

HOUSE FINANCE COMMITTEE
January 11, 2001
1:38 PM

TAPE HFC 01 - 3, Side A
TAPE HFC 01 - 3, Side B
TAPE HFC 01 - 4, Side A

CALL TO ORDER

Co-Chair Mulder called the House Finance Committee meeting to order at 1:38 PM.

MEMBERS PRESENT

Representative Eldon Mulder, Co-Chair
Representative Bill Williams, Co-Chair
Representative Con Bunde, Vice-Chair
Representative Eric Croft
Representative John Davies
Representative Carl Moses
Representative Richard Foster
Representative John Harris
Representative Bill Hudson
Representative Ken Lancaster
Representative Jim Whitaker

MEMBERS ABSENT

None

ALSO PRESENT

Representative Gretchen Guess; Major General Phil Oats, Commissioner, Military and Veterans Affairs; Michelle Brown, Commissioner, Department of Environmental Conservation; Deborah B. Sedwick, Commissioner, Department of Community and Economic Development; Laddie Shaw, Special Assistant, Office of Veterans Affairs, Department of Military and Veterans Affairs; Barbara Frank, Director, Division of Administrative Services, Department of Environmental Conservation.

GENERAL SUBJECT(S):

Review of Departments Accomplishments:
Military and Veterans Affairs
Department of Community and Economic Development
Department of Environmental Conservation

The following overview was taken in log note format. Tapes and handouts will be on file with the House Finance Committee through the 22nd Legislative Session, contact 465-

2156. After the 22nd Legislative Session they will be available through the Legislative Library at 465-3808.

LOG	SPEAKER	DISCUSSION
	TAPE HFC 00 - 3 SIDE A	
010	MAJOR GENERAL PHIL OATS, COMMISSIONER, MILITARY AND VETERANS AFFAIRS	Introduced staff.
280	Major General Phil Oats	Thanked Committee for support. Stressed that there are new missions. Reviewed the department's mission.
379	Major General Phil Oats	Reviewed mission of Office of Commissioner. All Divisions met performance standards.
405	Major General Phil Oats	Currently 9 % is spent on administrative costs.
466	Major General Phil Oats	Average vendor payment is 19 days. There were no penalties for late payments.
548	Major General Phil Oats	A training and exercise program was approved as a result of the Y2k After Action Plan.
569	Major General Phil Oats	Reviewed statewide communication plan. A first draft was completed during the summer of 2000 and is being refined. Several community response databases are being updated.
624	Major General Phil Oats	Average time to close out disasters has been 5 years; Goal is 18 months. Disasters can remain open for many reasons. Currently, there are 18 open, oldest is 9 years. The average is 3.8 years.
680	Major General Phil Oats	Number of those assisted: 4 million overall Specific disasters 92 thousand.
693	Major General Phil Oats	The number of lives saved or protected by the Division was 106,000.
745	Major General Phil Oats	Field guide completed, draft community relations plans completed.
843	Major General Phil Oats	Discussed deferred maintenance. The backlog is \$20.7 million dollars. The backlog was reduced by 6 percent in FY01.
	Major General Phil Oats	No days were lost due to facility related accidents
900	Major General Phil Oats	The department is required to spend 2.5 percent of their federal funds on energy efficiency. There was a 10-30 percent increase in overall utility costs due to

		fuel costs. There was a 12 percent reduction in kilowatt hours; increase in fuel cost is challenge.
939	Major General Phil Oats	Discussed Alaska National Guard and the process of determining its mission. Unit status report is used to assess. Personnel, training and equipment are reviewed. National Guard meets its mission as determined by the Department of Defense. It is meeting recruiting goals.
1056	Major General Phil Oats	Discussed response time. Response time is about 1 hour and 45 minutes. High level of professionalism due to conditions.
1146	Major General Phil Oats	National Guard directly or indirectly assists all 626,932 of the state's residents; 117 lives were saved. The Readiness Training program assisted 36,000 in FY00, through its readiness training; 14,500 have been assisted in FY 01.
1176	Major General Phil Oats	The department was unable to quantify the amount and value of property protected.
1257	Major General Phil Oats	Discussed youth academy. He noted that 68 percent of the graduates received a GED ore reentered high school. It was identified as a star base program; will provide service to schools.
1296	Major General Phil Oats	Out of 91 graduates from the Youth Academy, the average English comprehension grade level was 3.0 and the average math level was 2.2 (the national average is 1.4)
1359	Major General Phil Oats	Of 110 enrolled, 91 or 82.7 percent graduated from the program. The goal is 90.9 percent.
1379	Major General Phil Oats	Discussed mission 4 for the Alaska National Guard Youth Corps. Approximately 90 percent are in school or working one year after graduation.
1418	Major General Phil Oats	Discussed Veterans Affairs; 650 veterans have been visited since July 2000.
	Major General Phil Oats	Since July 2000, 28 communities have been visited to assist rural veterans.
1454	Major General Phil Oats	Concluded that FY 02 is a year of opportunities. Second highest number of veterans, but only one without a veteran's home. Centralized home does not meet the needs of Alaskan Veterans. Chance to utilize pioneer homes for veterans 125 dedicated beds and a

		regional approach. Opening the door to federal assistance.
1530	Representative Mulder	Questioned if federal government has committed to assistance.
1590	LADDIE SHAW, SPECIAL ASSISTANT, OFFICE OF VETERANS AFFAIRS, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS	Federal government is working on assisted living project. Could offset cost of veterans in the home by 33 - 66 percent.
1658	Major General Phil Oats	Observed that veterans want to stay in their homes.
1713	Representative Foster	Proud of the dedication of staff and their loyalty. Thanked the Department for their search and rescue efforts and rural outreach. Department does a lot with very little. Noted the amount of federal dollars and the difficulty in reducing state dollars. Felt that they are the most efficient department. Expressed support for adding the efforts for combat readiness.
1844	Major General Phil Oats	Discussed BEARS airplanes into southeast Russia. Discussed readiness efforts.
1906	Representative Hudson	Asked for the number of potential applicants to look at potential clients.
1942	Co-Chair Williams	Questioned how long funding would be available for assistance at pioneer homes. He thought federal funding would be restricted to five years.
1971	Major General Phil Oats	Did not know that funding would be restricted. A pilot program would be for the next 4 years. He emphasized that the federal government is looking for a way to meet the need.
2000	Vice-Chair Bunde	Referred to the Star Base Program.
2010	Major General Phil Oats	The program will be available to assist in schools for intensive 2-week programs at no cost to the school district. It is a test program.
2039	Vice-Chair Bunde	Questioned if there is a statutory requirement for an emergency radio network.
2059	Major General Phil Oats	Yes, federal law mandates emergency broadcast. It is difficult in rural Alaska. Alaska was the first to test radio service though the use of commercial station tags to transmitter for push to talk broadcast capability.
2123	Vice-Chair Bunde	Referred to the drug intervention program.
2131	Major General Phil	Assisted in taking \$30 million dollars in

	Oats	drugs out of the community. Provides personnel and equipment assistance to state and federal police.
2179	Co-Chair Mulder	Noted that the program is 100 percent federally funded
2190	Representative Harris	Mission defense system update
2199	Major General Phil Oats	Federal Administration has indicated that a National Missile Defense System. A booster for the defensive rocket will occur soon. If tests successful there will probably a decisions to go ahead to site. The Treaty could be broken once concrete is poured. Preliminary site preparation may occur.
2336	Representative John Davies	Asked how prepared the state is for missile defense.
2349	Major General Phil Oats	We are not prepared for biological attacks.
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024	Major General Phil Oats	Continued speaking about preparedness.
		<u>DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT</u>
249	DEBORAH B. SEDWICK, COMMISSIONER, DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT	Introduced her staff. There are 53 measures for the department.
329	Commissioner Sedwick	There are 7 divisions, 6 independent agencies and 16 boards and commissions.
474	Commissioner Sedwick	The department is working on improved customer service through e-commerce and on-line service. Purchase and renewal of Alaska Business Licenses are on-line; 2,300 businesses used on-line systems in the first 3 months. The department is working on interactive forms for regulatory requirements.
638	Commissioner Sedwick	Discussed banking securities, corporations mission, and consumer complaints. Noted that 75 percent of the applications received by the department are incomplete. Currently, applications are sent by mail. If applications were submitted on-line the system would refuse incomplete applications.
785	Commissioner Sedwick	Spoke to the ASMI program. The numbers for tourism are not as good as the State would like to see.
881	Co-Chair Mulder	Asked what the Department was doing to

		help boost tourism.
897	Commissioner Sedwick	Commented on the cut to that budget last year. Tourism planning has been drastically cut in the past couple years. The Department is precluded from marketing. Education is a large part of that marketing endeavor. There needs to be better interagency work coordination.
1002	Representative Hudson	Asked about increasing the # of Alaskans employed.
1034	Commissioner Sedwick	Stated that the department believed that the measure could be met. She asked what information needs to be considered. There needs to be a clear handle on some measurement tools when working on the budget.
1088	Representative Lancaster	Stated that he would be the Subcommittee Chair. He asked about the tracking.
1118	Commissioner Sedwick	Reiterated that the measurement is critical. She noted that she strongly believed in the program.
1145	Co-Chair Mulder	Agreed that a well-established benchmark is essential to the program.
1164	Commissioner Sedwick	Stated that a year round piece is essential to the program. Everything is matched out in the summer time. Winter needs to be more of a focus. The state needs better exposure.
1205	Commissioner Sedwick	Spoke to the rate of expected growth. Spoke to the Division of Trade and Development. Trade Shows and promotion. Happenings in China. What is important is the quality of the trade lead.
1374	Representative Croft	Asked if there were a better measure for that component.
1386	Commissioner Sedwick	Stated that the Department is struggling with that piece. As top trading partners, there needs to be some type of state control. The Department contributes a great deal and is always open to recommendations. This is important part of business for Alaska as it brings a lot of money into the state. She asked for an expansion of the mission.
1475	Commissioner Sedwick	Referenced the new key measurement. In 1999 the value dollar of export increased 33%.
1518	Representative Hudson	Asked what made that happen.
1528	Commissioner Sedwick	Replied that we suffered through the "Asian flu". Emphasized that the state

		can show the slow steady growth and create a new benchmark.
1561	Commissioner Sedwick	The Department believes strongly that those destinations are our top trading partners and that will not change. Asian partners pride themselves on loyalty. She maintained that the state must remain very focused in the East.
1612	Representative Croft	Commented that the trade numbers have increased with the price of oil.
1660	Co-Chair Mulder	Suggested that these are big issues affecting the world.
1674	Representative Croft	Spoke of the trade needs and what is appropriate for the Department.
1686	Commissioner Sedwick	Increase the performance production for ASMI. ASMI sells millions of pounds of seafoods throughout the country. She recommended increasing the consumption of Alaska seafood by increasing the volume of product sold through ASMI promotions by 10% in FY01.
1780	Commissioner Sedwick	Continued, the target of 45 million pounds for FY01.
1816	Commissioner Sedwick	Addressed community assistance. Reviewed the number of communities successfully managing new sewer and water systems. This operates in only 43 communities. There is a lack of people to run the systems. There is not a lot of stability with management with these systems.
1875	Representative Davies	Commented that the success rate may be increasing.
1917	Commissioner Sedwick	Noted that the department is comfortable with working with the Committee in clarifying the terminology.
1941	Commissioner Sedwick	Spoke to community assistance. Reviewed the number of CDQ-related jobs in Western Alaska.
1974	Commissioner Sedwick	Addressed the major difference from last year and the new divisions. The Community and Business Development and the International Trade and Market Development were newly created. The director of that agency is working on a survey.
2066	Representative Hudson	Noted that this is a difficult department to determine measures on. He recommended creating a vision in how to market Alaska. He asked if there has been an assessment done by the Governor's office for expansion.
2127	Commissioner Sedwick	Replied that the Department has many

		ideas. She suggested working with the private sector in addressing these ideas and gave examples.
2189	Representative Hudson	Stressed the need for a vision of what is being sold. What is the major marketing opportunity and commodity that can be promoted.
2249	Representative John Davies	Questioned where ATIA resides.
2292	JEFF BUSH, DEPUTY COMMISSIONER, DEPARTMENT OF COMMUNITY AND ECONOMIC DEVELOPMENT	Clarified that the function is privatized and that the state only administers the contract. The contract is administered under the Commissioner's Office.
2354	Representative Hudson	Clarified that ATIA's budget is \$4.485 million dollars; the state pays 30 percent
2379	Vice-Chair Bunde 1	Questioned the cost of PCE.
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10	Commissioner Sedwick	Did not know the exact number.
034	Commissioner Sedwick	Asked members to help the department by taking Alaskan goodies to conferences and discussed the use of trade walls.
164	Representative Foster	Thanked the Commissioner for traveling to rural areas.
		<u>DEPARTMENT OF ENVIRONMENTAL CONSERVATION</u>
281	Michelle Brown, Commissioner, Department of Environmental Conservation	The Department of Environmental Conservation promotes healthy people, healthy communities and a healthy environment. Everyone in DEC works in some capacity for clean air, clean water, clean land, safe food, safe handling of oil and chemicals, safe public facilities and businesses and pollution prevention.
477	Commissioner Brown	Reviewed accomplishments and noted that the department strives to deliver services, build partnerships, and provide guidance that strengthens the overall economy and maintains good jobs for Alaskans by sustainable management of air, water and natural resources. The department is looking at systematically implementing a new and improved Alaska water permitting program
571	Commissioner Brown	Although Alaska has the best laws in the country to prevent oil spills from carriers transporting oil as cargo, there have not been requirements for the railroad for large vessels carrying up to a million gallons of oil for their own use. Alaska needs to mend this hole in

		its law relating to large tank vessels and the railroad that carries oil for their own use.
	Vice-Chair Bunde	Clarified that vessels can carry as much as 1 million gallons.
622	Commissioner Brown	The department worked with the Alaska Oil and Gas Association and EPA to conduct an air permitting benchmark study to examine the permitting programs in other states to learn how to improve Alaska's air permitting services. The department reduced its permit delivery time by 42% for construction permits
694	Commissioner Brown	The department gained improved environmental performance commitments in the BP and ARCO merger agreement.
745	Commissioner Brown	The department was in federal court challenging the Environmental Protection Agency's decision to reject a state approved air quality permit for the Red Dog Mine outside Kotzebue.
847	Representative Croft	Questioned the status of the permit. The EPA order is in effect.
859	Commissioner Brown	Reviewed the finding by the EPA. The case will be heard in the Ninth Circuit next month.
892	Commissioner Brown	Noted that there was concern that the minimally regulated cruise ships were dumping large amounts of sewage and emitting serious air pollution. Studies showed that 34 out of 240 opacity readings violated state standards, but these violations decreased over the summer.
964	Commissioner Brown	Only one of 80 blackwater samples - toilet water - from the vessel's treatment system met water quality standards. Graywater - or water from sinks and laundry - is more like sewage than the industry anticipated, with some samples 50,000 times the standard. There was no evidence of mixing any hazardous wastes with wastewater discharges.
1018	Commissioner Brown	The department is working with industry for better waste management practices, better on-board treatment technologies, and for an ongoing state oversight and monitoring program, including a scientific review of possible impacts on our waters and wildlife from the wastewater discharges.

1029	Commissioner Brown	The cruise industry has indicated that Alaska is setting the world standard.
1046	Co-Chair Williams	Questioned if the state found the raw sewage before or after the industry said they would test.
1083	Commissioner Brown	Stated that the testing was done with the Coast Guard and industry was cooperative. Tests occurred during the summer. Treated sewage still exceed standards.
1148	Representative Croft	Questioned the effective date of federal requirements in the legislation by Senator Murkowski. Commissioner Brown clarified that it would be effective in the next summer. It prohibits the discharge of raw sewage. EPA will develop standards for other discharge.
1205	Representative John Davies	Observed that neither of the discharges referred to would have been under the federal mandate. Commissioner Brown clarified that the state would still have to address treatment of gray water. She emphasized that industry was not happy with the results and are looking at alternatives
1288	Representative John Davies	Questioned if technology is insufficient of if ships are not being operated correctly.
1309	Commissioner Brown	Stated that both are factors and gave examples.
1359	Representative Lancaster	Questioned if ultraviolet treatment has been considered. Commissioner Brown did not know.
1390	Vice-Chair Bunde	Questioned how fecal coliform is getting into the gray water. Commissioner Brown stated that animal matter can contain fecal coliform. The ferry system is also being addressed.
1459	Representative Croft	Noted that cruise ships were violating the law.
1477	Commissioner Brown	Observed that the law required treatment equipment and assumed that the devise would meet the standards. The standard is technology based.
1505	Representative Hudson	Noted that there are equipment inspection requirements.
1565	Commissioner Brown	Discussed healthy, safe communities. She noted that there is a food born illness in Homer.
1587	Commissioner Brown	Referred to performance measures. She noted that they have been actively collecting data. She provided members with a handout on performance measures

		(copy on file).
1668	Commissioner Brown	Reviewed measures for the Commissioner's Office and noted that all divisions are tracking performance measures.
1689	Commissioner Brown	An arbitrator overturned only one grievance in the last two years. There were no penalties on audit or payrolls.
1732	Vice-Chair Bunde	Questioned why one gallon was chosen. Commissioner Brown noted that one gallon of oil in a sensitive area can cause trouble.
1777	Commissioner Brown	Discussed contaminated sites. There were 756 high-risk sites.
1801	Commissioner Brown	Observed that 124 underground storage tanks that received no further action required.
1849	Commissioner Brown	Air and water quality permits cost an average of \$9,000 dollars. Anchorage has met the health standard benchmark for air quality. Fairbanks is not meeting standards.
1876	Commissioner Brown	It takes an average of 278 days to issue a permit. There is no data on the time it takes to reach resolution on complaints.
1903	Commissioner Brown	All risk based inspection facilities were completed.
1910	Commissioner Brown	Fast track permits will be available.
1919	Commissioner Brown	Discussed measures for Environmental Health. Most of the program is funded by 60 percent general funds and 40 percent program receipts.
1949	Commissioner Brown	There were fewer boil water notices.
1959	Commissioner Brown	Tracking for deficiencies in sanitary surveys began in April 2000. Since then, 16 percent had significant deficiencies.
	Commissioner Brown	The percentage of Land fills scoring 80 or higher has increased.
2043	Commissioner Brown	Food services facilities are not being inspected as much as targeted. Critical violations are going up.
2054	Representative Croft	Critical violations occur when an operator is not in compliance with state food rules in a manner that can result in a food borne illness.
2079	Commissioner Brown	Clarified that the trend was going down and is now going back up.
2106	Representative Croft	Noted that it is hard to tell if it is a good indicator that there are more critical violations.
2123	Commissioner Brown	Noted that they are inspecting less and finding more.
2132	BARBARA FRANK,	Clarified that since facilities are not

	DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ENVIRONMENTAL CONSERVATION	being inspected as often that when they are inspected there are more serious violations. More frequent inspections allow problems to be addressed before they become a critical violation.
2187	Commissioner Brown	Discussed Facility Construction and Operation measures. No data on the cost per household served. 69 percent of rural households will have safe water and sanitation by the end of calendar year 2000.
2236	Commissioner Brown	Statewide public Service no data of cost on individual facilities. Material exchange has saved \$1.5 million dollars.
2267	Commissioner Brown	Suggested the deletion of measure 2. There is a 70 percent compliance rate. The department offers training programs to help communities do environmental planning. She noted that 80 percent of the communities served continue on to complete programs. The department has a 99 percent customer satisfaction.
2318	Commissioner Brown	Noted that the issue is: How do you value prevention? Observed it is a challenge to quantify.
2340		<u>ADJOURNMENT</u> The meeting was adjourned at 4:00 p.m.