

HOUSE FINANCE COMMITTEE  
April 07, 2003  
1:42 P.M.

TAPE HFC 03 - 54, Side A

CALL TO ORDER

Co-Chair Williams called the House Finance Committee meeting to order at 1:42 P.M.

MEMBERS PRESENT

Representative John Harris, Co-Chair  
Representative Bill Williams, Co-Chair  
Representative Kevin Meyer, Vice-Chair  
Representative Mike Chenault  
Representative Eric Croft  
Representative Richard Foster  
Representative Mike Hawker  
Representative Reggie Joule  
Representative Carl Moses  
Representative Bill Stoltze  
Representative Jim Whitaker

MEMBERS ABSENT

None

ALSO PRESENT

Laura Achee, Staff, Representative Ralph Samuels; Phelan Straube, Staff, Senator Ben Stevens; Jonh Barnett, Executive Director, Board of Storage Tank Assistance; Neil MacKinnon, Chairman, Alaska Minerals Commission

PRESENT VIA TELECONFERENCE

Gary Weber, President, Alaska Underground Tank Association, Mat-Su

SUMMARY

HB 187 An Act extending the termination date of the Board of Storage Tank Assistance; and providing for an effective date.

HB 187 was reported out of Committee with a "do pass" recommendation and with fiscal note #1 by Department of Environmental Conservation.

SB 79 An Act extending the termination date of the Alaska Minerals Commission.

SB 79 was reported out of Committee with a "do pass" recommendation and with fiscal note #1 by Department of Community & Economic Development.

#HB187

HOUSE BILL NO. 187

An Act extending the termination date of the Board of Storage Tank Assistance; and providing for an effective date.

LAURA ACHEE, STAFF, REPRESENTATIVE RALPH SAMUELS, stated that under AS 46.03.010(18), the Board of Storage Tank Assistance (BSTA) will sunset on June 30, 2003, unless the Legislature acts to extend the Board. HB 187 would extend that Board to June 30, 2007.

The Board was created in 1990 to help the owners and operators of underground storage tanks (UST) to comply with the State and federal regulations enacted in response to nationwide concern over possible contamination of drinking water from leaking tanks. The new regulations cover areas of design, construction and installation of new tanks, and tighten standards for retrofitting existing tanks.

Ms. Achee discussed that Board members have extensive UST knowledge and experience, allowing the Board to act as a valuable liaison between the Department of Environmental Conservation and UST owner/operators. BSTA helped the Department of Environmental Conservation to draft reasonable regulations and has helped owner/operators interpret and comply with regulations, saving the State the cost of seizing and cleaning-up contaminated sites caused by non-compliance.

The Department provides financial assistance to UST owner/operators, previously through grant programs and the Storage Tank Assistance Loan Fund revolving loan fund. BSTA has been instrumental in mediating disputes between the Department and UST owner/operators over financial assistance determinations and allowable costs, helping avoid the need for formal appeals in some cases.

The Board of Storage Tank Assistance has a proven value, and it is in the best interest of UST owner/operators, the State and the general public to extend the Board's sunset date for four years.

JOHN BARNETT, DIRECTOR, EXECUTIVE DIRECTOR, BOARD OF STORAGE TANK ASSISTANCE, testified that the Board of Storage Assistance was stated in 1990 as an all-volunteer board consisting of regulated tank owners, operators, contractors and engineering representatives. The group acts as a forum for the mediation of disputes between regulated tank owners

and the Department of Environmental Conservation. Additionally, they act as a regulatory oversight Board, assuring that regulations in regard to underground storage tanks are more stringent than federal law and not too economically costly. Also, the role of the Board is to mediate disputes and clean up plans.

The underground tank owners and operators requested that a Board be put in place when the State program was initially enabled in 1990. They pay a registration fee, which goes to support the Board's activities.

Representative Stoltze asked about previous extension lengths.

Mr. Barnett replied that the Board has gone through major changes, beginning as an exclusive grant program in which all applicants were eligible. After that, it went through changes identifying fiscal responsibility issues regarding who could receive the funds. The Board's renewal then was limited to a couple years. A Legislative Budget and Audit (LBA) review recommended extending the Board for four years.

Co-Chair Harris asked how many commercial underground tanks would qualify for the program. Mr. Barrett replied that there are over 1000 tanks still underground throughout the State. The eligible number at this time for financial assistance is limited. There are approximately 50 facilities that qualify for the grant program and around 200 facilities eligible for the loan program. The grant program ends June 2003.

Co-Chair Harris questioned the inclusion of service stations. Mr. Barnett responded that the program does address the cost of clean up. The program helps to clean up the sites and help to keep the business in business. He pointed out that some of the operations are very small, adding that only about 30% are service stations. There are countless contractors throughout the State that have their own refueling tanks. The program provides assistance.

Co-Chair Harris inquired if there were any additional tanks the State that need to be replaced. Mr. Barnett advised that the State has close to a 70% compliance rate with the original federal requirements for upgrading tanks. There are a number of tanks, which have not been upgraded and do not participate in the program. He added that there are sites that have just begun to clean up and that work can be quite extensive.

Co-Chair Harris interjected that the legislation does not deal with the residential clean up. Mr. Barnett replied that the concern is with predominately gasoline tanks and

the tanks regulated by the Environmental Protection Agency (EPA).

Representative Whitaker commented that in 1999, the Oil and Gas Committee looked at this concern. He understood that the loan and grant program was intended to be complete within a couple years from that date. He questioned the renewal request.

Mr. Burnett explained that the program Representative Whitaker referenced was the grant program. The Board has the authority to review eligible costs and to establish the ranking criteria to priority rank applications based on the availability of funds. The grant program is a small portion of the work being done by the Board. The primary function of the Board is regulatory oversight.

The other aspect of the Board is "no further action letters", mediating disputes between tank owners and the Department of Environmental Conservation in regard to clean up plans. The Board also acts as a body for disputes in order to keep the attorneys out. The Board assures that the clean ups are done without the involvement of the Department of Law. Another change that took place happened in SB 153, which last year clarified the loan program. The loan program has no sunset date. That program exists to address the clean ups that are on going. He noted that the grant program had been terminated in June. The role of the Board does not change with the loss of the grant program.

Representative Whitaker asked how the function of the Board could be differentiated from a "lobbying effort".

Mr. Barnett advised that the role of the Board is to hold hearings when a tank owner cannot reach a satisfactory decision on a clean up plan, they come to the Board and the Board holds a hearing to deal with the issues. Communication barriers are then eliminated. The Board acts as an "Ombudsman" in mediating the spill disputes. He claimed that the "no further action" letters are dealt with through the Board. The Department is reluctant to issue those letters indicating timelines for getting certain action accomplished to produce enough information so that the Department is satisfied. When the Department proposes regulations, they must run them through the Board for review. That allows public input from the in-house stakeholders to insure that the regulations are okay. Because of that, the program has been very successful. He submitted that any type lobbying effort would take place through the Alaska Underground Tank Owners & Operators Association.

Representative Whitaker concluded that the Board works in an "arbitration and advisory function". Mr. Barnett agreed.

Co-Chair Harris referenced the fiscal note and asked about the contractual line. Mr. Barnett replied that the contractual line covers his salary as a paid contractor and the travel of the Board members and the Department representatives to the Board meetings.

Co-Chair Harris asked how the Underground Revolving Loan Fund got funded. Mr. Barnett explained that the fund came through a capital appropriation out of the Prevention Account. The only general funds that are used in the Underground Storage Tank Loan Fund are the tank owner registration fees. Those fees are rolled over into the Storage Tank Assistance Fund and authorized to be paid from that source.

GARY WEBER, PRESIDENT, ALASKA UNDERGROUND TANK ASSOCIATION, MAT-SU, testified in support of the legislation. He stated that the most important work of the Board is the regulatory oversight and mediation of disputes. He pointed out that the State of Alaska has one of the best operating tank plans in the entire nation. He urged that the bill be moved from Committee.

Representative Stoltze asked if Mr. Weber currently owned the Chevron Station in Wasilla. Mr. Weber replied that he does own that station.

Representative Foster MOVED to report HB 187 out of Committee with individual recommendations and with the accompanying fiscal note.

There being NO OBJECTION, it was so ordered.

HB 187 was reported out of Committee with a "do pass" recommendation and with fiscal note #1 by the Department of Environmental Conservation.

#SB79

SENATE BILL NO. 79

An Act extending the termination date of the Alaska Minerals Commission.

PHELAN STRAUBE, STAFF, SENATOR BEN STEVENS, advised that the Alaska Minerals Commission is set to expire on February 1, 2004. SB 79 would extend the Commission until the year 2014.

He noted that the Alaska Minerals Commission was created in 1986 by the Legislature and charged with making recommendations to the Governor and Legislature on ways to mitigate constraints on the development of minerals in

Alaska. The Commission consists of 11 members and each member must have at least five years experience in the minerals industry. Five members are appointed by the Governor, three by the President of the Senate, and three by the Speaker of the House. At least one member must reside in a rural community.

Mr. Straube noted that the Commission must report its recommendations to the Governor during the first ten days of the regular session. The Alaska Minerals Commission has had numerous recommendations put in place since 1987. Implemented recommendations include:

- Passage of Alaska Minerals Policy Act (1988)
- Funding for airborne geophysical surveys (1992-2002)
- Creation of a task force for RS2477 trail inventory (1993) Assertion of RS2477 rights-of-way (1997)
- Legislative Resolution 31 passed opposing International Parks, World Heritage Sites, and Marine Biosphere Reserves in Western Alaska, and supporting the federal American Lands Sovereignty Protection Act (1997)
- Extending terms of permits when legal impediments prevent use (1994)

Mr. Straube indicated that previously, the Commission had been extended for five years; however, this legislation extends it for ten years. He suggested that a ten-year extension could be the State's way of showing a long-term commitment for that industry.

Co-Chair Harris pointed out that some of the fiscal note is designated for travel.

NEIL MACKINNON, CHAIRMAN, ALASKA MINERALS COMMISSION, JUNEAU, advised that there are usually two meetings a year, one in the early fall in Fairbanks and the other just before the report is presented to the Legislature.

Co-Chair Harris asked what part of the State does most of the mining take place. Mr. MacKinnon replied that primarily in the Fairbanks area. He noted that there are two full time staff employees that support the Mining Commission. That staff is charged with carrying out the wishes of the Commission and in finalizing the report.

Co-Chair Harris asked about the future of mining in the State. Mr. MacKinnon commented that it is the "brightest star in the horizon" in the terms of providing jobs and economic activity, mainly in rural areas. He acknowledged that the prices for many years have not been good, however, there are indications of the industry turning around.

Co-Chair Harris asked if the State was attempting to develop the coal in Representative Joule's district. Mr. MacKinnon replied that the potential in that area could be significant.

Representative Foster MOVED to report SB 79 out of Committee with individual recommendations and with the accompanying fiscal note.

Representative Croft OBJECTED.

Representative Croft pointed out that the House version of the bill had been introduced February 19<sup>th</sup>. He noted that the House version of the bill had been sitting in the House Finance Committee for a month. He maintained that there was nothing wrong with that bill. He recommended that the Committee should have moved the House version of the legislation.

Representative Croft WITHDREW his OBJECTION. There being NO further OBJECTION, it was so ordered.

SB 79 was reported out of Committee with a "do pass" recommendation and with fiscal note #1 by the Department of Community & Economic Development.

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#### ADJOURNMENT

The meeting was adjourned at 2:15 P.M.