

MINUTES
SENATE FINANCE COMMITTEE
March 14, 2001
6:04 PM

TAPES

SFC-01 # 41, Side A
SFC 01 # 41, Side B
SFC 01 # 42, Side A

CALL TO ORDER

Co-Chair Pete Kelly convened the meeting at approximately 6:04 PM.

PRESENT

Senator Dave Donley, Co-Chair
Senator Pete Kelly, Co-Chair
Senator Jerry Ward, Vice Chair
Senator Lyda Green
Senator Gary Wilken
Senator Alan Austerman
Senator Lyman Hoffman

Also Attending: KEN BISCHOFF, Director, Division of Administrative Services, Department of Public Safety; DAN FAUSKE, Chief Executive Officer/Executive Director, Alaska Housing Finance Corporation (AHFC); LES CAMBELL, Budget Director, AHFC; ROBERT BREAN, Director, Research and Rural Development, AHFC; WES WEIR, Director, Public Housing Division, AHFC; BARBARA BAKER, Director, Planning and Program, AHFC; DAN EASTON, Director, Division of Facility Construction and Operation, Department of Environmental Conservation; LARRY DIETRICK, Director, Division of Spill Prevention and Response, Department of Environmental Conservation; TOM CHAPPLE, Director, Division of Air and Water Quality, Department of Environmental Conservation;

Testifying via Teleconference: From Anchorage: JANICE ADAIR, Director, Division of Environmental Health, Department of Environmental Conservation

SUMMARY INFORMATION

SB 29-REAPPROPRIATIONS & CAPITAL APPROPRIATIONS

The Committee heard from the Department of Public Safety, the

Alaska Housing Finance Corporation, and the Department of Environmental Conservation on specific budget requests.

#SB29

SENATE BILL NO. 29

"An Act making capital appropriations 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."

Department of Public Safety

Aircraft and Vessel Repair and Maintenance

\$1,200,000

Reference No.: 6121

AP/AL: Appropriation

Category: Public Protection

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

These funds are for the annual repair and maintenance requirements of this division's aircraft and vessel fleet. For example, the funds will be used to rebuild vessel and aircraft engines and components when they reach the limits of safe useful life. Large marine diesel engines and aircraft engines require expert vendors to rebuild them. Many other components of vessels and aircraft must be maintained or replaced routinely to ensure safe operating conditions.

KEN BISCHOFF, Director, Division of Administrative Services, Department of Public Safety presented this item.

Senator Austerman asked if this item has been funded at this level in previous years.

Mr. Bischoff referenced the capital budget detail information showing the amount has fluctuated between \$900,000 and \$1.2 million over the past several years.

Trooper Law Enforcement Equipment

\$350,000

Reference No.: 32261

AP/AL: Appropriation

Category: Public Protection

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Purchase of new and replacement equipment for the use of State Trooper personnel throughout the state. The Division of Alaska State Troopers historically has relied upon CIP funding for these types of replacement items due to a lack of replacement funding in the AST operating budget.

Mr. Bischoff gave microcomputer, dispatch recorder, methamphetamine laboratory investigative equipment and radio antenna as some of the items this funding would address.

Fish and Wildlife Statewide Law Enforcement Equipment Replacement

\$250,000

Reference No.: 6127

AP/AL: Appropriation

Category: Public Protection

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2007

Replacement of FWP Statewide Law Enforcement Equipment required for the day-to-day enforcement activity of this division. For example, to purchase and replace equipment such as skiffs, outboard motors, snowmachines, All-Terrain-Vehicles, and other equipment required in enforcement patrols and search and rescue operations.

Mr. Bischoff noted this is a similar request as the previous except that it is for the "brown shirts" i.e. Fish and Wildlife Protection Officers.

Fairbanks Public Safety Building Roof Replacement

\$770,100

Reference No.: 32469

AP/AL: Appropriation

Category: Public Protection

Location: Fairbanks (West Fairbanks)

Election District: West Fairbanks

Estimated Project Dates: 07/01/2001 - 06/30/2002

Replace the deteriorating roof on the Public Safety Building in Fairbanks.

Mr. Bischoff understood this is the original roof to this building and is over 20 years old.

Soldotna Public Safety Building Roof Repair

\$115,100

Reference No.: 32459

AP/AL: Appropriation
Category: Public Protection
Location: Soldotna (Seward, Soldotna)
Election District: Seward, Soldotna
Estimated Project Dates: 07/01/2001 - 06/30/2002
This project provides funds to repair the roof of the Public Safety Facility in Soldotna.

Mr. Bischoff said this is similar to the request before it.

Senator Wilken commented, "These are great projects."

Crime Lab Improvement Program
\$1,459,600
Reference No.: 33968
AP/AL: Appropriation
Category: Public Protection
Location: Anchorage Areawide
Election District: Anchorage Areawide
Estimated Project Dates: 07/01/2001 - 06/30/2003
The US Department of Justice will be awarding a \$1,250,000 federal grant for the Crime Lab Improvement Program (CLIP). The CLIP grant along with a portion of the GF match will fund the purchase of lab equipment, training, DNA supplies and contract with private laboratories for DNA analysis. In addition to the purchase of equipment, supplies and services the Crime Lab will remodel the autopsy area once the Medical Examiner relocates to the new public health facility in January 2001.

Mr. Bischoff stated the general fund match request is \$209,000 and would be supplemented with funds from a reappropriation request.

Fish and Wildlife Enforcement Vessels Replacement
\$400,000
Reference No.: 6126
AP/AL: Appropriation
Category: Development
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2001 - 06/30/2004
Replace 6 Law Enforcement Patrol Vessels Statewide.

Mr. Bischoff informed this funding would be used to replace the P/V Burton stationed in Cordova, which is over 20 years old, has "outlived its useful life" and has been surplus. The new vessel would be 36 feet.

Senator Austerman asked if the \$400,000 would be supplemented with funds garnered from the sale of the P/V Burton.

Mr. Bischoff understood \$400,000 is a sufficient amount to purchase the new vessel. He noted it would be a rigid-hull inflatable.

Grants to Domestic Violence Shelters

\$200,000

Reference No.: 34008

AP/AL: Appropriation

Category: Health/Safety

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

The Council is requesting a capital improvement grant for shelters in the amount of \$200,000. The requested amount will provide about 40% of the amount required to meet the highest priority health and safety needs as determined through a comprehensive needs' assessment by the programs.

Mr. Bischoff stated this item would address security issues and handicap access.

Senator Wilken asked if there is a funding history for this request.

Mr. Bischoff replied this would be the first direct maintenance appropriation from the Department to the Council on Domestic Violence and Sexual Assault (CDVSA).

Alaska Law Enforcement Photo Network

\$1,300,000

Reference No.: AMD34775

AP/AL: Appropriation

Category: Public Protection

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Alaska statewide law enforcement requires critical identifiers, e.g. fingerprints, photographs, and DNA, to conduct its daily work. This project would provide direct access to Alaska booking, driver and ID photographic information by law enforcement agencies throughout the state.

Mr. Bischoff noted this federal grant would be used to replace digital cameras in every adult correctional facility and community jail in the state. He said this would allow the "booking photos" to be placed on-line and would give access to law enforcement

officials. He added that it is hoped there would be enough funds to also pay for a pilot project with the Division of Motor Vehicles in the Department of Administration that would give on-line access to that Division's photos as well.

Rural Law Enforcement Support

\$1,800,000

Reference No.: AMD34776

AP/AL: Appropriation

Category: Public Protection

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

The Department of Justice, Office of Community Oriented Policing Services will be awarding the Alaska Department of Public Safety \$1,800,000 to train Village Police Officers, Village Public Safety Officers and Tribal Police Officers to increase their ability to deal with crisis situations and to purchase equipment for better responses to emergencies.

Mr. Bischoff testified this is a federal grant and he referenced a list of equipment that would be purchased with the funds, which included in the budget summary.

Technology, Policing and Enforcement Initiatives Grants to Municipalities

\$2,200,000

Reference No.: AMD34841

AP/AL: Appropriation

Category: Public Protection

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

These federal grants are pass-through grants through the Alaska Department of Public Safety to local municipalities for various public safety projects.

Mr. Bischoff stated this is a consolidated federal grant that, at the request of US Senator Ted Stevens, would be distributed by the Department to Fairbanks, Juneau, Kotzebue, Bethel and Wasilla.

King Salmon Facility Maintenance

\$96,800

Reference No.: AMD34962

[Note: project summary data not provided.]

Mr. Bischoff stated the Department of Public Safety shares this facility with the Department of Fish and Game. He stated that

\$96,800 general funds is the Department of Public Safety's portion of the amount needed to upgrade and repair this facility.

Mr. Bischoff then directed the Committee's attention to Section 10 of the bill, in the Language section. He stated this provision would allow the Department to sell three aircraft and use the proceeds to purchase new replacement aircraft. He recounted that similar provisions have been approved by the Legislature in the past several years.

AT EASE 6:14PM/6:15PM

Department of Revenue-Alaska Housing Finance Corporation

DAN FAUSKE, Chief Executive Officer/Executive Director, Alaska Housing Finance Corporation (AHFC) testified that members of the AHFC staff and himself would present the capital budget for AHFC's housing grants programs and for major renovation and maintenance of public housing facilities. He noted all the requests are "part of the transfer plan between AHFC and the State of Alaska" and the \$103 million anticipated as available for FY 02. He pointed out that the \$103 million available to "the transfer plan" is the amount established "as a recognition that AHFC has to be recognized as a growing concern." He continued that "the transfer plan" is, "a term of ours to describe the maintenance and upkeep of an asset that provides a return you, its owner." He stressed the funding requests before the Committee address some of the on-going needs of the Corporation in keeping up its assets and meeting its mission and mandate to assist in the development of housing.

Mr. Fauske asserted that AHFC dividend funds are often "discussed as general funds" but are generated from the net income and financial strength of the Corporation. For these funds to continue to be available, he asked that the Legislature and the Corporation "work together".

Mr. Fauske cited SB 360, passed in 1998, "...The legislature intends to ensure the prudent management of the Alaska Housing Finance Corporation to protect the excellent debt rating by the nation's financial community and to preserve it as a valuable asset of the state. To accomplish this goal, the sum of withdrawals for repayment of bonds under Sec. 2 (c) of this Act for transfer to the general fund and for expenditures for corporate funding capital projects should not exceed the corporation's net income for the proceeding fiscal year." He noted that to date, both the Board of Directors and the Legislature have adhered to this agreement. However, he opined, the pressure for funding from AHFC has increased each year.

Mr. Fauske totaled the amount requested for AHFC projects for FY 02 at \$22.9 million AHFC funds; compared to \$18.7 million appropriated the previous year. He noted some major renovation projects in FY 01 were structured to receive funding in phases over more than one fiscal year and the second phases are included in the FY 02 proposed budget.

Mr. Fauske shared that the Office of Management and Budget forwarded a list of requests to AHFC as follows.

1. Identify those capital projects that are new and those that are funded historically in the capital budget. Identify those capital projects that have been requested in past fiscal years but not funded.

Mr. Fauske stated there are no new capital projects requested in the FY 02 proposed budget. He added that all of the projects had been requested in FY 01 and did receive funding.

2. Explain how priority lists are established and projects are ranked.

Mr. Fauske explained the Corporation's budget requests and priorities are established through a process that starts with staff and is presented to the Budget and Housing Policy Committee, a subcommittee of the Board of Directors, then brought before the Board and finally submitted to the Office of Management and Budget.

3. List state match requirements for each project and identify any capital request that if funded, would result in additional operating budget funding in future fiscal years.

Mr. Fauske stated these issues would be addressed as each request is presented.

Supplemental Housing Development Program

\$6,000,000

Reference No.: 6323

AP/AL: Appropriation

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Supplemental Housing Development Program utilizes Corporate (AHFC) funds to supplement Federal (HUD) funds to construct decent, safe and sanitary housing through regional housing authorities established under AS 18.55.996. Funds are used to

cover housing development costs related to water distribution, sewer hookups, electrical distribution systems, road construction to project site, site development, and energy efficiency improvements. State laws limit the use of these funds to 20% of the HUD's total development cost per unit, and are prohibited from being used for administrative or other costs of the housing authority.

LES CAMPBELL, Budget Director, AHFC, testified the purpose of this project is to construct 320 affordable homes in 20 urban and rural communities for 320 families. He added that these funds would "leverage" \$4 million in federal Indian Health/Public Health funds for water and sewer facilities.

Mr. Campbell listed the funding history for this item as \$3,900,000 in FY 01, \$4 million in FY 98, \$6 million in FY 98, \$7 million in FY 97, and \$10 million in FY 96.

Senator Wilken requested a list of the communities that would receive these funds.

Mr. Campbell indicated that the Corporation has a list of the eligible housing and locations. He noted the exact projects are not yet determined and the amount funded to each project depends upon the total amount allocated by the Legislature..

Co-Chair Kelly asked if the housing units are multi-family.

Mr. Campbell replied the units vary from single-family homes with three to four bedrooms to duplexes and four-plexes. He added that the projects are not all for new construction and that some of the funds would be used for renovations on existing units.

Mr. Campbell clarified for Senator Leman that each unit is counted as housing for one family, i.e. a four-plex is considered four units. He also noted the 320 unit target could change depending upon the actual construction costs.

Low-Income Weatherization

\$5,400,000

Reference No.: 6332

AP/AL: Appropriation

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Federal US Department of Energy (DOE) and Corporation (AHFC) funds to assist low- and moderate-income families attain

decent, safe and affordable housing through Weatherization and rehabilitation of existing homes. Many homes in rural Alaska cannot maintain a healthy indoor temperature of 70 degrees during our long winter months. This request includes \$2,000,000 to assist in the recent fish disasters.

Mr. Campbell listed this item consists of \$1,400,000 federal receipts and \$4,000,000 AHFC receipts. He said the intent is to replace over 500 unsafe heating systems, install smoke detectors in over 700 homes and carbon dioxide detectors in 350 homes. He calculated this project would serve approximately 4,000 Alaskans in about 1,100 homes.

Senator Ward cited figures from an Oak Ridge National Study that estimate an energy savings of Weatherization projects at 23 percent. He asked if a 23 percent reduction in fuel consumption has actually been realized.

Mr. Campbell pointed out the 23 percent estimate was based on a nationwide study. He stated that the Corporation has never measured the energy consumption after completion of weatherization projects, but stressed fuel consumption does reduce after air leaks are sealed.

ROBERT BREAN, Director, Research and Rural Development, AHFC, clarified the Corporation has measured energy consumption in some homes and has identified savings. He noted fuel savings are higher than 23 percent in Alaska, given the harsher weather conditions. He offered to share details of the findings with Senator Ward.

Senator Ward expressed he has been encouraged by this program and would like to learn more about the successes.

Paxton Manor Replacement
\$2,401,000
Reference No.: 34017
AP/AL: Appropriation
Category: Housing/Social Services
Location: Sitka
Election District: Sitka, Wrangell, Petersburg
Estimated Project Dates: 07/01/2001 - 06/30/2006
Corporate (AHFC) funds to complete the replacement of 24 units, which were built in 1965, and construction of a new multi-purpose building which will provide space for an office, maintenance shop, and a community room at Paxton Manor in Sitka. These funds will improve the living environment for residents, provide energy efficient units, cure site drainage problems and add ADA compliant units. Federal funds from the

HUD Capital Fund Program will also be used to complete this project.

Mr. Campbell qualified that although this program is listed as new, it is actually a continuation of upgrades to the public housing facility in Sitka. He said one of the purposes of the project is to reduce maintenance costs.

Senator Wilken pointed out that federal receipts have been used to fund this project in the past and asked if the funds were secured for FY 02. He also asked if the federal funds require a match.

Mr. Campbell answered that a match is not required, but that the AHFC funds requested are necessary to complete the project. He stated the federal funds would be available and noted this request is linked to another, which would be discussed later.

Senator Wilken asked the total state expenditure on the project.

Mr. Campbell listed \$6,518,858, which calculates to approximately \$247,000 per unit plus the cost of community buildings and shared space.

Senator Austerman asked if this funding would complete the 24 units.

Mr. Campbell affirmed this funding would complete the entire renovation project for the Sitka housing facility.

Senator Wilken asked if it would be more cost effective to demolish the existing units and construct new units.

Mr. Campbell clarified this is the project.

Chugach View Renovation-Phase 2 (Anchorage Senior Units)

\$4,697,000

Reference No.: 32515

AP/AL: Appropriation

Category: Housing/Social Services

Location: Anchorage Areawide

Election District: Anchorage Areawide

Estimated Project Dates: 07/01/2001 - 06/30/2006

This utilizes Corporate (AHFC) and Federal funds for Phase II of the major renovation of Chugach View. (Phase I was funded for FY2000.) Chugach View is a 120 unit low-income senior housing complex across from the senior center in Anchorage. Phase II will fund interior renovations to all kitchens and bathrooms, and install new appliances and fixtures. In

addition, ventilation and heat recovery systems will be installed, lighting will be improved, and accessibility features added.

Mr. Campbell noted the funding consists of \$2,697,000 AHFC receipts and \$2,000,000 federal receipts. He stated this project is necessary to meet building safety code requirements and would also reduce long term operating costs.

AHFC Senior Citizens Housing Development Program
\$1,472,200

Reference No.: 6334

AP/AL: Appropriation

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

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

Mr. Campbell referenced the capital budget summary information, which includes a list of applicants.

Senior and Statewide Deferred Maintenance and Renovation
\$2,500,000

Reference No.: 6339

AP/AL: Appropriation

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Corporation (AHFC) and Federal funds to reduce deferred maintenance at several facilities utilized by senior citizens and low-income families. General physical upgrades are needed in addition to specific security and accessibility modifications.

Mr. Campbell stated the funding amount consists of \$500,000 federal receipts and \$2,000,000 AHFC receipts.

Mr. Campbell referenced the capital budget summary information, which includes list of deferred maintenance projects.

Senator Wilken asked about the administrative cost of \$515,834.

Mr. Campbell explained this covers overhead costs related to the projects including inspectors and construction coordinators.

Senator Wilken remarked that 20 percent of the total budget seemed excessive.

WES WEIR, Director, Public Housing Division, AHFC, testified that 20 percent is normal for AHFC projects and is "considerably below the overhead calculated for capital projects for any other state agency" that he was aware of.

AHFC Housing and Urban Development Capital Fund Program

\$3,500,000

Reference No.: 6342

AP/AL: Appropriation

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Federal (HUD) grant that provides Public Housing Authorities with funds each year to help renovate and modernize public housing units. Funds also provide for administrative expenses, tenant-education projects, drug elimination/safety projects and management improvements.

Mr. Campbell stated the intent of this item is to combine these funds with other funds allocated to Paxton Manor for the purpose of completing the 24 units in the Sitka housing facility, install screen doors and storage sheds at Birch Park in Fairbanks and provide interior modernization and site work at Spruce Park in Fairbanks and New Willow in Anchorage.

Senator Austerman asked about the funds allocated to Paxton Manor.

Mr. Campbell responded that \$2,565,568 of this appropriation would originate from the Paxton Manor account. The remaining funds are from a "similar program that was funded last year" he said.

AHFC Housing and Urban Development Federal HOME Grant

\$3,800,000

Reference No.: 6347

AP/AL: Appropriation

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Federal (HUD) and Corporate matching (AHFC) funds for the HOME Investment Partnership Program. The purpose of the HOME

program is to expand the supply of affordable, low- and moderate-income housing and to strengthen the ability of the state to design and implement strategies to achieve an adequate supply of safe, energy-efficient, and affordable housing. The Municipality of Anchorage has their own separate HOME program.

Mr. Campbell detailed this appropriation consists of \$3,050,000 federal receipts, with \$750,000 AHFC receipts fulfilling the match requirement.

Senator Wilken asked if the Corporation had determined where the funds would be spent.

Mr. Campbell did not know that any determinations had been made to date.

BARBARA BAKER, Director, Planning and Program, AHFC, testified the funds would be spent throughout the state among three separate programs. She listed them as the Gold Program, Residential Housing Development Program consisting of two projects in Soldotna and Homer, Owner Rehabilitation Program for homes in all areas of Alaska (she estimated approximately 70 homes would be rehabilitated under this program) and a closing costs program for new homeowners that would serve an estimated 50 families in Juneau, Fairbanks and Southcentral.

AHFC Federal and Other Competitive Grants

\$4,250,000

Reference No.: 6348

AP/AL: Appropriation

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Federal (HUD) and Corporate match (AHFC) grant funds. AHFC will apply for grants that target the housing needs of low-income and special needs groups; such as senior citizens, the mentally ill, disabled or the homeless. AHFC will also apply for energy related grants as they related to housing. When required, AHFC will provide the needed matching funds. Some of the funds received will be passed through to local non-profit sub-grantee organizations who deliver housing and/or services.

Mr. Campbell noted this appropriation consists of \$3 million federal receipts and \$1,250,000 AHFC receipts. He gave examples of past projects, including housing for people with AIDS.

AHFC Competitive Grants and Public Housing

\$1,000,000

Reference No.: 6350

AP/AL: Appropriation

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Federal (HUD) and Corporate matching (AHFC) grant funds. AHFC will apply for HUD grants that target the housing needs of low-income and special needs groups; such as senior citizens, the mentally ill, disabled, or the homeless. AHFC will also apply for grants to prevent crime and substance abuse in public housing and assist public housing families attain economic self-sufficiency. When required, AHFC will provide the needed match.

Mr. Campbell listed the funding consists of \$750,000 federal receipts \$250,000 AHFC receipts. He informed this item is similar to the previous item with the exception that it specifically targets residents of assisted or public housing.

AHFC Energy Efficiency Monitoring Research

\$300,000

Reference No.: 6351

AP/AL: Appropriation

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Corporate (AHFC) funds to conduct research, analysis, and information dissemination and interchange among members of the industry, and between the industry and the public. Through competitive procedures, an entity would be selected to provide data gathering and analysis of energy efficient designs for homes, as well as, monitoring activity of homes.

Mr. Campbell stated this funding is AHFC receipts.

Senator Austerman relayed he recently read an article about global warming that claimed the temperature in the Fairbanks area has warmed almost ten degrees Fahrenheit and as a result, permafrost is melting. He asked if this project would assist in the preparation or remediation of damage caused by such melting.

Mr. Campbell was unsure whether global warming was included in the perimeters of the research project.

Mr. Fauske interjected to say global warming is one of the issues that would probably arise as the research project is planned.

Senator Austerman surmised that if a change to housing is taking place because of permafrost melting, the implications should be considered.

AHFC State Energy Program Special Projects

\$180,000

Reference No.: 32526

AP/AL: Appropriation

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Federal (DOE) and Corporate match funds for State Energy Program (SEP) special projects such as: building technologies, Codes and Standards, Wind, Power technologies, renewable energy for remote areas, or transportation technologies.

Mr. Campbell listed the funding consists of \$150,000 federal receipts and \$30,000 AHFC receipts.

Senator Wilken requested a report of how the \$180,000 appropriation in FY 01 was used.

Senator Austerman asked about the correlation between the Alaska Energy Authority (AEA) and the AHFC on energy issues.

AHFC Homeless Assistance Program

\$450,000

Reference No.: 6359

AP/AL: Appropriation

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Corporate (AHFC) and Trust (MHTF) funds to grant to local communities/agencies to help develop programs to prevent homelessness by providing assistance to families in imminent danger of becoming homeless, or those who are currently homeless. Corporate funds will be matched by \$200,000 Mental Health Trust Authority. Both funds will be combined and administered as one program by AHFC.

Mr. Campbell detailed the funding consists of \$250,000 AHFC receipts and \$200,000 Mental Health Trust Fund (MHTA) Receipts

Mr. Campbell referenced a list of applicants contained in the capital project summary.

AHFC Beneficiary and Special Needs Housing
\$1,500,000
Reference No.: 6360
AP/AL: Appropriation
Category: Housing/Social Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2001 - 06/30/2006
Corporate (AHFC) funds for Alaskan non-profit service providers and housing developers to increase housing opportunities to Alaska Mental Trust beneficiaries and other special needs populations throughout Alaska. These funds will continue a demonstration project to divert individuals from institutions into community-based assisted living.

Mr. Campbell noted these funds are entirely AHFC receipts. He detailed the people served by this program include those with developmental disabilities, who suffer from a mental illness and recovering alcoholics and addicts.

Mr. Campbell noted this concluded the presentations on the individual AHFC requests. He referenced the six-year capital projects plan that began in FY 97.

Senator Austerman asked the total AHFC receipts requested for capital projects in the FY 02 budget.

Mr. Campbell answered \$22.9 million.

Mr. Fauske informed the Committee that he had been appointed to a Congressional commission on Lending Housing, a bi-partisan 22-member panel charged with making recommendations on housing availability. He commented that the "gap between the haves and the have-nots is an ever widening concern." He noted that the price of homes is rising, citing the median cost of a home in San Francisco is \$469,000 and that some people with annual incomes of \$50,000 are forced to live in cars. Fortunately, he said, Alaska is not faced with this situation.

Mr. Fauske shared that in recent meetings of this commission, the issue of recent tax reforms and the "1988 Tamarack Rule" was discussed. He pointed out these changes could affect the state "to the tune of millions of dollars." He explained the Tamarack Rule imposes an "arbitrary" restriction on the number of times a bond could be refinanced in the first ten years of its original

issuance. He informed that the practice of most housing finance corporations is to "recycle" funds generated from bond payments to purchase more bonds, which "gives an absolute advantage depending on what market conditions are to generate low-cost capital for residents." Under the Tamarack Rule, he said, the funds could no longer be used to purchase new bonds after the ten-year anniversary, but instead must be used to pay off existing debt. He stated that repealing this Rule is a top priority of the National Association of Safe Housing Agencies.

SFC 01 # 41, Side B 06:53 PM

Mr. Fauske continued another issue before the commission is acquisition limits; AHFC has these limits under the tax-exempt first homebuyer program, which make it more difficult to operate the program in Alaska at a level that accurately reflects housing costs and income levels.

Another issue, he shared, relates to veterans bonds and provides a one-percent interest rate reduction for men and women who have served in the military. Alaska is one of five states, California, Oregon, Texas and Michigan being the others, that issue tax-exempt veterans bonds, and he noted this program sunsets in a few years. He declared Alaska has between 68,000 and 70,000 veterans, which is a "significant" percentage of the entire state population.

He relayed the sentiments of the commission that there is support to continue tax credit programs and other federal programs, although there is debate over who should receive these benefits. He reported he has been appointed to the tax policy subcommittee and could become vice-chair of the finance subcommittee, which he said offers an opportunity to share AHFC ideas.

Senator Austerman asked about possible duplication of efforts by the AHFC, the AEA and the Denali Commission in energy-related matters.

Mr. Fauske informed the Committee of a reimbursable services agreement (RSA) with the Alaska Industrial and Developmental Export Authority (AIDEA) to share federal funds.

Mr. Brean clarified that AHFC is designated by the US Department of Energy to receive Alaska's energy program funds. He noted the Corporation's focus is on residential housing, whereas the AIDEA focus is on power production. He said the two state organizations have combined efforts to "revamp" the Sheldon Jackson School in

Sitka. He added that AIDEA is also working with the Denali Commission on addressing bulk fuel facilities.

Senator Ward asked what efforts the congressional commission plans to take to ensure the continuation of the veterans bond program.

Mr. Fauske noted that preservation of this program had been opposed in the past because the program is not revenue neutral. Mr. Fauske admitted it is difficult to defend a program that only affects five states. However, he noted there is support from other members of congress who are veterans. He detailed the program and expressed his support as he is a veteran. He stated that if the federal program were discontinued, AHFC would attempt to create a new program to offer similar benefits.

Department of Environmental Conservation

DAN EASTON, Director, Division of Facility Construction and Operation, Department of Environmental Conservation, indicated that the Division's mission is to assist communities in improving sanitation conditions through grants and low-interest loans to build water, sewer and waste facilities. He noted the FY 02 proposed capital budget is different from previous years, such as FY 99, which "invested" \$44 million of state funds for sanitation programs, compared to \$29 million or one-third of that amount this year. However, he noted an \$11 million increase in federal funds, which is a result of a change to the match ratio and also legislation adopted in recent years that provides options to capitalize on the loan fund.

Mr. Easton addressed noted the Division solicits grant applications for the following four projects, which are then ranked based on public health and environmental need. He detailed the criteria, including the cost to maintain facilities. He pointed out there is no match requirement of the communities; the funds are 75 percent federal and 25 percent state.

Senator Austerman noted the total AHFC dividend funds proposed for these projects is \$28,250,000, compared to \$22.9 million for AHFC projects. He questioned the priorities of the AHFC funds.

Village Safe Water Project Administration
\$1,961,100
Reference No.: 33820
AP/AL: Appropriation
Category: Health/Safety
Location: Statewide
Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006
Village Safe Water project administration is the operating cost of delivering Village Safe Water services to communities. These funds pay for Village Safe Water engineers and other program staff, as well as associated travel, contracts, supplies and equipment.

Mr. Easton presented this item.

Co-Chair Kelly reiterated the Division ranks the grants received and funds the projects accordingly and referenced the priority list included in the capital project summary.

Village Safe Water Feasibility Studies
\$3,825,000
Reference No.: 33821
AP/AL: Appropriation with Allocations
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2001 - 06/30/2006
Grants to communities for preparing engineering feasibility studies. The studies identify designs and operating costs for sanitation facilities that are appropriate for the community.

Mr. Easton referenced the allocations listed in the capital project summary, noting that each represents an engineering study to examine options and costs for sanitation systems.

Senator Wilken totaled the amounts appropriated to the Village Safe Water projects at \$38,477,000 federal funds and \$12,826,000 AHFC dividend funds. He requested information regarding the population served, other funding sources, and local participation for each project.

Co-Chair Kelly and Senator Wilken established there is no local matching fund requirement for any of the projects.

Mr. Easton responded the requested information relating to funds garnered from various federal agencies for safe water projects is "expansive" but assured the Division would provide as much as detail possible.

Senator Wilken commented that there should be a compilation for each project showing the total cost, local investment, history of funding, and the population served.

Municipal Water, Sewer and Solid Waste Matching Grant Projects

\$23,510,600

Reference No.: 33824

AP/AL: Appropriation with Allocations

Category: Health/Safety

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Grants to larger communities for municipal water, sewer, and solid waste planning, design and construction projects. Grants require a local match of 15% - 50% of project costs.

Mr. Easton noted this is primarily a state-funded program consisting of allocations for various projects.

Environmental Health Food Safety Laboratory Construction

\$13,964,700

Reference No.: 33825

AP/AL: Appropriation

Category: Health/Safety

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Current food safety laboratory facilities lack basic infrastructure requirements. The lease expires in December, 2000 with no potential for long term renewal. This project contracts for services to complete facility programming, detailed design, specifications, and the construction of a new Food Safety Laboratory.

JANICE ADAIR, Director, Division of Environmental Health, Department of Environmental Conservation testified via teleconference from Anchorage to update the Committee on how a previous appropriation to this project was used to begin the process of constructing a new laboratory. She stated that a site has been selected in Anchorage, which she said is preferable over Palmer because samples could be transported from the Ted Stevens International Airport sooner. She detailed the functions of the laboratory including testing shellfish.

Senator Leman relayed that his main concern with new state laboratories is that they do not directly compete with private industry.

Ms. Adair assured there are no other laboratories in the state certified to perform the testing conducted by the state-operated facility.

Statewide Contaminated Sites Cleanup

\$5,000,000

Reference No.: 33826

AP/AL: Appropriation

Category: Health/Safety

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Assessment and cleanup of highest priority state owned sites or sites where the responsible party is unknown or has refused to take appropriate action. Work includes site assessment, correction action plan, cleanup monitoring and final site closure.

\$5,00,000 Oil/Hazard Funds

LARRY DIETRICK, Director, Division of Spill Prevention and Response, Department of Environmental Conservation, listed the funding source as the Oil Hazardous Substance Release Prevention and Response fund. He described the 16 state-owned sites and 13 "orphan sites" that are a high priority, which this appropriation would address.

Mr. Dietrich shared that the Department is making progress in reducing the number of contaminated state-owned sites. He noted the federally owned sites make up the majority of contaminated sites in Alaska.

Senator Hoffman asked if any of the sites are located in his district.

Mr. Dietrick referenced a list of the proposed projects. [Copy not provided.]

Small Drinking Water System Operator Certification Project
\$1,276,800

Reference No.: 33988

AP/AL: Appropriation

Category: Health/Safety

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Recent changes in federal law require operators of small drinking water systems to be "certified". This project takes advantage of federal grant dollars to offset costs associated with training and certification of those operators.

Mr. Easton stated this is a one-time federal grant from the US Environmental Protection Agency (EPA) to address the new federal

law, which lowers the size of drinking water systems that must have a certified operator. He said formerly, operators of systems that served more than 500 people must be certified; the new requirement expands the certification to include systems serving 25 people or more. He said most of the funds would be used for onsite training to certify operators for approximately 600 drinking water systems. He noted no state match is required.

Senator Lemman relayed concerns raised in the budget subcommittee regarding the turnover of operators and limited attention given to smaller systems. He surmised this program is therefore not a wise use of funds. He suggested obtaining a waiver for the smaller systems.

Mr. Easton responded that when the federal regulations were being considered, the Alaska department did make such a request for an exemption. However, the effort was unsuccessful, and he said chances for obtaining a waiver at this point are "fairly small".

Senator Lemman suggested there could be a policy change under the new Bush Administration.

Fine Particulate Monitoring

\$477,200

Reference No.: 33827

AP/AL: Appropriation

Category: Health/Safety

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2004

Fine particulate matter is a by product of combustion and has been linked to respiratory ailments and various cancers. This federally mandated project provides installation and operation of fine particulate monitoring equipment throughout the state to evaluate the risk to public health in Alaska.

TOM CHAPPLE, Director, Division of Air and Water Quality, Department of Environmental Conservation, testified the intent of this on-going program is to address new federal health standards. He explained the program to collect data over a three-year period and using this data to develop a mitigation plan to control the pollutants.

Co-Chair Kelly asked if the mitigation plans would require general funds.

Mr. Chapple replied that other pollutant mitigation plans are funded with federal grants with some general funds. He surmised

this would most likely be the case with these projects.

Environmental Monitoring and Assessment Program
\$1,000,000

Reference No.: 33990

AP/AL: Appropriation

Category: Health/Safety

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2004

This project establishes baseline information to determine whether Alaska's coastal waters are improving, deteriorating, or staying the same.

Mr. Chapple informed this project is part of a nationwide effort, which began on the East Coast and utilizes federal funds.

Hazardous Material Response Capabilities for Local Government
\$500,000

Reference No.: 33912

AP/AL: Appropriation

Category: Health/Safety

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

This project provides funding to establish and maintain a statewide hazardous materials response capability by increasing local government response capabilities. Specific geographic response strategies and tactics for the protection of environmentally sensitive areas and areas of public concern that have the highest priority for protection will also be developed.

Mr. Dietrick stated this appropriation utilizes Oil and Hazardous Substance Release Prevention and Response funds. He asserted this project is the result of a "landmark agreement" with the Anchorage and Fairbanks Hazardous Materials teams, whereby 30 other Alaskan communities can obtain the teams' assistance. He noted these funds would be allocated to the Anchorage and Fairbanks teams to allow them to maintain a state of readiness, and in exchange, they would be available to respond to situations elsewhere in the state, such as in remote locations and involving the Alaska Railroad. He informed that some complications such as workers' compensation liability issues have been resolved. He said drills have been conducted in Petersburg, Dutch Harbor and Kodiak and drills in other areas are planned.

Grants and Loans for Cleanup of Underground Storage Tanks

\$\$1,000,000

Reference No.: 33939

AP/AL: Appropriation

Category: Health/Safety

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2006

Cleanup grants, based on net worth, and low-interest loans to existing applicants to minimize the financial burden imposed on tank owners and operators by federal and state requirements.

Storage Tank

Mr. Dietrick pointed out the funding source is the same as the previous item. He reminded of "significant problems" with eligibility requirements for tank owners in the past and stated this appropriation addresses those applicants and provides loans for 30 applicants along with continuation grants for 30 other clean-up projects from FY 02.

Oil and Gas Transportation: Aging Infrastructure Issues

\$\$500,000

Reference No.: 33914

AP/AL: Appropriation

Category: Health/Safety

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2001 - 06/30/2003

Oil Spill Prevention: Safe Transportation of Oil: Safe transportation of oil can be enhanced by addressing the key technical issues associated with Alaska's aging infrastructure. Oil spills will be prevented by evaluating pipeline and tank integrity issues and by evaluating best available technology (BAT).

Mr. Dietrick stated this appropriation is also composed of Oil and Hazardous Substance Release Prevention and Response funds. He spoke of new oil exploration activity in Cook Inlet and the Kenai Area and the aging infrastructure utilized. He remarked this project would address statutory oil spill prevention standards adopted in 1990. He listed the three focuses of the project as follows.

- Work with industry, particularly in Cook Inlet, to do a pipeline risk assessment
- Review corrosion and erosion problems, which he noted is the source of some of the recent North Slope spill incidents

- Investigate the applicability of best available technology and select the method most appropriate for Alaska
- Evaluate the applicability of API standards

Mr. Dietrick stressed the purpose of these efforts are to sustain the existing infrastructure.

Amchitka Workers Health Assessment Project

\$2,340,000

Reference No.: 33987

AP/AL: Appropriation

Category: Health/Safety

Location: Amchitka

Election District: Aleutians

Estimated Project Dates: 07/01/2001 - 06/30/2004

This project carries out the Amchitka Worker's Health Assessment and Medical Screening Program for people that worked at the Amchitka Island nuclear test site.

Mr. Chapple presented this item.

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Mr. Chapple told of the Department's efforts to evaluate the medical conditions of people present during the nuclear testing period. He stated the intent is to ascertain which illnesses were caused by the nuclear activities and to help determine the adequate federal compensation.

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ADJOURNMENT

Co-Chair Pete Kelly adjourned the meeting at 07:43 PM