

HOUSE FINANCE COMMITTEE
April 18, 2002
2:05 PM

TAPE HFC 02 - 88, Side A
TAPE HFC 02 - 88, Side B

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 2:05 PM.

MEMBERS PRESENT

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

MEMBERS ABSENT

Representative Eldon Mulder, Co-Chair

ALSO PRESENT

Representative Gretchen Guess; Rob Carpenter, Fiscal Analyst, Legislative Finance Division.

PRESENT VIA TELECONFERENCE

Janice Adair, Director, Division of Environmental Health, Department of Environmental Conservation; Detective Ed Bryant, Metro Drug Unit, Anchorage Police Department; Marc Woodard, Anchorage Police Department; Scott Heyworth, CIAAG, Anchorage; Tim Rogers, Municipality of Anchorage, Anchorage; Nathan Johnson, Staff, Representative Guess; Lieutenant Julia Grimes, Department of Public Safety.

SUMMARY

HB 302 "An Act establishing the Alaska Gas Corporation, a public corporation, and providing for its structure, management, responsibilities, and operation, and requiring the development of a project plan to evaluate whether construction and operation of a natural gas transmission pipeline project by the corporation is feasible."

CSHB302 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with previously published fiscal note: REV (#1).

HB 337 "An Act making capital appropriations and reappropriations, and capitalizing funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

HB 337 was heard and HELD in Committee for further consideration.

HB 382 "An Act relating to the evaluation and cleanup of sites where certain controlled substances may have been manufactured or stored."

CSHB (FIN) was REPORTED out of Committee with a "do pass" recommendation and with two previously published fiscal notes: DEC (#2) and DPS (#1).

#hb337

HOUSE BILL NO. 337

"An Act making capital appropriations and reappropriations, and capitalizing funds; making appropriations under art. IX, sec. 17(c), Constitution of the State of Alaska, from the constitutional budget reserve fund; and providing for an effective date."

ROB CARPENTER, ANALYST, LEGISLATIVE FINANCE DIVISION, provided information regarding the legislation. He provided members with a pie chart representation of the major programs in the capital appropriations legislation (copy on file). The legislation is primarily broken down into Department of Transportation and Public Facilities, Surface Transportation and Airport Improvement; Department of Environmental Conservation, Village Safe Water and Municipal Matching Grants; Department of Revenue, Alaska Housing Finance Corporation (AHFC) Construction Program; state matching funds; and other non-program agency projects. Federal Funds make up the majority of the capital request.

Representative John Davies questioned why the state matching funds were listed as a program. Mr. Carpenter acknowledged that they do not represent a program but explained that they were separated because it is a significant portion of the budget. The total state match for all funds is \$85.9 million dollars. There is \$50 million for surface transportation and \$10 million for airport improvement. The remaining is split between the Village Safe Water and Municipal Matching Grants, with \$5 million dollars throughout the other agencies.

Representative Hudson questioned if state matching funds are general funds. Mr. Carpenter noted that AHFC dividend funding is used in the safe water-drinking program to match federal funds. He explained that the general fund match component is approximately \$60 million: \$50 surface transportation and \$10 airport improvements. He observed that AFHC funding and other smaller funds are also used.

HB 337 was heard and HELD in Committee for further consideration.

#hb302

HOUSE BILL NO. 302

"An Act establishing the Alaska Gas Corporation, a public corporation, and providing for its structure, management, responsibilities, and operation, and requiring the development of a project plan to evaluate whether construction and operation of a natural gas transmission pipeline project by the corporation is feasible."

Representative Whitaker, Sponsor, spoke in support of the legislation. The legislation would form the Alaska Gas Corporation in order to guarantee access, ensure in-state usage without significant argument or negotiation and provide revenue to the state. The intent is also to provide motivation to the industry. He observed that an initiative has been introduced, which could "muddy the waters" in relationship to an Alaskan natural gas pipeline. The initiative speaks to the routing and would restrict the project to the Prudhoe Bay - Valdez routing and liquid natural gas (LNG) processing. He pointed out that HB 302 does not preclude any options, and would therefore be preferable to route specific legislation.

Representative Harris questioned if the legislation could replace the initiative. Representative Whitaker noted that a legal opinion by Jack Chenoweth, Legislative Legal Counsel, indicated that there is no reason that the legislation would be found to be other than substantially the same.

Representative Croft questioned how the corporation would work to compel the sale of the gas on the [north] slope. Representative Whitaker responded that the corporation would have powers inherent to the state, including imminent domain.

Representative Hudson observed that there is a zero fiscal note accompanying the legislation. He questioned what the legislation would buy. Representative Whitaker responded that the legislation would provide an opportunity to act in the state's best interest. He observed that significant amounts of money would be spent if a decision were made by the legislature that a course of action would be followed.

Representative Hudson questioned if some funding would be needed to describe the project and do the research. He emphasized the importance of the project and questioned why sufficient funds would not be made available.

Representative Whitaker noted that a special joint legislative committee has done significant work on the subject. He maintained that data could be drawn together at no additional cost. A recommendation would be made and forward by the first 30 days of second session of the next legislature.

Representative Lancaster questioned if there is a potential to link railroad bonding. Representative Whitaker expressed the hope that the revenue could be pursued and observed that tax-free financing could reduce the tariff by 18 percent.

Representative John Davies questioned when the joint committee would terminate and asked if it required separate action to continue. Representative Whitaker did not know the answer.

Vice-Chair Bunde noted that litigation could occur.

Representative Croft referred to the memo by Mr. Chenoweth. He noted that there are a number of differences between the legislation and the initiative. He questioned why the legislation diverged from the initiative. Representative Whitaker observed that the legislation was drafted before the initiative.

SCOTT HEYWORTH, CITIZEN'S INITIATIVE FOR AN ALL ALASKA GASLINE, ANCHORAGE, testified via teleconference. He noted that he was the lead sponsor of the initiative:

This bill would create the Alaska Natural Gas Development Authority (Authority) as a public corporation of the State. The Authority would acquire and condition North Slope natural gas, and construct a pipeline to transport the gas. The Authority's powers would include buying property or taking it by eminent domain, and to issue state tax-exempt revenue bonds. The gasline route would be from Prudhoe Bay to tidewater on Prince William Sound and the spur line from Glennallen to the Southcentral gas distribution grid. The Authority would operate and maintain the gas pipeline, ship the gas, and market the gas.

Mr. Heyworth observed that the Lieutenant Governor certified the precise legal language, which does not use the word Canada. He argued that Mr. Chenoweth's conclusion was based on the false premise that the initiative omits over land domestic north American market considerations and focus on overseas shipments and opportunities for instate use. He

maintained that the project has always contemplated delivering Alaska gas to the United States west coast as LNG.

Mr. Heyworth reviewed differences between the legislation and the initiative.

Under House Bill 302 the corporation would provide for:

- (1) The design and construction of the project; and
- (2) The operation and maintenance of the project.

The initiative would provide for:

1. The acquisition and conditioning of North Slope natural gas;
2. The design and construction of the pipeline system;
3. The operation and maintenance of the pipeline system;
4. The design, construction, operation, of other facilities necessary for delivering the gas to market and to Southcentral Alaska; and
5. The acquisition of natural gas market share sufficient to ensure the long-term feasibility of the pipeline system project.

Mr. Heyworth compared the legislation to the initiative. He observed that under HB 302 "project" means the gas transmission pipeline, together with all related property and facilities, to extend from the Prudhoe Bay area on the North Slope of Alaska to the interior of Alaska and from there either along a route proximate to the Alaska Highway to interconnect with a gas transmission pipeline in Canada or to tidewater at a point on Prince William Sound, or both, and includes planning, design, and construction of the pipeline and related facilities. The initiative does not mention Canada. The initiative states that: The acquisition of natural gas from the North Slope and its delivery to tidewater for shipment to market by the authority is an essential government function of the state. He maintained that HB 302 would continue the study. The initiative is designed to encourage a project. He stressed that the fiscal note associated with the initiative is \$250 million dollars because it is a project, while the legislation has a zero fiscal note. He maintained that the initiative is not similar to the legislation and would not stand up in court. He stated that he did not have a problem with HB 302, but emphasized that it would not replace the initiative.

In response to a question by Representative John Davies, Mr. Heyworth disagreed that the cost of the initiative would be \$250 million dollars. He estimated the cost at \$1 - \$2 million dollars. He observed that Senator Torgerson estimated the cost at \$3.5 million dollars. He maintained that the cost of HB 302 is zero because it is only a study. The total cost of the initiative would only be \$1 - \$3 million dollars because it would only require that

professionals be hired to put the project together to go to the producers, make an offer at the well head, go to Asia to find the sellers and put it out to the market. Nothing would be bought. Everything would be on contingency until after the project is put in place. If the financed project sells on Wall Street then money would be owed.

Representative Davies questioned if the intent is a serious determination of feasibility. Mr. Heyworth agreed and explained that until someone offers the gas to the market there will not be an answer. He questioned why people are pushing for the Canadian route and maintained that the producers are not pushing for the Canadian route.

Representative Hudson noted that the concern of the House Finance Committee is which route would maximize the returns to Alaskans. He noted that the legislation leaves the question open to further review. He questioned why the study provided by the legislation would not compliment the initiative. He pointed out that the route in the initiative would still need legislative appropriation.

Mr. Heyworth responded that the legislature should demand access to the studies compiled by the industry. He maintained that the numbers are good and the project is ready to go forward. He stressed that the gas needs to stay in Alaska.

Representative Whitaker acknowledged the validity of many of Mr. Heyworth's remarks, but emphasized that there are different approaches. He concluded that the state does not have the expertise or the political will yet. The question is which approach would result in quicker action. He felt that HB 302 would achieve the quickest results.

Vice-Chair Bunde expressed concern that the legislation would increase the cost to the state and result in [the hiring of] additional state employees.

Representative Whitaker stated that it is not his intent to build a state gas pipeline dynasty, staffed with thousands of state employees. The intent is to provide the state the opportunity to assert its ownership obligation and manifest the obligation through a corporate entity that would provide for a basic infrastructure transportation system.

Representative Croft MOVED to ADOPT Amendment 1: add to the findings section on page 2, line 14: "The legislature finds that this is not substantially similar to the initiative"; and add to the intent section that: "It is not the intent of the legislature that it replace the ballot initiative."

Representative Croft explained that [the initiative and the legislation] would move the state toward asserting its owner

responsibility. He did not believe that they were substantially similar. He stated that he is hesitant to remove an initiative and observed that the maker of the initiative indicated that signers were clear that the intent was to keep the project inside the state. He felt that the legislation should stand on its own.

TAPE HFC 02 - 88, Side B

Co-Chair Williams stated that if the legislature can improve on the initiative that there would be no reason not to.

Vice-Chair Bunde pointed out that the decision [of similarity between the initiative and the legislation] would be the Lieutenant Governor's.

Representative John Davies spoke in support of the amendment. He pointed out that the legislation would provide a feasibility study. The initiative asserts that the only way to prove that the project is feasible is to take it to a proposal. He suggested that the legislation compliments the initiative. He suggested that the amendment would prevent a lawsuit and move both simultaneously.

Representative Whitaker observed that although substantially similar they do have differences regarding the route selection. He suggested that the initiative would restrict the route selection. He maintained that all options should remain open. The legislation isn't only a feasibility study. The study would only be the beginning, assuming a positive study. A mechanism would be established to control the state's destiny in regards to the resource.

Representative Hudson noted that the initiative would be approved in Nov. 2002 and would require appropriation in 2003. The action of the initiative comes a year earlier than the outcome of the study required by the legislation. He questioned if the study should come earlier to coincide with the initiative.

Representative John Davies observed that passage of an initiative does not require an appropriation. A study would be compiled if the initiative passes and a feasibility study of the project would follow. An appropriation would be dependent on the results. He felt that the timelines for the two approaches would be substantially similar and questioned why get involved in a lawsuit up front.

Representative Whitaker stressed that the purpose of HB 302 is not to get involved in a lawsuit. He stressed that HB 302 was introduced before the initiative and pointed out that the lieutenant governor would make the decision. He reiterated concern that the initiative is route specific.

Vice-Chair Bunde observed that intent language has no influence on the lieutenant governor. The state of Alaska has no control over lawsuits.

A roll call vote was taken on the motion to pass Amendment 1.

IN FAVOR: Harris, Moses, Croft, Davies
OPPOSED: Hudson, Lancaster, Whitaker, Bunde, Foster,
Williams

Co-Chair Mulder was absent from the vote.

The MOTION FAILED (4-6).

Representative Whitaker MOVED to ADOPT Amendment 1A. He explained that the amendment would update the legislation to allow the Twenty-Third Legislature to review the finding.

There being NO OBJECTION, it was so ordered.

Representative Whitaker MOVED to ADOPT Amendment 2.

(a) The governor shall appoint the initial members of the board of directors of the Alaska Gas Corporation under AS 41.41.020, added by sec. 2 of this Act, not later than 30 days after the date of submission of the report to the governor under sec. 5(a) of this Act and only if the report that is submitted to the governor concludes that construction and operation of a natural gas transmission pipeline project, as defined in AS 41.41.990, added by sec. 2 of this Act, by a public corporation is feasible.

There being NO OBJECTION, it was so ordered.

Vice-Chair Bunde referred to page 3, line 29 and observed that the governor could remove any member without cause. Representative Whitaker agreed.

Vice-Chair Bunde MOVED to ADOPT Amendment 3: insert "for cause" on page 3, line 30. There being NO OBJECTION, it was so ordered.

Vice-Chair Bunde referred to page 4, line 23. He questioned if there should be any limitations on the executive director's selection of the staff. Representative Whitaker stated that he would not object to reasonable considerations.

Representative Foster MOVED to report CSHB 302 (FIN) out of Committee with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB302 (FIN) was REPORTED out of Committee with a "do pass" recommendation and with previously published fiscal note: REV (#1).

#hb382

HOUSE BILL NO. 382

"An Act relating to the evaluation and cleanup of sites where certain controlled substances may have been manufactured or stored."

REPRESENTATIVE GRETCHEN GUESS, SPONSOR, testified in support of the legislation. She provided members with proposed committee substitute, work draft 22-LS1105\L, 4/17/02 (copy on file).

Representative Harris MOVED to ADOPT work draft 22-LS1105\L, 4/17/02. There being NO OBJECTION, it was so ordered.

Representative Guess explained that the purpose of the legislation is to ensure that clandestine laboratories are cleaned up before they are reoccupied. She observed that when a methamphetamine laboratory is "busted" the law enforcement agency sends a letter to the residential property owner and a notice is placed on the building notifying that illegal substances were manufactured on the site. The state has not previously set guidelines regarding the site cleanup or tested sites in order to make sure that they are safe before they are reoccupied. A residential owner that didn't care if the site was cleaned up could simply paint and vacuum before the site was reoccupied. A person could rent a former methamphetamine laboratory without knowing. Residential owners that want to cleanup their sites have no guidelines or directions. In Juneau, an owner that could not disposed of methamphetamine-contaminated furniture at the dump ended up burning the hazardous material.

Representative Guess explained that legislation sets up a process to deal with these situations. The owner must be noticed [by the Department of Environmental Conservation]. The owner can test the property or go straight to decontamination. The Department of Environmental Conservation will set up guidelines for testing and decontamination to assure that qualified individuals perform the services. The Department of Environmental Conservation would also keep a list of owners. There are four substances identified in the legislation: lead, mercury, methamphetamines, and volatile organic compounds. The levels would be set in regulations. It would be a class A misdemeanor to knowingly rent, lease, or occupy contaminated property. The legislation would not take affect until regulations setting levels for the four substances are set. She observed that the program would be cheaper to administer

through the Department of Environmental Conservation than the Department of Health and Social Services.

Representative Foster spoke in support of the legislation. He noted the high costs of travel and suggested the fiscal note needed to be increased. Representative Guess observed that the state would not be responsible for cleaning up the property. The property owner would be responsible, but the state would set the guidelines to ensure that a residence is safe. The fiscal note states that \$12 thousand dollars is needed to set up the process and \$2 thousand dollars is needed for copying and communications with owners.

Representative Lancaster questioned how the legislation would affect the Landlord Tenant Act.

NATHAN JOHNSON, STAFF, REPRESENTATIVE GUESS, testified via teleconference. He clarified that there would be no affect on landlord tenant law, because it would be an act of the state. Prohibition of future use would be between the state, tenant and owner.

JANICE ADAIR, DIRECTOR, DIVISION OF ENVIRONMENTAL HEALTH, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, testified via teleconference. She noted that she was available for questions.

LIEUTENANT JULIA GRIMES, DEPARTMENT OF PUBLIC SAFETY, testified via teleconference in support of the legislation. The department's fiscal note is zero. In the last year, the state of Alaska has certified an additional 50 police officers to safely investigate lands producing the end product of methamphetamine. She observed that the department would identify the site, but that they must be cleaned by private entities with hazardous material expertise. Laboratories are found in private single-family homes, storage units, multi-family residential apartments, trailer homes and other locations all over the state of Alaska. The people cooking the product are untrained. Recipes can be found over the Internet. Chemicals can be spilled and found in carpets, sub-flooring, ceiling tiles and in other areas. Re-occupancy can result in chronic, long-term exposure to low levels of very corrosive chemicals. Children that spend time on the floor are especially vulnerable to exposure. The legislation would protect public health and the property owners. Law enforcement currently complies with the notification requirements in the bill according to parallel federal guidelines.

DETECTIVE ED BRYANT, METRO DRUG UNIT, ANCHORAGE POLICE DEPARTMENT, testified via teleconference in support of the legislation. He stressed the urgency and interest in protecting public safety. He noted that rural areas with fisheries are especially susceptible.

MARC WOODARD, ANCHORAGE POLICE DEPARTMENT, testified via teleconference in support. He emphasized that responsibility would be placed where it belongs and innocent persons would be protected.

TIM ROGERS, LEGISLATIVE PROGRAM COORDINATOR, MUNICIPALITY OF ANCHORAGE, ANCHORAGE, testified via teleconference in support of the legislation. He noted that the legislation would provide protection for property owners and safeguards for the general public. He maintained that public safety issues outweigh the potential cost to property owners.

Vice-Chair Bunde noted that the problem is growing. Lieutenant Grimes observed that Alaska law enforcement has heeded experiences in other areas of the United States. Alaska law enforcement entities have taken an aggressive stance. The number of laboratories has dropped from 50 in 2000 to 21/ in 2001.

Representative Foster MOVED to report CSHB 382 (FIN) out of Committee with the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB (FIN) was REPORTED out of Committee with a "do pass" recommendation and with two previously published fiscal notes: DEC (#2) and DPS (#1).

#

ADJOURNMENT

The meeting was adjourned at 3:30 PM