

MINUTES
SENATE FINANCE COMMITTEE
March 26, 2003
9:03 AM

TAPES

SFC-03 # 31, Side A
SFC 03 # 31, Side B
SFC 03 # 32, Side A

CALL TO ORDER

Co-Chair Gary Wilken convened the meeting at approximately 9:03 AM.

PRESENT

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Con Bunde, Vice Chair
Senator Ben Stevens
Senator Lyman Hoffman
Senator Donny Olson
Senator Robin Taylor

Also Attending: PAT PITNEY, Director, Budget and Institutional Research, University of Alaska; MIKE MAHER, Director, Division of Administrative Services, Department of Environmental Conservation; TOM CHAPPEL, Director, Division of Air and Water Quality, Department of Environmental Conservation; LARRY DIETRICK, Director, Division of Spill Prevention and Response, Department of Environmental Conservation; DAN EASTON, Director, Division of Facility Construction and Operation, Department of Environmental Conservation;

Attending via Teleconference: There were no teleconference participants.

SUMMARY INFORMATION

SB 100-APPROP: CAPITAL PROJECTS

The Committee heard overviews of budget requests of the University of Alaska and the Department of Environmental Conservation. The bill was held in Committee.

#SB100

SENATE BILL NO. 100

"An Act making capital appropriations and reappropriations; capitalizing a fund; 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."

University of Alaska

PAT PITNEY, Director, Budget and Institutional Research, University of Alaska noted the Board of Regents submitted a funding request as well. She stressed that the Governor's proposed budget represents approximately one-tenth the amount recommended by the Board.

Safety and Highest Priority Renewal and Replacement
\$3,000,000 Alaska Student Loan Corporation (ASLC) Dividend
\$641,500 general funds

Reference No.: 38415

Category: University

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2003 - 06/30/2007

Phased-New Project

Projects in this category include highest priority facility renewal and replacement, code correction and Americans with Disabilities Act (ADA) projects. An investment in this category represents a commitment to improve student safety and maintain building functionality. Fire Safety and Elevator Safety and Modernization Projects top this list, as the university's most vital safety needs.

Ms. Pitney stated this request would include elevator repair, fire safety, etc. that have a highest safety priority.

Co-Chair Wilken asked if these are listed in the backup material in order of priority.

Ms. Pitney replied there is no priority order as they are all important.

Co-Chair Wilken surmised therefore the amount appropriated would be distributed as best as possible between all projects.

Senator Hoffman noted no projects listed are located on rural campuses and asked whether no life, health and safety issues exist

in those areas.

Ms. Pitney pointed out the Board of Regents request for \$971,000 to address community campus needs.

Senator Hoffman asked that the process utilized to evaluate those projects be included in the budget request.

Ms. Pitney explained how each campus submits list of projects, which are compiled according to criterion established by the Board of Regents. She stated the Board then reviews the projects.

Co-Chair Green requested an explanation of the ASLC Dividends and University receipts funding sources.

Ms. Pitney stated the University views the ASLC dividends as State funding appropriated at the discretion of the legislature. She noted the University receipts are generated from tuition, private partnerships, donations, foundation receipts, auxiliary receipts collected from dormitory and food services, etc.

Attracting and Retaining Students
\$10,800,000 University Receipts
Reference No.: 38419
Category: University
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2003 - 06/30/2007
Phased-New Project
This request contains projects essential to the University's goal of attracting and retaining students.

Ms. Pitney stated this item includes two projects: a bookstore at the Anchorage campus and student housing.

Senator Taylor asked if funds from other sources were intended for use on the bookstore project.

Ms. Pitney affirmed and explained the issuance of bonds to construct the dormitories. She informed this is standard practice of university funding.

Small Business Development Center
\$550,000 general funds
Reference No.: 37926
Category: University
Location: Anchorage Areawide
Election District: Anchorage Areawide

Estimated Project Dates: 07/01/2003 - 06/30/2008

Phased Project

The Alaska Small Business Development Center (ASBDC) is a statewide business assistance program. The services it offers to small businesses are not duplicated or provided by any other agency or organization. The primary emphasis of the program is in-depth, quality business counseling. Through professional counseling, small businesses are assisted in solving problems concerning operations, manufacturing, engineering technology exchange, accounting, business strategy development and other productivity and management improvement. The individual business counseling is supplemented with quality business training designed to improve the skills and knowledge of existing and prospective small business owners/managers.

Co-Chair Wilken noted the \$100,000 increase over the previous year funding and requested an explanation.

Ms. Pitney replied this request is for operating funds and pointed out that no increases had been allocated to this program for over ten years. He stated the amount requested recognizes increased expenses and also would secure other matching funds.

Co-Chair Wilken asked if clients are assessed a fee.

Ms. Pitney replied that in some instances fees are charged to cover operating expenses. She also informed that some local governments contribute significantly to the operating expenses for the offices in their communities.

Co-Chair Wilken asked if the local government contributions were utilized to offset the general funds appropriated to the program.

Ms. Pitney responded the contributions are necessary to provide the services in the participating communities and that general funds are utilized for core operating expenses. She remarked that if unlimited funds were available, the program would be offered in several communities.

Senator Olson asked if the university instituted a method to track the effectiveness of this service.

Ms. Pitney answered it does and stated she could provide extensive evidence of the success of the program. She listed testimonials and noted startup support is provided to small businesses.

Senator Bunde noted the claim of no duplication of services

provided by other organizations and asked if this includes private organizations.

Ms. Pitney understood the claim to include other State services.

Senator Bunde told of private service providers complaining of unfair competition from the University.

Senator Taylor commented on museums and other educational facilities located in his election district incurring significant funding reductions.

University Center - Phase 2
\$2,400,000 University Receipts
Reference No.: 37841
Category: University
Location: Anchorage Areawide
Election District: Anchorage Areawide
Estimated Project Dates: 07/01/2003 - 06/30/2007
Phased Project

Phase II of the University Center project would encompass the acquisition of an additional 35,000 gsf in turnkey condition to house UAA workforce development, training and adult learning center programs. These programs have a direct relationship to the applied technology and workforce development programs accommodated in Phase I of the project.

Ms. Pitney explained this funding is generated primarily from private partnerships.

Ms. Pitney noted the Board of Regents' request included \$3.4 million State funding.

Senator Bunde revisited his earlier comments regarding the University providing services in competition with the private sector. He asked if the workforce development, training and adult education services could be provided by a private entity.

Ms. Pitney was unsure, but stated she would research the matter.

Senator Hoffman compared the Governor's proposed budget to the Capital Budget Request Summary submitted by the University [copy on file] and asked if the numbering of the proposed projects in the Summary is based on priority assigned by the Board of Regents.

Ms. Pitney affirmed the items are prioritized within categories.

Senator Hoffman asked if the nursing facility would be addressed.

Ms. Pitney replied that funding is not included in the Governor's proposed budget.

Senator Taylor clarified the cost of the University Center - Phase II project is a \$5.8 million project including \$3.4 million in general funds.

Ms. Pitney explained that the conceived project would cost \$5.8 million and although the entire amount would not allow for the project as planned, other options would be reviewed.

Senator Taylor asked the amount of University receipts anticipated would be used to fund this project.

Ms. Pitney told of separate legislation authorizing an expenditure of an estimated \$14 million for Phase I of the project.

Senator Taylor recalled earlier discussions indicated the project would have significant lower costs.

Ms. Pitney explained the previous proposal two years prior involved the purchase of unrenovated empty space as opposed to a turnkey purchase as specified in this project. She suggested Members visit the facility in question.

Senator Taylor commented that at a cost of \$20 million, the facility should be "amazing".

Senator Hoffman asked the location of the facility.

Ms. Pitney responded it would be within the University Center Mall in Anchorage on Old Seward Highway.

Senator B. Stevens interjected that a portion of funding for this project was included in the bond package approved by voters in the previous election.

Senator Taylor spoke of another proposed projects including the on-going renovation of a hanger in Sitka into classrooms that was identified as the second highest priority by the Board of Regents but not included in this budget.

Ms. Pitney affirmed.

Co-Chair Wilken requested the witness overview the items included in the Governor's proposed budget then provide another brief overview of the Board's requests.

Senator Olson asked the number of students who would utilize the Sitka facility.

Ms. Pitney described the classrooms, laboratories, etc. She did not have a specific number of students who would utilize the facility, although approximately 1,200 students attend the University of Alaska Southeast Sitka campus.

Co-Chair Green asked if the \$3.4 million additional funding requested by the Board of Regents included elsewhere.

Ms. Pitney answered it is not.

Senator Hoffman asked whether the private partnership funding is dependant upon receipt of State funding.

Ms. Pitney told of the current plan that includes two funding sources and that a State appropriation would be necessary to complete the project. She furthered that the receipt authority would provide the ability to pursue other funding sources. She indicated other options could be considered.

Senator Hoffman asked therefore why the legislature should not grant authority for the entire \$5.8 million in the event other funds could be secured.

Ms. Pitney replied, "part of the \$2.4 million figure is based on affordability within the University for those items" and what was expected to be the amount that could be raised through other sources.

Senator Taylor asked whether the project could be amended were adequate funding not provided for the project as currently proposed.

Ms. Pitney responded that if State funds were not appropriated, the current plan must be changed.

Replacement of Research Vessel
\$80,000,000 University Receipts
Reference No.: 37823
Category: University
Location: Fairbanks Areawide
Election District: Fairbanks Areawide
Estimated Project Dates: 07/01/2003 - 06/30/2007
One-time Project
Replacement for the Alpha Helix research vessel.

Ms. Pitney explained the concept that the federal government would contract for construction of a ship to be given to the University to manage and conduct research activities in the north Pacific Ocean.

Senator Bunde asked if the vessel would then be operated at the University's expense.

Ms. Pitney detailed the process of research facilities whereby research grants take into account operation of the facility, in this case a ship.

Senator Bunde commented that if no research grants were awarded the ship would sit idle.

Ms. Pitney affirmed, but stressed that the current vessel is heavily utilized with more requests for research project than could be met. She noted the planned vessel would accommodate additional research activities and she assured the vessel would not be idle.

Senator Taylor noted the \$75 million allocation from the National Science Foundation, although the actual cost could be \$80 million and asked how the remaining \$5 million would be generated.

Ms. Pitney responded that other federal funds would be utilized, possibly from the National Oceanic and Atmospheric Administration (NOAA)

Senator B. Stevens questioned why the proposed budget contains this request for receipt authority when the federal funding is not included in federal legislation.

Ms. Pitney expressed this project is one of the University's highest priorities and that this authorization would ensure no delay once the federal funding is officially provided.

Senator B. Stevens asked at what point the University obtains control of the vessel, once it is constructed or upon actual delivery to Alaska. He estimated 18 months would be required to construct the vessel and questioned the need for receipt authority given that the vessel would not be completed until FY 05 or FY 06.

Ms. Pitney emphasized the efforts to plan ahead.

Senator Bunde asked where the vessel would likely be constructed.

Ms. Pitney did not know.

Small Project Receipt Authority

\$5,000,000 University Receipts

Reference No.: 37852

Category: University

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2003 - 06/30/2009

One-time Project

The value of this request is an estimation of potential receipt authority needed for FY 04 for main and community campuses.

And

Project and Planning Receipt Authority

\$10,000,000 University Receipts

Reference No.: 38422

Category: University

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2003 - 06/30/2007

One-time Project

This request for non-general fund authority will allow the university to make expenditures in response to emerging needs that can be self-funded or partially self-funded.

Ms. Pitney expressed the intent to take advantage of opportunities to partner with the federal government or private foundations.

Co-Chair Wilken asked for an example of projects that would be undertaken with these funds.

Ms. Pitney exemplified the pavilion located in Juneau. She also told of advance plans to construct a research facility in Fairbanks and integrated science facility in Anchorage utilizing foundation funding.

West Ridge Research Building

\$2,000,000 Federal Receipts

\$14,000,000 University Receipts

Reference No.: 38475

Category: University

Location: Fairbanks Areawide

Election District: Fairbanks Areawide

Estimated Project Dates: 07/01/2003 - 06/30/2007

One-Time Project

Provide authority to receive funds to build West Ridge

Research Building.

And

Yukon Flats Training Center Expansion Completion

\$1,200,000 Federal Receipts

\$1,100,000 University Receipts

Reference No.: 38514

Category: University

Location: Fort Yukon

Election District: Interior Villages

Estimated Project Dates: 07/01/2003 - 06/30/2007

One-Time Project

Authority is requested to receive funding from the Economic Development Administration (EDA) and other sources to expand the Yukon Flats Training Center. The addition will house the computer lab and provide space for uliti-day or multi-week training programs in Voc-Tech and other disciplines.

Ms. Pitney noted these items reflect technical adjustments. She explained the West Ridge facility would be constructed utilizing bonding authority and the bonds would be re-paid with grant funding for research activities conducted within the facility.

Ms. Pitney furthered that the Yukon Flats Training Center is similar, in that the funding source would be changed.

Senator Hoffman referenced that the aforementioned Board summary does not include these items.

Ms. Pitney affirmed because these are technical changes.

Senator Hoffman asked how this complies with the bonding package approved by voters in the previous election.

Ms. Pitney stated that these technical changes are in compliance with the bonding package.

Senator Bunde spoke to the intent to provide training to unemployed and underemployed adults and asked if any research has been conducted to determine whether participants obtain jobs upon completion of the program.

Ms. Pitney assured that extensive follow-up occurs.

Senator Bunde asked whether training is provided for fields in which jobs are available.

Ms. Pitney emphasized that before a program is offered, significant

demand is identified for training in a particular field. Once this training is provided and a workforce available, she stated the program is relocated to another community to meet demands in that location.

Senator Bunde spoke of frustration for graduates who receive training then are unable to apply it.

Ms. Pitney spoke of the close relationships with communities.

Senator B. Stevens cited the Governor's proposed budget includes \$120.9 million of university receipts for capital projects and the request for \$98 million is included in the proposed FY 04 operating budget and asked whether the University is requesting a total amount of \$218 million or if some "overlap" is occurring.

Ms. Pitney replied that a "very small overlap" exists in that funding for planning is included in the operating budget.

Ms. Pitney explained that the bookstore and housing projects requests overlap in the capital and operating budgets because some funds would be generated from university receipts and included in the capital budget and other funds are generated from debt service on bonds and included in the operating budget.

Senator B. Stevens requested documentation of non-duplicable expenditures for the previous five years.

Ms. Pitney stated that she would provide this information.

Senator Bunde recalled that the existing bookstore is required to breakeven or earn a profit and asked if this would be required for the new facility.

Ms. Pitney responded this is the expectation.

Senator Bunde asked if the new dormitory would also be self-sufficient.

Ms. Pitney stated that revenues generated from the existing dormitory units pay operating expenses plus contribute to university receipts.

SFC 03 # 31, Side B 09:50 AM

Co-Chair Green commented that the requests included in the proposed

budget distribute funds primarily to Fairbanks, Anchorage and Juneau. She asserted that other campuses have needs that are not included.

Senator Hoffman asked how the bookstore and dormitory projects would be undertaken if adequate funding were not appropriated.

Ms. Pitney spoke to the amount of funds needed to complete both projects and indicated that if not appropriated by the legislature, attempts would be made to secure funding from other sources, or the projects would be addressed with funding requested over several fiscal years.

Ms. Pitney then addressed the Board of Regent's funding request of \$42.4 million in State funding plus \$108 million in University receipt authority. She remarked the projects not included in the Governor's proposed budget are University-wide at main campuses and community campuses and necessary to maintain a solid foundation. She informed that these are primarily small items, such as renovating a classroom to change disciplines, parking structures, exterior refurbishing, etc. She pointed that any institution with \$1.2 billion of facilities, a regular investment is necessary. She asserted that the \$17 million proposed is "far below" the amount required.

Senator Taylor asked whether the University has historically depended upon the legislature to provide funds for maintenance.

Ms. Pitney assured this is not basic maintenance, which is funded through the operating budget. She clarified this request is for funding of boiler replacement and similar expenses.

Senator Taylor asked if the University therefore does not maintain a building fund similar to private businesses to address such expenses.

Ms. Pitney replied that such a fund is not maintained in all cases. She noted that a 30-year old laboratory is insufficient for current research and educational needs. She noted that some facilities have "sinking funds" with which to address maintenance issues.

Ms. Pitney continued her presentation of the Board of Regent's budget request, speaking to the necessity of attracting and retaining students, noted that the amount of University contributed funding is higher than the amount requested of the State.

Senator Hoffman commented on the difficulties in retaining students at rural campuses. He informed that he discussed the matter with

President Mark Hamilton and was informed that additional efforts are necessary. Senator Hoffman cited that graduation rates of freshmen are very low and asked no action is proposed to address this concern.

Ms. Pitney replied that operating budget funding could be better applied to this issue. She told of significant efforts undertaken at the Bethel campus and of pilot programs underway to secure retention of students.

Ms. Pitney described the My UA Portal project, intended for attracting and retaining students. She explained this "computer technology concept" that would bring the University of Alaska to levels similar to other universities in information technology delivery of services, both business and instructional.

Senator Bunde asked if this would be an online version of the existing catalog.

Ms. Pitney emphasized it would more sophisticated and would include syllabuses coursework, adviser contact, business services, ordering of books and materials and other services for distant learning students.

Senator Taylor noted the benefits provided to the children of University employees to attend tuition-free. He surmised that because of this program all college-age children would attend the University; however, he has learned that 96 percent were attending other schools.

Ms. Pitney next addressed the Board's budget requests targeted at preparing for Alaska's economic success, including nursing and vocational technical training. She told of significant efforts to provide nursing education and cited the workforce need is expected to continue through the year 2020. She anticipated that the University would be unable to fulfill the need to provide trained nursing personnel within 20 years.

Senator Taylor asked the number of students currently enrolled in the nursing program.

Ms. Pitney listed 110 graduations with intent to increase the number to 220 graduates. She informed that 300 nursing majors are attending the University with 800 students on the waiting list for the program. She stated that education services are offered in Anchorage, Fairbanks and Kodiak, with plans to expand services to Juneau and Bethel.

Senator Taylor asked about the Tanana Valley Community College (TVCC) relocation to the Fairbanks courthouse building.

Ms. Pitney responded that the TVCC received the old courthouse building; however it must be renovated. She stated the facility would be utilized for the delivery of different courses.

Senator Taylor asked if the TVCC was moving out of its current location.

Ms. Pitney informed that the TVCC has outgrown the current facility.

Co-Chair Wilken referenced a book describing the TVCC and its programs.

Ms. Pitney redescribed the proposed construction of major science facilities in Anchorage and Fairbanks, indicating that funding for these projects would be requested the following fiscal year.

Senator Hoffman commented that the nursing program has had a lot of success, and asked why it has a lower priority than small business development.

Ms. Pitney replied that the Small Business Development Center has been historically funded at one level and that a funding increase is needed. She surmised that the evaluation process, prioritizing projects according to category could have resulted in the higher priority assigned to the Small Business Development Center.

Senator Hoffman preferred prioritization of all projects regardless of whether they are categorized as pertaining to the attraction and retention of students, beneficial to economic development, etc.

Ms. Pitney stated she would relay that message to the Board of Regents.

Senator Taylor opined that bonding does not appear to provide adequate funding for the proposed projects.

Ms. Pitney relayed the intent had been to utilize bonding generated revenue to partially fund proposed projects, including the Lena Point laboratory in Juneau and the science facilities in Anchorage and Fairbanks. She furthered that additional funding would be requested to cover the remaining costs.

Senator Taylor commented that he did not realize this at the time the bonding package was approved the previous year.

Senator Taylor thanked the witness for her presentation.

Department of Environmental Conservation

Co-Chair Wilken referenced a handout titled, "Village Safe Water, Community Totals" [copy on file] which, although does not directly pertain to the discussion, could provide information to members. He thanked Departmental personnel for their efforts on compiling this information.

Assessment of Health Risks From Use of Diesel Fuel in Rural Alaska

\$768,300

Reference No.: 38513

Category: Natural Resources

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2003 - 06/30/2006

One-Time Project

Rural Alaska communities are facing a major decision about diesel fuel use. By 2007, they must decide to either incur the costs of building a separate and new fuel tank infrastructure for handling a new cleaner diesel fuel for trucks and buses or convert their entire community fuel use for electrical power, heating and vehicles to the cleaner diesel fuel. Either case will incur significant costs for the community, individuals and perhaps the State. This decision can not be made without knowing the health risks and health costs of continuing to use the existing grade diesel fuel for power and heat.

MIKE MAHER, Director, Division of Administrative Services, Department of Environmental Conservation, introduced Mr. Chappel.

TOM CHAPPEL, Director, Division of Air and Water Quality, Department of Environmental Conservation, noted the federal Environmental Protection Agency (EPA) has passed regulations applying to trucks and vehicles. He told of the need to understand the health impacts on rural Alaskan residents, as existing data applies to national highway use only. He pointed out that the majority of diesel fuel is utilized for power generation in rural Alaskan communities than for trucks and buses as occurs in other areas.

Senator Bunde assumed that if the studies indicate a conversion is advisable, a substantial expense would be required. He asked the estimate of this expense.

Mr. Chappel gave speculation of the increased costs. He relayed that the new fuel is manufactured in the state of Washington at an additional cost of five to ten cents per gallon. He pointed out this does not include shipment to rural Alaskan communities and other factors that could increase the amount as much as 40 cents more. He surmised that during the first year, a "sorting out of the market" would occur before the actual price of the new fuel would be established.

Senator Bunde predicted that eventually, the new fuel would be required and suggested the funds proposed for this study could be better spent on the new fuel.

Senator Taylor inquired about the use of federal funds.

Mr. Chappel responded that the State has determined this study is important, although the federal government has yet to announce whether it would fund the project. He stated that "compelling inference," indicates the new fuel would dominate the market, possibly necessitating the conversions.

Senator Taylor understood the concerns but suggested they are misplaced. He doubted significant evidence could be found to determine health risks between the two fuels. He suggested the focus should be the costs involved in the conversions. He remarked that the current health risk assessments apply to Los Angeles, California, and possibly Anchorage and Fairbanks, but not to rural Alaskan communities. He stressed the Legislature must make a policy call as to the amount the State should spend to implement a decision made in Washington D.C.

Senator Taylor asked what federal receipts would be used to fund this project and whether the funds would be diverted from another project.

Mr. Chappel replied that the Department would request federal funds specifically for this study. He asserted that health consequences, if any, are unknown. He stated that if the new fuel cost ten cents more per gallon and no health consequences were identified, the Department could argue against making conversions.

Senator Taylor questioned how the conversion could be avoided if only the new fuel is manufactured. He pointed out that air quality problems have only occurred in Fairbanks and Anchorage and suggested any studies should be conducted in those locations.

Senator Taylor commented that funds directed from the EPA would be acceptable for this project.

Senator Hoffman understood fuels are assessed different taxes and diesel used for motor vehicles is distinguished through the use of blue dye. He asked how the fuels are differentiated in rural areas.

Mr. Chappel replied that rural Alaskan communities are not required to separate the fuels.

Senator Olson asked if the health impacts of the different diesel fuels are studied elsewhere, possibly by the national Center for Disease Control.

Mr. Chappel affirmed that significant data has been collected in areas along major roadways and in neighborhoods near roadways. He stated that this information has established that the health risks justify the higher cost of the cleaner fuel for these areas. However, he reiterated that no data exists for areas far from major roadways. He relayed that the Department has discussed the issue with the Center for Toxic Disease, although the CDC has not been involved to date. He noted that if the project progresses, the CDC would be included in the assessment.

Senator Olson asked if the CDC were involved whether that agency would provide funds.

Mr. Chappel assured the Department would attempt to secure funds from any potential source.

Senator Bunde predicted that because the usage in Alaska is considerably less than in the Lower 48, continued manufacture of the older fuel solely for use in Alaska is unlikely. He referenced Senator Taylor's opinion that it is acceptable to expend federal funds for this project. Senator Bunde commented on public concerns regarding the State's total budget, citing this project as an example of increased spending.

Statewide Contaminated Sites Cleanup

\$5,000,000 Oil/Haz funds

Reference No.: 33826

Category: Health/Human Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2003 - 06/30/2008

On-going Project

This CIP funds assessment and cleanup of highest priority state-owned sites or sites where the responsible party is unknown or has refused to take appropriate action. Work includes site assessment, corrective action plan, clean up,

monitoring and final site closure.

LARRY DIETRICK, Director, Division of Spill Prevention and Response, Department of Environmental Conservation, outlined this item.

Senator Olson asked the success rate of recouping funds from businesses or other entities.

Mr. Dietrick gave the three-year average recuperation rate at 90 percent. He elaborated that some payments are not received until after the cleanup is completed and some instances require litigation.

Senator Olson asked the amount of the remaining ten percent that would remain unrecoverable.

SFC 03 # 32, Side A 10:39 AM

Mr. Dietrick replied that this information is contained in the biannual report the Department is required to submit to the legislature. He stated he would provide a copy to Senator Olson.

Senator Hoffman asked for an estimation of when all the cleanup projects would be completed.

Mr. Dietrick responded that 133 State-owned sites have been identified as in "need of attention", at an estimated total cost of \$67 million. He qualified that some sites would require additional funds and others would require less funding than predicted.

Alaska Spill Response Depots and Corps System
\$300,000 Oil/Haz Funds
Reference No.: 37792
Category: Health/Human Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2003 - 06/30/2008
On-going Project

This project will provide funds to maintain readiness and response capabilities in local communities through the purchase of response equipment and delivery of training to local responders. The project will also provide funds to develop specific geographic response strategies and tactics for the protection of critical environmentally sensitive areas of the State and areas of public concern. Wherever possible,

matching funds for these projects will be sought from local communities, other government agencies, and other parties.

Mr. Dietrick explained this project would allow the Department to communicate with local parties "over the phone" to direct cleanup activities. He stated this would result in cost savings with the elimination of travel expenses and the need to contract services.

Senator Bunde asked the original source of the Oil and Hazardous Response funds.

Mr. Dietrick detailed the Response fund originally was generated from a nickel-per-barrel tax imposed on crude oil production in Alaska. He stated that in 1995, the legislature adjusted the tax rate to "a two-cent three-cent", explaining this funding source is generated from the three cents per barrel collected.

Senator Hoffman understood this fund balance has a limitation, at which time the tax is no longer imposed.

Mr. Dietrick affirmed and explained that once the balance reaches \$50 million, the two-cent tax collected for the Reserve Response Account, is suspended. He noted the tax has not been collected for five years.

Data Integration
\$580,000 federal receipts
Reference No.: 37972
Category: Development
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2003 - 06/30/2005
On-going Project

The Department of Environmental Conservation is integrating the many sources of information within the department for more efficient and effective management, regulating and service to the public.

Mr. Maher explained this funding is a grant and would be utilized with the intent to make information accessible to decision makers and the public. He stated the grant has two parts: one for external integration of the four states included in "Region 10", and a one-stop grant for internal integration, designed to extend funds to programs within the Department.

Mr. Maher relayed that Commissioner Ernesta Ballard requested the Department completely overhaul all data operations from the web site to developing on-line permitting.

Municipal Water, Sewer and Solid Waste Matching Grant Projects
\$6,447,100 AHFC (Alaska Housing Finance Corporation) Dividend
\$6,708,800 federal receipts
\$10,721,300 general funds
Reference No.: 33824
Category: Health/Human Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2003 - 06/30/2008
State Match Required
On-going Project
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.

DAN EASTON, Director, Division of Facility Construction and
Operation, Department of Environmental Conservation, testified that
the mission of the Division is to "assist communities in improving
sanitation conditions." He stated the Division accomplishes this by
making loans and grants available and otherwise working with
communities to build water, sewer and solid waste facilities. He
noted this item and the remaining items address this purpose.

Mr. Easton explained this item addresses larger communities and
detailed the application process in which the Department assesses
need based on public health and environmental conditions, as well
as the communities' record of operating and maintaining existing
water and waste facilities. He pointed out the local match
requirement of 15 to 20 percent and that the program is funded
primarily with State funds, although federal funds could be used in
some smaller communities located away from the major road system.

Senator Bunde clarified this program funds the construction of
facilities and that the ongoing operating and maintenance expenses
would be the responsibility of the community.

Mr. Easton affirmed.

Village Safe Water Project Administration
\$506,400 AHFC Dividend
\$1,519,100 federal receipts
Reference No.: 33820
Category: Health/Human Services
Location: Statewide
Election District: Statewide
Estimated Project Dates: 07/01/2003 - 06/30/2008
State Match Required

On-going Project

Village Safe Water project administration is the operating cost of delivering Village Safe Water engineers and other program staff, as well as associated travel, contracts, supplies and equipment.

Mr. Easton noted the Village Safe Water project provides grants to the smallest communities for water, sewer and solid waste projects. He detailed the process whereby proposals are submitted each year and ranked by the Department according to public health and environmental criteria, as well as the community's capacity to operate and maintain the system. He pointed out these grants require no local match and that the projects are funded with 75 percent federal funds and 25 percent State matching funds.

Mr. Easton noted this item is essentially the same amount as the current year. He stated that this funding is transferred to the Department's operating budget and expended for engineering and other costs associated with managing the project.

Senator Bunde asked if operation and maintenance of the facilities is the responsibility of the community.

Mr. Easton affirmed.

Senator Bunde asked how successful this program has been.

Mr. Easton replied that the program has been "largely successful". He assured that if the Department determines that a community is not capable of operating and maintaining the system, the project is not undertaken in that area.

Senator Bunde asked if the State has been required to assume responsibility of the system in any communities.

Mr. Easton responded that the Department does not have the capability to assume operations. He noted that the Department employs remote maintenance workers in cases of emergency such as a fire, to assist in making the system operational again. He defined the success of communities as those undertaking good preventive maintenance, collecting fees to operate the facility and employing a certified operator. He cited no instances in which a community was deemed absolutely incapable of operating the system and the system had to be shut down.

Co-Chair Green referenced the use of AHFC dividend funds for this item and asked whether these funds were included in the information provided to the Committee by the AHFC.

Co-Chair Wilken assumed this "claim on the dividend" is included.

It was established that the \$19,708,000 AHFC funding for this item this is in addition to the dividend appropriated to the State.

Co-Chair Wilken asked the efforts of the Department with the Denali Commission regarding village sustainability for utility projects.

Mr. Easton replied that the Department is involved with other agencies in a Sustainable Utility Steering Committee within the Denali Commission, to create village sustainability.

Co-Chair Wilken requested a brief explanation of the interaction with the Denali Commission and the progress of sustainability. He noted that the commissioner has "taken a different look" at the statutory requirements relating to the Village Safe Water program and asked how this assessment has been integrated within the Department. He asked if the proposed projects had been scrutinized with the new criteria.

Mr. Easton responded that the proposed projects had not been reassessed, noting this budget request is a continuation of previous years. He emphasized the complexity of the matter.

Village Safe Water Feasibility Studies

\$736,600 AHFC Dividend

\$2,209,200 federal receipts

Reference No.: 33821

Category: Health/Human Services

Location: Statewide

Election District: Statewide

Estimated Project Dates: 07/01/2003 - 06/30/2008

State Match Required

On-going Project

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

Mr. Easton noted the amount requested for this item in FY 04 is approximately \$373,000 less than the current year appropriation.

Mr. Easton thanked Co-Chair Wilken for his remarks on the Village Safe Water database. Mr. Easton expressed embarrassment over the four years required to complete the exercise, emphasizing that the delays were primarily in collecting information from sources other than the Department. He spoke to the importance of the completed project.

#

ADJOURNMENT

Co-Chair Gary Wilken adjourned the meeting at 11:00 AM