

**ALASKA STATE LEGISLATURE  
HOUSE SPECIAL COMMITTEE ON MILITARY AND  
VETERANS' AFFAIRS**

March 5, 2002  
3:22 p.m.

**MEMBERS PRESENT**

Representative Mike Chenault, Chair  
Representative Lisa Murkowski  
Representative Joe Green  
Representative Joe Hayes

**MEMBERS ABSENT**

Representative Beverly Masek  
Representative Pete Kott  
Representative Sharon Cissna

**COMMITTEE CALENDAR**

HOUSE BILL NO. 371

"An Act establishing the Alaska veterans' memorial endowment fund and providing for credits against certain taxes for contributions to that fund; relating to other tax credits for certain contributions; and providing for an effective date."

- HEARD AND HELD

HOUSE BILL NO. 324

"An Act making supplemental and other appropriations for homeland security; and providing for an effective date."

- HEARD AND HELD

**PREVIOUS ACTION**

BILL: HB 371

SHORT TITLE:ALASKA VETERANS' MEM.ENDOWMENT FUND

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

| Jrn-Date | Jrn-Page |     | Action                             |
|----------|----------|-----|------------------------------------|
| 02/01/02 | 2119     | (H) | READ THE FIRST TIME -<br>REFERRALS |
| 02/01/02 | 2119     | (H) | MLV, STA, FIN                      |
| 02/01/02 | 2119     | (H) | FN1: INDETERMINATE(CED)            |
| 02/01/02 | 2119     | (H) | FN2: INDETERMINATE(REV)            |

|          |      |     |                               |
|----------|------|-----|-------------------------------|
| 02/01/02 | 2119 | (H) | FN3: (MVA)                    |
| 02/01/02 | 2119 | (H) | GOVERNOR'S TRANSMITTAL LETTER |
| 03/05/02 |      | (H) | MLV AT 3:00 PM CAPITOL 124    |

BILL: HB 324

SHORT TITLE: HOMELAND SECURITY APPROPRIATIONS

SPONSOR(S): RLS BY REQUEST OF THE GOVERNOR

| Jrn-Date | Jrn-Page |     | Action                             |
|----------|----------|-----|------------------------------------|
| 01/16/02 | 1972     | (H) | READ THE FIRST TIME -<br>REFERRALS |
| 01/16/02 | 1972     | (H) | MLV, STA, FIN                      |
| 01/16/02 | 1972     | (H) | GOVERNOR'S TRANSMITTAL LETTER      |
| 01/16/02 | 1972     | (H) | SPREADSHEET BY DEPT. COST          |
| 02/12/02 |          | (H) | MLV AT 3:00 PM CAPITOL 124         |
| 02/12/02 |          | (H) | Heard & Held                       |
| 02/12/02 |          | (H) | MINUTE(MLV)                        |
| 02/19/02 |          | (H) | MLV AT 3:00 PM CAPITOL 124         |
| 02/19/02 |          | (H) | Heard & Held                       |
| 02/19/02 |          | (H) | MINUTE(MLV)                        |
| 02/21/02 |          | (H) | MLV AT 3:00 PM CAPITOL 124         |
| 02/21/02 |          | (H) | Heard & Held                       |
| 02/21/02 |          | (H) | MINUTE(MLV)                        |
| 02/26/02 |          | (H) | MLV AT 3:00 PM CAPITOL 124         |
| 02/26/02 |          | (H) | Heard & Held                       |
| 02/26/02 |          | (H) | MINUTE(MLV)                        |
| 02/28/02 |          | (H) | MLV AT 3:00 PM CAPITOL 124         |
| 02/28/02 |          | (H) | -- Meeting Canceled --             |
| 03/05/02 |          | (H) | MLV AT 3:00 PM CAPITOL 124         |

**WITNESS REGISTER**

CAROL CARROLL, Director  
 Central Office  
 Administrative Services Division  
 Department of Military & Veterans' Affairs  
 400 Willoughby Avenue, Suite 500  
 Juneau, Alaska 99811  
 POSITION STATEMENT: Presented HB 371.

PAT CAROTHERS, Chair  
 Alaska Veterans Advisory Council (AVAC)  
 P.O. Box 32926  
 Juneau, Alaska 99803-2926  
 POSITION STATEMENT: Answered questions and expressed support  
 for HB 371.

CHUCK HARLAMERT, Juneau Section Chief  
Central Office  
Tax Division  
Department of Revenue  
PO Box 110420

Juneau, Alaska 99811-0420  
POSITION STATEMENT: Testified on the tax implications of  
HB 371.

JOHN JENKS, Chief Investment Officer  
Treasury Division  
Department of Revenue  
PO Box 110405

Juneau, Alaska 99811-0405  
POSITION STATEMENT: Answered questions on HB 371.

MIKE CONWAY, Director  
Division of Statewide Public Service  
Department of Environmental Conservation  
410 Willoughby Avenue, Suite 303

Juneau, Alaska 99801-1795  
POSITION STATEMENT: Testified on HB 324 on behalf of the  
department.

**ACTION NARRATIVE**

TAPE 02-14, SIDE A  
Number 0001

CHAIR MIKE CHENAULT called the House Special Committee on  
Military and Veterans' Affairs meeting to order at 3:22 p.m.  
Representatives Chenault, Murkowski, Green, and Hayes were  
present at the call to order.

HB 371-ALASKA VETERANS' MEM.ENDOWMENT FUND

CHAIR CHENAULT announced the first order of business, HOUSE BILL  
NO. 371, "An Act establishing the Alaska veterans' memorial  
endowment fund and providing for credits against certain taxes  
for contributions to that fund; relating to other tax credits  
for certain contributions; and providing for an effective date."

Number 0167

CAROL CARROLL, Director, Central Office, Administrative Services  
Division, Department of Military & Veterans' Affairs, informed  
the committee that the bill would indeed establish the Alaska

veterans' memorial endowment fund. The purpose is to have income from that fund maintain the monuments and memorials to veterans and the military around the state. She noted that some memorials are in pretty bad shape; in the past, the veterans themselves have volunteered their time to keep up the memorials. She pointed out that already \$125,000 has been collected from members of the Alaskan community.

Number 0246

MS. CARROLL explained that the fiscal note is for an additional \$125,000 for the state "match" to get some seed money into the endowment fund. She reported that businesses would be able to get a tax credit for any donations given to the fund, but there are some limitations on that. She referred to the sectional analysis which describes what the tax credit is and indicated that someone from the Department of Revenue could answer questions on the tax credit portion of the bill.

Number 0303

MS. CARROLL informed members that Section 4 is the description of the fund that would be managed by the Department of Revenue. The Department of Revenue would determine the income off that and would be allocated to the Department of Military & Veterans' Affairs by the legislature. From that point on, the department would work with veterans groups to grant money to them for the maintenance or construction of military monuments and memorials.

Number 0367

REPRESENTATIVE MURKOWSKI said she understands from talking with [Major General Oates, Adjutant General/Commissioner, Department of Military and Veterans' Affairs] and some of the veterans that there is no state money that currently goes towards maintenance of any of the memorials. The memorials have only been maintained through volunteer efforts. She asked how many veterans' memorials there are in the state.

Number 0458

PAT CAROTHERS, Chair, Alaska Veterans Advisory Council (AVAC), replied that there are 78 right now. He said there will be one more with promised funds.

Number 0516

MR. CAROTHERS reported that in his experience with administering the Archie Van Winkle memorial fund, there was \$2,000 left over from the construction and building of that particular memorial. He reported that the veterans have repaired it, professionally cleaned it, and put in benches and trees, and that's all been done with the interest of the \$2,000. He told members there is no question in his mind that with \$250,000, up to 90 different memorials could be supported. He noted that there are different kinds of memorials. Several are memorial highways - DOT/PF [Department of Transportation & Public Facilities] takes care of them anyway - and some are a plaque on a bridge.

Number 0606

MR. CAROTHERS stated that the largest expenditures will be replacement of the memorials. This bill will afford the opportunity to maintain these memorials in a dignified manner, and one the veterans richly deserve. He acknowledged that the veterans who are commemorated did much to honor this country; they bled and died for this country and for this state. He affirmed that other than Pearl Harbor, the only medal of honor awarded for action in the United States was in Adak, Alaska, PFC [Private First Class] Martinez. He offered that what is being asked for is a means in which to honorably recognize those heroic efforts that these memorials recognize. He said:

Places of remembrance need to be maintained. For [Alaskan] veterans who took care of Americans, it's high time we took care of them. Now the public has, through private contributions, ... put their money up - \$125,000. We're asking for \$125,000 in matching funds, ... and we will live off that interest, which will come out to about \$12,000 a year. ... I'm completely satisfied that we can maintain these memorials in an honorable way by using these funds in that manner.

MR. CAROTHERS introduced Joe [Sadlier], a World War II veteran, who was one of those who brought LST-325 [Landing Ship, Tank] across the Atlantic Ocean from Greece to Mississippi. He is a native of Juneau and now lives in Ketchikan.

Number 0830

CHAIR CHENAULT asked Mr. Carothers if he felt the maintenance on these memorials could be done on this money.

MR. CAROTHERS replied that he is thoroughly convinced of that, especially with his experience on the [Archie Van Winkle] memorial in town. He noted there are other memorials in [Juneau] that haven't been touched. The USS [United States Ship] Juneau [memorial] brass plaque, with the names of all who perished in that, hasn't been shined or cleaned since [it was put in]. He commented that there is no committee behind that one, and that's what can happen. He said he thinks that it would be dishonoring [those veterans] if this [bill] doesn't go through. He urged the committee to pass on [HB 371].

Number 0990

CHAIR CHENAULT asked about the tax implications for corporations and what may or may not be deductible or allowable under this current bill. He referred to the paragraph in the sectional analysis that talks about Sections 2, 6, 8, 10, 12, 14, and 16, the parallel sections dealing with oil and gas production taxes and pipeline transportation property taxes, and he wondered how that would work.

Number 1070

CHUCK HARLAMERT, Juneau Section Chief, Central Office, Tax Division, Department of Revenue, explained that the credit allows a combined credit, no matter what tax it is applied against, up to \$150,000 a calendar year. Similar to other current education tax credits, taxpayers can choose which tax liability they are liable for to apply it against. The taxes involved are insurance premium taxes, corporate income tax, oil and gas severance tax, and oil and gas property taxes, mining license tax, fisheries business tax, and the fisheries landing tax.

Number 1140

MR. HARLAMERT explained that they would get a credit against the state tax liability and a net deduction on the federal return for their contribution, less the amount of the state tax credit.

Number 1162

REPRESENTATIVE MURKOWSKI referred to Section 17 and said she is trying to understand how the amounts are available for appropriation. She asked if the 5-percent payout is for the succeeding years or just in the first year.

Number 1260

JOHN JENKS, Chief Investment Officer, Treasury Division, Department of Revenue, said that the investment features of this bill set out instruction for the department to invest this endowment to earn 5 percent after inflation over time. If inflation is 3 percent, he said the endowment would be trying to earn 8 percent. There is explicit instruction to inflation proof this endowment so that ten years from now, Mr. Carothers will have the same economic power to maintain those monuments that he has today. The transitional language says it will build up to that three years. The first fiscal year starts out with the monthly market values and then it builds to that three-year rolling average. He explained that the three-year average is in there to provide some "smoothing." Markets go up and down, and over time this will smooth things out so that the veterans will have a fairly stable expectation of how much resources they'll have year to year by having a stable payout over time - that is 5 percent of the average market value of the endowment.

REPRESENTATIVE MURKOWSKI said her question was whether or not the 5 percent of the market value is what it is capped at.

MR. JENKS said yes.

Number 1360

REPRESENTATIVE MURKOWSKI asked what he anticipated would be available to Mr. Carothers and his group on an annual basis.

MR. JENKS replied that approximately \$12,500 in current purchasing power each year would be available. A great market could certainly grow it, or if people donate to the fund and the fund gets bigger because of that, then that money would increase as a result of the subsequent donations. For the original \$250,000, he indicated that he doesn't anticipate that growing to some large amount.

Number 1433

CHAIR CHENAULT asked if this was modeled after the PFD [permanent fund dividend].

MR. JENKS replied that this legislation is really very typical of current endowment language used by individuals or other states. He agreed that it's thought to be the best way to

provide for the most efficient investment and stable payout for these endowments.

Number 1470

REPRESENTATIVE MURKOWSKI asked how many other endowments the Department of Revenue manages.

MR. JENKS answered that this would be the sixth specific endowment managed by the department. He explained that this language is the model language. Something similar to this language was used for the power cost equalization fund, which is thought of as an endowment also. In reply to a question by Representative Murkowski, he answered that because there are these endowments and the other funds managed by the state, there is a real scale of efficiency that allows the department to invest these very efficiently, yet still have the liquidity to provide on an annual basis for the payout, so it works very well.

Number 1565

REPRESENTATIVE GREEN asked if the other five [endowments] averaged in the 8-plus percent [interest] in the last two years.

MR. JENKS answered that they have done fairly well, and several of the other endowments don't have this language. He noted that Senator Therriault has sponsored some legislation that would change the "rules of the road" as they're set out in statute for investment of the children's trust and public school trust to make them as efficient as this. Over time, he said the department thinks this endowment, absent that bill becoming law, would actually achieve superior long-term returns because of the flexibility incorporated here.

Number 1625

REPRESENTATIVE MURKOWSKI asked if the people who have already donated to the fund will be able to avail themselves of the tax credits that are being talked about.

MR. HARLAMERT replied that no, the contributions were already made. In order to qualify for the credit, the contributors would have to be made in a year in which the bill was effective. He responded to an earlier question of how much could possibly accumulate. He explained that in the Alaska education tax credit program, the taxpayer only gets 50 percent of the first

\$100,000 as a credit, but 100 percent of the second \$100,000, so people tend to contribute the entire \$200,000 for the full 150,000 credit. At least 90 percent of all the tax credits they get in terms of dollars are "maxed out" at the \$150,000 level. It's a very tight-knit group of taxpayers who tend to have strong charitable giving programs in their own right. He implied it was likely that the fund, if it grows, will grow in substantial steps, \$150,000 at a "pop."

CHAIR CHENAULT commented that this is set up more for bigger contributors than for people like himself.

Number 1744

CHAIR CHENAULT announced that HB 371 would be held over.

#### HB 324-HOMELAND SECURITY APPROPRIATIONS

[Contains testimony on HB 51]

Number 1774

CHAIR CHENAULT announced the final order of business, HOUSE BILL NO. 324, "An Act making supplemental and other appropriations for homeland security; and providing for an effective date."

CHAIR CHENAULT informed participants that the committee would consider Items 23-28 [of the document "Terrorism Disaster Policy Cabinet: Cost Estimates for Highest Priority Recommendation," dated 1/14/02], which is for the Department of Environmental Conservation.

Number 1802

MIKE CONWAY, Director, Division of Statewide Public Service, Department of Environmental Conservation (DEC), informed members that he'd provided a copy of a summary sheet for the Environmental Health Laboratory. That is an item not listed for funding from HB 324; it's listed there as a critical component of the homeland security net. He said he believes that the Department of Health & Social Services has other laboratory items under its items. The Environmental Health Laboratory, however, is sitting in HB 51 and is before both finance committees as a bonding measure based upon its standalone merits. He explained that there's a breakdown, so the committee can see the functions of the laboratory.

MR. CONWAY said [the laboratory] has a peacetime mission that also carries over in the event of a weapons of mass destruction attack, in which the department would have the capability to look at the food and water sources and know if there had been any contamination. Since September 11 [2001 terrorist attacks on the East Coast], water contamination is not just limited to those kinds of attacks. He informed the members there's a pending case against somebody who has threatened the Anchorage water supply system going through criminal proceedings currently. He also reported there was a case in The Dalles, Oregon several years ago in which 751 people were made sick. A group was trying to affect a local election and contaminated a salad bar so people wouldn't make it out for the election.

MR. CONWAY noted that other peacetime missions the department has been involved in include testing food when tourists on buses have gotten sick, testing shellfish for different diseases, and performing dairy inspections that allows Alaska's milk to be sold commercially to the military, for instance.

Number 1967

CHAIR CHENAULT referred to Item 25 ["Increase DEC emergency alert status to 24 hours per day with six additional response corps staff"] and asked for a rundown on it.

MR. CONWAY explained that the six positions and 24-hour response capability is not associated with the laboratory, but would be part of DEC's Division of Spill Prevention and Response to augment the existing staff and capabilities for response to hazardous materials incidences and spills. These six people would work with communities around the state, the DEC, and other agencies in preparedness for a capability to respond to weapons of mass destruction incidences. Currently, he explained, there is a peacetime function for oil and substances spills. The resources presently available are dedicated to doing that at the current level of activities. He indicated that new expertise and new equipment are needed to address the idea of weapons of mass destruction.

Number 2108

REPRESENTATIVE GREEN asked about the \$100,000 for fiscal year 2003.

MR. CONWAY replied that the \$100,000 is a one-time cost for equipping and training the whole group. The other amounts are

for the personal services for the staff. The first \$250,000 is for the remaining fiscal year. If the supplemental is approved, the \$600,000 is the ongoing annual amount.

REPRESENTATIVE GREEN said that's \$100,000 per person.

MR. CONWAY answered that \$100,000 per responder is typical when looking at the salaries, equipment, and training.

Number 2160

MR. CONWAY replied to Representative Green's question that [the staff] are environmental specialists. He explained that \$100,000 is the current rate now for oil spill responders and hazardous chemical responders. To maintain the capability to operate the equipment, there is continual training required for different levels of "HAZMAT" [hazardous materials] response, and that's the going rate.

Number 2190

REPRESENTATIVE GREEN asked what they do in between threats.

MR. CONWAY answered that they are responding to spills right now. The group being asked for [in Item 25] are not doing anything with weapons of mass destruction. This is done in anticipation of those attacks. The existing group of responders are responding to spills. He reported that there are about 2,500 spills reported a year; within that, there is a ranking and an assessment process on the spills responded to.

MR. CONWAY clarified that the people being asked for in Item 25 will be dedicated to weapons of mass destruction responses.

REPRESENTATIVE GREEN asked if these people will be sitting around waiting for something to happen.

MR. CONWAY answered that they will continually be operating with training communities, writing up the plans, preparing drilling exercises, and doing all of the activities that a fire department does while waiting for a fire to happen.

Number 2282

MR. CONWAY referred to Item 74 under the Department of Military & Veterans' Affairs ["Hazardous Materials Response Teams: Provide training, trucks, and [equipment] for 2 new Level A

HAZMAT teams in Valdez and in Juneau to service Southeast; Provide Alaska-specific detection, identification and safety equipment for 103d CST (WMD) [Civilian Support Team for Weapons of Mass Destruction]; and provide WMD advanced level training for the Fairbanks HAZMAT team"] and said that would make four teams that require considerable training, exercising, and planning, which are typical emergency preparedness activities. He indicated that they are not going to be sitting around waiting for weapons of mass destruction incidences to happen; they are going to be preparing. They will work with municipalities, federal agencies, the civil support team under the National Guard, and the whole network of responders in the event of an attack.

Number 2345

REPRESENTATIVE GREEN asked how they would fit in with the other agencies when there is a problem. He wondered if there was any duplication.

MR. CONWAY replied that nobody duplicates services in a response; they all come together through the incident command system. They would be assigned specific duties as part of a joint incident command system. He explained that it would be the same as for a North Slope spill. There are not standalone capabilities for the state; they would fit in with local, federal, and other state agency responders.

REPRESENTATIVE GREEN asked if they would be "geographically spread" or would they be stationed in one area.

MR. CONWAY said that the assignments of figuring out where they'll be hasn't been decided yet. He offered to get back to him on that.

Number 2421

REPRESENTATIVE GREEN wondered how the number six came up.

MR. CONWAY explained that the state emergency coordination center activates during the time of a response and will require a 24-hour watch capability, so [the department] was looking at the capability to augment the other four response teams throughout the state and have two positions in the state emergency coordination center at Fort Richardson.

Number 2490

MR. CONWAY referred to Item 26, Decontamination Equipment for People Exposed to Hazardous Materials, and Item 27 ["Pre-position decontamination foam and trailers in six cities to serve regions throughout the state and obtain six [fly-away] decontamination sets"]. He told members that both of these items are related to responding to and assisting citizens who are exposed to weapons of mass destruction, either biological or chemical agents. The targets for a lot of these attacks can be several thousand people, and there's no capability existing in the state to get the decontamination equipment to them. He explained that there is a two-way approach to this: 1) In major areas of population, Fairbanks, Anchorage, and Juneau, there would be a fixed capability there, to rapidly decontaminate people who are exposed in the event, and 2) a deployment capability located where the fixed ones are in which there would be trailers and "airliftable" things to get to a remote community.

Number 2569

CHAIR CHENAULT asked Mr. Conway to explain what decontamination foam is.

MR. CONWAY answered that it is a chemical foam used to spray on equipment and in buildings to attack the biological agent attached to things, neutralize, and destroy it.

Number 2640

CHAIR CHENAULT surmised that the six fly-a-way decontamination sets would include all the materials needed in case of some type of biological attack.

MR. CONWAY indicated yes, it would include the equipment. The equipment packages would basically be large capacity hot water heaters, inflatable shelters, tents, heaters, and mass decontamination privacy kits. He noted these things were for decontamination of the people affected. In answer to a question, he told the Chair that the suits and that sort of thing come under the other items for the responders.

Number 2722

REPRESENTATIVE GREEN asked what the person in Anchorage used for threatening the drinking water.

MR. CONWAY said he had limited knowledge of it, but there was a threat by somebody who was angry about something and told some people he was going to poison the Anchorage drinking water system. He was arrested and the case is in process.

MR. CONWAY responded to a question from Representative Green and said the assessments would look at the inroads that somebody would try to use who wanted to contaminate the system and further, to be able to detect [the contaminant].

Number 2774

REPRESENTATIVE GREEN asked if there is any ongoing testing now.

MR. CONWAY replied that the larger municipalities have ongoing increased security and are testing.

CHAIR CHENAULT asked if the assessments would be done for most of the public drinking water systems.

Number 2859

MR. CONWAY explained that the large public drinking water systems are being looked at, and they are attempting to get federal funds to do it. He indicated that until the assessments are done, the department won't know what to buy. He indicated that federal money is expected for upgrading the security and detection systems on drinking water systems.

Number 2892

REPRESENTATIVE MURKOWSKI asked how what the [Anchorage Water & Wastewater Utility] does to ensure that its drinking water is safe on a daily basis would be any different from a vulnerability assessment.

MR. CONWAY answered that [the department] has worked with the municipalities and said it would try to get the money to do that, and it will be passed out to them. The vulnerability assessments would be done under the direction of the municipalities. In the current structure, the local municipalities are responsible for their systems. The DEC provides some oversight, but the municipalities don't report to DEC; they're not subservient, and DEC doesn't direct them on how to do that.

Number 2972

REPRESENTATIVE MURKOWSKI asked if the municipalities are already doing it, why does the legislature need to give them money. She wondered if there is a different component when the vulnerability is assessed than what is done to ensure that the drinking water is safe.

MR. CONWAY reminded her that what they have been talking about today is for weapons of mass destruction.

TAPE 02-14, SIDE B  
Number 2968

MR. CONWAY said [the municipalities] haven't been addressing things for weapons of mass destruction.

REPRESENTATIVE MURKOWSKI said they must do a daily testing to make sure there aren't weird things in it. She offered that if there were some type of chemical agent, she thought it would be picked up.

MR. CONWAY agreed that they are testing for things they expect. He said, "We don't know what the biological agents would be or the chemicals that they might use. We need to find that out and then be able to see if we would be able to detect it."

[HB 324 was held over.]

#### **ADJOURNMENT**

Number 2795

There being no further business before the committee, the House Special Committee on Military and Veterans' Affairs meeting was adjourned at 4:13 p.m.