

HOUSE FINANCE COMMITTEE
March 20, 2001
1:47 P.M.

TAPE HFC 01 - 56, Side A
TAPE HFC 01 - 56, Side B
TAPE HFC 01 - 57, Side A
TAPE HFC 01 - 57, Side B

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 1:47 P.M.

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

Pat Pourchot, Commissioner, Department of Natural Resources; Nico Bus, Administrative Services Manager, Division of Support Services, Department of Natural Resources and Department of Military & Veterans Affairs; Annalee McConnell, Director, Office of Management and Budget, Office of the Governor; Kirk Frederickson, Deputy Commissioner, Department of Environmental Conservation; Dan Seamont, Commissioner, Alaska Oil and Gas Conservation Commission, Department of Administration; Bill Britt, Pipeline Coordinator, Department of Natural Resources; Joe Stam, Fire Program Manager, Division of Forestry, Department of Natural Resources.

PRESENT VIA TELECONFERENCE

Jim Clough, Energy, Division of Geological Surveys, Department of Natural Resources, Anchorage; Leroi Heaven, Mat-Su; Harold Riley, Alaska Army National Guard Installations, Department of Military & Veterans Affairs;

Kelly Niccolo, State Fire Marshall, Anchorage; Stoney Wright, Department of Natural Resources.

GENERAL SUBJECT(S):

Department of Natural Resources
 Department of Military & Veterans Affairs

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.

#HB47

LOG	SPEAKER	DISCUSSION
	TAPE HFC 00 - 56 SIDE A	
000	CO-CHAIR WILLIAMS	Called the House Finance Committee meeting to order to address capital budget requests for the Department of Natural Resources, and the Department of Military & Veterans Affairs.
100	ANNALEE MCCONNELL, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR	<u>Department of Natural Resources</u> Introduced Commissioner Pat Pourchot from Department of Natural Resources and other agency representatives.
127	PAT POURCHOT, COMMISSIONER, DEPARTMENT OF NATURAL RESOURCES	Addressed the gas pipeline project component request in the amount of \$10,242.8 million dollars. The project would summarize State actions to be taken to facilitate the development of a pipeline for the North Slope natural gas. He added that actions include initiating work on issuing State right-of-ways; collecting data for permitting reviews; development of an overall project labor agreement to provide job opportunities for Alaskans; and reviewing of the 1977 agreement between Canada and the United States, and coordination with the Canadians to insure a collaborative approach.
421	Commissioner Pourchot	Expounded on the outreach work necessary with for the gas project and the pre-application work. Commissioner Pourchot noted the permit and handling costs. He advised that during the effort, the Administration is attempting to eliminate any hurdles that occur within the large project.
593	Ms. McConnell	Addressed options involved through the

		projects.
723	Commissioner Pourchot	Noted that the Administration had received a letter from Foot Hills, re-activating the right-of-way applications. Those applications have been dormant for a number of years.
850	Representative Harris	Inquired if the requested funds would be used exclusively for the Alaska Highway route.
855	Commissioner Pourchot	Replied that they would, however, most of the work could be applicable to any application. He added, that if an application was received under another route, through statute, the State would be responsible to investigate that route. He added that idea is not the intention at the current time.
911	Ms. McConnell	interjected that the pre-application period is not limited to only one group. The budget assumption does assume only one application. For the work to be done, the route considered is currently the same.
1001	Representative Harris	Asked if consideration had been given to the route of Valdez or Cook Inlet.
1014	Commissioner Pourchot	Explained that he did not know when those decisions would be made available. There have been ideas that the gas route would move through Canada. He admitted that those are some of the questions to be addressed through the studies that are currently under way.
1057	Co-Chair Williams	Questioned if the Administration was in correspondence with the gas companies at this time. Additionally, He asked how long are the permits good for.
1092	Commissioner Pourchot	Acknowledged that the federal government is considering the permit question. Terms are usually good for between ten and twenty years. He noted that at this time, there are some legal questions on the table. Commissioner Pourchot addressed the "terms" associated with the permitting process. He noted that there is legislation to change the length of the permitting process.
1244	Co-Chair Williams	Inquired about the correspondence underway with the oil companies.
1261	Commissioner Pourchot	Responded that the producers are serious in their efforts to get an application, however, there has not been a guarantee of whether to proceed.

1317	Co-Chair Williams	Referenced the Borax Mine in Ketchikan and how that company walked away from the project leaving the town in a "bad" place.
1356	Ms. McConnell	Spoke to the employee concerns. She noted that some of the employee would be from within the departments and that some would be new. Once the project was completed, those departmental employees would return to their original jobs. She stressed that there is a lot to do, in order that the projects are not slowed down.
1435	Representative Croft	Asked if any applications had yet been received.
1445	Commissioner Pourchot	Explained that there has been an application "on the desk" since 1992, from Foot Hills. He added that the Administration is working with the Department of Law addressing right-of-way concerns.
1498	Commissioner Pourchot	Continued, the State has been using studies from the supply/demand modality.
1552	Representative Croft	Questioned the route chosen by the Administration.
1578	Commissioner Pourchot	Responded that it is assumed there will be an application, which is acceptable. Most of the work to be done will center on both geological and surveying information provided through various studies. He added that much of the work is not specific to the route. He was not aware of other optional routes besides "over the top". The Administration does not believe that route would suit the needs of the people of Alaska.
1682	Representative Croft	Questioned how the State could fund the beginning portion of the request without determining the route. He asked what part of the capital request should be deleted.
1738	Ms. McConnell	Noted that there is more information available on the Yukon Delta Route. Most of the work that the request includes shares a common portion of route. She stressed that in order to accomplish the scope of the work, there are only three seasons in which the project can be undertaken.
1840	Representative Davies	Spoke to preserving the State's "options". He inquired what money is anticipated to be used in order to guarantee that the lines are feasible

		with the regulatory structure. He believed that the Stranded Gas Act would not allow for those concerns.
1925	Commissioner Pourchot	Was not comfortable answering those questions at this time. He recommended that the Department come forward to address those concerns. Commissioner Pourchot acknowledged that was a subject of much concern and noted that it was being addressed statewide through the Gas Policy Council.
2051	Representative Davies	Hoped that the State was actively pursuing some form of regulatory staging. He commented that there should be some "public driver". He asked that within the proposed expenditure, how much would be directed toward State ownership or "hub" concepts.
2118	Commissioner Pourchot	Noted that one of the studies had been undertaken by the Department of Revenue to address those concerns.
2151	Representative Davies	Asked if any supported the fast track supplemental funding.
2160	Ms. McConnell	Replied that it was through State ownership concerns in the fast track supplemental.
	TAPE HFC 01 - 56, Side B	
001	Ms. McConnell	Stated that it had not been placed into the FY02 budget.
032	Representative Whitaker	Questioned who did not want to loose another field season.
070	Commissioner Pourchot	Replied that the producers and the agencies did not want to.
101	Representative Whitaker	Asked about the permitting proposition and application process.
119	Commissioner Pourchot	Noted that it is a right-of-way application which includes many aspects.
166	Representative Whitaker	Voiced his concern with the State's best interest and the routing that has been chosen. He requested information regarding the Administration's decision.
209	Commissioner Pourchot	Explained that there are alternatives for the highway route. One would be an "over the top" route or the Canadian route. He enumerated the benefits of each route and spoke to what would be in the best interest for Alaska.
353	Representative Whitaker	Asked about the unfavorable economics associated with the situation.
370	Commissioner Pourchot	Explained that the Administration believes that no one would be willing to

		buy the gas for the price that the gas would cost if other routes were used.
386	Representative Whitaker	Disagreed. He believed that the State should be cautious of these marketing opportunities. He believed that it would be in Alaska's best interest to have maximum exposure. He reminded the Commissioner that State law requires that the Legislature make that final determination.
478	Co-Chair Williams	Noted that he intended to schedule a meeting to address solely the gas line issues.
506	Ms. McConnell	Interjected that at this time, there are people on line to address these concerns.
592	KIRK FREDERICKSON, DEPUTY COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION	Spoke to the Department's fieldwork with regard to the proposed gas pipeline. He referenced Page 4 of the handout. [Copies on File]. He stated that the Department plays an important role in projects such as the proposed gas pipeline. The Department is responsible for ensuring that impacts to the environment and human health are minimized. The project would require numerous permits, plan approvals, State certification of federal permits or approvals to operate under established general permits of regulations.
776	Ms. McConnell	Mentioned the concerns voiced by the Department of Fish and Game noting that spokesperson was not able to stay but would be willing to testify at a later date.
878	Co-Chair Williams	Asked if the agencies had already begun to prepare for the gas line to happen.
895	Ms. McConnell	Commented on the pipeline preparation routes.
938	Representative Lancaster	Asked if the requested monies would help with the re-permitting.
955	Commissioner Pourchot	Replied that would not generally happen, however, there are overlaps such as the mapping within the Department of Natural Resources.
977	Representative Hudson	Followed-up. The industry has asked the State's personal to help address obstacles. He asked if program receipts would be used for those services.
1082	Representative Hudson	Suggested that some of the expenses for the mine geologist could be underwritten.
1104	Commissioner Pourchot	Responded that it would be difficult to assess costs and reimbursements without an application.

1163	Co-Chair Williams	Stressed that the producers are not talking to the Legislature. He emphasized that everyone wants to see the gas line go, but were not willing to spend money until there are more assurances. There are no guarantees that the producers are going to come in and make this happen.
1242	Ms. McConnell	Stressed that some tasks need to be initially undertaken and cannot be billed to the industry. The statute is clear that post application expenses would be reimbursed. Pre-application costs are unclear. She stressed that the process should not be slowed by a lack of funds. She suggested that half of the expenses could be covered with statutory designated program receipts (STPR). She added that funding could be resolved in a supplemental.
1360	Co-Chair Williams	Questioned if the costs could be incorporated in the current agencies budgets, and then be reimbursed in a supplemental, if the project goes forward.
1443	Ms. McConnell	Observed that the State cannot control the producers, and that the State did not want to miss a years worth of activity.
1515	Ms. McConnell	Noted that there are some differences between within the Governor's request for supplemental funding.
1552	Co-Chair Williams	Reiterated support for the project. He questioned if funding could occur through Legislative Budget and Audit (LBA) Committee.
1579	DAN SEAMOUNT, COMMISSIONER, ALASKA OIL AND GAS CONSERVATION COMMISSION (AOGCC), DEPARTMENT OF ADMINISTRATION	AOGCC is required to evaluate the cost of production gas on oil production. Mr. Seamount discussed the reasons why the study should be done early.
1765	Representative Davies	Questioned how much of the gas pipeline overlaps with the Alyeska renewal.
1811	Commissioner Pourchot	Noted that the State had not yet received an application.
1842	BILL BRITT, PIPELINE COORDINATOR, DEPARTMENT OF NATURAL RESOURCES	Noted that Alyeska had done environmental work, which is expected again in a renewal application.
1967	Commissioner Pourchot	In response to a question by Representative Davies, mentioned that the State is looking into a 50/50 share of the costs.

	TAPE HFC 01 - 57, Side A	
024	Mr. Britt	Discussed reimbursement.
152	Commissioner Pourchot	Noted that no firm reimbursement decisions had been reached.
239	Commissioner Pourchot	Discussed Oil and Gas Royalties and the accounting industry electronic reporting. He concluded that the project has saved funds and that it would develop standardized electronic formats.
558	Commissioner Pourchot	Reviewed the seismic data acquisition and interpretation to promote oil exploration and the leasing request. The request would fund the acquisition of data on leases where the data is not required to be submitted to the State. The total amount of the request is \$138 thousand general fund dollars.
750	Commissioner Pourchot	Discussed the emergency title defense-the Prince William Sound request. He observed that State lands, which were submerged, have risen higher. The survey would prove that the land belongs to the State. The requested amount is \$120 thousand general fund dollars.
841	Commissioner Pourchot	Reviewed the request for State park emergency repairs. There is \$42 million dollars in deferred park maintenance needs. The request would only address emergency health and safety repairs. The requested amount would be \$400 thousand general fund dollars.
920	Commissioner Pourchot	Discussed the request for fire truck engine replacements, which is an on-going expense. The State would like to hire two trucks. The amount of the request would be \$200 thousand general fund dollars.
975	Representative Davies	Questioned if the Department participates in the State fleet program.
	NICO BUS, ADMINSTRATIVE SERVICES MANAGER, DIVISION OF SUPPORT SERVICES, DEPARTMENT OF NATURAL RESOURCES	Noted that the State does participate in the State fleet process, but that the funding is separate. He noted that there are insufficient funds in that fund. The Department pays for the customization of funds. The State Fleet Fund only pays for the chaise.
1090	JOE STAM, FIRE PROGRAM MANAGER, DIVISION OF FORESTRY, DEPARTMENT OF NATURAL RESOURCES	Noted that there would be additional CPI requests for subsequent years.
1180	Commissioner	Reviewed the request for the Fairbanks

	Pourchot	office facility roof maintenance and repairs request in the amount of \$200 thousand general fund dollars.
1209	Commissioner Pourchot	Discussed the airborne geological and geophysical mineral inventory request. The intent is to do 1,000 square miles each year. The amount of the request would be \$250 thousand general fund dollars.
1300	Commissioner Pourchot	Reviewed the snow-machine trail development and program grants request. He observed that the cost of registration would be used to support the grants as accordance with legislative intent. The amount of the request would be \$200 thousand general fund dollars.
1362	Commissioner Pourchot	Reviewed the Chena Pump Road boat launch river access purchase request. He noted that this is the only boat launch in the Fairbanks Tanana River area. The amount of the request would be \$101.5 thousand general fund dollars.
1464	Mr. Bus	Discussed the Recorder's Office equipment upgrades and records preservation. The Recorder's Office collects funds for operation. The request is based on passage of legislation and would be switched to program receipts if not passed. The amount of the request would be \$225 thousand general fund dollars.
1532	Representative Hudson	Spoke in support of the request.
1548	Mr. Bus	Discussed the Alaska Minerals Information At Risk Program: mining claims automation. He noted that the allocation would improve public access to public record systems. The amount of the request is \$700 thousand federal receipt dollars.
1607	Mr. Bus	Discussed the Agricultural Revolving Loan Land and Assets disposal. The funding would provide for disposal of the assets in the Interior and Southcentral Alaska. The requested amount would be \$100 thousand agricultural loan fund dollars.
1636	Mr. Bus	Addressed the National Fire Plan and the managing impacts of wildfires on communities and the environment. The requested amount would be \$3.460 million federal dollar receipts and \$2.178 million State designated receipt dollars.
1665	Representative Davies	Asked if the project was restricted to the Kenai Borough.

1676	Mr. Bus	Explained that more would be added.
1691	Mr. Bus	Spoke to the Alaska post entry plant quarantine facility establishment request in the amount of \$1.350 million federal receipt dollars.
1732	Mr. Bus	Addressed the agriculture plant material center seed lab construction requested funding in the amount of \$3,070.0 federal fund receipts. He noted that it is a State owned and operated facility. The present space is not capable of meeting the demands for seed testing and technology development.
1757	Mr. Bus	Discussed the agricultural land sales for the agriculture industry request in the amount of \$145 thousand State land dollars. The funding would provide staff and support services to sell agricultural land in Interior and Southcentral Alaska.
1798	Mr. Bus	Spoke to the historic preservation and restoration projects, the US Army public works program request in the amount of \$600 thousand federal receipt dollars. The State Office of History and Archeology is working in partnership with the Department of Army on historic preservation planning and restoration projects.
1827	Mr. Bus	Continued, addressing the national historic preservation fund federal grant program FY02 request in the amount of \$1,250 million dollars. The fund is a federal matching grant project with a 60% federal and 40% State match.
1852	Mr. Bus	Spoke to the Mental Health Trust Land development and value enhancement request in the amount of \$950 thousand mental health trust fund dollars. The office would contract for services related to the enhancement of parcel-specific trust land and resource assets.
1870	Mr. Bus	Discussed the abandoned mine lands reclamation federal program request in the amount of \$1.5 million federal receipt dollars. The Legislature enacted the Alaska Surface Coal Mining Control and Reclamation Act in 1983.
1888	Mr. Bus	Addressed the boating safety, federal program request in the amount of \$660 thousand federal receipt dollars.
1899	Mr. Bus	Spoke to the land and water conservation fund federal grants request in the amount of \$1.6 million federal receipt dollars.

		He emphasized that outdoor recreation opportunities is very important for Alaskans. The request would provide a wide variety benefits including improved physical and mental health, activities for children to prevent delinquency, leadership and teamwork development and economic opportunities for individuals and local communities.
2072	Mr. Bus	Discussed the national recreational trails federal program, an on-going project using federal receipts. The request amount would be \$710 thousand federal receipt dollars.
2098	Mr. Bus	Addressed the forest legacy federal grant program. He pointed out that it would be a new project. The ability to use the program to protect forested areas would not be limited to State park lands. The requested amount would be \$500 thousand federal receipt dollars.
	TAPE HFC 01 - 57, Side B	Department of Military & Veterans Affairs
001	Mr. Bus	Spoke to the Army Guard facilities deferred maintenance request in the amount of \$800 thousand dollars of which \$600 thousand federal funds and \$200 thousand general fund dollars. The funding would be used for deferred maintenance and scheduled renewal of the Army Guard facilities around the State.
060	Mr. Bus	Noted the Air Guard facility deferred maintenance additional request in the amount of \$600 thousand dollars of which \$450 thousand federal receipt dollars and \$150 thousand general fund dollars.
108	Mr. Bus	Discussed the facilities spill prevention and countermeasures request in the amount of \$120 thousand dollars with a State match required of \$15,600 dollars.
165	Representative Lancaster	Questioned where the federal receipts would come from.
184	Mr. Bus	Replied from the Army Guard.
193	Mr. Bus	Spoke to the federal scout readiness centers energy projects request in the amount of \$300 thousand federal receipt dollars. The funds would be used to replace doors, windows, insulate floors and re-skin roof and walls with insulating panels in the existing centers.
230	Mr. Bus	Addressed the Bethel readiness center planning and design request in the amount

		of \$750 thousand general fund dollars. He noted that funding was required as the initial design of a new center for the 2 nd Battalion, headquartered in Bethel.
298	Mr. Bus	Addressed the federal scout readiness center energy projects in the amount of \$300 million federal receipt dollars.
350	Mr. Bus	Discussed the Alaska National Guard counter drug support program request in the amount of \$100 thousand federal receipt dollars. He noted that the program participates in the US Department of Justice Forfeiture Program to help deter crime by depriving criminals of profits and proceeds from their illegal activities.
391	Mr. Bus	Spoke to the Alaska Veterans' housing and health needs survey request in the amount of \$200 thousand general fund dollars. He commented that this would be a one-time project.
435	Representative Hudson	Asked if the request depended upon the passage of the pioneer home legislation.
453	Mr. Bus	Replied that the study investigates all available options. Mr. Bus emphasized that Alaska does not have a veteran's home at this time.
496	Representative Lancaster	Asked if it was contained not in HB 88, when could it be expected to be completed.
509	Mr. Bus	Replied in early next year.
525	Representative Hudson	Spoke about replacing the Juneau National Guard Armory. He noted that a site had been selected. He noted that it would be an armory in concert with the University of Alaska, Southeast. He pointed out that it had not been included in the proposed budget.
573	Mr. Bus	Responded that new facility would need more funding. The Department is attempting to include it in the military budget of defense.
612	Co-Chair Williams	<u>ADJOURNMENT</u> The meeting was adjourned at 4:10 P.M.

#