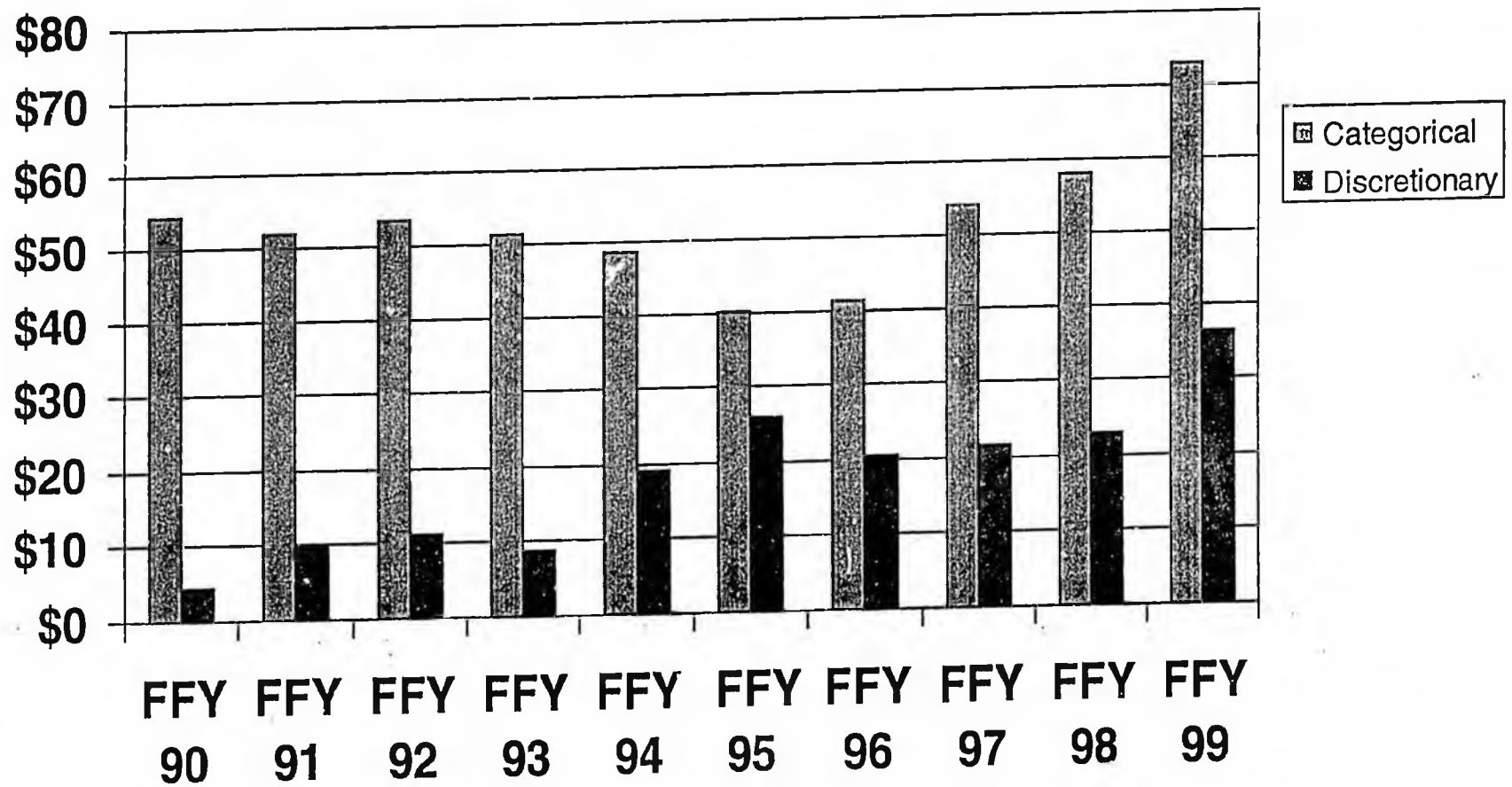
Airport Improvement Program

Annual Federal Funding

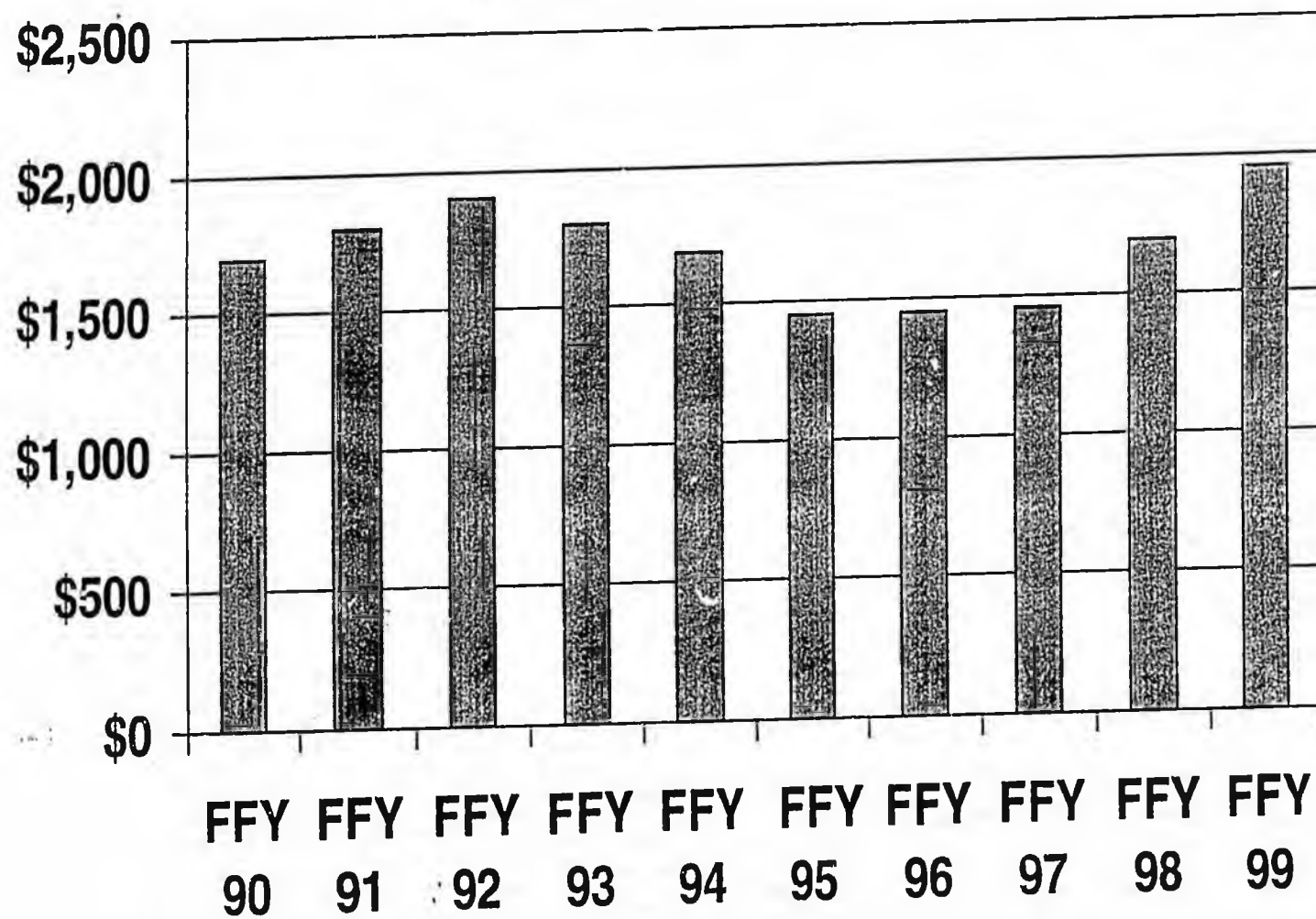
(Alaska Program In Millions)



Airport Improvement Program Categorical and Discretionary Funding (Alaska Program in Millions)



Airport Improvement Program National Funding Level (Annual Appropriations in Millions)



Sources and Uses of Funds

Uses of Funds		Sources of Funds	
Concourse C Replacement	\$95.8M	FHWA Grants	\$26.3M
Terminal Renovation	42.7M	Series 1999 Bonds	179.2M
Roads & Parking	30.8M	Phase II Bonds	24.5M
Airside Improvements	36.0M		
Finance Cost	24.7M		
Total	\$230.0M	Total Sources	\$230.0M

AIA Terminal Redevelopment Project



ALASKA

SUBSTANDARD AIRPORTS

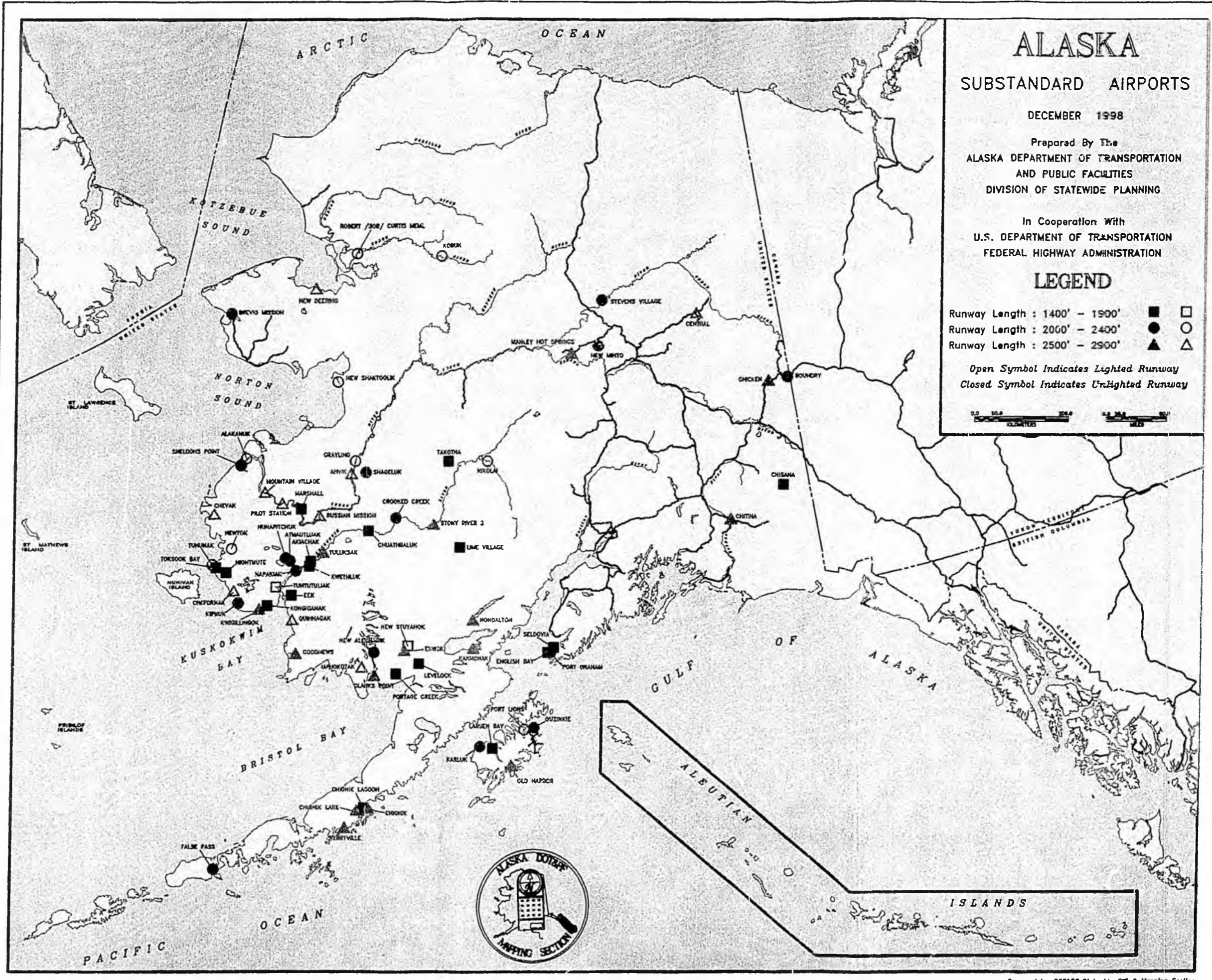
DECEMBER 1998

Prepared By The
ALASKA DEPARTMENT OF TRANSPORTATION
AND PUBLIC FACILITIES
DIVISION OF STATEWIDE PLANNING

In Cooperation With
U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION

LEGEND

- | | | |
|-------------------------------|---|---|
| Runway Length : 1400' - 1900' | ■ | □ |
| Runway Length : 2000' - 2400' | ● | ○ |
| Runway Length : 2500' - 2900' | ▲ | △ |
- Open Symbol Indicates Lighted Runway
Closed Symbol Indicates Unlighted Runway



**Capital
Budget**

Capital Projects

This Capital Budget was developed by AHFC staff and recommended for inclusion in the Governor's budget submission to the Legislature. Each project/program was reviewed and prioritized by the Budget and Housing Policy Committee and presented to the Board of Directors for approval. The Board passed a resolution on October 21, 1998 approving this budget and instructed the Executive Director to submit the budget to the Governor's Office of Management and Budget (OMB) through the Department of Revenue.

**FY2000 Capital
Projects
Narrative**

1. Supplemental Housing Development Grant Program

**FY2000 Capital
Project List**

This program helps alleviate the shortage of decent, safe and sanitary housing for rural Alaskans. A rural housing needs assessment showed an immediate need for approximately 6,500 houses throughout rural Alaska. However, HUD funding is not adequate for the high cost of construction of homes in remote Alaska. Therefore, in 1981, the Alaska State Legislature established the Supplemental Housing Development Grant Program to supplement HUD Indian Housing Development funds for projects constructed by the regional housing authorities. Each state dollar contributed to this program leverages approximately five dollars in federal funds.

homes constructed by the regional housing authorities. There is no operating cost to the state.

**FY99 Capital
Project List**

This request for a \$9 million supplement will leverage federal HUD funds of approximately \$50 million to construct 320 affordable homes in 20 urban and rural communities. It will also leverage \$4 million in Indian Health Service/Public Health funds for offsite water and sewer facilities; fund the \$175.0 grant to the Association of Alaska Housing Authorities, and fund the \$97.0 grant to the Alaska Native Health Board.

**FY98 Capital
Project List**

*Association of Alaska Housing
Authorities - \$175,000*

**FY97 Capital
Project List**

Since its inception, the state has appropriated more than \$100 million to match over \$500 million in HUD funds and \$50 million in Public Health Services funds to build a total of 4,800 houses in 250 communities. Additionally, from FY92 to FY97, this program has funded 35 Low Rent and 74 Mutual Help projects.

The Association of Alaska Housing Authorities (AAHA) was incorporated in 1977 to work for the Regional Housing Authorities and all Alaskans. Its purpose is to secure funding and development of programs tailored for Alaska's conditions which will increase the supply of decent, safe, and sanitary housing for Alaska's Natives.

**FY96 Capital
Project List**

By State Statute, AHFC is limited to contributing 20% of HUD's total development cost of a project. The funds can be used for on-site water and sewer facilities, roads to project sites, electrical distribution systems, and energy-efficient design features in

The number of housing units being developed and subsequently the number of housing units transferring into home ownership and/or management by the housing authorities continues to grow. Additionally, new federal HUD housing programs are being developed which the housing authorities are required to

AHFC FY2000 Proposed Budget

administer, i.e., homeless programs, HOME program, etc. Funding for these new programs is competitive throughout the U.S.

With the continued growth, demands and responsibilities placed on the regional housing authorities, in 1993, AAHA sought to hire a coordinator to research new programs, distribute regulations, applications, etc., and provide training and technical assistance to the housing authorities. Since that time, AHFC has provided office space for AAHA and funding to pay for a coordinator and related office expenses.

This Capital Budget request of \$175.0 to maintain this position is consistent with the goals of AHFC in continuing our commitment to provide decent, safe and sanitary affordable housing for Alaska's residents.

Alaska Native Health Board - \$97,000

AHFC's goals include responding to the sanitation needs of rural Alaskans through the Supplemental Housing Development Grant Program, in 1993, AHFC's Board of directors passed resolutions approving matching grant funds to the Alaska Native Health Board. These funds would ensure that the Native Health Board has travel funds to participate in the meetings of the Alaska Sanitation Task Force.

This request for FY2000 would guarantee that this funding continues this critical link in seeking to provide every Alaskan with sanitary living conditions.

Alaskans living in more than 135 rural communities throughout the state have substandard and inadequate water and sewer facilities. This lack of basic facilities results in many rural Alaskans drinking untreated water from ponds, creeks or rivers and having to use a bucket as a toilet or an outhouse as a bathroom facility. This often results in un-contained sewage pooling in close vicinity to homes, liquid wastes leaching into the waters used for drinking and exposing children to raw sewage in their play areas.

The Alaska Native Health Board is a statewide Alaska Native organization organized in 1968 to advocate on behalf of health concerns of all Alaska Natives. The Board has representation from 13 regional Alaska Native organizations providing health services for the Indian Health Service.

Following the 1993 legislature, the Alaska Department of Environmental Conservation established the Alaska Sanitation Task Force. This group consists of Federal, State, Native and Regional organizations to analyze the important issues and provide recommendations for action.

2. Low Income Weatherization

In the past, Alaskan homes and facilities were often constructed using lower-48 standards and did not meet Alaska's climate conditions. Many homes in rural Alaska cannot maintain a healthy indoor temperature of 70 degrees during our long winter months. This program provides families with a better standard of living. The program makes the most cost-effective energy improvements to homes of low-income families. The improvements include replacement of inefficient and unsafe heating systems or improving the overall

efficiency of the heating system, and increasing insulation levels and air-infiltration sealing. This results in the reduction of heating oil consumption by an average of 12% nationally. Additionally, health and safety needs, which are beyond the basic Federal Weatherization Program, can be addressed to prolong the useful life of homes. Health and safety rehabilitation may include extensive foundation repair, proper electrical wiring and major roof repair. This is an on-going program, exceeding 12 years.

3. Senior Citizens Housing Development Fund - (SCHDF)

These funds are used to support the development of housing for the fastest growing segment of the Alaskan population, persons 60 years of age and older. A statewide needs assessment done in 1996 showed that there was demand for an additional 1,000 units for senior housing, statewide. This number will increase

by an additional 3,322 units by the year 2010. This program targets the housing needs of both low-income and middle income seniors.

The \$4,000,000 request is based on estimated demand for senior housing during the FY99 application cycle for

the SCHDF program. Program funds are used only to fund the Development Gap, i.e., the amount necessary to make the project financially feasible - or the difference between all other funding sources which can be expected to be contributed including loan funds and the cost to develop the project.

Any remaining unused funds will be made available under the FY01 funding cycle for the SCHDF program. Requested funds are to be used for acquisition, rehabilitation and/or new construction of senior housing.

In order to sustain economic growth in many Alaskan communities, affordable rental housing is a

requirement. Lack of adequate housing prevents a stable workforce from being developed. Sponsors do not have the capacity to pay all the up front costs associated with the financing of housing development. This program provides funding for non-profit organizations to pay for preparation of plans and specifications, project feasibility studies, appraisals, site preparation and other pre-development activities.

Pre-development funding greatly improves the success of the construction and management of housing development. A successful project means private sector jobs in construction and leveraging bank financing for construction.

4. Parkview Manor - Anchorage

The 47 family units at Park View Manor were constructed in 1981 and have had no significant physical upgrades since that time, except for the creation of the Gateway Learning Center, and upgrades to the sprinkler and security systems. The building is a three story wood framed structure with common corridors accessing the individual units.

A professional architectural/engineering firm was hired to provide a comprehensive physical needs assessment and to recommend action necessary to ensure a continued useful life for the structure. That assessment revealed that a significant renovation effort was necessary.

The interior will be gutted to the frame. The building will be caulked, weather-stripped, additional insulation will be added, and siding, roof, windows, and the mechanical system will be replaced. The units and common areas will receive new interior finishes, carpets, and fixtures. There will be significant site upgrades including: new exterior lighting, pavement replacement, additional drainage and landscaping, new playground equipment, and a new detached maintenance building.

Following the professional assessment, the project was re-planned, and a new strategy that was more efficient and less disruptive was developed. In FY99, \$3,500,000 was appropriated to fund Phase I of this project. Using that funding, design work for the entire building will be completed. Work on the exterior of the building will be completed, which will reduce the maintenance costs and enhance energy efficiency and resident comfort.

This request will fund Phase II of the project, which will include: installation of new floors, walls, and ceilings, interior and exterior doors, new carpet and vinyl, new cabinets and kitchen appliances and bathroom fixtures. Three units will be upgraded for handicapped accessibility, and sight and sound equipment will be added to another. Common areas including corridors, laundries, resident storage units, manager's and maintenance offices, and community room will also receive new finishes throughout. There will be upgrades to the electrical system throughout the facility and the elevator will be brought into code compliance. This work will be accomplished on one wing at a time to minimize resident relocation and assure an efficient construction process.

5. Mountain View - Juneau Phase II (Senior Units)

Mountain View/Mountain View Annex is a senior housing complex built in two phases. The first phase, built in 1977, included a management office, community room and 42 one-bedroom units. In 1983, an additional 20 apartments and a large community

space and commercial kitchen were added. The first phase was modular construction, while the 1983 addition was stick-built.

Two-thirds of the building is over twenty years old and

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has not had any significant renovation work done, except life safety items such as security, ventilation and fire alarm upgrades. New roofing was installed on the facility in 1997. The newer portion of the building has a large community space and kitchen serving the Juneau area seniors with a lunch program. This space is in need of extensive remodeling due to heavy use and the need to upgrade the kitchen to continue to meet the needs of local seniors.

This request represents Phase II of the two-phased modernization effort of Mountain View and Mountain View Annex. Phase I, funded in FY99, provided architectural/engineering design services for the exterior and interior renovation work, and funded the exterior renovation work. That work included parking lot improvements, exterior lighting, exterior accessibility modifications, new siding and windows, and exterior wall insulation.

This Phase II funding will renovate the interior of Mountain View and Mountain View Annex. The

senior citizens community center will receive all new finishes and the kitchen will receive new commercial equipment. All 62 apartments will be renovated with new mechanical and electrical systems, painting, flooring, cabinets, appliances, window coverings, entry doors, and fixtures. The interior common areas will receive new finishes and fixtures. Public restrooms and the laundry rooms will be updated. Accessibility and fire safety improvements will be completed. The fire alarm system smoke detectors will be upgraded and interior ADA compliance deficiencies will be corrected.

The work to be accomplished in each phase has been modified from the original plan after receipt of a thorough professional site assessment. The renovation of the entire project will be designed at one time and all necessary exterior work will be completed with Phase I funding. Phase II funding will be used to complete all interior work. This project strategy will reduce the inconvenience to residents while still reaping project and cost efficiencies.

6. Senior & Statewide Deferred Maintenance & Renovation

A professional needs assessment will identify the improvements needed for Vista View in Petersburg, which will enable accurate and comprehensive long term planning. This will prevent a piece-meal approach to addressing needs and will save money. An assessment of the domestic hot water system at Birch Park in Fairbanks will also be used to assess the system's efficiency.

Building security and accessibility modifications are needed to ensure resident security and to comply with current ADA standards.

Mechanical and energy systems upgrades are needed to improve system efficiency, prevent costly winter

failure, and reduce maintenance expense.

Site improvements will be undertaken at several facilities to provide new curb, gutter and parking lot paving, replace decks, install exterior lighting, and replace deteriorated sidewalks or widen them to comply with current regulations, repair stairways, and add a retaining wall and landscaping.

Major general physical upgrades are needed in various elderly and family units to repair or replace roof systems, windows, doors, bathroom improvements, handrails and stairwells, carpet, flooring, foundation, and painting of building exteriors.

7. Riverbend Multi-Purpose Building

Riverbend is a 45 unit multifamily development in the Mendenhall Valley in Juneau. The project originally included the multipurpose building as a bid alternate, but the bid number precluded award of the building. The Riverbend multipurpose building will be sited near the entry of the property facing the Mendenhall River. The multipurpose building will be a one story frame structure matching the character of the existing housing

and conforming to ADA requirements. It will be approximately 1,600 sf. and will have a community room with kitchen, and office with reception area, a maintenance shop, public toilets, and outside storage for lawn mowers, snow blowers, etc. The design documents for this building will be completed using a small amount of funds leftover from the construction of the 45 units.

Riverbend is fifteen miles from the Family Investment Center and Housing Operations office located at Cedar Park. A multipurpose building on the Riverbend site is needed for several reasons. Good management and tenant relationships can only be built and maintained with an on-site presence of AHFC personnel. Monthly rent collection requires a secure office for the transactions. AHFC's policy of involving tenants in the management and improvement of a housing

development will be enhanced if a facility for public meetings is available. In other Juneau facilities, residents have been active in several programs such as the Breakfast Club and after school activities which require a community space. The full-time maintenance person assigned to Riverbend currently operates out of a boiler room and needs adequate shop and storage facilities to maintain a development of this size.

8. HUD Comprehensive Grant Program

The federal government, through the U.S. Department of Housing and Urban Development (HUD), provides Public Housing Authorities (PHAs) with money each year to renovate and modernize their public housing through the Comprehensive Grant Program (CGP). To access this money, each PHA, with the active involvement of residents and local government officials, must develop a comprehensive (five-year) plan detailing modernization needs within the PHA's housing inventory and establishing a timetable for meeting those needs. The dollar amount of the annual grant is established by a formula using the number, configuration, and size of the PHA's low rent units. The annual grant also provides funds for administrative expenses, tenant-education projects, drug elimination/safety projects, and management improvements.

Projects funded by this year's allocation include:

- A complete interior and exterior renovation of one-

half of the units in Valdez Arms, Valdez. Site improvements such as lighting, gutters, parking area, and fencing will be completed.

- General physical upgrades such as window and door replacement, painting, carpeting, roofing, appliances, boiler systems and mechanical systems at the New Willows scattered site properties in Anchorage.
- Flooring and water system upgrades at Geneva Woods in Juneau.

Also included are funds to:

- provide training to PHA personnel
- install computer hardware for a statewide-integrated computer system
- provide training for staff, residents, and low-income businesses for contracting opportunities on federally-funded projects
- provide resident job training to carry out modernization activities.

9. Public Housing Environmental Cleanup/Abatement

This continues AHFC's environmental strategy to provide environmentally safe housing to public housing residents and reduce potential Corporate liability. This strategy has a two-fold purpose: 1) removal of deteriorating underground storage tanks (USTs) to mitigate environmental impacts, and 2) abatement of known carcinogens, i.e., asbestos containing materials (ACM) and lead based paints (LBPs).

The two areas of concern were split into priority sequence. The most immediate problem was the deteriorating USTs. Previous capital requests allowed AHFC to replace obsolete USTs statewide, clean up contaminated soil and ground water, and eliminate

potential environmental impact to surrounding sensitive site receptors.

The last area of concern relates to identified carcinogens which could affect the health and safety of AHFC's residents and expose AHFC to legal liability. Environmental site assessments (ESAs) have verified the presence and location of asbestos-containing materials in the Geneva Woods housing complex in Juneau and the Vista View housing complex in Petersburg. The asbestos-containing materials were found on interior building components, i.e., wall/ceiling texture, flooring/adhesives, and thermal system insulation. The material poses a potential hazard to AHFC's maintenance

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personnel since they must come in contact with these materials during unit renovation. AHFC will contract the removal and disposal of all asbestos-containing material identified in the environmental assessments.

Asbestos abatement at the Geneva Woods and Vista

View housing complexes will mitigate the existing hazards posed to tenants and maintenance personnel, as well as limit the Corporation's liability. This request allows AHFC to comply with existing statutory, regulatory, and legal requirements pertaining to hazard communication standards, environmental safety, and health regulations.

10. Central Terrace/Fairmount/Rec Center - Phase 3

The Central Terrace and Fairmount housing complexes consist of 187 units scattered throughout the Anchorage bowl. These units include single-family houses and multifamily buildings. Professional site assessments were performed on both developments to determine the extent of deterioration of the units. Site assessments indicated that the following work was needed for the units at both developments: extensive interior renovations of all the units, code upgrades for accessibility, fire safety and electrical systems updating, asbestos abatement, lighting replacement, energy efficiency improvements (windows, insulation, etc.) and site improvements for parking and sidewalks. Due to the deterioration of the units over the years, renovation to HUD specifications represents a life cycle cost which is not cost-effective. Therefore, it was determined that it would be more economically feasible to dispose of many of the units through sale, and renovate the remaining units, thereby extending their useful lives.

Of the 187 units, approximately 110 are to be sold; 91 from Central Terrace's units and 19 from Fairmount's 88 units. The remaining units, approximately 77 total, will be renovated for long-term viability and accessibility. Using the professional site assessments and the maintenance crews' assessments, the units from the two developments will be put in a priority hierarchy with the highest priority units being renovated and the lowest being sold. This capital request will fund the renovation of the highest

priority units. As units are sold, the proceeds (which are federal funds) will be used in conjunction with Corporate funds to renovate the remaining units to be retained.

This request will fund the renovation and sale of eight single-family dwellings and eleven multifamily units. In addition, AHFC will renovate three multifamily units which will remain in the housing stock. This work will include hazardous materials abatement. This request also funds some closing costs, credit counseling for potential buyers, and relocation expenses for residents.

In FY98, AHFC received an appropriation of \$500,000 to begin renovation work on the 19 single family houses. An architectural/engineering firm has been selected and has provided generic drawings and specifications for the first single family units to be renovated. Renovation work on the first of these 19 houses is in process. In FY99, AHFC received authority to spend \$1,300,000 in federal receipts, which will be realized when the single family houses are sold. These funds will then be used to continue renovation work on the remaining single family homes.

In FY00, 68 multifamily units will be renovated. Of these, 43 will be sold.

Finally, AHFC proposes to renovate the remaining multifamily units in its Central Terrace inventory over a three-year period between FY01- FY03. These dwellings will remain in the AHFC housing stock.

11. Southall Manor Renovation

Southall Manor is a four story senior housing facility constructed in 1983 which contains 40 one-bedroom apartments, a social room, kitchen, laundry rooms, a management office, and public restrooms. Located in a quiet setting near the downtown area, Southall Manor

has been one of the most comfortable and functional buildings available to elderly citizens in the Fairbanks area.

No major renovation work has been done to this facility

since the facility was completed, except for fuel tank replacement and routine maintenance. Many of the furnishings, equipment, components, and systems are now worn and some are beyond their useful life expectancy.

A professional site assessment was completed for Southall Manor in 1997 to address physical condition, 30 year life expectancy, hazardous material abatement, code compliance, and energy efficiency. The facility was constructed to building standards and codes in effect within the City of Fairbanks at that time; however, the facility does not comply with many current codes. Many components of the facility were found to be in need of major repairs and not in compliance with the Americans with Disabilities Act (ADA) and State of Alaska Building Energy Efficiency

Standards (BEES).

This request funds renovation work recommended by the site assessment. This renovation will include remodeling apartments and common areas with new plumbing fixtures for kitchens and bathrooms; new interior wall and trim finishes; new appliances and cabinets for kitchens; new carpet and vinyl flooring; and roofing replacement.

Code related upgrades will also be addressed as part of the renovation process to ensure compliance with current building codes such as electrical, mechanical, structural, fire safety, and ADA compliance for improved wheelchair access to the facility and accessible apartments. Energy efficient lighting, windows, increased wall insulation, heat recovery ventilation will all be added to comply with BEES.

12. HOME Investment Partnership Program

Federal program regulations allow AHFC to fund a variety of housing programs targeted to meet the state's housing needs for low-income families. A matching contribution is required by federal regulation, equal to 25% of the federal funds received. In whole, the program provides incentives to create new rental housing stock, improve the living conditions of existing owner-occupants, allow lower-income families home-ownership opportunities, and assist housing development organizations in the efforts to provide and promote affordable housing development throughout the state. Without the funding that is provided through these HOME Program components, the state would lose a valuable resource to address the housing needs of our state.

These funds are used to support the development of affordable housing for lower-income families. Funding is provided to (1) Fund the development gap which exists on affordable rental housing projects, i.e., the

difference between project cost and all other sources of funds which are expected to be contributed to the project, including any loan funds that the project's cash flow can support; (2) Fund the cost of moderate rehabilitation to homes owned and occupied by lower-income families; (3) Fund a portion of the costs associated with the purchase of a modest home by lower-income families; (4) Fund a portion of the operating costs of Community Housing Development Organizations whom are developing affordable housing for lower income families. (5) Other housing needs as specified in the HCD plan and as authorized by HUD under 24 CFR Part 92.

The \$3,750,000 request is based on the block grant amount to be received from HUD and the required 25% matching funds to be provided by AHFC.

Any remaining unused funds will be made available under the FY 2001 funding cycle.

13. Federal and Other Competitive Grants

Numerous federal and private foundation housing programs require a matching cash contribution in order to apply for competitive funds. The grant match has been vital to attracting outside funding into Alaska, since local non-profit organizations have limited ability to develop such funding. These programs target the housing needs of low-income and special needs groups,

which include beneficiaries, who would not otherwise be served by conventional housing programs. The funds may be used to match AHFC's application for funding or for local non-profit organizations who deliver the housing services. Examples of programs which have required match include HUD Supportive Housing program, USDA Rural Housing Initiatives, Housing

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Opportunities for Persons with AIDS (HOPWA) and Robert Wood Johnson Senior Care Coordination.

Numerous federal and private foundation housing programs require a matching cash contribution in order to apply for competitive funds. The grant match has been vital to attracting outside funding into Alaska, since local non-profit organizations have limited ability to develop such funding. These programs target the

housing needs of low-income and special needs groups, which include the Trust beneficiaries, who would not otherwise be served by conventional housing programs. The funds may be used for AHFC's application for funding or to local non-profit organizations who deliver the housing services. Examples of programs which have required match include HUD Supportive Housing Program, HUD Housing Opportunities for Persons with AIDS (HOPWA).

14. Competitive Grants - Public Housing

To support the Public Housing Division's efforts to provide housing services to low-income families and special needs groups such as senior citizens, the mentally ill or disabled, AHFC will apply for grants that target services to these groups. Grant funds within this category may be used to prevent and reduce crime and substance abuse in public housing and to aid PHD-assisted families to attain economic self-sufficiency. These programs help implement welfare reform efforts of the state.

Examples of previous grantors include the Robert

Wood Johnson Foundation, Department of Education, U.S. Department of Housing and Urban Development, and the U.S. Department of Health and Human Services. This line item also enables AHFC to receive additional housing assistance from HUD in the form of Section 8 certificates and vouchers. AHFC may also provide the needed match for grants when required or when necessary to broaden participation among PHD-assisted families. Some of the funds received may be passed through to local non-profits or government agencies in order to deliver the services throughout Alaska.

15. Energy Efficiency Monitoring Research

Late last year, homebuilding associations around the state began to approach AHFC about providing grants towards research and information projects of interest to the industry. In particular, monitoring and testing of energy efficiency designs, products, and construction technology testing are areas where little is being done in Alaska. Considering the diverse building conditions and requirements across the state, the homebuilding industry has indicated they would like to see research and testing of energy efficiency designs in different regions in the state.

AHFC is required by state law to purchase homes that meet minimum energy efficiency standards, and the corporation has established and funded incentive programs for increased energy efficiency in homes. Currently, corporate arbitrage dollars are used to offer reduced interest rates on homes that meet or exceed energy rating criteria. Yet, little information is currently available about the cost benefits to the homeowner over time from these programs or how effective certain energy efficiency designs have been across Alaska's climate regions.

Funds requested here would be to conduct research, analysis, and information dissemination and interchange among members of the industry, and between the industry and the public. Through competitive procedures, an entity would be selected to provide the following:

Data gathering and analysis of energy efficient designs for homes. Alaska has a wide range of climates and temperatures, with everything from coastal rain forests to arctic tundra. Energy efficiency designs and technologies for homes need to address conditions in each of these regions across the state.

Monitoring homes. Homes with different energy efficiency designs would be monitored for energy usage, comfort levels, durability, occupant health, and economic benefit of efficiency features. Different regions of Alaska would be monitored along with different energy efficiency designs.

Activities should have a high level of effectiveness and success based on three reasons:

1. Programs and projects should be results oriented. Home building is a practical activity. Monitoring research and analysis should seek workable answers to real problems of home building and to real ways to improve homes across Alaska. Future trends and developing technologies need to be considered, with an emphasis on the impact that such trends and technologies will have on the way the homes are actually built.

2. Contact with the real world of home building needs to exist by having some ties to the state home building industry. In addition to a statewide association, local home building associations exist in Anchorage, the Kenai Peninsula, Ketchikan, Juneau, Interior Alaska, Mat-Su, and Kodiak. These associations could provide

a grassroots network of cooperating builders. When research is launched, builders would be expected to provide direction on specific questions, technologies, designs, and to cooperate in studies and field tests.

3. Research & analysis flow directly into the building industry and the public.

Monitoring results would be expected to help link the research and product development communities with the practitioners who put methods into practice and products into use. The involvement of the building industry is intended to increase builders confidence in the findings. All results and analysis would be publicized and disseminated throughout the housing industry, creating a favorable climate for the adoption of desirable changes.

16. Builder & Rater Education

AHFC will continue its efforts to provide widespread educational opportunities in energy conservation methods and techniques that target a broad constituency. AHFC will conduct workshops, develop curricula and provide technical assistance to deliver the needed education.

Identified activities include:

- Enhance residential renovation/retrofit curriculum
- Provide consumer and builder energy education workshops throughout Alaska
- Develop curriculum for ICBO inspector energy training
- Provide training and curriculum development on AHFC's new energy audit software
- Transfer technology of the Canadian's environmentally sound and non-toxic "Healthy House" concept into an Alaskan curriculum and training program.
- Provide statewide technical energy training and assistance for energy raters, ICBO inspectors, weatherization providers, building contractors, and other building industry professionals
- Participate in the North Committee which provides an international exchange of information and technology on arctic and other cold climate building sciences
- Develop educational and promotional materials on energy efficient log home construction standards and provide statewide workshops to promote the new log home standards.

Aggressive marketing and incentive programs have resulted in widespread acceptance of AHFC's home energy rating program with the public, lenders,

appraisers and real estate community. AHFC remains committed to its energy rating program and its importance to supporting energy conservation in the residential market. AHFC's activity in the energy rating program will be to continue marketing its program by maintaining its contacts with various user and interest groups and emphasizing niche markets which have been difficult to reach or new and emerging uses of the home energy rating system.

The activities will be performed through two (2) competitively bid grants. One for Builder Education at \$250,000 and another for Home Energy Rater Training at \$150,000.

This project is an enhancement and further dissemination of our CES Energy Education workshops. Alaska Cooperative Extension presently is under contract to AHFC to utilize Stripper Well monies for conduct of workshops, curriculum development, and to provide technical assistance and information dissemination to the public. The activities they will focus upon are:

- enhanced residential retrofit and renovation
- ensure that new technologies for housing are adapted and evaluated quickly in the Alaskan context.
- provide expanded consumer and builder energy education workshops throughout Alaska.

In the case of the builder energy education workshops, they will collaborate whenever possible with Alaska Building Science Network and Alaska Craftsman Home Program, should that opportunity be available.

17. Homeless Assistance Program (HAP) (Mental Health Bill)

This program, established in 1993, provides grants to assist state agencies, local governments, regional housing authorities and non-profit corporations in addressing the emergency needs of homeless Alaskans. According to statistics reported by prior HAP grant recipients, approximately 400 families benefit from HAP funded activities annually. The most recent grantees in Palmer, Kenai, Fairbanks, Mat-Su and the Aleutians utilized HAP funds to expand shelter facilities, develop transitional housing, provide case management and rental assistance services.

During the last competitive round, AHFC received 26 applications totaling \$1.7 million from homeless

service providers throughout Alaska. The requested increase in authorization for this program is in response to both higher demand for assistance and dwindling Federal resources.

For Fiscal Year 2000, AHFC is requesting authorization for the expenditure of \$800,000 in corporate receipts which will be matched by \$200,000 in funds from the Mental Health Trust Authority (AMATA). Both funds will be combined and administered as one program by AHFC. The AMHTA funds will be used for projects that benefit one of the four mental health beneficiary groups.

18. Beneficiary and Special Needs Housing (Mental Health Bill)

The Special Needs Housing program is a continuing program that serves populations with special housing needs. The program provides funds to Alaskan non-profit service providers and housing developers to increase housing opportunities to Alaska mental Health Trust beneficiaries and other special needs populations throughout Alaska. In FY00, these funds will continue a demonstration project to move some residents from Alaska Psychiatric Institute into community-based enhanced psychiatric assisted living.

The demand for special needs housing remains critical. The downsizing of Alaska Psychiatric Institute requires an immediate solution in finding appropriate housing for some of the individuals currently residing at API. Additionally, federal funding for housing remains flat for Alaska. When Congress enacts new housing legislation, Alaska's funding may substantially decline due to formula funding based upon population.

To optimize leveraging of these funds with other

federal grant and tax credit programs and to expedite the release of funding to non-profit housing developer, AHFC will administer these housing development funds. This will also administratively streamline housing development projects which also intend to borrow money from AHFC. Typically, most special needs housing in Alaska is financed by AHFC.

Examples of special needs housing include, but are not limited to:

- Congregate housing for people with mental illness or developmental disabilities;
- Supportive housing, including assisted living, for people with mental illness, developmental disabilities, or dual diagnoses;
- Transitional housing with support services for newly recovering alcoholics and addicts.

The use of funds will remain a collaborative process among the Trust, AHFC, DHSS, and the four Mental Health Trust Boards.

MEMORANDUM

STATE OF ALASKA

TO: Colonel John Glass
Director
Division of Fish & Wildlife Protection
Anchorage

DATE: April 9, 1999

FILENAME:

TELEPHONE NO: 269-5589

FROM: Captain Al Cain 
Operations Commander
Fish & Wildlife Protection
Anchorage

SUBJECT: Patrol Vessel Trooper
Replacement Plan

As you requested, the following is the present plan to replace the Patrol Vessel Trooper.

While the Trooper was a capable patrol vessel in years past, it had finally reached 45 years of age and was becoming far too expensive to maintain while safety concerns were increasing. The vessel was sold through a public bid process in 1998 with the proceeds returning to the Division with Legislative authority.

The P/V Trooper was sold for \$130,101. These funds are presently on deposit and available for the replacement project. The FY00 Capitol Budget included a request for \$550,000 to replace the P/V Trooper. These two amounts combined equal \$680,101.

The present very rough estimates for construction of a new 54 foot patrol catamaran design enforcement vessel are approximately \$750,000. This design is being considered ahead of others at this time. The Canadian RCMP operate 3 catamaran designs on east and west Canadian coastlines. These vessels are extremely capable and effective for law enforcement purposes. Recently the California Department of Fish and Game contracted new construction of a patrol catamaran design for cff shore use. Current research indicates this design would be very well suited for the Kodiak Area.

Additionally, the Division is presently selling three 23 year old Bertram patrol vessels. This may realize \$100,000 or more. If the three amounts were combined then the project could be accomplished during FY00. If the \$550,000 appropriation does not become reality, then the project cannot be accomplished and funds from the vessel sales should be used to replace aging patrol vessels in Southeast Alaska.

Synopsis of funding sources to replace the P/V Trooper in Kodiak:

Sale of P/V Trooper	\$130,101.00
FY00 Vessel Appropriation	\$550,000.00
Sale of 3 Bertrams	<u>\$69,899.00</u>
TOTAL	\$750,000.00

Please let me know if you need further information.

AHFC FY2000 Capital Budget Request

<i>Project</i>	<i>Description</i>	<i>Fund Source</i>			
		<i>Total Amount</i>	<i>Corp Receipts</i>	<i>Federal Receipts</i>	<i>Other</i>
Supplemental Housing Development Program		9,000.0	9,000.0	0.0	0.0

Corporate funds to leverage U.S. HUD Indian Housing funds for safe and sanitary housing for Rural Alaskans.

Beginning in FY99, the HUD program became a formula based block grant under NAHASDA. NAHASDA consolidates some existing federal programs into a single Indian Housing Block Grant, one of which is HUD's Traditional Indian Housing Development program. The requested funds would be used to leverage those funds.

The final list of projects has not yet been determined. The following list is the anticipated allocation:

Location:	Aleutian Housing Authority	513.9
	Bering Straits Housing Authority	925.0
	Cook Inlet Housing Authority	859.6
	AVCP Housing Authority	1,448.2
	Copper River Basin Housing Authority	1,121.2
	North Pacific Rim Housing Authority	224.2
	Interior Regional Housing Authority	1,588.3
	Tagiugmiullu Nunamiullu Housing Authority	213.0
	Tlingit-Haida Housing Authority	682.0
	Baranof Island Housing Authority	130.8
	Bristol Bay Housing Authority	465.3
	Metlakatla Housing Authority	46.7
	Northwest Imupiat Housing Authority	541.9
		8,760.0

Provide on-site water and sewer facilities, roads to project sites, electrical distribution systems, and energy-efficient design features in homes constructed by the regional housing authorities.

Anchorage	Alaska Housing Authority Association	175.0
	The Association was incorporated in 1977 to represent the Regional Housing Authorities in Alaska. Its purpose is to secure funding and development of programs tailored for Alaska's conditions which will provide decent, safe, and sanitary housing.	

Anchorage	Alaska Native Health Board	60.0
	The Board is a statewide organization since 1968 to advocate on behalf of health concerns of rural Alaskans.	

Low-Income Weatherization	5,400.0	4,000.0	1,400.0	0.0
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There are two components to the appropriation:

Low-Income Weatherization Program (WAP) & Residential Energy Rehabilitation Program (EWX+)

The WAP follows federal regulations, and serves the road connected communities of the state. It provides cost-effective energy conservation measures, health-safety heating system and air quality improvements, and measures designed to maintain the long term durability of homes, and health & comfort of occupants. The EWX+ provides more comprehensive energy renovation in non-road connected areas. Work includes the same measures of the WAP and rasing building above high water marks, and bringing homes into compliance with the state Building Energy Efficiency Standards in most cases.

Location:	Est. units (4/99-3/00)		
Northern Region	38	569.8	EWX+
Calista Region	38	570.7	EWX+
Bristol Bay/Aleutian	26	393.6	EWX+
Interior Region	24	355.9	EWX+
Fairbanks Region	155	777.5	WAP
Southcentral Region	141	707.0	WAP
Anchorage Region	286	1,429.4	WAP
Southcast (ex Juneau)	96	338.1	WAP
Juneau City & Borough	52	258.0	WAP
	856	5,400.0	

AHFC FY2000 Capital Budget Request

<i>Project</i>	<i>Description</i>	<i>Fund Source</i>			
		<i>Total Amount</i>	<i>Corp Receipts</i>	<i>Federal Receipts</i>	<i>Other</i>
Senior Citizens Housing Development Fund Program		4,000.0	4,000.0	0.0	0.0

Senior Citizens Housing Development Program --- Corporate (AHFC) funds to grant to municipalities and public or private non-profit corporations, in conjunction with other agencies, for the development of senior citizen housing. Funds can be used for: purchase of building sites, site preparation, materials, construction, and rehabilitation. Awards are made on a competitive basis contingent on Legislative approval.

<i>Location:</i>	<i>Total Cost</i>	<i>Sponsor</i>	<i>Grant Amt.</i>	<i># Units</i>	<i>Name</i>
Naknek	\$2,006	Bristol Bay Elders Action Group	675.0	11	Southwest Elders Home
Wasilla	\$2,994	Wasilla Area Seniors	1,100.0	26	Raven Tree Court Senior Housi
Talkeetna	\$1,511	Upper Susitna Seniors	1,215.3	6	Upper Susitna Senior housing
Ketchikan	\$290	Rendezvous Seniors Day Services	156.3	8	Rendezvous Assisted Living
Homer	\$883	Homer Seniors	754.0	6	Pioneer Vistas Senior Housing
Statewide		Sr. Hsg. Predevelopment Grants	99.4		
	\$7,684		4,000.0	57	

Parkview Manor - Anchorage Phase II	3,000.0	3,000.0	0.0	0.0
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Parkview Manor - Phase II (Anchorage) --- Corporate (AHFC) funds for phase two of the major renovation of Parkview Manor, to include all units, a maintenance building and site improvements. A professional needs assessment has identified improvements necessary which include: installation of new floors, walls, and ceilings, interior and exterior doors, new carpet and vinyl, new cabinets and kitchen appliances and bathroom fixtures.

Location: Anchorage

Mountain View - Juneau Phase II (Senior Units)	3,917.0	3,917.0	0.0	0.0
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Mountain View - Phase II (Juneau) --- Corporate (AHFC) funds for phase two of the major renovation of Mountain View units and other site improvements. A professional needs assessment has identified all improvements necessary. This property has all senior units.

Location: Juneau

AHFC FY2000 Capital Budget Request

<i>Project</i>	<i>Description</i>	<i>Fund Source</i>			
		<i>Total Amount</i>	<i>Corp Receipts</i>	<i>Federal Receipts</i>	<i>Other</i>
Senior and Statewide Deferred Maintenance		4,000.0	3,500.0	500.0	0.0

These funds are used to maintain senior and low-income housing operated by AHFC, to include: structural repairs, security systems, code compliance and ADA requirements.

Location:	Priority Order		Project Total	Accumulated Total	
Statewide		Administrative costs	617.7	617.7	Headquarters
Seward	1	Mechanical Systems Upgrades	26.0	643.7	Glacier View
Sitka	2	General Physical Upgrades	196.6	840.3	Swan Lake Terrace
Anchorage	3	Site Improvements	95.5	935.8	Loussac Manor
Anchorage	4	General Physical Upgrades	198.5	1,134.3	Loussac Manor
Juneau	5	Site Improvements	422.0	1,556.3	Cedar Park Annex
Sitka	6	Energy Efficiency Improvement	28.5	1,584.8	Swan Lake Terrace
Sitka	7	Energy Efficiency Improvement	4.0	1,588.8	Paxton Manor
Sitka	8	Building Security / Accessibility	52.5	1,641.3	Swan Lake Terrace
Anchorage	9	Building Security / Accessibility	21.0	1,662.3	Johnson Heights
Anchorage	10	Energy Efficiency Improvement	6.3	1,668.6	Johnson Heights
Anchorage	11	Building Security / Accessibility	8.0	1,676.6	New Willows
Petersburg	12	Professional Needs Assessment	30.0	1,706.6	Vista View
Seward	13	Energy Efficiency Improvement	183.6	1,890.2	Glacier View
Anchorage	14	General Physical Upgrades	121.9	2,012.1	Alpine Terrace
Petersburg	15	Energy Efficiency Improvement	48.6	2,060.7	Vista View
Nome	16	Building Security / Accessibility	30.4	2,091.1	Beringvuc
Anchorage	17	Site Improvements	151.3	2,242.4	Ptarmigan Park
Anchorage	18	General Physical Upgrades	252.0	2,494.4	New Willows
Anchorage	19	Energy Efficiency Improvement	15.9	2,510.3	Chugach View
Fairbanks	20	Site Improvements	54.9	2,565.2	Birch Park I
Juneau	21	Building Security / Accessibility	7.5	2,572.7	Cedar Park
Anchorage	22	Energy Efficiency Improvement	65.6	2,638.3	Alpine Terrace
Fairbanks	23	Building Security / Accessibility	11.9	2,650.2	Family Investment Center
Fairbanks	24	Site Improvements	19.6	2,669.8	Birch Park II
Fairbanks	25	Professional Needs Assessment	21.0	2,690.8	Birch Park I
Fairbanks	26	Mechanical Systems Upgrades	131.3	2,822.1	Birch Park I
Anchorage	27	Mechanical Systems Upgrades	36.5	2,858.6	Chugach View
Anchorage	28	Energy Efficiency Improvement	142.4	3,001.0	New Willows
Bethel	29	General Physical Upgrades	190.2	3,191.2	Bethel Heights
Ketchikan	30	General Physical Upgrades	24.5	3,215.7	Sea View Terrace
Anchorage	31	Site Improvements	80.0	3,295.7	Chugach Manor
Fairbanks	32	General Physical Upgrades	16.1	3,311.8	Family Investment Center
Anchorage	33	Site Improvements	122.0	3,433.8	New Willows
Wasilla	34	Energy Efficiency Improvement	283.6	3,717.4	Williwa Manor
Wasilla	35	Site Improvements	159.0	3,876.4	Williwa Manor
Anchorage	36	Site Improvements	6.0	3,882.4	Fairmount
Valdez	37	Site Improvements	37.0	3,919.4	Valdez Arms
Bethel	38	Site Improvements	9.0	3,928.4	Bethel Heights
Nome	39	General Physical Upgrades	32.9	3,961.3	Beringvuc
Anchorage	40	Site Improvements	33.7	3,995.0	Chugach Manor
Seward	41	Site Improvements	5.0	4,000.0	Glacier View
			4,000.0	4,000.0	

Riverbend Multi-Purpose Building	500.0	500.0	0.0	0.0
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Riverbend Multi-Purpose Building --- Corporate (AHFC) funds for a multi-purpose building to include: a community room with kitchen, an office with reception area, a maintenance shop, public toilets, and outside storage for lawnmowers, snow blowers, etc. The building site will be near the entry of the Riverbend property facing the Mendenhall River.

Location: Juneau

AHFC FY2000 Capital Budget Request

<i>Project</i>	<i>Description</i>	<i>Fund Source</i>			
		<i>Total Amount</i>	<i>Corp Receipts</i>	<i>Federal Receipts</i>	<i>Other</i>
HUD Comprehensive Grant Program		2,800.0	0.0	2,800.0	0.0
Location:	Valdez	Valdez Arms reconstruction of 7 units.	456.8		
	Anchorage	New Willows, scattered sites - Site improvement	907.7		
	Juneau	Geneva Woods - Floor replacement & upgrade water supply lines.	310.0		
	Statewide	Management Improvements	270.0		
	Statewide	Administration, Planning, Relocation, & Contingency	855.5		
		2,800.0			
Environmental Cleanup/Abatement		303.0	303.0	0.0	0.0
<p>Public Housing Environmental Clean-up & Abatement --- This request continues AHFC's environmental strategy to provide environmentally safe housing to all Alaskans and to reduce Corporate liability. Funds requested this year will address asbestos-containing material abatement at Geneva Woods in Juneau and Vista View in Petersburg.</p>					
Location:	Juneau	Asbestos Containing Material Abatement	188.0		
	Petersburg	Asbestos Containing Material Abatement	115.0		
		303.0			
Central Terrace/Fairmont Phase III		724.0	724.0	0.0	0.0
<p>Central Terrace / Fairmount Phase III (Anchorage) --- Corporate (AHFC) and federal funds for phase three of seven phases to dispose, replace, and renovate approx. 187 units of Low Rent housing. This request will fund the renovation of fourteen single-family dwellings, which will then be sold. Proceeds are considered federal funds and will be used to renovate additional units until all phases are complete. The plan is to replace the disposed units with Section 8 Certificates.</p>					
Location:	Anchorage				
Southall Manor Renovation		4,715.0	4,715.0	0.0	0.0
<p>Southall Manor Renovation --- Corporate (AHFC) funds to renovate 40 senior housing units in Fairbanks. This request funds renovation work recommended by the site assessment. This renovation will include remodeling apartments and common areas with new plumbing fixtures for kitchens and bathrooms; new interior wall and trim finishes; new appliances and cabinets for kitchens new carpet and vinyl flooring; and roofing replacement.</p>					
Location:	Fairbanks				
HUD Federal HOME Grant		3,750.0	750.0	3,000.0	0.0
<p>Federal program regulations allow AHFC to fund a variety of housing needs targeted to low-income families. AHFC has identified the following program components which will be available with FY99 HOME funds:</p>					
Location:	Statewide				
	Rehabilitation of owner-occupied single family residences	1,000.0			
	Rental housing rehabilitation and development	1,900.0			
	Home buyer assistance	550.0			
	CHDO operating expense assistance	150.0			
	Program administration expenses (AHFC & grantees)	150.0			
		3,750.0			

AHFC FY2000 Capital Budget Request

<i>Project</i>	<i>Description</i>	<i>Fund Source</i>			
		<i>Total Amount</i>	<i>Corp Receipts</i>	<i>Federal Receipts</i>	<i>Other</i>
Federal & Other Competitive Grants		2,750.0	1,250.0	1,500.0	0.0
<p>This program allows AHFC to apply for and receive Federal grants that target housing needs of low-income and special needs groups such as senior citizens, the mentally ill, disabled or homeless. To leverage additional federal housing dollars into the state, this program also allows AHFC to provide matching funds to non-profits and other entities that are eligible to compete for federal housing grant programs. Examples of recent recipients are RuralCAP, Yukon-Kuskokwin Health Corporation and ACDC.</p>					
Location:	Statewide	4,250.0			
Federal Competitive Grants - Public Housing		1,000.0	250.0	750.0	0.0
<p>To support AHFC's Public Housing Divisions effort to provide housing services to low-income families and special needs groups such as senior citizens, the mentally ill, disabled or homeless, AHFC will apply for federal grants that target these groups. Grant funds in this category may be used to prevent and reduce crime and substance abuse in public housing. Where required, AHFC may provide the needed match.</p>					
Location:	Statewide	1,000.0			
Energy Efficiency Monitoring Research		350.0	350.0	0.0	0.0
<p>Energy Efficiency Monitoring Research --- Corporate (AHFC) funds to conduct research, analysis, and information dissemination and interchange among members of the industry, and between the industry and the public. Through competitive procedures, an entity would be selected to provide data gathering and analysis of energy efficient designs for homes, as well as, monitoring activity of homes.</p>					
Location:	Statewide	350.0			
Builder & Rater Education Program		300.0	300.0	0.0	0.0
<p>Builder & Rater Education Program --- Corporate (AHFC) funds to promote energy efficient construction throughout Alaska. This program focuses on training builders, energy raters and consumers in northern building science, development of educational materials relative to northern building science, and to encourage builders to build homes that are built to a high energy efficiency standard.</p>					
Location:	Statewide	300.0			
Homeless Assistance Program (Mental Health Bill)		312.5	250.0	0.0	62.5
<p>Homeless Assistance Program --- Corporate (AHFC) funds to grant to local communities/agencies to help develop programs to prevent homelessness by providing assistance to families in imminent danger of becoming homeless, or those who are currently homeless. Corporate funds will be matched by \$62,500 Mental Health Trust Authority. Both funds will be combined and administered as one program by AHFC.</p>					
Location:	Kodiak	CSS - Brother Francis Shelter	42.8		
	Juneau	Saint Vincent dePaul	121.5		
	Unalaska	USAFV - Unalaskans Against Family Violence	29.1		
	Wasilla	Kids Are People Too	113.4		
	Fairbanks	WICCA		<i>Qualified but Unfunded:</i>	278.8
	Juneau	Gastineau Human Services		<i>Qualified but Unfunded:</i>	142.9
	Allcutian Island	Allcutian Housing Authority		<i>Qualified but Unfunded:</i>	28.7
	Mat-Su Valley	Valley Christian Conference		<i>Qualified but Unfunded:</i>	149.7
			306.8		600.1

AHFC FY2000 Capital Budget Request

<i>Project</i>	<i>Description</i>	<i>Fund Source</i>			
		<i>Total Amount</i>	<i>Corp Receipts</i>	<i>Federal Receipts</i>	<i>Other</i>
Beneficiary & Special Needs Housing (Mental Health Bill)		1,700.0	1,700.0	0.0	0.0

Corporate (AHFC) funds for a continuing program to serve populations with special housing needs. This program is jointly operated by the Department of Health and Social Services (DHSS) and AHFC. The program provides funds to Alaskan non-profit service providers to increase housing opportunities for Mental Health Trust beneficiaries and other special needs populations throughout the State for two purposes: housing development and residential accessibility modifications.

Other State Agencies		13,491.0	13,491.0	0.0	0.0
DHSS	Housing Modifications for People w/ Special Needs	250.0			
DEC	Water/Sewer/Waste Projects	13,241.0			

Totals:	61,950.0	52,000.0	9,950.0	62.5
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AHFC	FY99 Deferred Maintenance Debt Service (est.)	18,000.0	<i>(Not part of the Capital Budget)</i>
DOE	School Funding	17,444.0	<i>(Not part of the Capital Budget)</i>
OMB	Debt Retirement Service	14,556.0	<i>(Not part of the Capital Budget)</i>
UAA	Student Housing Debt Service (Start FY99)	1,000.0	<i>(Not part of the Capital Budget)</i>
		51,000.0	

Total FY2000 Funding Cap:	103,000.0
Over/Under:	(0.0)

4/22/99 am

**Briefing on the API 2000
and
Community Implementation Projects**

In cooperation with the Alaska Mental Health Board and the Alaska Mental Health Trust Authority, the Department of Health and Social Services (DHSS) has been exploring its options with respect to its ongoing project to provide the State of Alaska with a replacement facility for the aging Alaska Psychiatric Institute. This project is called API 2000.

At this point in time, DHSS has \$19.5 Million in capital funds available to contribute to any one of the three (3) replacement options presently under consideration. The options are described below in more detail.

An important part of the API 2000 Project, which downsizes the replacement API from a 79 to a 54 bed hospital, is its companion project, the Community Implementation Project, which is coordinated in cooperation and conjunction with the Trust Authority.

As a part of the Community Implementation Project, DHSS has adopted a five-year fiscal plan that would, in addition to providing a replacement for the existing facility, provide the capital dollars necessary to demolish asbestos-ridden Old API and fund the creation or expansion of the community mental health programs in the Greater Anchorage area in order to ensure following API's downsizing that appropriate services exist in the Municipality for those patients presently relying on API. This plan is possible, in part, because of the federal funds procured through the assistance of the Governor's DC office and Senator Stevens.

What follows is a brief description of each of the three (3) options and their current status.

Option 1 - Build a New Facility on the Existing Site with the Existing Plan

Option 1 would build a replacement facility on the present site, including refurbishing a portion of the existing hospital and then demolishing the remainder of old API.

Option 1 *is not* presently under active consideration at this time because of its additional capital cost.

Option 2 - Purchase Charter North Hospital & Some Nearby Land Parcels

Option 2 *is* presently under active consideration at this time because DHSS believes it should be possible for DHSS and Charter to negotiate a purchase agreement *within the existing capital funds* currently available to the API 2000 Project.

However, a number of factors presently stand in the way of a final agreement, including negotiating a purchase price that is acceptable to Charter while providing DHSS with sufficient funds *within its existing capital budget* to, at a minimum, make necessary renovations and purchase the additional land required. Further, API believes it will need to add space to the existing facility if the building is going to be satisfactory for the clinical and therapeutic needs of API's unique patient populations, including the forensic population.

We wish to reach a reasonable purchase price with Charter. We believe there is substantive room to negotiate.

Option 3 – A Public/Private Partnership with Providence Hospital

Option 3 would, in partnership with Providence Alaska Medical Center, construct a jointly owned and operated facility on Providence land purchased from the Trust. In order to procure the land for Providence for this purpose, this option depends on the success of a land trade presently being discussed between the University of Alaska and the Trust.

This option *is not* presently under active consideration by DHSS, but both the Trust and Providence remain very interested in this option and continue to work with the University to determine whether a land trade is possible that does not compromise either the University or the Trust's various and development options.

This option is complex and many different aspects of this option will have to come together in a serendipitous manner if it is to succeed.

Department of Corrections
Capital Requests
FY1995 Through FY 2000 Request

FY2000 Request:

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total</u>
Maintenance, Renewal, Replacement	\$900,000			\$900,000
Criminal Justice Information System (OBSCIS)		\$1,000,000		\$1,000,000
DOC Corrections Equipment	\$250,000			\$250,000
DOC Technical Support		\$300,000		\$300,000

FY1999 Appropriations (Chp 139 SLA 98)

Deferred Maintenance, Repair, Renewal			\$800,000	\$800,000
Procurement/Development Computerized MIS (Amended)		\$1,074,000		\$1,074,000
DOC Corrections Equipment	\$250,000			\$250,000
Data Processing Technical Support		\$300,000		\$300,000

FY1998 Appropriations (Chp 100 SLA 97)

Deferred Maintenance, Renewal, Renovation	\$900,000			\$900,000
Criminal Justice Information System/MIS	\$600,000			\$600,000
Corrections Equipment	\$300,000			\$300,000
Data and Word Processing Technical Support		\$303,800		\$303,800
Pt. Mackenzie Farm-Addition of 20 beds		\$500,000		\$500,000

FY1997 Appropriations (Chp 123 SLA 96)

Deferred Maintenance	\$1,000,000			\$1,000,000
Palmer Correctional Center/Contaminated Site	\$72,000			\$72,000
Community Jails	\$138,000			\$138,000
Management Information System Development		\$248,300		\$248,300

FY1996 Appropriations (Chp 103 SLA 95)

Statewide Renewal, Replacement	\$1,957,900.0			\$1,957,900.0
Criminal Justice Information System		\$750,000.0		\$750,000.0

FY1995 Appropriations (Chp 4 FSSLA 94)

Statewide Renewal and Replacement	\$1,000,000.0			\$1,000,000.0
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Bethel Lease Consolidation

This briefing paper lays out information relating to the \$250.0 FY 2000 CIP request for the Bethel Courthouse Transfer. The request envisions that some state agencies, currently housed in other lease space in Bethel, would move into the Braund Building upon completion of the renovation of that city owned facility. This is not a proposal; it is one scenario to demonstrate how the project might work.

Background

The City of Bethel is renovating the old city offices to house the Court System. There is some additional space that the Court System will not require. This additional space may house one or more executive branch agencies that are currently housed in leased space. Two potential leases have been identified which may fit the additional space in the new Court facility. Discussions with the City have just begun. Analysis will include whether it is most cost effective to front end build out and moving costs or to roll these costs into the rental rate.

Current State Leases

Following are the current Bethel leases listed in order of expiration date:

Lease #	Dept #	Property Address	Lessor Business Name	Expiration Date	# Options	Option Term	Max Exp Date	Current Cost / Month	Current SF	Current Cost / SF
2115 A		2311 WILLOW STREET	TUNISTA PROPERTIES, IN	10/31/99	0	0	10/31/99	2,264.40	1,360	1.67
2121		6 RIDGECREST DRIVE	NUNAKAUIAK YUPIK CORP	1/31/00	5	1	1/31/05	3,717.19	2,200	1.69
2132		20 RIDGECREST DRIVE	NUNAKAUIAK YUPIK CORP	8/31/99	1	1	8/31/00	1,920.42	1,319	1.46
2168		209110 PTARMIGAN DRIV	DAN LUSH RENTALS	1/31/99	2	1	1/31/01	2,276.21	1,920	1.19
2172		10 ROOM B9	BETHEL, CITY OF	1/31/99	2	1	1/31/01	540.00	300	1.80
2211		18204 NAPAKIAK WAY	BETHEL, CITY OF	8/31/99	1	1	8/31/00	1,000.00	640	1.56
2212 A		6460 RIDGECREST DRIV	BETHEL NATIVE CORPOR	6/30/02	0	0	6/30/02	13,820.55	6,945	1.99
2212 B		5460 RIDGECREST DRIV	BETHEL NATIVE CORPOR	6/30/02	0	0	6/30/02	1,235.79	621	1.99
2212 C		7460 RIDGECREST DRIV	BETHEL NATIVE CORPOR	6/30/02	0	0	6/30/02	1,843.74	927	1.99
2232		11460 RIDGECREST	BETHEL NATIVE CORPOR	3/31/00	4	1	3/31/04	4,934.40	2,570	1.92
2236		3311 WILLOW DRIVE	TUNISTA, PROPERTIES, IN	5/31/99	5	1	5/31/04	6,384.49	2,863	2.23
2115 B		2311 WILLOW STREET	TUNISTA PROPERTIES, IN	10/31/99	0	0	10/31/99	883.08	396	2.23
1092		9 BETHEL TOWNSITE	BETHEL, CITY OF	8/11/16	2	10	8/11/36	0.08	-	0.00
1233		6 REGIONAL HOSPITAL	ALASKA AREA NATIVE	0	0	0	0	0.00	2,396	0.00
1935 A		21 U.S. SURVEY #3770	BETHEL NATIVE CORPOR	5/31/99	0	0	5/31/99	4,005.20	2,010	1.99
1935 B		21 U.S. SURVEY #3770	BETHEL NATIVE CORPOR	5/31/99	0	0	5/31/99	179.33	90	1.99

Estimated Move Costs

Typical relocation includes the following elements. The actual elements and costs will be dependent on the agencies selected for relocation. The costs are based on similar actual costs of relocation in other locations.

Cost Element	Estimated Cost / Sq.Ft.
Tenant Improvements including interior renovations and finishes	20.00
Physical Moving	1.50
Data & Communications Wiring	3.65
Systems furniture & special items	10.00
Move phones	1.25
Sub-total	36.40
Contingency @ 10%	3.64
Total estimated costs	40.04

Potential Move Scenario

More time is needed to work with potential agencies to determine their needs. The following illustrates only one option for relocation.

Lease #	Dept	Current Sq Ft	Potential Sq Ft	Current Cost /sq ft	Est. Cost
2160	Corrections	1,920	2,620	40.04	104,905
2236	Law	2,863	3,600	40.04	144,144
		<u>4,783</u>	<u>6,220</u>		<u>249,049</u>

HB

58

HFIN

FILE

(11)

HOUSE COMMITTEE REPORT

FURTHER REFERRALS:

Date Referred to Committee: April 6, 2000

Date of Committee Action: 4/14/00

The FINANCE Committee considered:

HB 58

HOUSE BILL NO. 58

OIL & GAS AUDITS

"An Act relating to certain audits regarding oil and gas royalty and net profits and to audits regarding costs relating to exploration incentive credits and oil and gas exploration licenses; and providing for an effective date."

recommends it be replaced with the following committee substitute

CS HB 58 (FIN)

the same title
 a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

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

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____

fiscal note(s) DNR 3/8/00

REV 3/8/00

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Therriault</i>	Therriault			X	
<i>Bob Bunde</i>	Bunde	✓			
<i>Ala Austerman</i>	Austerman			X	
<i>John J. Davis</i>	J. DAVIS	X			
<i>Ben Gussendorf</i>	Gussendorf	✓			
<i>Mark Moses</i>	MOSES			X	
<i>John G. Davis</i>	G. DAVIS			X	
<i>W. K. Williams</i>	Williams			X	
<i>John Foster</i>	Foster			X	
<i>Keith Phillips</i>	Phillips			✓	

CO CHAIR'S SIGNATURE

Gene Therriault
Therriault

FISCAL NOTE

Bill Version: HB 58

(H) Publish Date: 3/8/00

STATE OF ALASKA 2000 LEGISLATIVE SESSION

BILL

Revision Date: 03-Mar-00
 Title: An Act relating to certain audits regarding oil and gas royalty and net profits and to audits regarding costs...
 Sponsor: Rules Committee
 Requestor: (H)RES

Dept Affected: Natural Resources
 BRU: Oil & Gas Development
 Component: Oil & Gas Development
 Component Serial No. #439

Expenditures/Revenues	(Thousands of Dollars)					
	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
OPERATING EXPENDITURES						
PERSONAL SERVICES	230.9	230.9	230.9	230.9	230.9	230.9
TRAVEL	2.5	2.5	2.5	2.5	2.5	2.5
CONTRACTUAL SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	233.4	233.4	233.4	233.4	233.4	233.4
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (fund code)	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE	(Thousands of Dollars)					
	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1105 Perm Fund Receipts	233.4	233.4	233.4	233.4	233.4	233.4
TOTAL	233.4	233.4	233.4	233.4	233.4	233.4

Estimate of any current year (FY00) cost: \$ none

POSITIONS

FULL-TIME	3	3	3	3	3	
PART-TIME	0	0	0	0	0	
TEMPORARY	0	0	0	0	0	

ANALYSIS: (Attach a separate page if necessary)

Transfer from the Department of Revenue funds for two Revenue Auditor positions and one clerical position. The Revenue Auditor positions being transferred are filled and perform royalty audits. The departments agree that efficiencies will result in the timeliness of audits with the consolidation of this function in DNR. In the past, many of the tasks required to complete these royalty audits were duplicative of tasks performed in DNR. This fiscal note shows the transfer of the funds and positions from Dept. of Revenue to the Dept. of Natural Resources.

Prepared by: Ken Boyd, Director Phone: 269-8800
 Division: Oil & Gas Date: 03-Mar-00
 Approved by Commissioner: John Shively Date: 03-03-00
 Agency: Natural Resources

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FISCAL NOTE

Bill Version: HB 58
 (H) Publish Date: 3/8/00

**STATE OF ALASKA
 2000 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction) March 3, 2000 - 3 p.m. Dept. Affected Revenue
 Title Oil & Gas Audits BRU Revenue Operations
 Component Tax Division
 Sponsor House Rules
 Requester House Resources Component No. 115

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	(230.9)	(230.9)	(230.9)	(230.9)	(230.9)	(230.9)
Travel	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Permanent Fund receipts)	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)
TOTAL	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)

Estimate of any current year (FY2000) cost:

POSITIONS

Full-time	-3	-3	-3	-3	-3	-3
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill transfers from DOR to DNR the responsibilities and authority for auditing reports and payments relating to revenue under oil and gas contracts, agreements and leases. This function is performed by three DOR positions that would be transferred from DOR to DNR.

The DOR positions had been funded with General Fund money but the Legislature in 1999 changed the funding source starting with the FY 2000 budget to Permanent Fund Receipts.

Prepared by: Dan Dickinson, Director
 Division Tax Division
 Approved by: Commissioner Wilson Condon
 Agency Department of Revenue

Phone 269-1033
 Date/Time March 3, 2000
 Date 03/03/2000

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FISCAL NOTE

Bill Version: HB 58
(H) Publish Date: 3/8/00

STATE OF ALASKA 2000 LEGISLATIVE SESSION

BILL

Revision Date: 03-Mar-00 Dept Affected: Natural Resources
 Title: An Act relating to certain audits regarding oil and gas royalty and net profits and to audits regarding costs... BRU: Oil & Gas Development
 Sponsor: Rules Committee Component: Oil & Gas Development
 Requestor: (H)RES Component Serial No. #439

Expenditures/Revenues	(Thousands of Dollars)					
	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
OPERATING EXPENDITURES						
PERSONAL SERVICES	230.9	230.9	230.9	230.9	230.9	230.9
TRAVEL	2.5	2.5	2.5	2.5	2.5	2.5
CONTRACTUAL SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	233.4	233.4	233.4	233.4	233.4	233.4
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (fund code)	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE	(Thousands of Dollars)					
	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
1105 Perm Fund Receipts	233.4	233.4	233.4	233.4	233.4	233.4
TOTAL	233.4	233.4	233.4	233.4	233.4	233.4

Estimate of any current year (FY00) cost: \$ none

POSITIONS

FULL-TIME	3	3	3	3	3	3
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS:

(Attach a separate page if necessary)

Transfer from the Department of Revenue funds for two Revenue Auditor positions and one clerical position. The Revenue Auditor positions being transferred are filled and perform royalty audits. The departments agree that efficiencies will result in the timeliness of audits with the consolidation of this function in DNR. In the past, many of the tasks required to complete these royalty audits were duplicative of tasks performed in DNR. This fiscal note shows the transfer of the funds and positions from Dept. of Revenue to the Dept. of Natural Resources.

Prepared by: Ken Boyd, Director Phone: 269-8800
 Division: Oil & Gas Date: 03-Mar-00
 Approved by Commissioner: John Shively Date: 03-03-00
 Agency: Natural Resources

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FISCAL NOTE

Bill Version: HB 58
(H) Publish Date: 3/8/00

STATE OF ALASKA 2000 LEGISLATIVE SESSION

Revision Date/Time (Note if correction) March 3, 2000 - 3 p.m. Dept. Affected Revenue
 Title Oil & Gas Audits BRU Revenue Operations
 Component Tax Division
 Sponsor House Rules
 Requester House Resources Component No. 115

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Personal Services	(230.9)	(230.9)	(230.9)	(230.9)	(230.9)	(230.9)
Travel	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Permanent Fund receipts)	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)
TOTAL	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)

Estimate of any current year (FY2000) cost:

POSITIONS

Full-time	-3	-3	-3	-3	-3	-3
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill transfers from DOR to DNR the responsibilities and authority for auditing reports and payments relating to revenue under oil and gas contracts, agreements and leases. This function is performed by three DOR positions that would be transferred from DOR to DNR.

The DOR positions had been funded with General Fund money but the Legislature in 1999 changed the funding source starting with the FY 2000 budget to Permanent Fund Receipts.

Prepared by: Dan Dickinson, Director Phone 269-1033
 Division Tax Division Date/Time March 3, 2000
 Approved by: Commissioner Wilson Condon Date 03/03/2000
 Agency Department of Revenue

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2

withdrawn 4/14/00

Amendment to HB 58

Change title by adding the underlined

An Act relating to certain audits regarding oil and gas royalty and net profits and to audits regarding costs relating to exploration incentive credits and oil and gas exploration licenses; repealing the notice requirement for the issuance of final written findings regarding sale, lease, or disposal of an interest in state land or resources for oil and gas subject to AS 38.05.180(b); and providing for an effective date.

Add to page 4 line 28 the underlined

Sec. 7. AS 38.05.036(d), 38.05.036(e), 38.05.945(a)(3)(B), and AS 43.05.010(15) are repealed.

Under existing law for DNR actions other than disposal decisions, there can be as many as three layers of administrative review: first an appeal to a division director, then an appeal to the commissioner, and finally a reconsideration request, which must be filed within 15 days instead of 20. HB 359 will replace this duplicative, complex process with one that has been successfully used for major DNR disposal actions since 1994.

→ HB 359 will also correct a flaw in DNR's public notice law, AS 38.05.945, by removing a special requirement for final decisions on oil and gas lease sales. The change will leave intact two other public notice provisions relating to oil and gas lease sales:

- When DNR issues a proposed oil and gas lease sale decision, AS 38.05.945 directs DNR to give public notice at the beginning of the comment period, notifying the public of its right to comment. This requirement will not change.
- After the final lease sale decision has been made (including the resolution of any administrative appeals), AS 38.05.945 directs DNR to give notice of the lease sale itself, so that prospective bidders may prepare for the sale. This requirement will not change.

However, between these two stages, AS 38.05.945 literally requires DNR to give notice of the issuance of the final decision "at least 30 days before the action." Advance notice that DNR plans to issue a final decision a month later does not serve any apparent purpose. More importantly, if the comment period is still underway when this "notice of final decision" appears in the newspaper, the public may be confused into thinking that the decision has already been made, and that there is no point in commenting or testifying on the proposed lease sale. HB 359 will correct this problem by removing the separate requirement for

notice of the final decision. (Under other applicable law, AS 38.05.035(e)(5), DNR must make the final disposal decision available to the public at least 90 days before the lease sale. As part of this duty, DNR gives notice to everyone who timely commented or testified on the proposal. Only those who timely commented or testified have the right to appeal the final decision under AS 38.05.035(i).)

TONY KNOWLES
GOVERNOR

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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 20, 1999

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

Dear Speaker ~~Porter~~ ^{Brian}:


In the interest of improving efficiency within our state government, as well as between government and industry, I am transmitting this bill to transfer oil and gas royalty audit functions from the Department of Revenue (DOR) to the Department of Natural Resources (DNR). It makes sense to put the audit duties in the same department that administers, enforces, and is therefore most knowledgeable with, the oil and gas leasing program.

Ironically, the audit functions used to rest with DNR, but were switched to DOR in 1980 based on a legislative audit report. The recommendation stated cost savings would be achieved by having one staff of auditors review both tax and royalty compliance information. Since 1980, however, the state has entered into royalty settlements with the major North Slope producers and has made changes to its tax regulations. As a result, there is no longer as much overlap between royalty and tax audits. In addition, separating DNR's duty to administer and enforce oil and gas contracts, agreements, and leases from the department's ability to conduct audits leading to possible enforcement actions, has resulted in inefficiencies and other problems.

The bill specifically authorizes DNR to audit reports and costs relating to exploration incentive credits and oil and gas licenses. It also grants DNR audit powers commensurate to those of DOR currently, including the right to subpoena information for audit purposes. The two departments would be allowed to exchange confidential information obtained in the course of their respective audits; a breach of confidentiality by any agency employee would be a felony offense.

This bill takes a sensible step in how the state does business with the oil and gas industry.

Sincerely,


Tony Knowles
Governor

**Department of Natural Resources
HB 58**

“An Act relating to certain audits regarding oil and gas royalty and net profits...”

HB 58 bill will transfer the authority to audit royalty revenues from the Department of Revenue (“DOR”) to the Department of Natural Resources (“DNR”). This legislation will create administrative efficiencies and provide DNR with the tools to successfully pursue the state’s interests in its relationship with the oil industry.

Background

Most of state government petroleum revenues come from two sources: production taxes levied by DOR and royalty payments administered by DNR.¹ The calculation of production tax and royalty payments involves very similar arithmetic. In both cases, a percentage of oil and gas production is multiplied by a “netback” value. The netback value is the difference of the price of the oil or gas at the market destination minus marine transportation costs and pipeline tariffs.

DNR and DOR used to conduct audits of their respective revenues independently. In 1980 the legislature consolidated auditing functions under DOR. The legislature felt then that a single audit authority made sense because most of the oil and gas production that was subject to royalty payments was also subject to production taxes. Given the similarity in the calculation of production taxes and royalty payments a single audit was all that was thought was needed.

Since 1980, circumstances have changed and it now makes sense now for the audit authority for royalty to be transferred back to DNR. The impact of the economic limit factor (ELF) means that more oil and gas production is exempt from taxes while royalty payments are still required. For example, oil producers in the Cook Inlet pay no production taxes because of the ELF but they still must pay royalties. The netback calculations required by each department also have become more dissimilar over time. Production taxes are imposed on the oil and gas producer by statute and regulations and each taxpayer calculates the netback value for taxes following identical rules. DNR calculates the netback value on the basis of leases and royalty settlement agreements that have evolved over time and are different for each lessee.

Efficiency

The state will benefit from the specialization of a DNR in-house audit staff and by the elimination of duplication between the departments.

- **Specialization.** Auditors within DNR participate in the development of royalty valuation methods used in the leases and royalty settlements and are familiar with the logic and history of each lessee’s unique requirements. HB 58 will grant DNR better access to audit

¹ “Royalty payments” in this context refers to both royalty payments and net profit share payments. It is the audit of these revenue streams that are the subject of HB 58.

information and DNR will be able to more efficiently guide audits while they are underway to investigate issues important to the department.²

- **Reduced Duplication:** DNR currently requests a royalty audit after DOR has completed the production tax audit. DOR will start a new audit separate from the original tax audit and includes tax audit information only when possible under the law. In addition to DOR staff assigned to the audit are DNR staff who must be involved in the process as much possible. DNR needs to be familiar with the information acquired in the audit and DNR needs to provide direction and oversight while the audit is conducted. When the audit is completed and delivered to DNR, DOR must keep its own records as well as transmitting copies to DNR. If DNR conducted its own audits, fewer audit staff will be required and there will be no need for inter-department reporting. The paperwork burden for each department will be reduced.

Because the potential for overlapping responsibilities between the departments has decreased over time, a single audit of both taxes and royalty payments is not really possible. HB 58 should not create an additional burden on the taxpayer. In fact, in no other state are the tax and royalty audit functions shared by departments.

What does HB 58 do?

The data provided from these audits are invaluable to DNR when evaluating whether or not its royalty settlement agreements are achieving the correct royalty netback value. As the DNR crafts new valuation methods and sets new lease terms, the audits will reveal what issues need to be considered. It makes sense that DNR acquire audit information first-hand rather than via summary reports and worksheets provided by DOR.

The language in Sections 1, 2, 3, and 5 of HB 58 cleaves the royalty audit role from DOR and transfers the audit authority to DNR. When the legislature granted to DOR the sole authority to audit royalty payments, DOR already had in AS 43 a toolbox to conduct audits. The original AS 38.05.036 was fairly straightforward. HB 58 provides DNR with not only the authority conduct royalty audits but also provides DNR with some tools it will need to conduct audits. These sections also retain for each department the existing authority to acquire data from the other in order to successfully conduct its own audits.

Section 1 also adds a provision to explicitly provide DNR the authority to audit exploration incentive credits awarded under AS 41.09. This remedies an oversight in the original statute where neither DOR nor DNR had such authority.

Parts of Section 4 were added after discussions with industry. Under current law, information collected in a DOR audit is held confidential under threat of criminal penalty. The penalties of divulging information given to DNR and considered confidential under current AS 38.05.035 are not so explicit. Section 4 imposes the same criminal penalty protection on royalty audits

² DOR recognizes the value of specialization and usually assigns the same staff to work on royalty auditor when possible. However, DOR's auditors do not work exclusively on DNR royalty audits.

conducted by DNR. Section 6 provides reciprocal protection when DOR acquires DNR royalty audit data.

Section 4 also extends subpoena powers to DNR. When DOR performs an audit, whether for production tax or royalty, it has the authority under AS 43 to subpoena books and records. HB 58 does not expand the state's power it only transfers existing subpoena powers to DNR. Without this change, the power of the state to audit royalty payments will be diminished. As a practical matter, subpoena powers are rarely exercised.

Fiscal Impact

As noted in the Fiscal Note that accompanies HB 58, three staff are transferred from DOR to DNR at no additional cost to the state. With improved efficiencies, more royalty audits can be completed in the course of a year and the backlog of audits eliminated.

HB 58 achieves an important and simple goal. In the performance of its duties to maximize the value of the state's oil and gas royalty revenues, DNR should conduct its own audits.

FISCAL NOTE

Bill Version: HB 58
 (H) Publish Date: 1/22/99

**STATE OF ALASKA
 1999 LEGISLATIVE SESSION**

Revision Date/Time (Note if correction) _____ Dept. Affected Revenue
 Title Oil & Gas Audits/Incentive Credit BRU Revenue Operations
 Component Oil & Gas Audit Division
 Sponsor Rules
 Requester Governor Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Personal Services	(230.9)	(230.9)	(230.9)	(230.9)	(230.9)	(230.9)
Travel	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)	(2.5)
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)
CAPITAL EXPENDITURES						
CHANGE IN REVENUES ()						

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)	(233.4)

Estimate of any current year (FY99) cost: _____

POSITIONS

Full-time	-3	-3	-3	-3	-3	-3
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill transfers from DOR to DNR the responsibilities and authority for auditing reports and payments relating to revenue under oil and gas contracts, agreements and leases. This function is performed by two DOR auditor positions and one clerk position that would be transferred from DOR to DNR.

Prepared by John F. Pilkinton, Director Phone 907-343-9225
 Division Oil & Gas Audit Date/Time Oct. 30, 1998
 Approved by Wilson L. Condon Date Oct. 30, 1998
 Commissioner _____
 Agency Department of Revenue

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FISCAL NOTE

Bill Version: HB 58

(H) Publish Date: 1/22/99

STATE OF ALASKA 1999 LEGISLATIVE SESSION

Revision Date: _____
 Title: An Act relating to certain audits regarding oil
and gas royalty and net profits and to audits regarding costs...
 Sponsor: House and Senate Rules Committees
 Requestor: Governor

Dept Affected: Natural Resources
 BRU: Oil & Gas Development
 Component: Oil & Gas Development
 Component Serial No. #439

(Thousands of Dollars)

Expenditures/Revenues	FY00	FY01	FY02	FY03	FY04	FY05
OPERATING EXPENDITURES						
PERSONAL SERVICES	230.9	230.9	230.9	230.9	230.9	230.9
TRAVEL	2.5	2.5	2.5	2.5	2.5	2.5
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	233.4	233.4	233.4	233.4	233.4	233.4
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (fund code)	0.0	0.0	0.0	0.0	0.0	0.0

(Thousands of Dollars)

FUND SOURCE	FY00	FY01	FY02	FY03	FY04	FY05
1002 Federal Receipts						
1003 GF Match						
1004 GF	233.4	233.4	233.4	233.4	233.4	233.4
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	233.4	233.4	233.4	233.4	233.4	233.4

Estimate of any current year (FY99) cost: \$ none

POSITIONS	FY00	FY01	FY02	FY03	FY04	FY05
FULL-TIME	3	3	3	3	3	3
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: *(Attach a separate page if necessary)*

Transfer from the Department of Revenue funds for two Revenue Auditor positions and one clerical position. The Revenue Auditor positions being transferred are filled and perform royalty audits. The departments agree that efficiencies will result in the timeliness of audits with the consolidation of this function in DNR. In the past, many of the tasks required to complete these royalty audits were duplicative of tasks performed in DNR. This fiscal note shows the transfer of the funds and positions from Dept. of Revenue to the Dept. of Natural Resources.

Prepared by: Ken Boyd, Director Phone: 269-8800
 Division: Oil & Gas Date: 26-Oct-98
 Approved by Commissioner: [Signature] Date: 10-26-98
 Agency: Natural Resources

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

COMMITTEE COPY For further distribution information call the Governor's Legislative Office

TONY KNOWLES

Governor

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

January 19, 2000

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

Dear Speaker Porter:

Alaska's responsibility of providing quality education for our children extends to all children, including those with special needs. The bill I transmit today clarifies the state's role in the education of our exceptional children.

In 1997 Congress reauthorized the Individuals with Disabilities Education Act (IDEA) which took effect this past July. State law and regulations contain inconsistencies that restrict our compliance with the federal program while creating confusion between the state Department of Education and Early Development (department) and individual school districts. This bill repeals those inconsistent state laws, brings the state into compliance with the intent of Congress, and offers clear guidance and assistance to school districts in delivering services to special education students.

Alaska law presently requires that a school district provide special education services to children with disabilities who reside in the district. But state law also exempts students from compulsory attendance at the public school in a student's home district if the student is enrolled in an alternative program. The result is that the district of residence, which has the legal responsibility to provide special education services, may not be able to provide the services because the child has not enrolled at a school in the district, and the district may know nothing about the child. The bill corrects this problem by properly identifying the district of enrollment as the entity responsible for providing special education programs to children with disabilities.

The department recognizes that under some circumstances, like enrollment in a statewide correspondence program provided by a district located far from the student's home, the

HB

58

SFIN

FILE

HB 58

was referred to the
Senate Finance
Committee

Hearing(s) were held

The bill did not move
from Committee

Briefing Paper
HB 58: Transfer of Authority for Oil and Gas royalty Audits From
Department of Revenue to the Department of Natural Resources
Prepared By
Alaska Department of Natural Resources
April 14, 2000

This bill reestablishes the Oil and Gas royalty audit function in the DNR by transferring this function and personnel from DOR to DNR. It provides for information exchange between DOR and DNR ; ensures consistency in audits and imposes uniform confidentiality requirements.

The Problem

Previously, similar procedures for calculating DNR royalty payments and DOR tax payments were conducive to a consolidated audit function at DOR. Over time, Royalty and tax audit calculations have become dissimilar. For example, the economic limit factor (ELF) exempts certain fields from production taxes while these same fields must continue to pay royalty. Further, production taxes are imposed uniformly via statute and regulations while royalty values are now often based on leases and settlement agreements which vary by lease and lessee.

Finally, DNR uses royalty audit results for royalty calculations. Differing DOR and DNR audit priorities lead to delays in DNR receipt of information necessary to DNR application of royalty payments.

The Solution

Combine royalty audit and royalty functions at DNR to enhance the productivity of staff and improve the timeliness of royalty audits. Address industry concern by requiring the same level of confidentiality for DNR auditors as applies to DOR auditors. Further, remedy an oversight in the oil and gas exploration incentive statute by adding the ability to audit this program.

Thru this bill the state will be able to complete audits in a timely manner and maximize the value of its oil and gas royalty revenues. Industry will not be negatively impacted by this bill.



Teleconference Participants

TCN: 10804

Participant List

View List for

ANC

Testifiers

Go >>>

Close Window

Participants

Unidentified Testifiers: 0

Unidentified Observers: 0

ANCHORAGE (ANC)

1



Name: Mr. Keven Banks
Address: 550 W7th #800
City /St /Zip: Anchorage AK 99501
Bill: HB 58: OIL & GAS AUDITS

Phone: 269 8781
Affiliation: DNR
Type: Testifier

SENATE FINANCE COMMITTEE

SIGN-IN

HB 58-OIL & GAS AUDITS

NAME: Kevin Banks Subject/Bill No: HB58
Co./Dept./Title: Oil & Gas Div. DNR Phone: _____
Address: On tele conference Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

HB

64

HFIN

FILE

CS FOR HOUSE BILL NO. 64(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-FIRST LEGISLATURE - FIRST SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered:

Referred:

Funding Information:	General Fund	\$ -0-
	Other Funds	<u>18,364,553</u>
		\$18,364,553

Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act making and amending appropriations; making appropriations under
2 art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an
3 effective date."

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. FINDINGS AND PURPOSE. (a) The legislature finds that

6 (1) the year 2000 date-change problem is already affecting automation systems
7 and the conduct of business worldwide in both the public and private sectors;

8 (2) the year 2000 date-change problem will increasingly affect automation
9 systems and business operations as December 31, 1999, approaches and will continue to have
10 substantial effects even beyond 2000;

11 (3) the year 2000 date-change problem is already affecting the systems and
12 operations of state government and, if not corrected, will likely cause substantial disruptions
13 in the provision of public services in Alaska;

14 (4) the year 2000 date-change problem poses serious potential risks to the life,

1 health, safety, and the economic well-being of all Alaskans;

2 (5) it is necessary to avoid these risks and to ensure that essential state
3 government functions and services continue without interruption; and

4 (6) the executive branch

5 (A) has identified its mission-critical business functions;

6 (B) is directing its efforts towards avoiding and remediating potential
7 year 2000-related failures in the automation systems that directly support those
8 functions; and

9 (C) needs to complete this work to ensure that essential state
10 government functions and the provision of essential state government services to
11 Alaskans are not disrupted.

12 (b) The appropriations in this Act are made to ensure that essential state government
13 functions and the provision of essential state government services to Alaskans are not
14 disrupted.

15 * Sec. 2. (a) The following appropriations are for year 2000 (Y2K) assessment,
16 compliance, and remediation projects from the fund sources set out in (b) of this section to
17 the following agencies for the purposes expressed:

	ALLOCATIONS	APPROPRIATION ITEMS	OTHER FUNDS
18 Department of Administration, Y2K		\$10,647,006	\$10,647,006
19 project office			
20 Department of Administration			
21 Y2K retirement and benefits software	\$ 400,000		
22 enhancements			
23 Y2K retirement and benefits data	250,000		
24 processing services			
25 Y2K mainframe test environment	2,126,300		
26 Y2K office of public advocacy trust	104,000		
27 system upgrade			
28 Y2K project administration	711,000		
29 Department of Commerce and Economic			
30			
31			

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services
Department of Education & Early Development
State of Alaska

1 health, safety, and the economic well-being of all Alaskans;

2 (5) it is necessary to avoid these risks and to ensure that essential state
3 government functions and services continue without interruption; and

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5 (A) has identified its mission-critical business functions;

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7 year 2000-related failures in the automation systems that directly support those
8 functions; and

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24 processing services			
25 Y2K mainframe test environment	2,126,300		
26 Y2K office of public advocacy trust	104,000		
27 system upgrade			
28 Y2K project administration	711,000		
29 Department of Commerce and Economic			
30			
31			

1	Development	
2	Y2K Alaska Public Utilities Commission	75,000
3	assessment	
4	Department of Corrections	
5	Y2K correctional facilities embedded	65,000
6	systems	
7	Y2K data processing hardware	560,000
8	replacement	
9	Y2K Cook Inlet Pre-Trial Facility	1,000,000
10	central control system replacement	
11	Department of Environmental Conservation	
12	Y2K statewide equipment, software,	458,453
13	and database compliance	
14	Y2K community wastewater systems	8,500
15	assessment	
16	Department of Health and Social Services	
17	Y2K McLaughlin Youth Facility	4,000
18	heating, ventilation, and air	
19	conditioning system upgrade	
20	Y2K McLaughlin Youth Facility	30,000
21	telephone system upgrade	
22	Y2K public health laboratory server	10,000
23	replacement	
24	Y2K emergency medical services	20,000
25	certification database replacement	
26	Y2K Alaska Psychiatric Institute	100,000
27	hospital information system upgrade	
28	Y2K Medicaid management	600,000
29	information systems upgrade	
30	Department of Transportation and Public	
31	Facilities	

1	Y2K compliance - statewide public facilities	4,000,000		
2				
3	Y2K compliance - state equipment fleet emissions test equipment replacement	6,770		
4				
5				
6	Y2K compliance - Alaska marine highway system remediation	42,983	(54.2)	
7				
8	Department of Environmental Conservation			
9	Y2K statewide equipment, software, and database compliance		75,000	75,000
10				
11	Department of Health and Social Services			
12	Y2K Medicaid management information systems upgrade		1,800,000	1,800,000
13				
14	Department of Transportation and Public Facilities		501,247	501,247
15				
16	Y2K compliance - state equipment fleet emissions test equipment replacement	68,230		
17				
18				
19	Y2K compliance - Alaska marine highway system remediation	433,017	(545.8)	
20				11,659,800
21	University of Alaska, Y2K assessment and remediation		4,659,800	4,569,800
22				
23	Alaska Court System, Y2K software upgrades for telephone and security systems		182,500	182,500
24				
25				
26	(b) The appropriations made by (a) of this section are made from the following fund			
27	sources:			
28	Constitutional budget reserve fund		\$14,554,553	
29	Public employees' retirement fund		493,500	
30	Teachers' retirement fund		156,500	
31	Federal receipts		2,376,247	2,489,030

1	Alaska Public Utilities Corporation receipts	75,000	
2	Oil and hazardous substance prevention and response fund	75,000	
3	General fund program receipts	10,000	114,000
4	Highway working capital fund	6,770	
5	Marine highway system fund	42,983	(54,2)

6 * Sec. 3. Section 131, ch. 139, SLA 1998, page 41, lines 4 - 6, is amended to read:

7		APPROPRIATION	OTHER
8		ITEMS	FUNDS
9	Procurement and Development of a	<u>1,074,000</u>	<u>1,074,000</u>
10	Computerized Management	[500,000]	[500,000]
11	Information System (ED 99)		

12 * Sec. 4. The appropriations from the constitutional budget reserve fund in sec. 2 of this
 13 Act are made under art. IX, sec. 17(c), Constitution of the State of Alaska.

14 * Sec. 5. LAPSE PROVISIONS. The appropriations made by sec. 2 of this Act lapse
 15 March 31, 2000.

16 * Sec. 6. This Act takes effect immediately under AS 01.10.070(c).

Y2K Appropriation HB 64

Dept	Request	Gov. Request	House	CBRF	Federal Funds	Other Funds	Other Source
Administration							
	BENECALC System Replacement	400,000	400,000			303,692	Public Employees Retirement Fund
						96,308	Teachers Retirement System Fund
	Retirement System	250,000	250,000			189,808	Public Employees Retirement Fund
						60,192	Teachers Retirement System Fund
	Mainframe Test Environment	2,126,300	2,126,300	2,126,300			
	Public Guardian	104,000	104,000	104,000			maybe Program Receipts
	Y2K Project Administration	868,400	711,000	711,000			
Commerce & Economic Development							
	APUC Y2K Assessment	75,000	75,000			75,000	Alaska Public Utilities Commission Receipts
Corrections							
	Correctional facilities embedded systems	65,000	65,000	65,000			
	Replace data processing hardware	560,000	560,000	560,000			
	Cook Inlet Pre-Trial Central Control System	1,000,000	1,000,000	1,000,000			
	Modification of OBSCIS & HOFA systems		574,000		574,000		Fed Bureau of Justice Assistance
Environmental Conservation							
	Statewide equipment, software, and data base compliance	533,453	533,453	383,453	75,000	75,000	Oil/Hazardous Prevention & Response Fund
	Community waste water systems Y2K assessment	28,000	8,500	8,500			
Health & Social Services							
	McLaughlan Youth Facility HVAC	4,000	4,000	4,000			
	McLaughlan Youth Facility telephone system	30,000	30,000	30,000			
	Public Health Lab server replacement	10,000	10,000			10,000	GF/PR
	EMS certification data base	20,000	20,000	20,000			maybe ought to buy from Occ Lic maybe Mental Health Trust Settlement Income
	API hospital information system upgrade	100,000	100,000	100,000			
	Medicaid management information system	2,400,000	2,400,000	600,000	1,800,000		
Natural Resources							
	Recorders Office	225,000	0				GF/PR
Transportation & Public Facilities							
	Statewide public facilities	4,500,000	4,000,000	4,000,000			
	State equipment fleet emissions test equipment replacement	75,000	75,000		60,230	6,770	Highway Working Capital Fund
	Alaska Marine Highway System remediation	600,000	476,000		433,017	42,983	Marine Highway System Fund
	Y2K Kennicott assessment	110,000					
University of Alaska							
	Y2K assessment & remediation	5,013,900	4,659,800	4,659,800			
Court System							
	Telephone & security systems	182,500	182,500	182,500			
	Total	19,280,553	18,364,553	14,554,553	2,950,247	859,753	

Amendment 1

Adopted
2/8/99
n/o

BY: MULDER

Proposed Amendments to CS for HB 64 (FIN):

The Office of Public Advocacy can support the \$104,000 form program receipts. Thus the CBR draw should be reduced and General fund program receipts increased.

On page 4 line 28:

Delete: \$14,554,553

Insert: \$14,450,553

Page 5, 3 Insert + 114,000 Delete 10,000

The Department of Transportation and Public Facilities wants to assure the legislature that the funds requested are for vessels.

On page 4 line 7 after "system"

Insert: "vessel assessment and"

On page 4 line 20 after "system"

Insert: "vessel assessment and"

HOUSE COMMITTEE REPORT

(11)

Date Referred to Committee: January 25, 1999

FURTHER REFERRALS:

Date of Committee Action: 2/8/99

The FINANCE Committee considered:

HB 64

HOUSE BILL NO. 64

APPROPRIATIONS FOR Y2K FIX

"An Act making appropriations for year 2000 assessment, compliance, and remediation projects; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska; and providing for an effective date."

recommends it be replaced with the following committee substitute CS HB 64 (Fin) the same title a new title

additional referral to _____ Committee

attached amendment(s)

ADOPTS: _____ Letter of Intent

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

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Gene Theriault</i>	Theriault			X	
<i>Glen Mulder</i>	Mulder	✓			
<i>Tom Bunde</i>	Bunde			✓	
<i>Eric Kohring</i>	Kohring				X
<i>Alan Austerman</i>	Austerman			X	
<i>Carl Moses</i>	Moses	✓			
<i>John J. Davis</i>	J. Davis	X			
<i>John G. Davis</i>	G. Davis	X			
<i>W.K. Williams</i>	Williams	X			
<i>Ben Grossendort</i>	Grossendort			X	

CHAIR'S SIGNATURE *Gene Theriault* *Glen Mulder*

STATE OF ALASKA

TONY KNOWLES, GOVERNOR

DEPARTMENT OF HEALTH AND SOCIAL SERVICES

DIVISION OF MEDICAL ASSISTANCE

P.O. BOX 110660
JUNEAU, ALASKA 99811-0660
PHONE: (907) 465-3355
FAX: 1907/465-2204

MEMORANDUM

DATE: February 5, 1999

TO: Janet Clarke, Director
Division of Administrative Services

FROM: *SL* Bob Labbe, Director
Division of Medical Assistance

SUBJECT: Alaska MMIS Y2K Supplemental

Dennis DeWitt of Representative Mulder's staff asked for information about what other insurance companies are expending to make their claims payment systems year 2000 compliant. We have contacted Blue Cross who has said that it will take some time to develop that information but that they will get some information back to us in the next several weeks. However, they did say that they were going to spend multiple millions to upgrade their system.

We also contacted the Health Care Financing Administration (HCFA) regarding the Medicare Intermediary contractor for Washington and Alaska. That contractor is Blue Cross Washington/Alaska. This contractor pays the Medicare Part A (inpatient and outpatient hospital, and skilled nursing facility) claims for Alaska and Washington. At this point HCFA has contracted to pay \$1.4 million to upgrade that system to Y2K compliance. That system made benefit payments totaling more than \$162 million in fiscal year 1997 on almost 36,000 enrollees. The Medicare Part B (all other Medicare covered services) claims are paid by another fiscal intermediary contract which is the North Dakota Blue Cross/Blue Shield. That contract services Alaska with 10 other states. HCFA is unable to break out Alaska specific information under this contract.

By way of comparison Alaska's MMIS upgrade cost will be \$3.4 million. Alaska's MMIS made \$321 million in claims payments for FY98 covering 88,210 eligible clients. Of the \$321 million paid \$126 million or 40% was for hospital and nursing home services similar to those covered under Medicare Part A. Applying the 40% to Alaska's \$3.4 million upgrade cost results in an \$1.4 million applicable to the same services portion as that covered by HCFA's Part A processor.

Y2K Project Information

2/4/1999

- Internal Y2K Spending and Reporting Memo
- Departmental listings of mission-critical business functions
- Current Year 2000 Procurement Requirements

State of Alaska

Tony Knowles, Governor

Y2K Project Office

PO Box 110099

Juneau AK 99811-0099

(907) 465-5004, fax 465-5039

TO: Bob Poe, Commissioner
Department of Administration

DATE: February 3, 1999

FROM: Jack Fagnoli
Y2K Project Office

SUBJECT: Internal Y2K Spending and Reporting

The question of how, even whether, to attempt to identify past government agency spending on Y2K-related efforts has been the subject of a national intergovernmental discussion throughout 1998. The focus of the discussion has been promulgation by the Government Accounting Standards Board (GASB) of GASB Technical Bulletin No. 98-1 (TB 98-1), "Disclosures About Year 2000 Issues", which establishes Y2K accounting and reporting requirements for state and local governments.

From its initial dissemination as an exposure draft in July 1998 to its final amendment and adoption by GASB in October 1998, the central issue of concern about TB 98-1 has been whether it is possible to quantify or even meaningfully characterize past state and local government Y2K expenditures - - and specifically, whether attempting to do so at this point would be worth the substantial effort and expense required.

The American Institute Of Certified Public Accountants (AICPA) and the National Association Of State Auditors, Comptrollers And Treasurers (NASACT) are the two national professional associations most critical in advising GASB on the establishment of government accounting and financial reporting standards. Both organizations have gone on record in strongly recommending to GASB that the potential benefits of requiring detailed past Y2K cost or expenditure compilations from government agencies are far outweighed by the potential costs and risks to managers, auditors, investors, and the public. Both AICPA and NASACT have emphasized that this is particularly true with respect to compilations of internal agency costs and expenditures - - notably, those arising from the shifting of agency personnel and resources from other efforts to Y2K-related projects.

The key reasons cited by AICPA and NASACT for making this recommendation were:

- While contractual commitments are easily identifiable, and agency tracking and reporting of them is already required, the use of agency personnel to perform Y2K work is not accounted for separately;

- *"The [7/98 exposure draft of TB 98-1] provides no relief for those many entities that have not separately accounted for their use of internal resources to address the Year 2000 issue.... Entities generally do not record payables in separate accounts depending on the nature of the costs..." (9/24/98 comment letter from NASACT to GASB)*
 - *"Many governments will not contract their Year 2000 efforts, and others will simply replace noncompliant systems. In either case, no commitment exists as a basis for disclosure, and there is no other basis for disclosure apparent in GASB standards or the [TB 98-1] guide" (10/8/98 comment letter from AICPA to GASB)*
- Agencies are not likely to estimate costs in a consistent fashion:
 - *"Quantifying amounts spent may not be meaningful disclosure...because disclosure amounts for this requirement are likely to be inconsistent." (10/8/98 comment letter from AICPA to GASB)*
 - *"We question [GASB's] attempt to have governments disclose the portion of the costs of replacement systems or equipment that relates to Year 2000 compliance.... There is no logical basis for separating the costs of a system of this type into its component parts [i.e., those necessary to achieve Y2K compliance, vs. those not necessary]." (9/24/98 comment letter from NASACT to GASB)*
 - The costs of trying to compile past agency spending amounts outweigh the benefits:
 - *"The costs of the quantitative disclosures that would be required [in the 7/98 exposure draft of TB 98-1] far outweigh the benefits." (9/24/98 comment letter from NASACT to GASB)*
 - *"We recommend that the quantitative disclosures - - except the disclosure related to significant purchase commitments, which is required by current GAAP [generally accepted accounting principles] - - be eliminated." (9/24/98 comment letter from NASACT to GASB)*

These broad concerns are generally endorsed by the state accountant in the Department of Administration's Division of Finance, and are reflected in the State's treatment of Y2K issues in the FY 1998 Comprehensive Annual Financial Report (see Note 10).

The upshot of AICPA's and NASACT's recommendations was that GASB accepted them, and incorporated the changes in the promulgated 11/98 version of TB 98-1. TB 98-1 accordingly requires state and local governments to track, compile and report Y2K-related costs and expenditures only for significant, contractual Y2K expenditures. The entirety of the requirement in TB 98-1 is as follows:

"Governments should disclose any significant amount of resources committed - - contracted amounts at the end of the government's reporting period - - to make computer systems and other

electronic equipment year 2000-compliant." (GASB Technical Bulletin No. 98-1, "Disclosures About Year 2000 Issues", Section 6, p. 2)

Overall, this approach seems reasonable for the State of Alaska to follow as well, in regarding or reporting Y2K-related costs incurred to date; i.e., an approach of focusing on major Y2K contractual costs, and expenditures related to Y2K-specific appropriations. Historical Y2K spending data for other states is too spotty and inconsistent to make much use of, but review of the Y2K cost information for state governments posted on the internet site of the National Association Of Information Resource Executives (which is being used by the U.S. General Services Administration and the Y2K committees of Congress) indicates that other states are following a similar approach.

State of Alaska
Year 2000 Project

MISSION-CRITICAL BUSINESS FUNCTIONS

DEPARTMENTAL LISTINGS

The list below identifies the mission-critical business functions for each executive branch department, as initially identified by each department from its departmental point of view. The list was distributed and discussed at the 6/23/98 Cabinet meeting.

Administration

Administrative Services:

Financial Accounting
Budget Development
Budget Monitoring
Payroll Accounting
Personnel Management
Procurement
Property Control
Leased Facilities
Municipal Grant Administration

AK Commission on Aging/Division of Senior Services:

Nutrition, Transportation, & Support Service Grants
Senior Employment Program
Home & Community Based Grants
Mental Health Trust Authority Grants

AK Longevity Programs:

Alaska Longevity Bonus Program
Alaska Pioneer Homes Pharmacy/ Pharmaceuticals
Alaska Pioneer Homes (general)

AOGCC:

- Communication with outside
- Budget Monitoring
- Procurement
- Well Data & Production Information
- Inventory of Well Log tapes and Samples
- Engineering & geological analysis
- Well Compliance
- Inter/intra agency communications
- Electronic building security

APOC:

- Campaign Disclosure /Disclose System
- Individual Contributor Form 15-5
- Lobbying
- Conflict of Interest/ Legislative Financial Disclosure
- Administrative, Payroll, Budget & Legislative

Finance:

- Payroll
- Accounting

ITG:

- Computer Services
- Network Services
- Telephone Services
- Telecommunications Services
- Alaska Public Communications Services
- Agency Support Services
- Admin/ Finance/ Procurement

Motor Vehicles:

- Vehicle and Driver Licensing

Office of Public Advocacy:

- Public Guardian Trust Accounting System
- OPA Case Management & Billing System

Division of Personnel:

- On-Line Job Recruitment/Applications (Workplace Alaska)
- Traditional Job Recruitment
- Reporting/Access to Human Resource info
- Grievance Tracking

Public Defender Agency:

Case Management
Voice Mail
Desk Top Computers

Retirement and Benefits:

Retiree Payroll
PERS/TRS Member Service Tracking
Health and Supplemental Benefits Enrollment for State Employees
Deferred Compensation
Supplemental Benefits System Annuity Plan
Dependent Care Accounting

Risk Management:

Claims Payment
Zero Balance Bank Account Processing/Reconcili 1
Budget Prep. Monitoring & I/A receipt collection
Cost of Risk Allocation, Payroll assessment
Annual report to Dept. of Labor
IRS 1099 preparation & issuance
Actuarial projections & annual report

Tax Appeals:

Tax appeal hearings; decisions
Procurement hearings; decisions
Other admin appeals

COMMERCE AND ECONOMIC DEVELOPMENT

AK Energy Authority:

Bradley Lake Hydro
Four Dam Pool Hydro
Larsen Bay Hydro
Alaska Intertie

AK Seafood Marketing Institute:

LAN
Accounting
Payable/
Receivable

Insurance:

All aspects of Licensing Insurance Producers, SLBs, ADIs, MGAs, TPAs, RIMs, and RIBs
Consumer Service Complaint Database

Banking, Securities, & Corporations:

Banking - Supervision of state-chartered financial institutions
Securities - Regulation of securities in Alaska and the securities market's participants
Corporation - act as a filing agency, assist private sector in processing documents, provide information

Other:

Business Licenses
AIDEA Loan Servicing
Loan Servicing
Alaska Railroad

COMMUNITY AND REGIONAL AFFAIRS

Job Training Partnership Office
Power Cost Equalization
State Revenue Sharing
Seniors and Disabled Renters Program

CORRECTIONS

DOC Twelve Correctional Institutions, And Their Security, Central Control Systems, Perimeter Fences, Card Entry/Exit Systems, Monitoring Systems, Health and Life/ Safety Systems

DOC Telecommunications In Correctional Facilities.

EDUCATION

Child Nutrition Database
Food Distribution Database
Federal Draw Macro
DYNIX system Libraries
Archives Database/RBASE/GENCAT
ARGUS Database
CIMS
MEHS Student and School records database
Teacher Certification Database
Post-Secondary Education Commission - Loans

ENVIRONMENTAL CONSERVATION

Division of Spill Prevention and Response:

Collection of Environmental Protection Agency (EPA) Federal Funds
Collection of Department of Defense Federal Funds

Environmental Health/Food Safety Laboratories

Laboratory Analysis of Food Samples
Collection of Department of Defense Federal Funds

Environmental Health/State Chemistry Lab

Certifying commercial Drinking Water Labs
Analysis of environmental samples

FISH & GAME

General:

Licensing fishermen, crew members and vessels for commercial fishing across the state
Sportfish licensing
Process & Track Permits
Enhancement Hatcheries
Anadromous Waters System (GIS)
Process Fish Tickets
salmon-marking stock assessment (NERKA, TAGO TOWEB MARKDB, OTOLITH TMR data entry, OTOLITH TMR database)
salmon-marking stock assessment (freezer building, owner-maintained)
sonar-based escapement estimates
radio or sonic-marking stock assessment

Support Services:

Communications (Field, Remote)
Facilities
Vessels
Aircraft
GPs

Wildlife Conservation

Aircraft
Radios/Loran
GPS
DWC – Drawing and Tier II Permit Application System
Radio Telemetry

CFEC:

Licensing fishermen and their vessels to participate in commercial fishing across the state

Application for a limited entry permit in a fishery undergoing limitation
Development of detailed database on fisheries harvest and effort
Detailed study of fisheries for limitation
Case reporting
Record and report on Bristol Bay fishing district registration

GOVERNOR

Executive Decision Processes
Voter Registration and Election Management
Election Ballot Tabulation
Human Rights Complaint Investigation
State Budget Preparation
Payroll Process

HEALTH AND SOCIAL SERVICES

Family and Youth Services - Youth Detention Facilities
Family and Youth Services - Family Services, Child Protection Services
Alaska Psychiatric Institute
Public Health Nursing
Medical Benefits to Alaskans who qualify
Public Assistance or "Welfare" Programs (ATAP, Food Stamps/EBT, General Relief, Adult
Public Assistance and others) for Alaskans who qualify
Vital Statistics System
Public Health Laboratories
Emergency Medical Services

LABOR

Unemployment Insurance
Employment Services
Worker's Compensation
Labor Standards and Safety

LAW

Prosecution of Criminals
Collection of Civil & Criminal Debts to the State - Child Support Enforcement Collections
Investigation, Defense, & Prosecution of State's Oil & Gas Royalty and Taxation Cases
Child Protection Cases

MILITARY AND VETERANS AFFAIRS

Emergency Response Capability - State, Local, Federal Coordination
Disaster Recovery Database - Emergency Response Support

Disaster Recovery DMVA Backbone Wide Area Network
Disaster Recovery Meridian Phone System Switch
Disaster Recovery Antenna Field Communications
Disaster Recovery Access To Internet
DMVA Local Area Network Services to Commissioner and DFS Staff
DMVA Emergency Backup Power Systems
DMVA Facilities
DMVA Aircraft
Support of Air Guard Facility

NATURAL RESOURCES

DNR's revenue processing
Property recorder's office system
DNR computing, email, networking, and Geographical Information Systems.
DNR oil patch
DNR Buildings: Frontier and Bank of America.
DNR Land Administration System.
Wildland Fire Suppression Systems
Field Radio and Mobile Repeater Systems

PUBLIC SAFETY

Alaska Public Safety Information Network
911 Emergency Dispatch Centers
Public Safety Message Switch
Vehicles, Vessels, Aircraft

REVENUE

Income & Excise Audit Division's Cash Processing
Process and deliver PFD checks
Process Child Support Payments
Collection of State Revenues
Disbursement of State Funds
In-house investment management of State/ASPIB fixed income
Permanent Fund Corporation - Asset Management

TRANSPORTATION

Alaska Marine Highway System Vessels
Anchorage International Airport Fire Alarm System
Anchorage International Airport Heating, Ventilating, Air Conditioning
Alaska Marine Highway System Shoreside Facilities
Anchorage International Airport Access Control System

Land Highway Traffic Control Devices
State Equipment Fleet Vehicles and Shop Equipment
State Equipment Fleet Equipment Management System
Fairbanks International Airport Access Control System
Fairbanks International Airport Andover Heating, Ventilating, Air Conditioning Control
Fairbanks International Airport Fire Alarm System
Sitka Airport
Telecommunication Infrastructure
Data Communication Infrastructure
Third Party Billing System
Public Facilities, Buildings

CURRENT YEAR 2000 PROCUREMENT REQUIREMENTS

The two attached documents show the Y2K-related contract manual requirements and provisions currently in place for the State of Alaska (Division of General Services, Department of Administration), regarding the procurement of technology-related products and services, including computer hardware, software, and services:

- The document titled Procurement Information Message #37, Year 2000 Contract Language sets out the State's requirements and provisions for vendors and contractors who are direct manufacturers or direct providers of technology-related products and services.
- The document titled State Of Alaska RFP Number 98-0168, Amendment Number One shows the Year 2000 procurement requirement language currently in use by the State of Alaska (DGS/DOA) regarding the handling of year 2000-related compliance issues under contracts where a reseller is providing a product or service which is manufactured or supplied by a third party.

PROCUREMENT INFORMATION MESSAGE

Procurement Information Message #37
Division of General Services

November, 1996
Juneau 465-2250/Anchorage 276-3320

Procurement Information Message #37 Year 2000 Contract Language

What is the year 2000 problem? In the late 1950s through the 70s, computer memory that was needed to store data and computer programs, and to do the many computations required to support government and business was costly. Programmers looked for ways to use memory efficiently. For example, expressing dates as six-digit combinations (e.g. 01-01-95) was a good way to save considerable computer memory. It also saved time when the date was entered and ultimately saved money.

This was not a problem until businesses, such as insurance companies, needed to express the year 2000. Without an additional digit for the century indicator, Jan. 1, 2000 would be entered in the computer as 01-01-00. The computer program interprets the "00" as 1900, rather than 2000.

Another example is when the computer calculates your age in the current year. If you were born in 1952, the computer takes 96 (the current year), subtracts 52 and the answer is 44. However, the same question in the year 2000 will force the computer to take 00 and subtract 52, which will make you -52 (not born yet).

Will this affect State government? Computer systems that support critical State applications such as revenue collections, taxes, welfare benefits, medical insurance, criminal records, licensing, and many others may not be ready to deal with the year 2000. *Agencies must act now to determine the effect the year 2000 change will have on all applications and take action to correct the problems immediately!*

How long will it take and how much will it cost to fix the problem? Costs will vary depending on the severity of the problem and the number of programs affected. Agencies need to assess the extent of the problem within their programs before "costs" and "time to fix" estimates can be made.

What can we do to ensure that hardware, software, or firmware products purchased by the State accurately process data between the twentieth and twenty-first centuries?

The following clause is designed to protect the state against potential conversion problems associated with high tech purchases during the year 2000. It should be

included in all applicable high tech purchases and development contracts for Year 2000 compliant software, hardware, and systems with the following exceptions:

1. the requirement will not continue to exist after December 31, 1999, or
2. the agency has decided to accept products or items that are not Year 2000 compliant.

YEAR 2000 WARRANTY: The contractor warrants that each hardware, software, or firmware product or item delivered or developed under this contract shall accurately process date data (including, but not limited to calculating, comparing, and sequencing) from, into, during, and between the twentieth and twenty-first centuries, including leap year calculations, when used in accordance with the documentation provided by the contractor.

If the contract requires that specific products or items perform as a system, then this **Year 2000 Warranty** shall also apply to those listed items as a system.

The duration and remedies available to the State for breach of the **Year 2000 Warranty** shall be as defined in, and subject to, the terms and limitations of any general warranty provisions contained in this solicitation. In the absence of any such general warranty provision(s), the remedies available to the State shall include repair or replacement, without any cost to the State, of any listed product or item whose non-compliance is discovered and made known to the contractor in writing within one (1) year after acceptance, or within the time limits of the contractor's warranty, whichever is longer. Nothing in this **Year 2000 Warranty** shall be construed to limit any rights or remedies the State may otherwise have under the Uniform Commercial Code, State or Federal law, or with respect to defects other than Year 2000 performance.

Agencies may consider negotiating modifications to existing contracts for the acquisition of new products using the above clause as a guide. Prior to modifying the contract, the agency must ensure:

1. that performance is possible considering the characteristics of the existing products,
2. cost of performance will not be prohibitive, and
3. the contractor agrees to the bilateral contract modification.

Please contact General Services if you have questions regarding the information contained in this PIM.

STATE OF ALASKA RFP NUMBER 98-0168
AMENDMENT NUMBER ONE

RETURN THIS AMENDMENT TO THE ISSUING OFFICE AT:



Department of Administration
Division of General Services
Seventh Floor - State Office Bldg.
333 Willoughby Street
P.O. Box 110210
Juneau, Alaska 99811-0210

THIS IS NOT AN ORDER

DATE AMENDMENT ISSUED: August 31, 1998

RFP TITLE: THE ESTABLISHMENT OF A CONTRACT TO PROVIDE FOR THE PURCHASE, LICENSING, MAINTENANCE, DOCUMENTATION AND SUPPORT OF SOFTWARE FOR ALL EXECUTIVE BRANCH STATE AGENCIES AND PARTICIPATING POLITICAL SUBDIVISIONS OF THE STATE.

ITB OPENING DATE AND TIME: September 18, 1998

The following changes/additions are required:

1. Section 2.07, Experience and Qualifications, is clarified as follows: The minimum sales requirement under item #2 of this section refers to all sales made by the company, not just software sales and not just sales made to the State of Alaska.
2. Section 5.01, Scope of Work, Item #3, Ordering, is revised as follows:

The second sentence is deleted and replaced with:

Within one year of award, the successful reseller will be expected to provide the State with a web site ordering system.

The following sentence is added to Item #3:

Upon request, manufacturer's standard price lists, for the State's appropriate volume level, will be provided to the Contracting Officer or requesting State agency.

3. Section 5.01, Scope of Work, Item #9, Warranty, is deleted in its entirety and is replaced with the following:

9. YEAR 2000 COMPLIANCE:

The State of Alaska has made year 2000 compliance a high priority for all information technology that is sold to the State. Since the year 2000 is rapidly approaching, it is very important that State agencies are aware when a software publisher's product will not accurately handle year 2000 dates.

In order for a proposal to be considered responsive, it must meet the following minimum requirements:

- a. Within one month of award, reseller must post on their firm's web site, information regarding Year 2000 complaint software for all of the products covered under all of the established agreements.