

MINUTES
SENATE FINANCE COMMITTEE
March 19, 2002
9:10 AM

TAPES

SFC-02 # 35, Side A
SFC 02 # 35, Side B
SFC 02 # 36, Side A

CALL TO ORDER

Co-Chair Pete Kelly convened the meeting at approximately 9:10 AM.

PRESENT

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

Also Attending: MIKE MAHER, Director, Administrative Services Division, Department of Revenue; NANCI A. JONES, Director, Permanent Fund Dividend Division, Department of Revenue; DANIEL R. FAUSKE, CEO/Executive Director, Alaska Housing Finance Corporation, Department of Revenue; LES CAMPBELL, Budget Director, Alaska Housing Finance Corporation, Department of Revenue; WES WEIR, Director, Public Housing Division, Alaska Housing Finance Corporation, Department of Revenue; ROBERT L. BREAN, Director, Division of Research & Rural Development, Alaska Housing Finance Corporation; JOHN BITNEY, Legislative Liaison, Alaska Housing Finance Corporation, Department of Revenue; ROBERT STALNAKER, Manager, Information Systems, Division of Administrative Services, Department of Environmental Conservation; NANCY SLAGLE, Director, Division of Administrative Services, Department of Transportation and Public Facilities; KURT PARKAN, Deputy Commissioner, Office of the Commissioner, Department of Transportation and Public Facilities

Attending via Teleconference: From Anchorage: JOHN MALLONEE, Data Processing Manager, Child Support Enforcement Division, Department

of Revenue; From Fairbanks: MARTIN OTT, Chief, Planning & Administrative Services, Northern Region, Department of Transportation and Public Facilities;

SUMMARY INFORMATION

SB 247-REAPPROPRIATIONS & CAPITAL APPROPRIATIONS

The Committee heard testimony from the Department of Revenue, the Alaska Housing Finance Corporation, the Department of Environmental Conservation, and the Department of Transportation and Public Facilities. No action was taken, and the bill was held in Committee.

#sb247

SENATE BILL NO. 247

"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."

This was the fifth hearing for this bill in the Senate Finance Committee.

Department of Revenue

MIKE MAHER, Director, Administrative Services Division, Department of Revenue, informed the Committee that he would be facilitating the Department's presentations.

Permanent Fund Dividend Electronic Imaging Server Upgrade
\$80,000 PFD Fund

Reference No.: 35813

Project Type: Equipment

Category: General Government

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002-06/30/2003

The Dividend Application Imaging System will be upgraded to facilitate higher productivity, lower "downtime" due to hardware and software failures, and reduced storage costs.

One-time project

NANCI A. JONES, Director, Permanent Fund Dividend Division, Department of Revenue, explained that the Division's image server, which stores the Division's database system, is reaching "the end of its useful life," and that the installation of a new Microsoft-Intel system would lower maintenance expenses, provide for future program expandability, and accommodate Division growth.

Child Support Enforcement Caseload Management System-Phase 2
\$1,500,000

\$990,000 Fed Crypts

\$510,000 GF/Prgm

Reference No.: 35730

Project Type: Information Systems

Category: General Government

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002-06/30/2007

This project will eliminate two critical problems within the child support enforcement computer system (NSTAR). First, it will remove outdated proprietary software used for input/output calls. This software does not function correctly with new upgrades to the mainframe operating software. Secondly, the rewrite will concentrate on making batch programs more efficient to allow the nightly batch process to be completed in the required timeframe.

State Match Required

Phased Project

JOHN MALLONEE, Data Processing Manager, Child Support Enforcement Division, Department of Revenue, testified via teleconference from Anchorage to inform the Committee that this request would provide the funds required to complete a two-year project to replace an obsolete piece of proprietary software that manifests problems whenever upgrades are conducted on the mainframe computer. He explained that this software is responsible for "input and output calls" to the computer, and that the current software, which the manufacturer no longer supports, does not communicate properly with new programs. He continued that, in addition to replacing the software, the Division must improve the efficiency of the nightly batch program that generates required monthly, quarterly, and yearly reports.

Mr. Mallonee furthered that this single computer system stores the Division's data information base, and when the system does not function properly, none of the Division's programs are accessible. He stated that when this occurs, the data inaccessibility creates hardships for both the staff and the public.

Senator Austerman asked for further information about the final phase of the project.

Mr. Mallonee explained that the necessary upgrades to the system should be completed in FY 03, providing that the federal government does not invoke any delays, as he continued, every phase of the project requires federal approval.

Senator Hoffman asked whether this upgrade would reduce the Department's current seven to ten-day response time that is causing public concern.

Mr. Mallonee asked for further information to ascertain whether computer processing or workload demands are the cause of the delay in the response time. He noted that usually data is processed within one day; therefore, a computer-generated backlog of seven to ten days is not likely; however, he surmised that the reason for a delay might be due to the increasing ratio of caseload to caseworker. He expressed that each caseworker is responsible for approximately 1,300 cases.

Senator Hoffman restated the concern by asking whether or not completion of this project would shorten "the wait-time" for account status inquiries.

Mr. Mallonee responded that this project would ensure that the computer system would remain operational to provide pertinent data to the caseworkers. He contended that the delay concern appears to be a caseload rather than a computer problem.

Mr. Maher interjected that a separate request is being introduced to increase, by five, the number of Division caseworkers in order to more efficiently manage the growing number of cases. He informed the Committee that caseworkers in the states of Washington and Oregon manage approximately 600 or 700 cases, respectively per caseworker.

Child Support Enforcement Computer Replacement Project-Phase 3
\$195,000

\$128,700 Fed Rcpts

\$ 66,300 GF/Prgm

Reference No.: 35729

Project Type: Information Systems

Category: General Government

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002-06/30-2007

Intent is to continue the CSED computer replacement project

initiated in FY 00. The agency objective is the ultimate replacement of 250 antiquated personal computers (pc's). More than half of all pc's currently in use at CSED have exceeded their useful lives.

State Match Required
Phased Project

Mr. Mallonee stated that this request would allow approximately 79 outdated computers to be replaced with new ones. He stated that five nine-year-old laser printers and three communication switches are also in need of replacement. He noted that, because of their age, it is not economically feasible to repair these items.

Senator Austerman asked whether this is an on-going equipment replacement request.

Mr. Mallonee responded that this request is larger than usual because the Division did not present an equipment replacement request in FY 02. He estimated that requests in the amount of \$100,000 on a two-year cycle might become standard, because equipment purchased "at the same time, tends to fail at the same time." He stated that the Department strives to properly maintain its equipment in an economic manner; however, he noted that over time, replacement is the only option. He explained that these computers link to the mainframe which houses the Department's report forms and that any required forms are downloaded and printed on the laser printers. He noted that approximately 65 percent of the Division's 300 computers have been replaced, and that the remaining computers must be replaced within the next two years.

Senator Leman asked whether the State's purchasing policy allows the Division to purchase equipment at a competitive price.

Mr. Mallonee responded that personal computers (pc's) are purchased through the State contract process at a competitive price. He noted that, at times, comparable computers could be purchased, on sale, for approximately 15 percent less; however, he considers the price the State pays a fair price.

Senator Hoffman commented that this request specifies that the cost per computer is approximately \$2,000, which, he opined, is a high price.

Mr. Mallonee agreed that less expensive computers are available; however, he qualified that these pc's are "heavy-duty machines" with more powerful processors than required for normal home usage. He stated that the price also includes the required software.

Senator Hoffman asked the type of software required.

Mr. Mallonee responded that the software includes the Windows 98 operating system; Microsoft Office that is used by the majority of State agencies; and software that enables communication with the mainframe computer as well as the networking card that enables the computers to communicate with each other.

Senator Hoffman asserted that the price of the computers is not driven by the Windows 98 operating system as that software system is considered to be "fairly old now." He noted that newer operating systems are available.

Mr. Mallonee concurred that newer operating systems are available; however, he stated that the Windows 98 program is currently used throughout the Division, and that the expense to upgrade 300 computer operating systems would exceed the cost of purchasing these 79 computers.

Alaska Housing Finance Corporation

DANIEL R. FAUSKE, CEO/Executive Director, Alaska Housing Finance Corporation, Department of Revenue, stated that all the projects presented in the Alaska Housing Finance Corporation (AHFC) capital budget are funded by federal US Department of Housing and Urban Development (HUD) funds or, to a lesser degree, from the United States Department of Energy, rather than by the State's general fund. He noted that additional revenue is generated "by AHFC corporate earnings that are made available as part of the asset transfer plan" as arranged with the State.

Mr. Fauske explained that the transfer plan was established in 1995 and most recently updated in 1998 with language specifying that, "the Legislature intends to insure the prudent management of the Alaska Housing Finance Corporation to protect its excellent debt rating by the nation's financial community and to preserve it as a valuable asset of the State." He stated that "to accomplish this goal, the sum of the withdrawals for the repayment of bonds for transfer to the general fund and for expenditures on Corporate funded capital projects should not exceed the Corporation's net income for the preceding fiscal year. The Alaska Housing Finance Corporation projects that \$103 million will be made available in each fiscal year." He continued that, "this agreement has been reaffirmed in the past, and during each session, when the Legislature has authorized AHFC to issue bonds, and debts for State capital projects, which additionally includes the tobacco securization bond, first issued two years ago."

Mr. Fauske expressed that "for FY 03, AHFC and its Board of Directors have approved a transfer amount of \$96.3 million which is the audited net income figure from last year." He stated that this is a reflection that AHFC "had a good year in the State's housing market."

Mr. Fauske explained that, "the transfer plan language calls for a sum not to exceed AHFC net income, but a level of \$103 million has been provided annually as a cash payment to the general fund, payments on bonds issued by AHFC for State capital projects, and for other State expenditures."

Mr. Fauske qualified that AHFC's "switch to a net income figure was based on recent concerns that were expressed in reports by the Legislative Audit Division, national credit rating agencies," as well as AHFC auditors and financial analysts.

Mr. Fauske continued that for FY 03, "\$51 million of the transfer plan is obligated as debt service payments on bonds that were issued by AHFC on behalf of the State for \$300 million in State capital projects that have already been appropriated by the Legislature." He noted that these projects include: "public school construction, University of Alaska facilities, ports and harbors, armories, and many other projects." He specified that the remaining FY 03 balance of \$45,300,000 would provide funding as follows: \$23,298,200 is designated for the AHFC projects being presented in today's AHFC budget request testimony to the Committee; and approximately \$22 million is designated for other agency projects including \$21,400,000 for the Department of Environmental Conservation's proposed water and sewer projects.

Mr. Fauske informed the Committee that when determining the "AHFC project requests as part of the transfer bond amount based on net income," the Corporation investigated options to minimize the amount of money being requested for AHFC's FY 03 projects. He noted that the funding levels for projects such as low-income weatherization, supplemental housing, and senior housing projects have been set at the levels authorized in the FY 02 budget; however, he clarified that the funding levels requested for homeless assistance grants have been increased from \$250,000 to \$500,000 in the Mental Health budget.

Mr. Fauske stressed that the Corporation endeavored to mitigate the impact of the reduction in the AHFC transfer payment amount, and he asserted that the proposed AHFC bond project would allow AHFC to complete its ten-year construction and renovation plan by securing "both Corporate and federal dollars to provide \$55 million in order to completely finish the entire backlog of AHFC public housing

construction projects." He stated that the alternative would be to present a list of construction and renovation projects requiring eight to twelve million dollars of corporate funds. He elaborated that this request entails combining \$4,943,000 in corporate funds with federal funds to provide the first year's debt service payment. He contended that, "this would be the ultimate phasing approach to spread dollars around more for the State while taking advantage of the current interest rate environment."

LES CAMPBELL, Budget Director, Alaska Housing Finance Corporation, Department of Revenue, noted that Committee members have been provided with the Alaska Housing Finance Corporation Executive Budget Summary "Results-Oriented," Proposed FY2003 Draft Capital Budget booklet, dated December 15, 2001 [copy on file] which details the AHFC projects being proposed.

PHD Construction Program
\$55,249,800 Bond Proceeds
Reference No.: 36602
Project Type: Renewal and Replacement
Category: Housing/Social Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002-06/30/2007
The Public Housing Division (PHD) Construction Program utilizes federal funds and bond proceeds to complete the Corporation's 10-year plan to renovate and modernize AHFC's inventory of public housing units. This new program will leverage federal funds to replace or renovate scheduled projects.

Mr. Campbell stated that this bond proposal "bundles together the remaining public housing construction projects" in the Corporation's ten-year modernization plan. He noted that the projects' descriptions and funding histories are included in the booklet, and he detailed each of the ten projects included in this bond bill as follow.

Senior & Statewide Renovation & Replacement
Reference #36607
\$6,500,000

Mr. Campbell explained that this project would provide improved building security and accessibility; modifications to accommodate individuals who are physically challenged; provide for energy efficiency and mechanical systems upgrades; and provide site and general physical improvements.

Senator Wilken asked for further information about the implementation of this \$55 million bonding package.

Mr. Campbell explained that this \$55 million bond package would provide the total funding necessary to complete the upgrades and renovation needs for the ten projects identified in the request.

Senator Wilken asked whether the funding needs of these ten projects totals \$55 million.

Mr. Campbell stated that is correct.

Senator Wilken specified that the sale of these bonds would provide the funding required for the ten projects.

Mr. Campbell concurred, and he asserted that corporate receipts and federal funds would fund the bond's debt service.

Senator Wilken asked whether the corporate receipts would be comprised of the "general fund annual dividend."

Mr. Campbell affirmed that these funds would involve the annual AHFC dividend.

Senator Austerman asked whether the identified administrative expense that amounts to 21.7 percent of the total project cost is within a normal range for this component.

Mr. Campbell responded that AHFC bases its administrative cost estimates on such things as historical AHFC project management expenses combined with inspection and transportation expenses.

Senator Austerman noted that additional administrative expenses would be incurred by the inclusion of the contingency fund element of \$603,452, as specified on page 3-6 of the booklet. He stated that this inclusion would increase the administrative percentage of the total project to approximately 23 percent.

Mr. Campbell explained that the contingency element reflects as yet unidentified projects that are likely, but were indeterminate when the renovation plan was developed. He stated that the contingency amount is based on prior projects' histories.

WES WEIR, Director, Public Housing Division, Alaska Housing Finance Corporation, Department of Revenue, stated that while Senator Austerman's question is valid, the cost determination method used by AHFC is "substantially more economical" than methods used by other State agencies as it allocates a higher percentage rate

toward construction. He furthered that the usual allocation specified for construction expense is 70 cents of every dollar; however, AHFC, with its overhead cost limit of 21 and 24 cents of every dollar, provides 76 to 79 cents of every dollar for construction.

Mr. Weir expressed that overhead is a "very flexible item" as the administrative overhead percent of cost incurred by a \$15,000 project is significantly higher than that of a million dollar project. He noted that several small projects are included in this bond request, and he furthered that the determination method utilized by the Corporation allows the construction department to "realize more significant savings" pertaining to the administrative aspect of a project than other State agencies.

Chugach Manor Renovation
Reference #36608
\$5,435,000

Mr. Campbell explained that this 120-unit senior housing facility is located in Anchorage, and although this project is included in the bond package funding, this is the third phase of a renovation plan that includes upgrades to other facilities in the complex. He stated that the renovation work includes such things as sidewalk repair; kitchen and bathroom upgrades; carpet and vinyl replacement; unit entry and interior doors upgrades; electrical upgrades; ventilation and control upgrades; water heater replacement; storm drain relocation; and interior painting.

Senator Austerman asked whether each of the ten projects included in this bond package would have a 21 to 24 percent administrative overhead cost.

Mr. Weir responded that "it is flexible based on the size of the project; however, that would be a safe assumption."

Glacier View Renovation
Reference #36609
\$1,860,000

Mr. Campbell stated that improvements to this 30-unit senior housing complex in Seward would complete interior renovations; improve building and apartment accessibility; improve resident living environments; reduce long-term operating costs; renovate bathrooms and kitchens; install new energy-saving lighting fixtures, and upgrade emergency components to improve fire safety protection.

Sea View Terrace Renovation
Reference No.: 36610
\$3,508,000

Mr. Campbell stated that this 49-unit senior housing facility in Ketchikan would receive improvements similar to those of the Glacier View Renovation project. He stated that funding requests for this project have previously been deferred; however, the building, while still usable, would not reach its 30-year life without these repairs.

Senator Hoffman asked the cost of replacing rather than renovating the facility.

Mr. Weir responded that the site evaluation includes an analysis on the cost of repair verses the cost of replacement based on a 30-year timeframe. He stated that he would provide this information to the Committee.

Senator Hoffman calculated the cost to renovate each of the units to be \$72,000. He suggested that the Committee consider whether it might be "more economical to construct new" units.

Mr. Weir clarified that the replacement cost comparison pertaining to this project is included in the report and is estimated to be approximately \$7 million. He explained that public construction in areas such as Ketchikan averages \$200 a square foot based on the fact that the State "is required to use Davis-Bacon wages, which could be significantly higher in other communities." He continued that additionally, because AHFC is a landlord administering the HUD program, AHFC is required to fund relocation costs for tenants as well as provide them the opportunity to return to the facility upon the completion of the renovation.

Senator Leman asked for confirmation that the \$3.5 million estimate for this project includes relocation costs.

Mr. Weir affirmed it does.

Senator Leman voiced that the approximate \$70,000 per unit renovation expense seems high even with the inclusion of the relocation factor.

Mr. Weir affirmed that the tenant relocation costs are included in the \$70,000 per unit renovation costs.

Mr. Fauske clarified that the renovation verses replacement costs comparison information is included on page 3-10 of the report.

Mr. Campbell informed the Committee that professional assessments are conducted on each of the projects, and that the Corporation could provide this information for Committee review.

Pacific Terrace Replacement
Reference No.: 36611
\$11,426,000

Mr. Campbell stated that this project involves a 40-unit family-housing complex in Kodiak of which 37 units would be demolished and replaced and three existing single-family homes would be renovated. In addition, he continued, a multipurpose building which would include an office and a maintenance area would be constructed.

Senator Austerman affirmed that these facilities are old and are in need of replacement. He expressed surprise that extensive exterior work has been conducted on such things as sidewalks, fuel tanks, and parking lots during the previous two years as this work could be damaged during the project demolition and reconstruction.

Mr. Weir responded that during the previous four years, approximately \$1.1 million has been spent at this complex to remove leaking underground storage tanks and perform remedial site work. He stated that AHFC determined this expense to be necessary regardless of whether replacement or renovation monies became available because of environmental and safety issues, and to keep the facilities operational until replacement funds became available.

Senator Hoffman asked the funding required to replace the 37-family units.

Mr. Weir responded that the work would be broken into two phases, each totaling approximately \$5.7 million, and that the multipurpose building would cost approximately \$500,000.

Senator Hoffman calculated that each family unit would cost approximately \$250,000 based on approximately \$11 million being designated for the housing units reconstruction.

Mr. Weir voiced that Senator Hoffman's estimate of cost is correct. He explained that this "very high number" is the result of the asbestos removal abatement effort that would be conducted during the demolition and the need to address the complex's significant drainage problem caused by the complex being built on bedrock. He furthered that the drainage additionally must be redirected away from other housing in the area.

Mr. Fauske informed the Committee that the AHFC Board of Directors discussed the high cost of replacing these units during the project review. He stated that alternate building options were investigated; however, federal HUD restrictions limited the options.

Mr. Weir explained that, although AHFC technically owns the complex, federal HUD requirements associated with this site require specific disposal permission from HUD. In addition, he noted that HUD rental assistance is specific to this particular site.

Co-Chair Kelly asked the cost projected for the asbestos abatement.

Mr. Weir commented that the cost of the asbestos abatement is currently unknown as the severity of the situation could not be determined until the work begins. He furthered that no determination has been made as to whether the asbestos could be disposed of at the Kodiak landfill or must be shipped to Seattle for disposal, as the quantity of the asbestos is the determining factor.

Co-Chair Kelly asked whether the asbestos abatement is required because the asbestos contained in this complex is "pliable" and presents a health hazard or whether the nature of the project mandates it.

Mr. Weir replied that the asbestos in the "units is non-pliable" which means that it is contained within tiling, joint compounds, and the ceiling and does not currently present a health hazard to the occupants; however, he continued, when the buildings are "disassembled," the asbestos has the potential to become pliable and must be properly handled. He continued that if simple repairs or renovations were involved, then covering the floor with vinyl would suffice; however, since this is a major construction project, the State is obligated to remove the material.

Co-Chair Kelly asked whether the issue of asbestos abatement is being re-addressed at the federal level, as he understands that the danger invoked by asbestos has been over-exaggerated. He continued that, while certain kinds of asbestos are known to be health hazards, most of the asbestos materials used in the United States do not pose a hazard; yet, he asserted, millions of dollars are being spent to contain the material. He stated that a multitude of housing projects in the United States are required to spend money to contain asbestos that is not a health hazard.

Mr. Fauske replied that, as a member of the federal Millennium

Housing Commission, he has traveled extensively throughout the country conducting seminars on such things as asbestos and lead-based paint, which are recognized as health hazards. He continued that the Commission is currently compiling a report to present recommendations to the federal government on these issues. He confirmed that current regulations regarding these issues incur additional expenses to the cost of renovation, especially when preserving existing affordable housing. He stated that this is a nationwide concern as it is very difficult to provide affordable housing when this expense is incurred. He noted that members of Congress are also concerned about the high costs of housing construction, and the question is how to provide affordable housing when it is so expensive to construct or renovate. He stated that the Commission would recommend that better solutions be "arrived at to help with this problem across the country." He assured the Committee that this would be addressed at the federal level.

SFC 02 # 35, Side B 09:58 AM

Co-Chair Kelly, noting the time, asked Committee members to refrain from asking questions about the projects being presented until the end of the Corporation's testimony. He stated that further questions about administrative costs could be addressed directly to AHFC after the meeting.

Capital Fund Program (CFP)
Reference No.: 36612
\$14,251,800

Mr. Campbell stated that this program provides federal funds to renovate and modernize public housing, and that this funding specially addresses housing units in Sitka and Juneau. He stated that this project utilizes federal money and exemplifies how federal receipts would be used toward the debt service of this bond package.

Ptarmigan Park Renovation
Reference No.: 36613
\$1,784,000

Mr. Campbell stated that the purpose of this project is to renovate 17 family units in Anchorage and extend their useful life for an additional 30 years. He stated that the renovation includes electrical and mechanical upgrades, life safety upgrades, and general site improvements including Americans with Disabilities Act (ADA) requirements.

Sunset View Renovation
Reference No.: 36614
\$1,935,000

Mr. Campbell stated that the purpose of this program is to renovate 30 senior units and extend their useful life for another 30 years. He stated that the renovations include such things as upgrading exterior lighting, boiler replacement, ADA compliancy, life/safety upgrades, and increased energy efficiency.

Alpine Terrace Renovation
Reference No.: 36615
\$6,450,000

Mr. Campbell stated that the purpose of this program is to renovate 48 family units in Anchorage, and extend their useful life for another 30 years. He stated that the renovations include replacing siding and windows, interior upgrades, electrical, plumbing, and mechanical upgrades, and general site improvements.

Anchorage Family Investment Center Renovation
Reference No.: 36616
\$2,100,000

Mr. Campbell stated that the purpose of this Anchorage office project is to correct code deficiencies, replace worn out components and extend the useful life of the building. He stated that these funds would bring the building "up to code and extend its useful life."

Mr. Campbell stated that this is the last project included in the bond package proposal.

Co-Chair Kelly asked the ratio of federal funds to AHFC funds being leveraged for the bond.

Mr. Campbell responded that this information is detailed in the "Six Year Plan" chart located on page 3-51 of the booklet. He stated that line 22 identifies the federal and Corporate debt service over the life of the bond.

Mr. Campbell elaborated that during in FY 03, Corporate and federal receipts would be \$4.9 million and \$3 million, respectfully. He continued that from FY 04 through FY 08, Corporate receipts and federal receipts would be approximately \$8,784,000 and \$2.4 million, respectfully.

Senator Austerman asked the assessed value and the use of the Anchorage Family Investment Center, Reference No. 36616.

Mr. Campbell stated that this building was purchased in 1988 with HUD program receipts, and its assessed value in 1992 was \$1.4 million.

Mr. Fauske furthered that this commercial building, which is located at the corner of Arctic and International Airport Roads, currently houses AHFC office, warehousing, and maintenance staff. He stated that the offices of the Family Investment Center are also located in the building.

Senator Hoffman commented on the worthiness of the AHFC projects. He asked whether the Corporation has information "on the un-met housing needs" of the State, and whether these renovation projects are prioritized to address those needs.

Mr. Fauske stated that the most recent housing needs' study was conducted in 1992, and it reflected a needs assessment amounting to between \$3.5 and \$5 billion, primarily in rural areas rather than urban areas, across the State. He stated that the projects in the proposed bond package specifically address properties owned by the State. He informed the Committee that the fastest growing segment of Alaska's population is senior citizens, and he contended that AHFC aggressively attempts to "stay ahead" of this statewide trend by supplying senior housing, from Barrow to Ketchikan; however, he stated, AHFC has estimates rather than exact population numbers.

Senator Hoffman asked whether the AHFC Board determines this bonding proposition to be the best use of \$55 million.

Mr. Fauske replied that Corporation staff presented these projects to the AHFC Board based on the position that these State-owned facilities require maintenance funding. He stressed that due to "the friendliest interest rate environment" in years, staff proposed that the Board leverage federal dollars combined with corporate receipts to sell bonds and complete the ten-year plan "at a cost that would be significantly less" than if the projects "were staged" over time. He stated that this is considered to be the best use of funds.

Mr. Fauske informed the Committee that the Corporation's annual debt service requests historically range between \$10 to \$14 million, and he declared, the annual debt service payments for this ten-project bond package would be less than the historical debt service expenditures. He encouraged the Committee to consider the positive impact this single bond package would have on the

Corporation's annual debt service payment, and he explained that extending the duration of the bonds through FY 08 allows the annual debt service amount to be reduced; thereby allowing AHFC to provide funds to the State for needed water and sewer projects. He reiterated that this bond proposal is considered to be an effective use of funds.

Senator Austerman asked for further information regarding administrative costs, specifically whether existing staff could administer the program or whether an expanded staff would be required. He restated the opinion that administrative costs ranging from 20 to 24 percent of project's total cost are high.

Mr. Weir responded that approval of this bond request would allow the Corporation to develop long-term staffing needs as opposed to making staffing decisions on a short-term annual basis. He clarified that hiring additional staff is not anticipated, as the current fifteen project administrators in the construction division, assisted by maintenance employees, would be able to manage the projects. He asserted that management and project design requirements account for a significant percentage of a budget.

Senator Hoffman asked the expected completion date of these projects.

Mr. Weir stated that the completion date for the ten projects is anticipated to be 2007 as, he qualified, projects would be phased over time in order to not overburden existing staff or remove a substantial amount of public housing offline at the same time.

Mr. Campbell stressed that by 2007, all the upgrades and renovations required for State housing facilities would be completed, and only on-going maintenance needs would be required at that time.

Supplemental Housing Development Program

\$4,500,000 Corporate Receipts

Reference No.: 6323

Project Type: Construction

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002-06/30/2007

The purpose of the program is to supplement federal housing funds provided to Regional Housing Authorities to ensure safe, decent, affordable housing throughout Alaska.

Mr. Campbell noted that this project would provide for the

construction of 400 affordable homes in twenty different urban and rural communities. He stated that on-site water and sewer facilities, road access, energy efficient design features, and electrical distribution systems would be included. He stated that these funds would be provided to the Regional Housing Authority to supplement up to 20-percent of development costs. He commented that this funding would not be applied to project administrative costs.

Mr. Fauske informed the Committee that AHFC has recently developed a relationship with the USDA Rural Development Council and the Denali Commission to better coordinate projects involving State, federal, and local agencies in an attempt to leverage the maximum level of funding available through each entity. He continued that this effort involves the coordination of such things as timing a project to economize efforts. He stated that a joint presentation from these entities would be forthcoming.

Mr. Campbell stated that this funding request is at the same level as the FY 02 authorization; however, he shared with the Committee that the participating Regional Housing Authorities have supplied AHFC with a list of needs exceeding \$11 million.

Low-Income Weatherization Program
\$5,800,000

\$1,800,000 Federal Receipts

\$4,000,000 Corporate Receipts

Reference No.: 6332

Project Type: Renovation and Remodeling

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002-06/30/2007

The purpose of the program is to provide cost effective energy improvements to homes of low-income families.

Mr. Campbell stated that this funding would provide for improvements in resident health and safety as well as improving durability and longevity of housing by replacing such things as 500 unsafe heating systems and installing carbon monoxide and smoke detectors.

Mr. Campbell stated that this request is an increase of \$1 million over the FY 02 authorization.

Senator Austerman asked whether AHFC is able to track the effectiveness of the energy efficiency improvements.

ROBERT L. BREAN, Director, Division of Research & Rural

Development, Alaska Housing Finance Corporation, responded that the Division, which oversees the low-income weatherization program monitors some energy saving programs; however, he noted, that each house is different and it is difficult to apply a single standard. He continued that the best gauge of success is to compare the amount of fuel purchased from one year to the next. He stated that in most cases, the weatherization improvement investment does not usually exceed \$1,000; therefore the savings "payback on this small investment is fairly considerable" in terms of the following year's fuel bill savings.

Senator Wilken asked whether the federal money identified for this request requires a State match.

Mr. Brean answered that no match is required, but rather, the federal money is part of an annual weatherization improvement allocation that does specify a maximum monetary limit per unit. He continued that because of the federal limit, Corporation money is frequently required to complete a unit's weatherization needs.

Senator Wilken stated that over a six-year time period, this request would equal approximately \$35 million; however, the program description specifies the need for \$5.4 million. He asked the Division to revisit the numbers in the description.

Senior Citizen's Housing Development Fund (SCHDF)
\$1,975,000 Corporate Receipts
Reference No.: 6334
Project Type: Transitional
Category: Housing/Social Service
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2007
The purpose of the program is to provide funds for the development of senior citizen housing.

Mr. Campbell commented that the projected outcome of this program would include such things as the purchase of building sites and building materials, site preparation, and rehabilitation and/or construction of housing.

Mr. Fauske interjected that the housing needs assessment study, which was referred to in earlier testimony, is located on page 3-21 of the report. He stated that the 1996 study specified the need for an additional 1,000 units of senior housing with a forecast of the need for an additional 3,300 units by the year 2010.

Senior and Statewide Deferred Maintenance and Renovation
\$500,000 Federal Receipts

Reference No.: 6339

Project Type: Deferred Maintenance

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

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

The purpose of this project is to reduce deferred maintenance and address small renovation projects, in accordance with AHFC's 10-year plan, at several facilities utilized by senior citizens and low-income families.

Mr. Campbell stated that this funding request differs from the projects presented in the bond package because it is entirely funded by federal receipts. He stated that this project would provide funds for building security, accessibility modifications, energy efficiency upgrades, mechanical system upgrades, site improvements, and general physical upgrades that would supplement the ten-year plan projects.

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HUD Federal HOME Grant Program

\$3,909,000

\$3,159,000 Federal Receipts

\$ 750,000 Corporate Receipts

Reference No.: 6347

Project Type: Housing/Social Services

Category: Renewal and Replacement

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/02/2002 - 06/30/2007

The purpose of the 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.

Mr. Campbell read from the summary report that the projected outcomes of the project include: developing "affordable rental housing by funding the development gap; preserving low-income homes through moderate rehabilitation; and achieving home ownership for lower-income families by providing down payments and closing cost assistance."

Mr. Campbell stated that this statewide program is overseen by AHFC, and he noted that the Municipality of Anchorage's home program is not included in this project.

Pacific Terrace - Phase I

\$500,000 Federal Receipts
Reference No.: 35784
Project Type: Construction
Category: Housing/Social Services
Location: Kodiak
Election District: Kodiak
Estimated Project Dates: 07/01/2002 - 06/30/2007
The purpose of the program is to provide funds for the replacement of 40 units of family housing in Kodiak.

Mr. Campbell remarked that this two-year federal receipt project is similar to projects included in the bond package; however, he noted that the funding consists exclusively of federal funds resulting from the sale of other units.

HUD Capital Fund Program (formerly CGP)
\$500,000 Federal Receipts
Reference No.: 6342
Project Type: Renewal and Replacement
Category: Housing/Social Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2007
The purpose of this program is to renovate and modernize public housing units.

Mr. Campbell stated that these funds would support projects similar to those in the bond package; however, these funds consist of specific federal funds.

Federal and Other Competitive Grants
\$4,250,000
 \$1,250,000 Corporate Receipts
 \$3,000,000 Federal Receipts
Reference No.: 6348
Project Type: Health and Safety
Category: Housing/Social Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2007
The purpose of this program is to allow AHFC to apply for HUD, other federal agency, and private foundation grants that target the housing needs, and supportive services, of low-income and special needs groups; such as senior citizens, the mentally, physically, or developmentally disabled or the homeless. AHFC will also apply for energy related grants as they relate 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

that deliver housing and/or services.

Mr. Campbell stated that this project would provide funds for HUD supportive housing as well as Housing Opportunities for Persons with AIDS, USDA Housing Preservation Grant Programs, and the grant match program. He noted that this funding level is consistent with the previous year's funding.

Competitive Grants for Public Housing
\$1,000,000

\$250,000 Corporate Receipts

\$750,000 Federal Receipts

Reference No.: 6350

Project Type: Health and Safety

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2007

The purpose of this program is to allow AHFC to apply for HUD, other federal agency, and private foundation grants that target the housing needs of low-income and special needs groups: such as senior citizens, the mentally ill, disabled, or the homeless who are eligible for public and/or assisted housing. 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 stated that this project would provide funds for public housing needs such as a senior services coordinator and a drug elimination program. He stated that the level of this request matches the FY 02 authorization.

Energy Efficiency Monitoring Research

\$300,000 Corporate Receipts

Reference No.: 6351

Project Type: Health and Safety

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/02/2002 - 06/30/2007

The purpose of this project is to conduct research, analysis, information dissemination and interchange among members of the industry, as well as, between the industry and the public.

Mr. Campbell stated that this funding, requested at the FY 02 authorization level, would provide for such things as energy efficient designs for homes throughout a diverse geographic area to provide for occupant health, comfort and dwelling durability.

State Energy Program (SEP) Special Projects
\$180,000

\$ 30,000 Corporate Receipts

\$150,000 Federal Receipts

Reference No.: 32526

Project Type: Health and Safety

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/02/2002 - 06/30/2007

The purpose of this program is to allow the State to participate in special project grants offered by the Federal Department of Energy to promote energy related technologies and research.

Mr. Campbell read that the projected outcome of this project includes providing advancements in building technology as well as codes and standards, wind and power technology, renewable energy for remote areas, and/or transportation technology. He stated this request is at the same level as the FY 02 authorization.

Central Terrace/Fairmount Renovation

\$750,000 Federal Receipts

Reference No.: 6345

Project Type: Renovation and Remodeling

Category: Housing/Social Services

Location: Anchorage

Election District: Anchorage Areawide

Estimated Project Dates: 07/01/2002 - 06/30/2007

The purpose of this program is to renovate 19 single-family houses and sell them to low-income homebuyers.

Mr. Campbell started that this funding is the result of sales proceeds and would be used to renovate the remaining units in the complex. He stated that completion of the project would result in improved building accessibility, improved energy efficiency, improved living environment for residents, upgrades to flooring, appliances, and bathrooms, and a reduction in long term operating costs.

Housing Loan Program

\$4,000,000 Corporate Receipts

Reference No.: 35838

Project Type: Transitional

Category: Housing/Social Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2003

The purpose of this program is to increase home ownership for low-income borrowers by subsidizing interest rates based on family income and family size.

Mr. Campbell stated that this project would increase the affordability of housing purchases for low- to moderate-income families, and would provide funds to "lower the interest rates on AHFC mortgage programs to attract loan volume and generate net income."

Mr. Fauske informed the Committee that this new program is the result of reductions of subsidized interest rate programs in FY 02 due to the use of corporate arbitrage. He furthered that "in the last four years, AHFC has generated approximately \$177 million in arbitrage throughout the Alaskan economy rather than needing to rebate those monies back to the federal government." He stated that in order to maintain and further the opportunity to sustain subsidy programs for individuals such as senior citizens or the disabled who would not normally be able to qualify for a normal program, these programs must be supplanted with some of the arbitrage monies. He stated that it is the goal of AHFC "to continue to generate arbitrage whenever possible; however, it is becoming a limited commodity." He informed the Committee that, "repealing the restrictions placed on arbitrage is another recommendation that the federal Millennium Housing Commission would be presenting to Congress. He noted that the intent of this program is to try and replace, as well as to try to maintain, interest-rate subsidy programs to provide for affordability of home ownership, and completion of projects where subsidies are required because there is not a conventional market program available to support them.

Senator Wilken asked what financial returns are projected from this \$4 million investment.

JOHN BITNEY, Legislative Liaison, Alaska Housing Finance Corporation, Department of Revenue stated that this program is projected "to raise, in the loans captured, about \$400 million a year in additional net income over a 30-year life of the loan."

Senator Wilken asked what annual return on investment this would generate.

Mr. Bitney responded that it would generate \$400,000 annually, or a ten percent rate of return.

Homeless Assistance Program
\$1,000,000

\$500,000 Corporate Receipts
\$500,000 Mental Health Trust Fund Receipts
Reference No.: 6359
Project Type: Transitional
Category: Housing/Social Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2007

The purpose of this program is to support programs that prevent homelessness by providing assistance to families in imminent danger of becoming homeless, or those who are currently homeless.

Mr. Campbell stated that this request is an increase over prior year authorizations as the Mental Health Trust Fund has doubled the amount that would be available for this program and has requested AHFC "to do the same."

Senator Wilken asked whether this is "a required or suggested match."

Mr. Campbell replied that it is a suggested match. He referred the Committee to the list of applicants, listed on page 3-44 of the report, who have requested and would be receiving the funds.

Vice-Chair Ward asked for confirmation that the funding would be distributed in the prioritization order presented in the report.

Mr. Campbell concurred.

Beneficiary and Special Needs Housing
\$800,000 Corporate Receipts
Reference No.: 6360
Project Type: Health and Safety
Category: Housing/Social Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2007

The purpose of this program is to provide funds for Alaskan non-profit service providers and housing developers to increase housing opportunities to Alaska Mental Health Trust beneficiaries and other special needs populations throughout Alaska.

Mr. Campbell stated that this funding would result in congregate and supportive housing for people with such things as mental illness and physical and/or developmental disabilities, as well as transitional housing for recovering alcoholics and addicts. He

stated that this funding level has historically been \$1.5 million; however, although the needs are similar, the FY 03 request has been reduced as a means to stay within the FY 03 AHFC Senate Majority budget allocation of \$96.3 million.

Mr. Campbell stated that this concludes the Corporation's capital project funding requests. He expressed that two additional projects are identified in the report, but which would be presented by the Department of Health and Social Services.

Senator Austerman, referring to the Housing Loan Program request, Reference No. 35838, asked whether the \$400,000 annual income projected from the program is included in the total AHFC funding transfers identified on page 3-53 in the Department's FY 03 Budget Draft.

Mr. Campbell clarified that these funds must be added to the total "Transfers" amount.

Senator Austerman asked whether any other projects should be added to the budget totals.

Mr. Campbell replied that other "total" component considerations, in addition to the transfers and the capital projects, "would be the debt service for the capital projects" as well as monies for the Department of Environmental Conservation programs.

Mr. Fauske clarified that while the projects being presented total an aggregate amount of \$55 million; he explained that this is not the actual dollar amount to be spent on the FY 03 projects. He referred the Committee to the debt service schedule on page 3-51.

Senator Austerman asked for further information regarding the \$14 million in AHFC dividends to be expended on projects.

Mr. Campbell clarified that this amount is the total for all non-construction projects.

Senator Austerman asked the actual total amount of AHFC dividends proposed to be expended in FY 03.

Mr. Campbell responded that the total dividend to be expended is \$55.2 million with a debt service on that amount of \$4.9 million, plus \$3 million of federal receipts.

Senator Austerman asked for further clarification, as the understanding is that bonds would be sold to generate the \$55 million.

Mr. Campbell concurred.

Senator Austerman asked, excluding the bond package, the total amount of AHFC dividends that would be required to fund the proposed projects.

Mr. Campbell stated that with the inclusion of the \$4 million identified for the Housing Loan Program and the Mental Health Bill components, the total AHFC dividends required for projects would total \$18,955,000, as identified on page 3-51.

Mr. Bitney furthered that the bond's debt service of \$4,943,000 must be added to this amount; therefore, the total AHFC dividend funding being required in FY 03 would be approximately \$23 million.

Department of Environmental Conservation

ROBERT STALNAKER, Manager, Information Systems, Division of Administrative Services, Department of Environmental Conservation, stated that the Department's mission is to protect human health and the environment and, he continued, the projects are prioritized accordingly.

Village Safe Water Feasibility Studies

\$3,319,100

\$ 830,300 AHFC Div

\$2,488,800 Fed Rcpts

Reference No.: 33821

Project Type: Planning

Category: Health/Safety

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2007

Grants to communities for preparing engineering feasibility studies. The studies identify designs and operating costs for sanitation facilities that are appropriate for the community.

On-going project

State Match Required

Village Safe Water Project Administration

\$2,007,300

\$ 501,800 AHFC Div

\$1,505,500 Fed Rcpts

Reference No.: 33820

Project Type: Planning

Category: Health/Safety

Location: Statewide

Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2007
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.
On-going project
State Match Required

Village Safe Water Projects
\$64,811,700
 \$16,203,800 AHFC Div
 \$48,607,900 Fed Rcpts

Reference No.: 33822

Project Type: Construction

Category: Health/Safety

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2007

Grants to communities for designing and constructing water, sewer, and solid waste facilities

On-going project

State Match Required

Mr. Stalnaker explained that these three projects would jointly administer a program to provide grants to communities for design and construction of water, wastewater, and solid waste facilities in addition to providing for program administration costs.

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Mr. Stalnaker continued that the federal funding component in each of these projects requires a State match. He stated that \$17,535,900 of the total \$70,138,100 request amount is the State matching portion consisting of Alaska Housing Finance Corporation funds.

Mr. Stalnaker explained that Project Reference No. 33824 addresses the feasibility studies' portion of the program; Project Reference No. 33822 addresses the construction portion of the program; and Project Reference No. 33820 addresses the administrative costs of the program.

Municipal Water, Sewer and Solid Waste Matching Grant Projects
\$23,921,900
 \$3,865,900 AHFC Div

\$8,517,800 Fed Rcpts
\$2,839,700 G/F Match
\$8,698,500 Gen Fund

Reference No.: 33824

Project Type: Construction

Category: Health/Safety

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2007

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.

On-Going Project

State Match Required

Mr. Stalnaker stated that this is an on-going program through which the State provides financial assistance to large incorporated communities to address water, sewer, and solid waste needs.

Statewide Municipal Solid Waste Regionalization Plan
\$150,000 General Fund

Reference No.: 35800

Project Type: Planning

Category: Health/Safety

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2007

This contractual effort would build upon the 1999 study by the Alaska chapter of the Solid Waste Association of North America to look specifically at areas where regional municipal solid waste landfills could be constructed, or an existing landfill expanded to serve multiple communities. Regional landfills would have the economy of scale to support required maintenance and operation cost.

One-Time Project

Mr. Stalnaker stated that this new request would "provide for an analysis and development of a plan to identify potential areas for regional municipal solid waste landfill facilities." He informed the Committee that, currently, 174 of the existing 243 municipal landfill facilities serve small communities, and of that number, only 21 percent are permitted. He stated that the remaining facilities are "dump sites." He continued that this study would provide information to locate and develop suitable locations to serve as regional landfill sites, whose operations "could be better controlled and permitted."

Statewide Contaminated Sites Cleanup

\$5,000,000 Oil/Haz Fd
Reference No.: 33826
Project Type: Health and Safety
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2007
This project provides funding for assessment and cleanup of contamination at State-owned facilities and at other sites where the responsible party is unknown or has refused to take appropriate action. The work will include site assessment, development of corrective action plans, monitoring of cleanup, and closure of sites which are most threatening to public health and the environment. Cleanup work will be conducted by private specialists under contract to the department and all recoverable costs will be sought from non-state agency responsible parties, as required by statute.
On-Going Project

Mr. Stalnaker stated that Response Fund funds support this on-going project that focuses on the identification and cleanup of statewide contaminated oil and hazardous substance sites.

Spill Prevention - Best Available Technology Analysis
\$250,000 Oil/Haz Fd
Reference No.: 35723
Project Type: Health and Safety
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2004
This project provides funding for a review and appraisal by the department of oil spill prevention and response technologies applied worldwide to ensure that proven new technologies are considered for use by regulated operators in Alaska. The department's review and appraisal of emerging technologies, such as well control and enhanced fast-water containment boom, will include appropriate studies, surveys and analyses, and the sponsorship of a technology conference to provide the opportunity for interested parties to present data on these technologies. The department will issue its findings and allow interested parties to submit comments prior to adopting new technologies under 18 AAC 75.447.
One-Time Project

Mr. Stalnaker noted that this project would assist industries by determining "the best available oil spill prevention and response technology, suited for Alaska, and to prepare a report of the

findings."

Corrosion Monitoring and Control - Best Management Practices
\$200,000 Oil/Haz Fd
Reference No.: 35822
Project Type: Health and Safety
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2007
The project provides funding for a technical review of corrosion monitoring and control technologies specific to Alaska's industrial operations, and will result in the development of a manual on the subject for use by the regulated community and other interested stakeholders. Due to the aging of the oil industry infrastructure in Alaska, corrosion-related failures are becoming a more common cause of spills. The best opportunity to mitigate the effects of oil spills on public health and the environment is through an aggressive oil spill prevention program. Corrosion monitoring, corrosion control, and leak-detection technologies are critical parts of such a program.
One-Time Project

Mr. Stalnaker stated that this project would supply a technical review of corrosion-control monitoring for the oil industry and create a manual for spill control response methods.

Petroleum Storage Tank Spill Prevention Standards Review
\$50,000 Oil/Haz Fd
Reference No.: 35821
Project Type: Health and Safety
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 -06/30/2007
This project provides funding for a technical review and determination of the applicability of the American Petroleum Institute (API) standards for oil storage tank inspection and new tank construction to Alaska conditions. Other jurisdictions have determined that some aspects of these industry standards, such as the use of cathodic protection and linings, require modifications or are not applicable to local conditions. A review of the API literature is necessary to ensure that Alaska regulations reference the correct industry standards, enhancing the prevention of oil storage tank spills.
One-Time Project

Mr. Stalnaker commented that this project would provide for a technical review of the most recent industry standards regarding petroleum storage tank construction, inspection, and spill prevention. He noted that this review would be helpful to the industry by up-dating standards that are applicable to the industry and to the weather conditions in Alaska.

Fine Particulate Monitoring
\$375,000 Fed Rcpts
Reference No.: 33827
Project Type: Health and Safety
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 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.
On-Going Project

Mr. Stalnaker stated that this federally mandated program would provide for the receipt and expenditure of federal funds for the installation and operation of fine particulate monitoring equipment throughout the State. He stated that this project works in conjunction with other federal agencies to determine whether the level of fine particulates in monitored areas correlates with health issues specific to the area.

Senator Leman asked whether any results of this on-going monitoring effort have been published.

Mr. Stalnaker responded that if this information is available, it would be provided.

Language Section: Alaska Drinking Water Fund
\$9,663,000
 \$1,010,500 DWF Bond
 \$8,052,500 Fed Rcpts
 \$ 600,000 G/F Match
Reference No.: 35266
Project Type: Health and Safety
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2007

Alaska Drinking Water Fund capitalization
On-Going Project
State Match Required

Mr. Stalnaker stated that this is a request to capitalize the Alaska Drinking Water Fund.

Language Section: Alaska Clean Water Fund
\$9,720,000
 \$1,620,000 CWF Bond
 \$8,100,000 Fed Rcpts
Reference No.: 35265
Project Type: Health and Safety
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002-06/30/2007
Alaska Clean Water Fund capitalization
On-Going Project
State Match Required

Mr. Stalnaker stated that this is a request to capitalize the Alaska Clean Water Fund.

Department of Transportation and Public Facilities

Alaska Marine Highway System - Vessel Overhaul and Rehabilitation
\$5,500,000 General Fund
Reference No.: 30624
Project Type: Renewal and Replacement
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 12/31/2003
Annual maintenance and overhaul on vessels and at terminals, particularly component or system failures which will impact service in the short term.
On-going project

NANCY SLAGLE, Director, Division of Administrative Service, Department of Transportation and Public Facilities, stated that this annual request would provide funds for the required overhaul and maintenance work on the nine vessels comprising the Alaska Marine Highway System fleet. She noted that, as the vessels age, the maintenance needs increase, and she informed the Committee that the endeavor requires a minimum of six-weeks per vessel on an annual or every-other-year basis. She stated that the work includes

such things as painting of decks and hulls, replacement of worn parts, and engine overhauls and dismantlement for Coast Guard inspection and re-certification.

Ms. Slagle furthered that this request would provide funds to perform annual maintenance on twenty terminal buildings. She detailed that the proposed upgrades pertain to such things as replacement of freshwater lines, heating systems, and berth repair, and measures to offset corrosion of underwater equipment.

Ms. Slagle continued that funding would also address safety issues onboard the ships such as non-skid protection on walkways, safety handrails, and video cameras being placed on car-decks to ensure that the vessel's doors are closed. She remarked that the request would additionally provide for implementation of a computer program to track and schedule vessel maintenance.

Senator Leman asked whether the majority of the work would be conducted at either the Ketchikan or Seward shipyards.

Ms. Slagle confirmed that would be the case.

Senator Leman asked whether these shipyards have provided quality workmanship in a timely manner.

KURT PARKAN, Deputy Commissioner, Department of Transportation and Public Facilities, responded that the Department has been "very satisfied" by the quality of work conducted by the shipyards. He noted that, with the exception of the Tustumena whose overhaul work has been done in Seward, most of the overhaul work has been conducted at the Ketchikan shipyard.

Safety Inspection of State Owned High Risk Facilities

\$200,000 General Fund

Reference No.: 33855

Project Type: Health and Safety

Category: Transportation

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2002 - 06/30/2007

Field inspection of approximately 25 high risk buildings. This will include structural analysis of each facility to determine if they may be subject to catastrophic failure.

Phased project

Mr. Parkan stated that the collapse of a maintenance station roof a few years prior, under a heavy snow load, initiated the need for this request. He stated that 25 buildings received inspection in FY

02 and this funding would provide funds to inspect an additional 25 State-owned buildings considered to be at high risk of failure. He informed the Committee that three of the buildings inspected in FY 02 were found to be in need of immediate repair to prevent collapse, and that the cost to repair those buildings was included in the FY 02 supplemental budget request.

Senator Leman, referring to comments in the backup material, asked why blueprints for some of these State-owned buildings are not available.

Mr. Parkan responded that blueprint availability depends on when the buildings were built, as some are very old, and whether they were purchased from other entities that might not have provided blueprints.

Senator Leman opined that blueprint availability would depend on how and when the facility was acquired.

Ms. Slagle furthered that records for some buildings, such as the State-owned maintenance facility in Nome that is more than 60 years old, are difficult to maintain.

Ms. Slagle mentioned that information is available pertaining to construction timelines and repair costs for the three buildings that were identified in FY 02 to be in need of immediate repair.

Vice-Chair Ward inquired as to what factors are used to determine which facilities would be inspected each year.

Ms. Slagle responded that the ranking is based on such risk factors as age, location, and the systems operating within the facility.

Vice-Chair Ward asked the ranking of the 60-year old Nome facility.

Ms. Slagle responded that this facility ranks high on the list of facilities in need of inspection. She stated that, while a copy of the ranking list was supplied to Committee members in FY 02, the list could be re-supplied to Committee members.

Senator Austerman communicated that the Department has identified the Nome facility for closure under their budget reduction plan.

Ms. Slagle stated that further analysis would be undertaken.

Senator Leman asked whether the funding provides for Department engineering staff expenses or for contractual engineers.

Mr. Parkan replied that a private engineering firm in Fairbanks is currently under contract with the State to perform the assessments.

Material Stockpiles - Dalton Highway, Glenn Highway and Tok Cutoff
\$600,000 General Fund
Reference No.: 33853
Project Type: Deferred Maintenance
Category: Transportation
Location: Dalton Highway
Election District: Rural Interior
Estimated Project Dates: 07/01/2002 - 06/30/2007
Pay for crushing materials used for maintenance that is not reimbursable by federal funding. Materials stockpiles will be contracted in conjunction with major federal-aid highway projects on the Dalton Highway, Glenn Highway, and Tok Cutoff.
Phased project

Mr. Parkan stated that this on-going and cost effective program allows the State to stockpile materials in areas in which contractors and their equipment are currently conducting road construction projects. He stated that by using contractors who are working in an area, the State could stockpile materials for \$10 to \$13 per yard as compared to \$18 to \$20 per yard for an independent stockpile. He stated that the stockpiles provide materials that would be used to repair roads throughout the year.

Senator Leman asked whether this type of project is awarded at the time of the corresponding construction project or if rates are negotiated with a contractor after they are on site.

Mr. Parkan responded that this information would be provided to the Committee, as he is not familiar with the process.

Airport Deferred Maintenance
\$1,500,000 General Fund
Reference No.: 30633
Project Type: Deferred Maintenance
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 09/30/2003
To repair the backlog of maintenance items that cannot be done through the operating budget funding levels. Typical items are pavement repairs, lighting repairs, fencing repairs, and bird and animal control.
On-going project

Mr. Parkan stated that this annual request would address approximately \$25 million of total deferred maintenance needs at rural airports.

Ms. Slagle noted that this funding addresses maintenance needs such as brush cutting at rural airports, miscellaneous electrical needs, and equipment needs specific to a rural airport that are not associated with on-going regular maintenance projects. She stated that runway painting at Gamble airport, leveling and resurfacing gravel apron work at Bettles, and brush and tree removal at Gulkana would fall into this category of needs.

Mr. Parkan noted that these projects are usually "out-of-the-ordinary" and, therefore, not included in the routine maintenance contract agreements established at most of these airports.

Vice-Chair Ward inquired as to how bird, and specifically animal, control is managed at these airports.

Ms. Slagle responded that bird and animal control have proven difficult to manage. She exemplified the variety of methods being used to address the situation such as using explosives as a method of bird control and fencing being used to prevent animals from venturing onto airport runways.

Mr. Parkan interjected that culverts are also utilized as a preventive measure against beavers.

Senator Austerman inquired why the FY 03 request is significantly higher than the FY 02 budget amount; specifically whether the requested funding level has traditionally been \$1.5 million; but the authorization was granted at a lower amount.

Ms. Slagle responded that the requested level of funding has historically been reduced during the budget process.

Senator Austerman asked the FY 02 funding level that the Department requested for this project.

Ms. Slagle responded that the FY 02 funding request was for either \$1 million or \$1.5 million.

Senator Hoffman affirmed that this request has been traditionally "trimmed back."

Emergency and Non-Routine Repairs
\$1,000,000 General Fund
Reference No.: 30634

Project Type: Health and Safety
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 09/30/2003
Repairs to transportation facilities needed because of natural disasters, such as floods, snow, wind, earthquakes, etc. These repairs would be ineligible for federal funds. Also used to meet imminent failure caused by deferred maintenance.
On-going project

Mr. Parkan informed the Committee that this request would provide funding for emergency repairs to roads resulting from such things as flood or avalanche damage.

Ms. Slagle elaborated that this request also includes funding for emergency repairs to airports and facilities.

Senator Austerman asked the Department to supply the Committee with a list of the emergency repairs and associated expenses that have been performed within the previous four or five-years.

Ms. Slagle responded that a list would be supplied.

Facilities Deferred Maintenance and Critical Repairs
\$800,000 General Fund
Reference No.: 30632
Project Type: Deferred Maintenance
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 09/30/2003
To address the most urgent, critical repairs on state buildings.
On-going project

Ms. Slagle stated that this request addresses deferred maintenance needs for State facilities. She noted that the Department's 600 office buildings, road maintenance stations, materials labs, and joint-use facilities' have total deferred maintenance needs amounting to approximately \$50 million dollars.

Harbor Deferred Maintenance
\$1,000,000 General Fund
Reference No.: 7090
Project Type: Deferred Maintenance
Category: Transportation
Location: Statewide

Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2003
To address backlogged deferred maintenance for state-owned harbors.
On-going project

Ms. Slagle stated that the backlog of deferred maintenance needs for harbors totals approximately \$45 million, and she stated that this request specifically addresses dredging and electrical work repairs in Hoonah, replacement of ramps in Ninilchik, and dredging needs in Pelican.

Highway Deferred Maintenance
\$1,500,000 General Fund
Reference No.: 60631
Project Type: Deferred Maintenance
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 09/30/2003
To address some of the needs that have not been handled through the operating budget maintenance funds. Typical items are surface and embankment repairs, drainage culverts and ditch repairs, marking and sign repairs, and brushing.
On-going project

Mr. Parkan noted that this funding addresses such things as drainage and culverts that are not recognized as normal routine maintenance requirements, and therefore are not provided for in the operating budget. He stated that the total of deferred maintenance needs of this sort exceeds \$200 million.

Weights and Measures Testing Unit Replacement
\$525,100 General Fund
Reference No.: 32605
Project Type: Equipment
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2007
The Weights and Measures Equipment, which is beyond its useable service life.
Phased project

Ms. Slagle stated that this funding is needed to replace and update old Weights and Measures equipment used in metrology labs to test such things as flow meters used in the fuel industry, and the Weights and Measures field testing equipment used to verify the

accuracy of fish, fuel industry scales and meters.

Ms. Slagle exemplified that one of the needed pieces of equipment is a \$200,000 mobile, large-scale testing unit that is used throughout Southeast Alaska to test truck, contractor, freight, and fishing scales. She explained that the current unit, which contains 10,000 pounds of test weights and has a hydraulic boom, is old, parts are no longer available, and safety concerns arise about its operation. She stated that this piece of equipment is critical to the continuance of testing and certifying of commercial scales in Southeast Alaska.

Vice-Chair Ward asked whether re-certification of these scales would be negatively affected were this unit not available.

Ms. Slagle stated that re-certification in Southeast Alaska would be affected.

Corps of Engineers - Harbors Program Formulation
\$200,000 G/F Match
Reference No.: 7091
Project Type: Planning
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2003
Participation with the Corps of Engineers and local governments in harbor breakwaters, dredging, feasibility studies, and program assistance.
On-going project

Mr. Parkan stated that this request historically provided matching funds to support specific projects; however, because funding for harbor projects is being separately addressed through a harbors bond package in FY 03, this funding would be used to assist communities in developing projects, determining whether those projects would be eligible for federal funding, and identifying a priority list of the projects.

Ms. Slagle furthered that matching funds would also be provided "for the planning assistance to states, working in cooperation with the Corps of Engineers for assisting these communities in developing their projects." She voiced that some of these projects involve communities such as Aniak, Little Diomedea, and Saint George.

Senator Austerman asked the match ratio of federal to State dollars.

Ms. Slagle stated that the match is a one-to-one ratio; however, she informed the Committee that this is a local community match rather than a federal match.

Senator Austerman asked for clarification that this project involves a local community match rather than a Corps of Engineers' funding match.

Ms. Slagle clarified that this is a Corps of Engineers one-to-one match; however, the portion owed by the State is shared between the State and the community.

Vice-Chair Ward asked the testifier to prepare an analysis of the match and supply it to the Committee.

Ms. Slagle agreed.

Moose Pass Maintenance Station Closure and Site Clean-up
\$600,000 General Fund
Reference No.: 33854
Project Type: Health and Safety
Category: Transportation
Location: Moose Pass
Election District: Seward, Soldotna
Estimated Project Dates: 07/01/2002 - 06/30/2007
The department has closed this station and must responsibly abandon the site completely. Project includes environmental investigation, building pre-demolition assessment, facility demolition, excavation and treatment of petroleum hydrocarbon impacted soils, relocation of the sand/salt stockpile, and well-installation and quarterly monitoring.
One-Time Project

Mr. Parkan noted that the Moose Pass Station has been closed for more than three years, and that these funds would be used to demolish the building and clean up environmental hazardous material. He noted that the facility is located near the Kenai River.

State Equipment Fleet Replacement
\$11,800,000 Hwy Capiti
Reference No.: 30628
Project Type: Equipment
Category: Transportation
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2002 - 06/30/2004

Replacement and/or refurbishment of equipment and vehicles which have reached the end of their useful life cycle and all extension periods and for the continued conversion of vehicles to alternate fuel and related alternate fuel program expenses.
On-going project

Mr. Parkan voiced that this is an annual request to replace equipment and vehicles.

Mr. Parkan noted that this concludes the Department's requests, as the federally funded transportation construction projects would not be presented.

Senator Wilken asked the current status of the Washington Street intersection in Fairbanks.

MARTIN OTT, Chief, Planning & Administrative Services, Northern Region, Department of Transportation and Public Facilities, testified via teleconference from Fairbanks and responded that the State would be advertising for a Request for Proposals (RFP) in April 2002.

Senator Austerman asked for further information regarding the Corps of Engineers - Harbors Program Formulation, Reference No: 7091. He noted that this request has decreased during the past few years from \$8 million to \$5 million, with an FY 03 request of only \$200,000. He asked how harbor projects would be funded.

Mr. Parkan clarified that the harbor projects that have historically been included in this request are proposed to be alternatively funded through a harbor bond bill. He stated that the \$200,000 request for community planning, which has historically been included in this request, is the only component remaining.

Senator Austerman asked the FY 03 level of harbor funding being requested in the bond bill legislation.

Mr. Parkan responded that this information would be supplied to the Committee.

Vice-Chair Ward asked for further information regarding the harbor bond bill.

Mr. Parkan stated that harbor bond bills have been introduced by the Governor and Senator Robin Taylor and that projects are identified in both bills.

Ms. Slagle informed the Committee that additional Department capital appropriations are being addressed in the Homeland Security Appropriations Bill. She stated that of the proposed \$41 million

funding request, \$38 million is federal funds. She stated that these appropriations are required for the State to comply with Federal Aviation Administration (FAA) requirements concerning baggage screening, security systems, closed circuit television, and surveillance system, and other components.

The bill was HELD in Committee.

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ADJOURNMENT

Co-Chair Pete Kelly adjourned the meeting at 05:17 PM