

**MINUTES**  
**SENATE FINANCE COMMITTEE**  
**May 05, 2002**  
**1:04 PM**

**TAPES**

SFC-02 # 88, Side A  
SFC 02 # 88, Side B

**CALL TO ORDER**

Co-Chair Pete Kelly convened the meeting at approximately 1:04 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  
Senator Donald Olson

**Also Attending:** Witnesses are listed in the minutes in the order they testified.

PAT PITNEY, Director of Budget Development and Institutional Planning, University of Alaska

**SUMMARY INFORMATION**

SB 247-REAPPROPRIATIONS & CAPITAL APPROPRIATIONS

The Committee heard public testimony. A committee substitute was adopted, amendments were considered and three were adopted. The bill moved from 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."

PAT CARLSON, Borough Manager, Kodiak Island Borough, testified via teleconference from Kodiak, in support of renovations and upgrades to earthquake and Tsunami evacuation programs, sewer and water projects in outlying communities as well as upgrades to the Department of Fish and Game Kodiak Island Building. He continued that other projects needing support include college and high school vocational technical programs, fish stock surveys, and school facilities upgrades to meet compliance needs.

DONNA MATTHEWS, Museums Alaska, testified via teleconference from Anchorage, about the private non-profit organization formed to represent over 75 museums and cultural centers in the State. She requested support for an amendment to provide necessary funds to acquire vacant land adjacent to the Alaska State Museum. She stated this purchase would provide needed space for State Archives, the State Historical Library collections and expansion of the museum, as current facilities are in need of repair and collections have outgrown storage and exhibition space. She stressed that preservation and safe storage of historical documents and items are crucial to the citizens of the State.

JANET MITCHELL testified from an off-net location in Cooper Landing to encourage support for Alaska Housing Finance Corporation, senior citizen housing projects.

AT EASE 1:12 PM / 1:20 PM

LINDA FREED, City of Kodiak, testified via teleconference from Kodiak, in support of all the capital projects in the Kodiak Island district included in the draft committee substitute. She informed that the City of Kodiak is contributing \$2.4 million matching funds to ensure completion of the Monashka Dam enlargement project. In addition, she stated the City is appropriating \$1.6 million in matching funds for the Selief Lane Reconstruction project, and \$50,000 matching funds for the Kodiak Ambulance Purchase. She indicated support for State funding for the Kodiak Guardrail Warning Sign Project and the Kodiak Maritime Museum Guide.

GLENN ELISON, President, Conservation Fund, testified via teleconference from Anchorage about the non-profit organization dedicated to fish and wildlife habitat conservation. He requested \$291,000 authorized by the Exxon Valdez Oil Spill Trustee Counsel be used to purchase a 20-acre parcel along the Anchor River to provide stream bank protection and access for sport anglers, and to purchase another tract of land along the Ninilchik River near the

Sterling Highway to provide access for anglers.

Co-Chair Kelly informed that funding for these purchases is under discussion.

RON REED testified via teleconference from Dillingham to the importance of maintaining the Power Cost Equalization (PCE) program to residents in rural Alaska. He spoke to the high cost of living in smaller communities. He also requested no reductions to the FY 03 operating budget, and he suggested utilizing the permanent fund as a "revenue stream" for the operating budget and basing capital projects on resource-based revenue. He then requested price supports for the fishing industry, which he characterized as "an absolute disaster."

Co-Chair Kelly requested testifiers confine their statements to the capital budget before the Committee.

SUE ASPLUND, Cordova District Fishermen United, testified via teleconference from Cordova, to urge support for funding to replace the Research Vessel Montague. She detailed the service of this vessel in the Prince William Sound.

Co-Chair Kelly informed Ms. Asplund that funding for replacement of the R/V Montague is included in the capital budget.

DENISE WEATHERS testified via teleconference from Cordova, to suggest that most members of the House of Representatives have not read the Alaska Statehood Act, because the action of passing HB 403 and HB 404 from the House of Representatives was unconstitutional. She cited sections of the Act relating to a government "republic in form" to affirm her point. She spoke of the inability of the State to impose taxes without consent and stated that she has not given such consent. She urged the Committee to "slash the budget" and only fund government mandates. She referenced Representative Kohring's writings on budget matters.

ED BILDERBACK, fisherman, testified via teleconference from Cordova against an income tax. He suggested utilizing funds "squirreled away" as reflected in the Comprehensive Annual Finance Report.

Co-Chair Kelly interjected to reiterate the purpose of this public hearing is to hear testimony on the capital budget. He stressed that although the House of Representatives has passed legislation relating to taxes, the Senate has taken no such action. He informed that testimony on these matters would be heard at a later date.

ED FURMAN testified via teleconference from Cordova, against US

Senator Ted Steven's use of tax money to rent and remodel aircraft unnecessarily for the military. He spoke against the Legislature attempting to tax residents "for the benefits of welfare-the ones that are trying to go out and get a job."

AT EASE 1:33 PM / 1:53 PM

Co-Chair Kelly concluded public testimony.

AT EASE 1:55 PM / 3:06 PM

Senator Green moved for adoption of CS SB 247, 22-GS2035\0, as a working draft.

There was no objection and the committee substitute was ADOPTED as a working draft.

Department of Community and Economic Development

C&ED #1: This amendment renames the City of Talkeetna-Ambulance (ED 26-28) component to Matanuska Susitna Borough-Talkeetna Ambulance (ED 26-28) on page 6 line 33. The \$100,000 general fund appropriation is unchanged. Accompanying explanatory language reads as follows.

Talkeetna is not an incorporated city and cannot receive a municipal grant. The Matanuska Susitna Borough can receive the grant on behalf of Talkeetna.

Senator Green moved for adoption.

Co-Chair Kelly noted this is a technical amendment changing the name of the recipient.

There was no objection and the amendment was ADOPTED.

C&ED #2: This amendment deletes "Anchorage School District" from the Municipality of Anchorage/Anchorage School District/Diamond High School-Swimming Pool Facility Upgrades (ED 10-25) component on page 10, lines 24 through 28; the Municipality of Anchorage/Anchorage School District/East Anchorage High School-Swimming Pool Upgrades (ED 10-25) component on page 11, lines 3 through 7; and the Municipality of Anchorage/Anchorage School District/Service High School-Swimming Pool Facility Upgrades (ED 10-25) component on page 11 lines 28 through 32. Accompanying explanatory language reads as follows.

This is a technical amendment to correct the appropriate

recipient for these grants. This amendment was requested by the Municipality of Anchorage.

Senator Green moved for adoption.

Co-Chair Kelly noted this amendment is also a technical change.

There being no objection the amendment was ADOPTED.

C&ED #3: This amendment adds a new Rural Power Systems Upgrade (ED 99) component and \$500,000 general fund match appropriation. Accompanying explanatory language reads as follows.

State match for federal funding of capital improvements and new electric power systems in rural Alaska. Where required, lack of state matching funds will prevent the federal contribution.

The electric utility systems are part of the basic infrastructure of rural communities. The power plant and distribution systems in most rural communities do not meet accepted utility standards for safety, reliability, and environmental protection. Due to high costs and limited economics of scale, most local communities cannot make the capital investments needed to meet the accepted utility standards.

AEA gives priority to electric utility systems that are in the worst condition. AEA has built a detailed database of electric utility conditions and characteristics. Deficiencies of each utility have been scored with respect to generating equipment, distribution systems, powerhouse structures, and other major physical components. Rural systems are then ranked according to the level of these deficiencies.

Senator Olson moved for adoption.

Co-Chair Kelly objected for discussion.

Senator Olson noted the amount of federal funding is unknown at this time, but that funding is expected.

Co-Chair Kelly stated he would maintain his objection. He reminded of Committee discussion the prior year whereby the Committee was warned that the Denali Commission would be unable to undertake these projects without State matching funds. He informed that although State funds were not appropriated, the federal funds were received and the projects continued.

Senator Olson understood the event of the prior year was a result

of a "one time situation". He was unsure the Denali Commission "would look at this favorably this year."

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Wilken, Senator Austerman, Senator Green, Co-Chair Donley and Co-Chair Kelly

ABSENT: Senator Lemman and Senator Ward

The motion FAILED (2-5-2)

The amendment FAILED to be adopted.

Co-Chair Donley offered a motion to excuse Senator Lemman from the meeting. There was no objection and it was so ordered.

C&ED #4: This amendment adds a new Diesel Efficiency and Alternative Energy Program (ED 99) component and \$500,000 general fund match appropriation. Accompanying explanatory language reads as follows.

This appropriation is requested for state match for federal funding of alternative energy projects (Fuel Efficiency Improvements, Conservation, Wind, Biomass).

The diesel efficiency and alternative energy program seeks to lower the cost of power and heat by developing alternatives to diesel-based energy systems as well as enhancements to diesel-based technology. Most of the program focus is in rural areas where average energy costs are highest and cost reduction alternatives are most needed.

Senator Olson moved for adoption and read the accompanying statement into the record.

Co-Chair Kelly objected for the same reasons given for the previous amendment.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Wilken, Senator Austerman, Senator Green, Senator Lemman and Co-Chair Kelly

ABSENT: Senator Lemman and Senator Ward

The motion FAILED (2-5-2)

The amendment FAILED to be adopted.

C&ED #5: This amendment deletes the Girdwood Road Service Area-Road and Drainage System Rehabilitation (ED 10-25) component and \$75,000 general fund appropriation on page 16, lines 15 through 17 from the Grants to Municipalities Budget Request Unit (BRU). Accompanying explanatory language reads as follows.

This project is already funded in the Municipal Capital Matching Grants Program for Anchorage in the full amount requested. See page 65, lines 23-26.

This amendment also adds a new City of Cordova-Tsunami Warning System component and \$34,500 general fund appropriation to the Municipal Capital Matching Grants BRU. Accompanying explanatory language reads as follows.

Cordova sits in the center of one of the most active earthquake zones in the world. A tsunami warning system would provide early warning not only to immediate residents, but residents who are difficult to contact.

This amendment also adds a new Native Village of Tanacross-Old Tanacross Village Cemetery Dike and Repairs component and \$17,584 general fund appropriation to the Unincorporated Capital Matching Grants BRU. Accompanying explanatory language reads as follows.

Old Tanacross Cemetery is located on what has become an island due to changes in the course of the river over a number of years. Every spring and summer the cemetery is flooded. Approximately 35 graves are located within this cemetery and are in danger of being washed away.

Senator Olson moved for adoption.

Co-Chair Kelly objected.

Senator Olson pointed out that the Girdwood Road Service project was "double-funded" and this amendment proposes to utilize the excess funds for the Cordova Tsunami Warning System and the Old Tanacross Cemetery.

Senator Olson spoke of the 1964 Earthquake and the "devastating" impact to the residents of Prince William Sound. He warned that another major earthquake would again impact these residents.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Donley and Co-Chair Kelly

ABSENT: Senator Leman

The motion FAILED (2-6-1)

The amendment FAILED to be adopted.

C&ED #6: This amendment adds a new City of Shishmaref-Erosion Control component and \$3,000,000 general fund appropriation to the Grants to Municipalities BRU on page 6 following line 29.

Senator Olson moved for adoption.

Co-Chair Kelly objected.

Senator Olson remarked this is "one of the more important amendments" to the FY 03 capital budget. He told of the erosion situation on the island in the Chukchi Sea whereby up to 30 feet of shoreline has been lost in the past year endangering the fuel tank storage facilities as well as causing other concerns. He shared that the City hired an engineering firm with expertise in Arctic climates, which determined that erosion damage is not limited to the seaward shores of the island, but is evident on the lagoon shores as well. The consultants, he informed, have devised a plan to stop the erosion for ten years to provide time to relocate the village to a location on the mainland. He stated the City has \$900,000 to contribute toward the estimated \$4 million cost of this project.

Co-Chair Kelly added this request was not included in the capital budget legislation submitted by the Governor, and that the amount is significant.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Donley and Co-Chair Kelly

ABSENT: Senator Leman

The motion FAILED (2-6-1)

The amendment FAILED to be adopted.

AT EASE 3:38 PM / 3:19 PM

Department of Corrections

COR #1: This amendment adds a new Community Jails Safety, Security Renovations and Equipment component and \$100,000 general fund appropriation. Accompanying explanatory language reads as follows.

This project funds the purchase of security equipment, health and life safety equipment, and structural repairs at local jail facilities that are in partnership with the State to provide up to 55,845 man-days of incarceration of state prisoners. These funds address critical day to day repairs of health and life safety issues and equipment needs for the occupants of these facilities, offenders and staff.

Senator Hoffman moved for adoption.

Senator Green objected.

Senator Hoffman expressed the "dire need" for this equipment.

Co-Chair Kelly commented the Department assigned this item a lower priority. He also pointed out that funds for this project are included in proposed general obligation bonds legislation.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Donley and Co-Chair Kelly

ABSENT: Senator Leman

The motion FAILED (2-6-1)

The amendment FAILED to be adopted.

Department of Education and Early Development

E&ED #1: This amendment adds a new Yuut Elitnaurviat People's Learning Center-Phase 1 Construction component and \$900,000 appropriation. Accompanying explanatory language reads as follows.

This amendment will provide state support for construction of

a vocational training center to serve the Yukon-Kuskokwim Delta Region. The center will meet both academic and industry standards in the area's most in-demand industries. Numerous partners will combine resources to provide a comprehensive program and include:

Association of Village Council Presidents, Inc.  
Association of Village Council Presidents, Regional Housing Authority  
Bethel Native Corporation  
City of Bethel  
Coastal Villages Region Fund  
Lower Kuskokwim School District  
University of Alaska Fairbanks, Kuskokwim Campus  
Yukon Kuskokwim Health Corporation  
Alaska National Guard

During Phase I, these partners will cover \$3.3 million of the \$12.2 million construction cost. The USDA-Rural Development has set aside another \$3 million and an earmark for \$1 million is in the Department of the Interior federal budget. This amendment for \$900,000 in state funds will help leverage the remaining \$4 million from other sources.

This amendment was NOT OFFERED.

E&ED #2: This amendment adds a new State Museum Land Purchase component and \$1,450,000 general fund appropriation. Accompanying explanatory language reads as follows.

This amendment adds funding for land acquisition and expansion planning at the Alaska State Museum described in AS 14.57.010. The parcel adjacent to the State Museum is currently for sale and is the only land available for expansion. Expanding the existing facility will prove far more cost effective in the long run than replacing the museum if the adjacent parcel ceases to be available.

The artifacts of Alaska history, from time immemorial through Benny Benson's original flag design to the modern day are housed in cramped and sometimes temporary facilities not adequate for historic preservation.

One of the two general obligation bond bills currently in the legislature includes \$5,000,000 for the Anchorage Museum. State funds have been provided in recent years to expand the University museum in Fairbanks. This is a critical and time limited opportunity to support the State's own museum and archives.

This project was originally part of SB 261, the Governor's

proposed bill for certificates of participation for deferred maintenance and replacement of state facilities.

This amendment was NOT OFFERED.

AT EASE 3:21 PM / 3:22 PM

E&ED #3: This amendment deletes the Delta-Greely School District-Land Purchase (ED 35) component and \$100,000 general fund appropriation from page 21, lines 7 through 9 of the committee substitute.

Senator Wilken moved for adoption.

Co-Chair Kelly objected.

Senator Wilken informed that impact funds are intended for Delta-Greely in the amount of \$10 million this year and \$20 million in the following year.

Senator Wilken opined the residents living within the boundaries of the Delta-Greely School District should "be helping themselves before they go to the people and ask for monies for land purchase." He reminded of the 1997 efforts to achieve "education reform", when the Legislative Budget and Audit Committee performed an analysis of the "wealth" of this school district. He recalled the assessed value per student placed this District "in the top five" of communities' ability to support local education costs. However, he asserted, "The people of Delta-Greely won't take the steps necessary to help themselves" and therefore, he could not support the allocation of general funds for this purchase.

Co-Chair Kelly maintained his objection to the adoption of the amendment, commenting that discussions were held on this matter and it was determined this is a worthwhile project.

AT EASE 3:24 PM / 3:24 PM

A roll call was taken on the motion.

IN FAVOR: Senator Wilken

OPPOSED: Senator Austerman, Senator Green, Senator Hoffman, Senator Olson, Senator Ward, Co-Chair Donley and Co-Chair Kelly

ABSENT: Senator Leman

The motion FAILED (1-7-1)

The amendment FAILED to be adopted.

Department of Transportation and Public Facilities

DOT #1: This amendment adds a Juneau: East Lynn Canal Access EIS component and \$2,300,000 allocation to page 56, following line 13 of the committee substitute. Accompanying explanatory language reads as follows.

A significant investment has been made in assessing the environmental impacts of a Lynn Canal/Juneau Road Access project. This study, however, remains incomplete. In recent years the integrity of the study has been maintained through limited monitoring and data collection. These funds would allow completion of the study.

Senator Hoffman moved for adoption.

Senator Ward objected.

Senator Hoffman read the explanatory statement into the record.

Co-Chair Kelly informed that most capital projects included in the committee substitute are "fairly small in nature" and that this amount is considerably greater. He therefore opposed the amendment.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Green, Senator Ward, Senator Wilken, Senator Austerman, Co-Chair Donley and Co-Chair Kelly

ABSENT: Senator Leman

The motion FAILED (2-6-1)

The amendment FAILED to be adopted.

DOT #2: This amendment increases the allocation to the Rural Dust Control (ED 99) component on page 59 line 21 of the committee substitute from \$850,000 to \$2 million.

Senator Olson moved for adoption.

Senator Green and Co-Chair Kelly objected.

Senator Olson noted the Governor's proposed capital budget included \$5 million to establish and implement a dust control program. He

asserted that elderly people and people with respiratory ailments are particularly impacted by dust. He spoke to the feelings of suffocation experienced by those with respiratory ailments who are exposed to this dust. He noted this is an undesirable and inhumane way to die.

Co-Chair Kelly clarified that \$850,000 is the amount requested by the Administration. He suggested additional funds could be added when the budget was considered in the House of Representatives.

Senator Olson understood that the Governor had requested \$5 million and that the Department later reduced the amount of the request to \$850,000.

A roll call was taken on the motion.

IN FAVOR: Senator Hoffman and Senator Olson

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Donley and Co-Chair Kelly

ABSENT: Senator Leman

The motion FAILED (2-6-1)

The amendment FAILED to be adopted.

### Legislature

LEG #1: This amendment deletes "Legislative Budget and Audit" and inserts "Department of Administration" on page 93 line 18 and line 19 and deletes "stand-alone" from line 20 of the committee substitute. The amended language reads as follows.

Sec. 16. DEPARTMENT OF ADMINISTRATION. The sum of \$250,000 is appropriated from the general fund to the Department of Administration for the fiscal year ending June 30, 2003, for a study of the feasibility of a veterans' home. It is the intent of the legislature that the Alaska Veterans Coalition be consulted in the development of the request for proposal for the study.

This amendment also deletes "Legislative Council" and inserts "Department of Health and Social Services" on page 93 line 23 and line 24 of the committee substitute. The amended language reads as follows.

Sec. 17. DEPARTMENT OF HEALTH AND SOCIAL SERVICES. The sum of \$200,000 is appropriated from the general fund to the

Department of Health and Social Services for a contract to conduct a sociological and demographic study of recipients of state welfare and Medicaid programs to determine how and why they became recipients of welfare and Medicaid services.

This amendment also includes accompanying explanatory language that reads as follows.

It might be more appropriate to have the Department of Administration conduct a feasibility study of veterans' home than the Legislature. The same logic would also apply for the Department of Health and Social Services to conduct a study of how and why people become recipients of welfare and Medicaid services than having the Legislature contract for these services.

Senator Hoffman moved for adoption.

Senator Green objected.

Senator Hoffman read the explanatory statement into the record. He added that the departments would have more time to undertake these efforts than would the Legislative Budget and Audit Committee.

Co-Chair Kelly commented that because the Legislature would be forced to deal with the problems of funding public assistance, it is more appropriate for the Legislature to oversee the studies. He surmised the Legislature would have more confidence in the findings of a study if it had control over the questions asked and the "direction" of the study.

A roll call was taken on the motion.

IN FAVOR: Senator Olson and Senator Hoffman

OPPOSED: Senator Ward, Senator Wilken, Senator Austerman, Senator Green, Co-Chair Donley and Co-Chair Kelly

ABSENT: Senator Leman

The motion FAILED (2-6-1)

The amendment FAILED to be adopted.

AT EASE 3:31 PM / 3:34 PM

University of Alaska

UNIV #1: This amendment changes the Small Project Development and

Construction (ED 99) component appropriation from \$6 million to \$8 million on page 64 lines 5 and 6. This amendment also changes the Statewide Construction Planning (ED 99) component appropriation from \$6 million to \$4 million on page 64 lines 7 and 8. Accompanying explanatory language reads as follows.

Both federal receipt authority requests are associated with construction projects, UAF West Ridge Research Addition and UAA Biomedical Facility Addition. Having the total federal receipt authority associated with Small Project Development and Construction is more consistent with the projects.

PAT PITNEY, Director of Budget Development and Institutional Planning, University of Alaska, spoke to the amendment to transfer \$2 million of federal funds from one project title to another. She explained that because the two projects are construction rather than planning, it is more appropriate to fund them under the Small Project Development and Construction component. She indicated this change would increase the likelihood of securing federal funding.

Senator Wilken moved for adoption.

There was no objection and the amendment was ADOPTED.

Co-Chair Donley offered a motion to allow the Division of Legislative Finance and the Division of Legal and Research Services to make conforming and technical changes to the amended committee substitute as necessary.

Co-Chair Donley commented he has "continuing concerns" with the amount of funding appropriated for sewer and water projects in Anchorage. He calculated that over the previous ten years, Anchorage has received less than ten percent of the total funds allocated for water and sewer programs statewide, including the municipal water and sewer grants programs.

SFC 02 # 88, Side B 03:37 PM

Co-Chair Donley continued this practice must "turn around" because a \$14 million backlog of maintenance projects is accumulating in the Anchorage area. He predicted that if Anchorage had been receiving "even one-half of our fair share of these funds," this problem would not exist. He stressed there are areas within Anchorage that do not have access to city water and sewer services.

Co-Chair Donley "moved the bill from Committee with individual

recommendations."

Without objection CS SB 247 (FIN) MOVED from Committee.

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**ADJOURNMENT**

Co-Chair Pete Kelly adjourned the meeting at 03:40 PM