

HOUSE FINANCE COMMITTEE
May 8, 2018
2:08 p.m.

2:08:07 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 2:08 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Les Gara, Vice-Chair
Representative Jason Grenn
Representative David Guttenberg
Representative Scott Kawasaki
Representative Dan Ortiz
Representative Lance Pruitt
Representative Steve Thompson
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

None

ALSO PRESENT

Paul Labolle, Staff, Representative Neal Foster; Julia Caufield, Self, Juneau; Alison Kulas, Executive Director, Alaska Mental Health Board, Advisory board on Alcoholism, Juneau; Don Habeger, Community Coordinator, Juneau Reentry Coalition, Juneau; Richard Benville, Mayor, City of Nome, Nome; Aliza Kazmi, Self, Juneau; Chris Dimond, Carpenters Union and Building Trades, Juneau; Jeff Rogers, Division of Administrative Services, Department of Environmental Conservation; Kristin Ryan, Director, Spill Prevention and Response, Department of Environmental Conservation; Jeff Rogers, Director, Division of Administrative Services, Department of Environmental Conservation; Pat Pitney, Director, Office of Management and Budget, Office of the Governor; Representative Justin Parish; Representative Chuck Kopp.

PRESENT VIA TELECONFERENCE

Brett Carlson, Coldfoot Camp, Coldfoot; Lisa Vonbargen, Borough Manager, City and Borough of Wrangell, Wrangell; Deborah Hansen, Pike's Waterfront Lodge, Fairbanks; Janeen Hutchins, Alaska Wildland Adventures, Girdwood; Vivian Mork, Tlingit Nation, Sitka; Brett Woodbury, B.W. Enterprises, Wrangell; Jamie Roberts, self, Wrangell; Kim Wickman, Wrangell Cooperative Association, Wrangell; Ester Ashton, Wrangell Cooperative Association, Wrangell; Angie Flickinger, self, Wrangell; Polly-Beth Odom, Daybreak Inc, Mat-Su; Kate Finn, Self, Homer; Caroline Venuti, Kachemak Bay Campus of UAA, Homer; Kyan Reeve, Transit Director, Ketchikan; Sarah Leonard, President, Alaska Travel Industry Association, Anchorage; Kory Eberhardt, Alaska Travel Industry Association, Fairbanks; Doreen Lorenz, Chair, Friends of Jesse Lee Home, Anchorage; Tiffany Hall, Recover Alaska, Anchorage; Colleen Dushkin, Association of Alaska Housing Authorities, Anchorage; Chris Kolerok, Bering Straits Regional Housing, Nome; Serene Rose O'Hara-Jollie, Self, Fairbanks; Michael Fernandez, Williwaw Neighborhood, Wasilla; Brenda Moore, Chair, Advisory Board to Mental Health Trust, Anchorage; Gerald Hope, The Ride, Public Transit, Sitka; Jay Bechtol, South Peninsula Health Services, Homer; Jessica Cler, Planned Parenthood, Anchorage; Besse Odom, Self, Anchorage; Jan Wrentmore, Chair, Skagway Marine Access Commission, Skagway; Fernando Salvador, Alaska Coalition, Anchorage; George Pierce, Self, Kasilof; Allison Lee, Alaska Association for Personal Care Support, Fairbanks; Jim Jager, Director, External Affairs, Port of Alaska, Anchorage.

SUMMARY

HB 284 APPROP: CAPITAL BUDGET

HB 284 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the agenda for the day. He indicated the committee would be adopting a committee substitute and taking public testimony for HB 284.

#hb284

HOUSE BILL NO. 284

"An Act making appropriations, including capital appropriations, supplemental appropriations, reappropriations, and other appropriations; making appropriations to capitalize funds; and providing for an effective date."

[2:08:51 PM](#)

Co-Chair Foster explained to the public that the committee substitute reflected the changes made by the Senate in the amendment process. The committee last heard the bill on April 30, 2018. He indicated that his staff would review the changes from the previous work draft, version D.

Co-Chair Seaton MOVED to ADOPT proposed committee substitute for HB 284 (FIN), Work Draft 30-GH2565\J, (Martin, 5/7/18).

Representative Wilson OBJECTED for discussion.

Co-Chair Foster invited Mr. Labolle to the table.

[2:10:08 PM](#)

PAUL LABOLLE, STAFF, REPRESENTATIVE NEAL FOSTER, explained that the first change the Senate made was adding \$2 million for the Alaska Travel Industry Association for tourism, marketing, and development. The governor had asked for \$3 million. The change could be found on page 3, line 18. The next change was an addition of \$2.5 million for the Wrangell junkyard contaminated site clean-up. It could be found on page 4, line 31. He noted that the governor's original request was for \$5 million.

Co-Chair Foster reported that he understood the funding for the Wrangell site clean-up was an all-or-nothing funding request. It was not recommended to do the project partially. He asked if he was correct. Mr. Labolle responded in the affirmative according to the Office of Management and Budget (OMB).

Representative Wilson noted that \$15 million had been spent on the project. She wondered why that money could not be used to move the contamination off of the island. Mr. Labolle did not understand the representative's question.

Representative Wilson repeated her question. She indicated that \$15 million from the clean-up money had been allocated for the junkyard in Wrangell. She understood that the additional \$5 million being requested could not be taken from the clean-up fund and wondered why. She also wondered why there was not a site on Wrangell. She asked what was preventing the additional \$5 million from coming out of the clean-up fund rather than the general fund.

Mr. Labolle understood that since the project would be removing materials from the island it would not fit under the appropriation originally granted. The amount of \$5 million was the additional amount needed to barge the materials off the island. Originally, a local site had been chosen, but residents opposed having the contaminated material left on the island.

Representative Wilson asked if Wrangell had contributed any matching funds.

Vice-Chair Gara hoped the Department of Environmental Conservation (DEC) would be able to clarify the need for the \$5 million appropriation.

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Mr. Labolle reviewed the change on page 7, line 33 in the amount of \$750,000 to the Department of Revenue for due diligence on the Alaska Liquified Natural Gas (AKLNG) project. It was a part of the governor's original request. Another addition was on page 8, line 29 for the Department of Natural Resources for due diligence on AKLNG. He turned to page 9, line 23 for money for weatherization in the amount of \$6 million. The addition was a correction. The governor had requested \$10 million in his contingency budget. However, the senate funded only \$6 million; \$3 million in general funds and \$3 million in federal funds. The change was originally intended to be in the previous committee substitute by the Senate but did not end up in the bill. He continued to the change on page 17, line 10 in the amount of \$75,000 within the Department of Commerce, Community and Economic Development for Community and Neighborhood Watch. The next change was on page 17, line 14 for a financial review and analysis of the City of Nenana for \$60,000. He continued to the next change on page 17, line 20 for \$250,000 for the Alaska Healthcare Transformation Project. It was the next step in the

healthcare authority feasibility study. Another change could be found on page 17, line 25 for \$500,000 to the City of Anchorage for the Hillcrest subdivision clean water improvements. It was to address a contaminated water situation.

Representative Wilson asked why the clean-up money could be used for this particular project but not on the Wrangell junkyard project. Mr. Labolle would have to get back to the committee with an answer.

Representative Wilson commented that when the bill came from the other body there was no back-up materials provided explaining the changes.

Co-Chair Foster asked if Mr. Labolle had any updates on the backup material. Mr. Labolle had back-up material in the form of a Total Project Snapshot (TPS) report that he could provide to members. Representative Wilson replied, "That would be great. Thank you."

Mr. Labolle relayed the next change on page 17, line 28 for \$2 million for the Anchorage Police Department for crime prevention response and equipment. Representative Wilson asked, "So, why Anchorage?" Mr. Labolle responded that there was no back-up available on the project.

Representative Wilson suggested the allocation be changed to a statewide expenditure. Co-Chair Foster believed there was another allocation of \$2 million later in the bill. He reiterated that the committee was reviewing the additions made to the capital budget by the Senate through the amendment process.

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Mr. Labolle continued to the addition on page 18, line 11 of \$2 million to the Alaska State Troopers with the Department of Public Safety for crime prevention response and equipment. It was a statewide appropriation.

Representative Wilson wanted to find out why one city police was receiving \$2 million and the other \$2 million was being shared statewide. She supposed she would wait for the back-up.

Mr. Labolle continued that the next change was back-stop language for the Department of Transportation and Public Facilities appropriation for a federal highway match on page 35, line 10. The legislature had similar language from the previous year's capital budget projects. It stated:

"If the reappropriations used in this section fall short of the calculation, then it will be back stopped with general funds."

Mr. Labolle reported the next change on page 37, line 3 was a reappropriation of about \$1 million from the Jesse Lee Home to the City of Seward for site clean-up and remediation.

Representative Wilson asked if the money would help in tearing the historic building down versus giving it to the Jesse Lee Home to preserve it. Mr. Labolle indicated that the money was not for the Jesse Lee Home but for the City of Seward to mitigate asbestos by tearing down a building that would otherwise collapse and become a public safety hazard.

Representative Wilson wanted assurance that the city would be using it for its intended purpose. It was her understanding that the city would be using it to tear down the Jesse Lee Home in its entirety. She indicated that many historic buildings were going away and once they were torn down, the action could not be reversed. Mr. Labolle understood Representative Wilson's question more than earlier regarding the money sitting somewhere then going somewhere else. He explained that there was \$1 million allocated for the Jesse Lee Home. The grant was lapsing. In the previous version of the Senate bill, they had used the money for a federal highway match. In the current version, the money was being reappropriated to the city.

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Representative Wilson spoke to the importance of preserving the history of Alaska. She wanted to make sure that if the legislature was going to give the money to a different entity, the entity would be honest about what they were going to do with it. She thought it would be prudent in this instance to ask for a letter of intent from the community. Mr. Labolle offered that he had a TPS report

available on the reappropriation that he could share with the committee.

Mr. Labolle indicated that there were some technical corrections for reappropriations. The Senate found that there were insufficient funds in the previous version of the bill. The Senate increased the federal highway match and decreased the amounts reappropriated in the language section totaling about \$850,000. He asked if the committee wanted him to go through the reappropriation clean-ups or skip over them. Co-Chair Foster indicated he could skip that detail.

Mr. Labolle continued to coding changes in statewide appropriations. There were four coding changes: The Community Resources went from statewide to Districts 7-31; Klutina Road went from statewide to House District 6; Municipal Harbor Facility Grant Fund went from statewide to District 35; and the Newtok relocation went from statewide to District 38.

Co-Chair Foster announced that the committee would be hearing public testimony on the Capital Budget.

Representative Wilson WITHDREW her OBJECTION.

Co-Chair Seaton wanted to clarify that the committee was reviewing version J.

There being NO OBJECTION, committee substitute for HB 284 Work Draft 30-GH2565\J, (Martin, 5/7/18) was ADOPTED.

^PUBLIC TESTIMONY

2:24:22 PM

Co-Chair Foster reviewed the time limit for public testimony. The public would be allowed to sign-up to give public testimony until 3:30 PM.

2:25:34 PM

JULIA CAUFIELD, SELF, JUNEAU, asked members to remove the funding for the University of Alaska Anchorage (UAA) Long-Acting Reversible Contraception (LARC) study from the FY 19 capital budget. She was a full supporter of Alaskans having access to whatever birth control method they were most

comfortable with. She believed quality reproductive healthcare should be affordable and easily accessible to all people. She thought the LARC study was unethical and an attempt to control women's bodies through the guise of providing care. The study would result in contraceptive coercion that would primarily effect already-marginalized women in Alaska. Alaska was facing a health crisis, but the funding for the LARC study would do nothing to address the problem. Long-Acting Reversible Contraception was already a proven and effective form of birth control. She suggested the money currently allocated for the study could be put to better use through substance use disorder treatment programs and Medicaid services. She thanked the committee for hearing her testimony.

[2:27:09 PM](#)

BRETT CARLSON, COLDFOOT CAMP, COLDFOOT (via teleconference), spoke about his business operation and the importance of supporting the tourism industry. He discussed the positive affect of marketing on tourism. He noted that marketing was the only lever that Alaskans had collectively to increase the growth curve of the travel industry in the state. He argued that the travel industry allowed small businesses such as his own to sit at the economic table at the ownership level. He opined that it was critical for small businesses in Alaska to pull together to market Alaska. He noted that businesses invested \$18.7 million of the \$100 million that the travel industry provided to the coffers of the State of Alaska. Marketing had dropped considerably in recent years. He spoke of a plan designed by a group of small businesses called the Tourism Improvement District (TID). The plan had been introduced as legislation but had not reached the finish line. He sought support of \$3 million in the capital budget to serve as a band aide for marketing for the following year.

Representative Kawasaki thanked the testifier. He asked if Mr. Carlson was aware of the amended version having \$2 million. He asked about the \$1 million reduction and how it would affect the industry. Mr. Carlson responded that an additional \$1 million would make a significant difference.

Co-Chair Foster acknowledged Representative Justin Parish in the audience.

[2:32:33 PM](#)

LISA VONBARGEN, BOROUGH MANAGER, CITY AND BOROUGH OF WRANGELL, WRANGELL (via teleconference), spoke in favor of funding the shipping costs for the contaminated soil and other materials in Wrangell. Two years ago, the Department of Environmental Conservation took on the challenge of cleaning up what should have been an Environmental Protection Agency (EPA) super fund site in her community. Lead contaminated soil from the property was initially planned for shipment off of the island. Underestimated quantities of contaminated soil ballooned from 4,000 to more than 18,000 cubic yards. The project budget was unable to absorb the additional costs related to moving the increased material to an appropriate disposal site in the Lower-48. The Department of Environmental Conservation formed an alternate disposal plan on Wrangell Island. Unfortunately, the determined location was an area used by the local tribe for generations for hunting and gathering. Additionally, the site sat directly adjacent to the most widely used community recreation area, Pats Lake. The concern was that over time the now treated material could become bioavailable entering into the eco system. The city supported the governor's request for \$5 million in the capital budget to fully fund the project allowing for the material to be moved off the island.

Vice-Chair Gara thanked Ms. Vonbargen's testimony. He asked what would happen if the legislature accepted the Senate's number and waited another year to provide the full \$5 million. Ms. Vonbargen responded that the location of the 18,000 cubic yards of material was stabilized on the site where the clean-up took place. The site was unsuitable for the material to stay on because of the slope of the land. It far exceeded what was allowed by regulatory standards. The material had to be moved to a different location. The liner covering the material was being damaged from time to time from wind and other things and had to be patched. It was checked daily by contractors. If additional funding were to come a year later, the material would have to be restabilized in its existing location. Additional funds from the project budget would have to be used taking away from a final solution.

[2:35:44 PM](#)

DEBORAH HANSEN, PIKE'S WATERFRONT LODGE, FAIRBANKS (via teleconference), spoke in favor of funding tourism

marketing in the amount of \$3 million. She thought the funding would make a huge difference in the tourism industry. She appreciated the legislature's efforts.

Co-Chair Foster requested that Mr. Labolle come to the table to discuss the changes to the Juneau Access Project.

Mr. Labolle had skipped over the Juneau Access project during his review of the work draft changes. He conveyed that the \$21 million that had been appropriated for the upper Lynn Canal improvements was reappropriated by the Senate to the Juneau Access Road. It could be found on page 36, line 3.

Vice-Chair Gara asked if the money would be spent within the year or held in an account. Mr. Labolle responded that the amount would be held in an account. There was a significant amount of work to be done before the project could forward.

[2:38:50 PM](#)

JANEEN HUTCHINS, ALASKA WILDLAND ADVENTURES, GIRWOOD (via teleconference), spoke in favor of supporting the tourism marketing program at the level of \$3 million. She suggested that \$3 million was the minimum needed to do anything of value in the marketplace. She pointed to the correlation between her business' success and the level of marketing dollars invested by the state. Her business flourished most following when statewide spending for the statewide tourism marketing program was at its highest. She reported a decline in trip inquiries and website visits for the first time in years. She also noted a decline in revenues even while investing in her own marketing budget. She thought her decrease in revenue was directly related to the severely reduced marketing programs over the last couple of years. She thought that because the state had not reinvested in tourism marketing to a greater degree, the effects were starting to show. She reemphasized that \$3 million was the minimum needed to do a good job.

[2:41:47 PM](#)

VIVIAN MORK, TLINGIT NATION, SITKA (via teleconference), urged funding for the contaminated Byford Junkyard site in Wrangell. She provided some information about her family lineage. She spoke to the challenges around finding

additional contaminated soil. She was heartbroken about having to fight for funding to remove the lead contaminated soil and urged the legislature to restore it.

[2:44:26 PM](#)

BRETT WOODBURY, B.W. ENTERPRISES, WRANGELL (via teleconference), spoke in favor of maintaining the level of funding for dealing with contaminated soil in Wrangell. He thought it was unnecessary to ask for additional money was unnecessary because of the available designated site. He thought it would be more cost effective to store the materials at a monofill site rather than transferring it off island. He spoke of the positive aspects of leaving the materials on the island. He suggested that the end product would leave the monofill area in better condition than at the start of the project. He thought it was fiscally irresponsible to spend the money, as Wrangell had more pressing funding needs. He provided some examples. He urged members to vote "No" on the amendment.

[2:45:58 PM](#)

JAMIE ROBERTS, SELF, WRANGELL (via teleconference), spoke in favor of additional funding for the Wrangell contaminated soil project. She spoke of the recreational activities near the proposed monofill site in the Pat Creek watershed. The watershed had substantial reaches of high quality fish habitat. She named the various species of fish that exist in the watershed. She mentioned the close proximity of the stream reiterating her preference of shipping the materials off-island. She asked members to support the governor's request for \$5 million to assist the community of Wrangell in removing the lead contaminated soil from the island. She thanked the committee for considering her testimony.

[2:47:44 PM](#)

KIM WICKMAN, WRANGELL COOPERATIVE ASSOCIATION, WRANGELL (via teleconference), spoke in support of adding \$2.5 million to help with disposing contaminated soil off Wrangell Island. She mentioned that the Wrangell Cooperative Association conducted a survey pertaining to the proposed Pat Creek monofill, which she wanted to share with the committee. She relayed that 97 percent of the people surveyed used the Pat Creek watershed for

recreating. She reported that 93 percent of people surveyed were against the location of the Pat Creek monofill; 85 percent felt that the public involvement process was inadequate; and 93 percent did not feel informed through the initial planning and processing phase. Of those surveyed, 65 percent were non-tribal members and 35 percent were tribal members. The watershed was important to the community of Wrangell. She asked members for their consideration.

[2:49:40 PM](#)

ESTER ASHTON, WRANGELL COOPERATIVE ASSOCIATION, WRANGELL (via teleconference), spoke in favor of additional funding for the disposal of contaminated soil off the island of Wrangell. She felt that Byford Junkyard was a matter of safety and human health. She spoke of the lead contaminated soil and its abundance at the location. She relayed that EPA funding fell through and DEC took over in 2015. Sixty-two shipping containers of contaminated material were transferred off-island. The community was trying to deal with the remainder of contaminated material equal to about 2,000 dump truck loads. She spoke of the dangers of not removing the soil and provided additional detail about the monofill site. She appreciated the governor's request of \$5 million to assist in removing the material off the island and hoped the legislature would support her request.

Representative Wilson asked who originally contaminated the land. Ms. Ashton responded that the land was originally privately owned by a family named Byford. The property was foreclosed on by the City and Borough of Wrangell. The Department of Environmental Conservation came in to complete the clean-up. Representative Wilson clarified that the city owned the land currently. Ms. Ashton responded affirmatively.

[2:52:25 PM](#)

ANGIE FLICKINGER, SELF, WRANGELL (via teleconference), spoke in support of additional funding for the transport of contaminated soil off the island of Wrangell. She spoke about the negative effects that could occur by leaving the contaminated soil on the island. She asked members to allow for \$5 million for the project.

[2:54:14 PM](#)

POLLY-BETH ODOM, DAYBREAK INC, MAT-SU (via teleconference), urged members to support the \$18 million 4-year substance abuse disorder grant program that the governor originally introduced and included in his public safety action plan. She provided details about the program and its benefits throughout the state. She also implored the committee to fully fund the FY 19 Medicaid supplemental request so that providers like herself had the confidence to continue providing services over the following month and a half. She had three more pay cycles to meet and faced the real possibility of having to suspend staff and services due to the Medicaid shortfall. She thanked committee members for their time.

[2:56:36 PM](#)

KATE FINN, SELF, HOMER (via teleconference), agreed with a previous speaker about removing the funding for the UAA Long-Acting Reversible Contraception study for several reasons. She spoke about the differences between the language of the bill versus what the people who would be implementing the program indicated. She recommended that the bill be vetted in the Judiciary Committee because of potential litigation. She also argued that if people were serious about stopping substance abuse they should not cut out \$18 million of substance abuse funding. She also opined that if Medicaid was going to be a primary provider of substance abuse services, there was now a reduction of \$40 million in Medicaid funding. She thanked the committee for hearing her testimony.

[2:59:04 PM](#)

CAROLINE VENUTI, KACHEMAK BAY CAMPUS OF UAA, HOMER (via teleconference), requested that \$86 million be reinstated for renovations and deferred maintenance for the University of Alaska. She was aware that the money was not in the budget because it was contingent on the Alaska Recovery Act passing. She argued against the contingency provision because of the importance of the state taking care of its property. She opined that the University of Alaska was a state gem, but without maintaining the campus it would likely lose funding and students. She thanked the committee.

[3:00:39 PM](#)

ALISON KULAS, EXECUTIVE DIRECTOR, ALASKA MENTAL HEALTH BOARD, ADVISORY BOARD ON ALCOHOLISM, JUNEAU, urged support as laid out in the governor's budget of \$18 million. She relayed that her agencies were statutorily charged with advising the governor, the legislature, and the departments on the planning and coordinating of the State of Alaska's behavioral health services. She provided a list of programs and services the funds would support over multiple years. She noted that the Alaska Psychiatric Institute (API) was in a state of crisis and that funding was desperately needed. She advocated that the governor's supplemental funding request in the capital budget of \$3.1 million be supported. The funding would allow 20 nursing positions to be filled at API and would increase salaries for existing nurses. She strongly supported the request. She spoke of the benefits of additional funding. She asserted that if approved by the federal government, the department's 1115 Medicaid Waiver Demonstration Product would take pressure off of API and other hospitals in Alaska - a lengthy process. She believed that interim solutions were needed during the state's behavioral health crisis. She asked for members' support.

Vice-Chair Gara relayed that the funds were proposed by the governor in the operating budget. The funds were limited for a few years which was why the funds were proposed in the capital budget. He did not mean for the funds to disappear. He relayed that the Medicaid funding for behavioral health would go towards helping people with existing facilities. The funds Ms. Kulas was talking about would be used to expand capacity which Medicaid funds could not be used for. He asked if he was accurate. Ms. Kulas responded, "Correct."

[3:03:59 PM](#)

DON HABEGER, COMMUNITY COORDINATOR, JUNEAU REENTRY COALITION, JUNEAU, supported the \$18 million appropriation in the governor's version of the capital budget for treating substance use disorders. The Juneau Reentry Coalition was committed to reducing recidivism in the community. He believed strongly that community supports were necessary and asked for the committee's support the \$18 million for continued community treatment.

[3:05:09 PM](#)

RICHARD BENVILLE, MAYOR, CITY OF NOME, NOME, spoke about the location of Nome and its proximity to the Arctic Ocean. He noted the importance of building infrastructure to provide accessibility to the Arctic Ocean. He had just returned from Norway and indicated that the governments of Finland, Norway, Sweden, and Russian were prepared for the future. He emphasized infrastructure further North was necessary. He asked the committee to place \$1.6 million for the preliminary engineering and design work for a port that would open up the Northwest Passage. He stated that Nome worked directly or indirectly with 53 ports. He thanked the committee for its time and wanted to keep Alaska at the forefront of the world.

Representative Wilson asked if the second part of the plan, which he was requesting funding for, allowed for design paperwork to provide to other entities including the federal government to build the port. Mr. Benville answered in the affirmative. He elaborated that it would give Nome the material to request and get the port built. Previously, the matching funds allowed the city to have a charrette with several entities to explore the possibilities and pitfalls of the project. The Pre-Construction Engineering and Design (PED) would provide the ability to do the work.

Representative Wilson asked if the cost of the port would be included. Mr. Benville answered that the costs would be discussed. He indicated that the finished project would be in the hundreds of millions. There were several designs being considered. He stated that the reality was it was happening. It was about Western Alaska and the US; Alaska had more than half the US coastline. Representative Wilson thanked him.

Vice-Chair Gara called it an Alaska port in Anchorage when they wanted money. He thought they should call all ports in Alaska, Alaska ports. Mr. Benville responded as long as Western Alaska was not forgotten, it was important.

[3:11:36 PM](#)

KYAN REEVE, TRANSIT DIRECTOR, KETCHIKAN (via teleconference), called in support of public and community transportation and the appropriation of \$1 million for transportation. He stated that a state match program had helped communities throughout the state to bring in many

millions of federal dollars. He noted that transit supported the mobility of Alaskans and tourists to the state. He reported that Ketchikan's transit system had been ranked as one of the top in the world for support of cruise visitors. The state match dollars help with the delivery of transportation services and kept Alaska competitive in the global tourism market. He argued that transit drove economic development as well. Most federal transit grants required between 10 percent and 20 percent local match. He encouraged members to support for Alaska's transit system in the amount of \$1 million.

[3:12:57 PM](#)

SARAH LEONARD, PRESIDENT, ALASKA TRAVEL INDUSTRY ASSOCIATION, ANCHORAGE (via teleconference), shared that many Alaska businesses depended on the tourism industry. The industry generated over \$4 billion in economic activity per year to Alaska including \$190 million to state and local budgets. The tourism industry represented 1 in 8 jobs in Alaska. She stressed that Alaska needed to remain competitive in tourism. She thanked the Senate Finance Committee for its increment of \$2 million. She encouraged bringing the tourism marketing budget up to \$3 million. She claimed that at \$2 million Alaska would remain at the bottom of national destination marketing programs. At \$2 million the travel industry would only be able to keep a consumer website going and do minimal media outreach. Producing printed pieces such as the official State of Alaska Vacation Planner" would not be available. She relayed that with the additional \$1 million the vacation planner would likely be able to be produced. She advocated that the money would be a good return on investment. She thanked the committee members for their consideration.

[3:15:18 PM](#)

KORY EBERHARDT, ALASKA TRAVEL INDUSTRY ASSOCIATION, FAIRBANKS (via teleconference), spoke in support of tourism funds in the amount of \$3 million. The statewide marketing plan was important to his family and business. He provided details about his company. He was concerned a \$2 million marketing budget would not be competitive. He supported the development of a statewide vacation planner. He asked that the funding level be increased to \$3 million.

Representative Wilson asked Mr. Eberhardt to speak about how tourism had come together even though the state no longer gave as much funding to the industry as it had previously.

Mr. Eberhardt answered that coming together had resulted in a large growth in the industry in Fairbanks, particularly during the winter. He believed it was the direct result of the larger marketing budgets in 2012 and 2013. Fairbanks was on the map for summer and winter tourism. He was already seeing a few alarm signals. He reported that last summer was flat. However, overall, the bed tax for Fairbanks was up because of winter travel. He thought winter travel would continue to increase. However, Alaska was competing directly with places like Iceland and Norway. Alaska was an international destination. He was concerned about the market and not having funding to generate a winter guide like the previous speaker mentioned. Two years prior the marketing budget was \$1.5 million, and for the first time Alaska did not have a vacation planner - a printed material that the baby boomer depended on.

Co-Chair Seaton thought he had heard Ms. Leonard say that the ATIA could only maintain their website with a \$2 million budget. Mr. Eberhardt answered that the \$1.5 million would allow them to keep a website running and some tours. The additional \$500,000 would still not be enough to produce a vacation planner. Printed materials were a costly endeavor. However, people had one-to-relationships with tourists they sent materials to. Every state in the Lower 48 had a vacation Plan.

[3:20:11 PM](#)

DOREEN LORENZ, CHAIR, FRIENDS OF JESSE LEE HOME, ANCHORAGE (via teleconference), asked for a transfer of the remaining grant fund from the Department of Commerce, Community and Economic Development back to the Department of Natural Resources where the project started. They had made a request in the prior December to the DCCED Commissioner. However, recently, Commissioner Navarre advised her that he had no authorization and that the legislature would have to make the transfer. The prior appropriations had been used to stabilize the nearly 100-year-old buildings. The organization had consulted with the top historic engineer in the nation. She provided detail about finished buildings. She stressed that none of the buildings were in

threat of collapse. All had been stabilized and remained solid. Renovation costs were similar to what was spent to build the Dimond Center Hotel in Anchorage 17 years previously. She supplied additional information about the project. The organization needed the remaining funds to maintain stabilization against weather and vandal and to complete the requirement of its purchase agreement with the City of Seward. She mentioned a number of the requirements in the contract. If the organization did not meet the specified requirements, the City of Seward would demolish the building. She continued to provide information about the project and reiterated her support of the transfer. She did not want the city to be able to destroy the historical building.

[3:24:01 PM](#)

TIFFANY HALL, RECOVER ALASKA, ANCHORAGE (via teleconference), called in support of the governor's request for \$18 million for substance use treatment and community services. She spoke of a study by the state that showed that Alaskans were dying at a higher rate than anywhere else in the country. She explained the importance of the funding. She indicated it was critical to fund and expand Alaska 211 as a call line to provide information and referrals. In the first year over 3400 calls came in regarding treatment. She also spoke to the domino effect of substance abuse. She noted that over one-third of Alaska's households struggled with alcohol. She provided information about the economic costs of alcohol. She argued that the funding would not only help to reduce costs in the future, but it would also save lives. She thanked the committee.

Vice-Chair Gara thanked Ms. Hall for her testimony. He thought that many of the people in the behavioral health treatment community assumed when the funds were available they would be in the budget. He urged her to encourage people at the conference to let the House Finance Committee know how the funds would help.

[3:28:01 PM](#)

COLLEEN DUSHKIN, ASSOCIATION OF ALASKA HOUSING AUTHORITIES, ANCHORAGE (via teleconference), spoke in favor of funding the supplemental housing development grant program, the senior housing development program, and the weatherization program. She appreciated these programs being included in

the capital budget. She provided information and the benefits for each of these programs. She requested that the state allocated funding of \$4.5 million to keep the weatherization program at FY 18 levels in anticipation of flat federal funding. She requested continued support for all three programs. She thanked the committee.

3:30:25 PM

CHRIS KOLEROK, BERING STRAITS REGIONAL HOUSING, NOME (via teleconference), relayed information about the association. He spoke in support of the weatherization program and the supplemental housing development grant program. He argued that both programs warranted state investment even in difficult budget times. Both programs served beneficiaries in every corner of Alaska. He shared some statistics about costs for heat in Alaska. Over 18,000 units had been weatherized saving Alaskans close to \$50 million annually. He continued to supply some weatherization statistics. He urged the committee to fully fund the weatherization program at \$4.5 million. He also supported the supplemental housing development grant program. He provided additional details about the program. He thanked the committee for the opportunity to testify.

3:33:36 PM

SERENE ROSE O'HARA-JOLLIE, SELF, FAIRBANKS (via teleconference), urged members to remove the \$500,000 supplemental appropriation for the UAA long-acting reversible contraception (LARC) study within the FY 19 capital budget. She had some deep ethical and moral concerns regarding the study. It was already known that LARC prevented pregnancy. There was no need to use tax payer dollars for further study. She reported that there was no provision in the study guaranteeing the safe removal of LARC which would potentially put every woman in the study at risk. She relayed that all LARCs had to be removed and there was nothing in the budget that allowed for it. She thought the study targeted vulnerable communities and offered women a false choice under the guise of care. She urged members to remove the funding of \$5 million for the dangerous study. She noted a number of issues surrounding contraception. She urged members of the House to remove the funding for the LARC study from the budget.

3:35:36 PM

MICHAEL FERNANDEZ, WILLIWAW NEIGHBORHOOD, WASILLA (via teleconference), spoke in support of funding for the Neighborhood Watch program. He read a list of funding items in the capital budget. He thought it would be a failure on the part of the legislature to fund \$18 million for drug addicts and not fund Neighborhood Watch made up of people combating drug addicts from stealing in their neighborhood. He argued that SB 91 was a large contributor to the increased addiction cases in Alaska. He thanked members for their time.

[3:37:18 PM](#)

BRENDA MOORE, CHAIR, ADVISORY BOARD TO MENTAL HEALTH TRUST, ANCHORAGE (via teleconference), understood the previous testifier's concern regarding crime. However, she relayed that the \$18 million would benefit people from families that were struggling to overcome addictions. She spoke of having the opportunity to participate in a number of community grass roots operations coalitions. She mentioned prison reentry, the Alaska Coalition on Housing and Homeless, and the Greater Anchorage Area Partnership, and the Anchorage Suicide Prevention Coalition. She pointed to the common thread in these coalitions, which was working to increase access to substance abuse treatment. She also asked for support for the hospital-based behavioral health care funding of \$18 million. She asked for funding for additional nursing staff at API. She thanked the committee.

[3:40:43 PM](#)

GERALD HOPE, THE RIDE, PUBLIC TRANSIT, SITKA (via teleconference), provided some background information. He requested an additional \$1 million for the state community match requested in the governor's budget for public transit. He advocated that the public transit system went a long way in getting people commuting. He appreciated member's listening to his testimony.

[3:42:32 PM](#)

JAY BECHTOL, SOUTH PENINSULA HEALTH SERVICES, HOMER (via teleconference), supported the \$18 million for substance use disorders. He also wanted to see the \$45 million Medicaid short fall funded. He could not imagine the effect without the Medicaid funding for 6 to 8 weeks. He also

urged funding the matching funds for API nurses. He noted that May was Mental Health Awareness Month, a national month of recognition. He thanked members for any help.

[3:44:25 PM](#)

JESSICA CLER, PLANNED PARENTHOOD, ANCHORAGE (via teleconference), urged members to remove funding for the UAA long-acting Reversible contraceptive study. Although Planned Parenthood shared the legislature's interest in improving access to healthcare for women and children in Alaska, and strongly supported efforts to improve access to a full range of birth control methods, the organization rejected any efforts that coerced any one particular birth control method because it was cost effective or more effective at preventing pregnancy. She relayed that Planned Parenthood had been in contact with supporters of the study through the movement of its original bill, SB 198. The study proposal prioritized the provisions of LARC over other birth control measures and did not adequately safeguard the reproductive autonomy of study participants. It included insuring study participants having access to LARC removal during and after the study. As written, the study proposal did not take follow-up care to discontinue use into account and the funding allotted in the capital budget proposal did not included enough to put a process in place. On Demand removal was mandatory and it could not be assumed that this and other concerns would be addressed later. Birth control was not a one-size-fits-all. She argued that steering women with substance use disorders to LARC over other methods to prevent pregnancies was contraceptive coercion. She suggested that funding the study would perpetuate the nation's long history of birth control experiments and marginalized groups of women. She urged members to instead fully fund critical Medicaid services and substance use disorder treatment programs.

[3:46:50 PM](#)

BESSE ODOM, SELF, ANCHORAGE (via teleconference), spoke in opposition of the long-acting contraceptive study. She felt that the LARC study looked at women as lab rats. She thought the study focused solely on the reproductive system of women dealing with substance abuse disorders. She opined that the proposed legislation simply failed to address the issue of substance abuse within the state. She thought supplying marginalized and vulnerable women with long-

acting contraceptives was not a long-term solution to the state's overwhelming statistics. She brought up the notion of coercion. She urged members not to support the LARC study appropriation. She thanked the committee.

[3:49:48 PM](#)

JAN WRENTMORE, CHAIR, SKAGWAY MARINE ACCESS COMMISSION, SKAGWAY (via teleconference), reported she was a business owner in Skagway. She offered her support to a healthy marketing budget for tourism. She highlighted page 36, lines 9-15. she thought there was some redundancy in the language. She reported that there was an existing appropriation of \$21 million on the books for the enhancement of transportation and infrastructure in the greater Lynn Canal area. She believed that Juneau was part of the greater Lynn Canal area. There was no reason the money could not be spent on Juneau improvements. She also thought it was important that the language stay general because there were significant needs in the region. Both Haines and Skagway had transportation related improvement needs. She mentioned the Skagway's ferry float needed to be replaced, as it was over 30 years old. She thought the money would sit in an account for a long time because the project was not shovel ready. She thought the money should remain for shovel ready projects. She relayed information about a project that she thought would never happen. She thanked the committee for the opportunity to testify.

[3:53:26 PM](#)

ALIZA KAZMI, SELF, JUNEAU, asked members to fully fund community-based substance use disorder treatment and Medicaid funding. She asked members not to support the UAA LARC study. She relayed that she felt informed about birth control because her doctor informed her of the choices she had. She also noted the previously stated concerns around reproductive coercion and removal on demand. She expressed her her concerns about access to reproductive health care and about expanding access to substance abuse treatment. She asked members to invest in critical behavioral health and other pressing health needs. She thanked the committee.

[3:56:09 PM](#)

CHRIS DIMOND, CARPENTERS UNION AND BUILDING TRADES, JUNEAU, spoke in favor of Juneau Access funding. He spoke to the

advantage of the project regarding the labor force. The project would employ workers from around the state. He reported that the project was shovel ready. The only thing holding up the project was a record of decision. He relayed that 60 percent of District 34 and 54 percent of District 33 supported the road. He had been hearing about the road for more than 40 years and thought it was time to build it. He argued that infrastructure projects made Alaska strong. He urged members to either leave the money where it was or re-designate for the capital access project.

Representative Wilson commented that she had been waiting for gas for 40 years. She asked Mr. Dimond if he was aware of the number of jobs the Lynn Canal Project would bring compared to the Juneau Access Road Project. Mr. Dimond responded that he was not aware of a project slated for the upper Lynn Canal. It was a potential project. Whereas, the Juneau Access Road Project was ready to go and would have 500 jobs.

Vice-Chair Gara thought the project was estimated to be a \$600 million construction project. He asked about the purpose of the \$21 million. Mr. Dimond responded that the \$21 million would be placed in the account with an additional \$21 million, and the money would be matched with federal dollars. As soon as the record of decision was completed and signed off by the governor, the project could begin. The money could sit in the account for about 9 months then be put to use to contract the project out.

Vice-Chair Gara asked Mr. Dimond if he thought the project would go without legislative approval of the funds for the project. He was wondering if the money would sit in an account until the legislature decided to fund a \$600 million road. Mr. Dimond responded that his understanding was that the money sat in the account until the project was signed-off. He noted the people in the room and the governor needed to sign-off on the project.

Co-Chair Seaton understood that the project was not on the State Transportation Improvement Project (STIP) list and that funding from the federal government would not be available without being on the STIP list. Mr. Dimond could not answer the question.

[4:00:46 PM](#)

JEFF ROGERS, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, introduced himself and indicated he was available for questions regarding the Wrangell project. Representative Wilson asked about the storage site chosen in Wrangell. She asked about the concerns of keeping the site in Wrangell versus sending out the contaminated soil. Mr. Rodgers responded that the site at Pats Creek at the rock quarry was an ecologically and environmentally sustainable site. It was a viable site that met all of the department's requirements for a monofill of its nature. Out of an abundance of respect for local concerns, including recreational and subsistence use of the area around Pats Creek, the governor advanced an amendment to ship the soil South.

Representative Wilson asked if he could use the current clean-up money, \$15 million, if DEC was to leave the contaminated soil in Wrangell and utilize the site that was designated. Mr. Rogers responded that out of the \$14 million that was currently authorized for the site, the department had spent about \$8.3 million to-date. The \$5 million request the committee was addressing currently would add to money that was already authorized but unspent to complete an off-island transfer.

Representative Wilson wondered about the cost if the soil were to remain in Wrangell. She wondered if the additional \$5 million would be needed. Mr. Rogers responded affirmatively. He elaborated that the \$14 million currently authorized from the response fund was enough to complete the on-island storage option.

Representative Wilson asked if he was aware of any other junkyards that belonged to a municipality where the state had stepped in with general fund dollars to do clean-up versus the municipality using their own funds. Mr. Rogers deferred to Ms. Kristin Ryan. Representative Wilson was asking because the Fairbanks North Star Borough decided that they would also take back a property through foreclosure and found out it was contaminated. The borough was able to get some federal funding but also used its own money. She was concerned about establishing a precedent.

[4:03:47 PM](#)

KRISTIN RYAN, DIRECTOR, SPILL PREVENTION AND RESPONSE, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, responded that it

was unusual for the state to step in and provide funding to address a contamination issue. The threshold was a serious and imminent threat. Often junkyards did not reach that threshold. They might be an eyesore and might have some minor contamination issues. However, they do not usually contain the kind of contaminants that would raise enough concerns to where DEC felt it needed to step in. One instance had occurred in Fairbanks in the prior winter. The Department of Environmental Conservation utilized the response account to clean up a privately held junkyard. Ownership was not necessarily something DEC considered. Risk and the potential for a responsible party to have the funds to address the issue were factors. If a party did not have the funds and DEC was concerned with the risks, the department would step in. If there was a viable responsible party, the department would often expect them to do the clean-up.

Representative Wilson asked if money from the spill response fund was used rather than undesignated general funds. Ms. Ryan responded affirmatively.

Representative Wilson asked if there was a mechanism for an entity, such as a city, to borrow money from DEC's fund. Ms. Ryan was not aware of any other financing options by DEC. The Department of Environmental Conservation had municipal loans provided primarily for water and sewer projects. Sometimes landfills were also allowed. It was a zero-interest loan. However, she was not aware of it ever being used in a situation like the one in Wrangell.

Representative Wilson commented that the legislature would be setting a precedent, which she was not comfortable with. She believed that DEC would not suggest a site unless it could be contained. She understood the community might not want the contaminated soil to remain in Wrangell. However, she did not agree with the state stepping in with \$5 million. She thought other entities would follow with a similar request. She thought municipal loans might be an alternative option.

[4:06:37 PM](#)

Vice-Chair Gara needed to better understand the \$5 million request. He asked what funds were proposed to be used. Mr. Rodger explained that it was the department's position that the response account allowed the department to work on the

site in an effort to address the immediate risk to human health and the environment. Having identified a viable option that met all of the regulatory requirements, the department saw the amount as a limit of the department's statutory authority from the response account.

Vice-Chair Gara wondered if Mr. Rogers was saying that the response account allowed the department to do a limited amount with the waste, but not ship the waste to a place where it was safe.

Mr. Rodgers replied that there was a presumption by the department that it would choose the lowest cost option that met environmental standards and protected human health. The department would certainly not spend more on a site than was necessary to clean it up from the response account.

Vice-Chair Gara wanted to look at fund sources. He remarked that the state was struggling to stay afloat financially. If it would be proper to use the response fund, why would general funds be used. Mr. Rodgers relayed that the department did not think it was appropriate to spend from the response fund. He clarified that DEC spent from the response account without appropriation. The department used the funds for emergencies to address risks to human health and the environment. When the department spent money from the account the legislature was notified. It was the department's position that in all cases it would execute the lowest cost viable plan that addressed human health risks and not spend more than that. The department supported the governor's request because it answered DEC's legitimate concerns about public use of the area. However, it was not to say that the department did not think the Pats Creek Rock Quarry was an environmentally acceptable option.

[4:09:11 PM](#)

Vice-Chair Gara asked Mr. Rodgers to review the funding sources proposed for use and to explain why the response fund could not be used. Mr. Rodgers responded that the request proposed to use general funds. The department thought the response fund was not the preferred source because the response fund was there for the lowest cost method to address an environmental risk. The department's position was that the Pats Creek Rock Quarry addressed the risk to environmental health and public health.

Vice-Chair Gara understood that the department was proposing not to use the quarry and proposing to ship the soil away. He also understood it was the department's preference not to use the response fund. However, there were competing needs such as drug and alcoholism abuse prevention. Apart from the department's preference not to use the response fund, he asked if Mr. Rogers had an opinion whether it was legal. Mr. Rodgers responded that "legal" was in the eye of the beholder. He reported that the department had developed an opinion that further use of the response fund on the Wrangell site was not appropriate.

Vice-Chair Gara rebutted Mr. Rogers' comment about legal being in the eye of the beholder. He asked if the quarry site was a natural quarry. Ms. Ryan indicated that it was a natural quarry that the department had invested in to prepare the site to receive the rock waste. She added to the previous discussion that the response account was a limited fund and something the department rarely used. The legislature created the fund for the state to have an emergency source of revenue to deal with a large event. If the department were to spend it all, the funding would not be available for its intended purpose. She understood the idea of it being a competing resource. However, if the fund was utilized for the \$5 million, the fund balance would be much lower.

Vice-Chair Gara wanted a legal opinion on whether the funds could be used. He added that "legal in the eye of the beholder" did not work for him. He wondered why the state had started preparing the site, if it was not a proper site. He asked how much money had already been spent preparing the site. Ms. Ryan corrected Vice-Chair Gara. The Department of Environmental Conservation thought Pats Creek was a fine site and that either option was equally viable. The department was not saying one option was better than the other. The community had expressed substantial concern that it did not want the waste rock on the site initially pursued by the state.

Vice-Chair Gara asked how much the state had already spent. He also wondered why the department would spend money on a site that it later decided was a traditional area. He also asked if people were correct that the site endangered fish habitat and water quality.

Co-Chair Foster asked Ms. Ryan to take some time to think about her response. In the meantime, there were three more people standing by to provide their public testimony. There were other members with questions, and he did not want to hold people waiting to testify.

[4:13:49 PM](#)

FERNANDO SALVADOR, ALASKA COALITION, ANCHORAGE (via teleconference), spoke in favor of restoring funding of \$3 million for tourism marketing dollars. He thought it was a reinvestment in Alaska small business and in Alaskans. He reported that 1 in 8 jobs in Alaska was tourism related. In order to stay competitive in the global market, these marketing funds were needed. The marketing funds had been slashed significantly. Until those businesses in the tourism industry came up with a plan, they continued to need help to make Alaska a viable competitive global partner in tourism. He asked members to reconsider increasing the funds to the \$3 million level. He appreciated members' time and consideration.

[4:15:30 PM](#)

GEORGE PIERCE, SELF, KASILOF (via teleconference), spoke in favor of further reducing the budget. He urged members to weed out fraud and waste. He encouraged taxes for corporations. He thought it was important to tax fairly. He did not believe the state could afford the proposed spending. He disagreed with the split for the Permanent Fund Dividend (PFD). He did not believe new taxes had been addressed properly. He concluded by urging the committee to stop adding to the budget.

[4:18:30 PM](#)

ALLISON LEE, ALASKA ASSOCIATION FOR PERSONAL CARE SUPPORT, FAIRBANKS (via teleconference), advocated for full Medicaid funding and elder program funding. She relayed that payment suspensions would occur without fully funding the Medicaid supplemental. She argued that a lack of action was not the way to deal with things. She relayed information about personal care services and urged quick action by the legislature. As she understood it, the remainder of the Medicaid supplemental funding was not in any budget. She thanked the committee.

[4:22:13 PM](#)

Co-Chair Foster CLOSED Public Testimony.

Co-Chair Foster invited Ms. Ryan and Mr. Rogers to the table.

Vice-Chair Gara asked about whether fish habitat or water quality would be in danger. He also asked why the site would have been chosen with the opposition from community members. He wondered how much had already been invested.

Ms. Ryan responded that the site was selected after a substantial process of investigating shipping off-site and a location on the island. The site was selected for environmental reasons. It was one of the best places in the state she had ever seen for a monofill. The state had complete control of the environment - complete control of water infiltration into the rock. She reiterated that the department was very certain the site was a safe alternative. However, it was located in a location the community had concerns about. It was near a lake less than a mile away. The community did not feel comfortable with the location even though DEC did from a scientific perspective. It was not an unusual situation for DEC. She also relayed that the soil had already been treated and there was no further risk of lead leaching out. The department had conducted several public meetings in the community, yet people continued to have concerns.

Mr. Rogers reported that DEC had spent \$8.3 million on the site. The department authorized \$13.9 million to be spent on the project. There was roughly \$5.5 million unspent authorization from the response account for the site. The amount of \$5 million in general funds requested by the governor was in addition to the unspent \$5.5 million. The response account would continue to pay \$5.5 million, and the department was asking for \$5 million in general funds - the difference between finishing an on-island storage option at Pats Creek and an off-island shipping option.

[4:26:35 PM](#)

Representative Pruitt asked, since the state had already spent more than \$8 million and was currently addressing the community concerns, why the state had not addressed the community concerns earlier before \$8 million was spent. Ms.

Ryan answered that there had been significant dialog and over time the attitude changed. She would not say there was not a significant amount of involvement, the attitude had shifted as the project advanced.

Representative Pruitt stated his understanding of the testimony that the site was fine, and the lead was no longer an issue. He stressed that the department had not sold him on the need for an additional appropriation of \$5 million. He would have to support the removal of the funds if the department could not sell the idea. Mr. Rogers answered there were very strong feelings about the issue in Wrangell. He believed the site at Pats Creek to be environmentally viable. However, it did not mean individuals wanted it in their backyard. There was a higher cost option that the governor supported.

Representative Pruitt stressed that it went back to the \$8 million that had already been spent. He was concerned that the department did not take the community feedback into account. He thought the money had been wasted. The state did not have the money.

Co-Chair Seaton indicated that the department had testified where it was in the process, that it had conducted community meetings, and that attitudes in the community had changed. He urged Representative Pruitt not to be accusatory.

[4:30:40 PM](#)

Ms. Ryan clarified that the money had not been wasted. It was utilized for either option. Some of the money was spent digging up the rock and treating it with eco-bond, things that would have happened no matter which option was selected. She reiterated that the money was not wasted.

Co-Chair Seaton clarified that the money that was spent was used for digging out and treating the soil so that it could be disposed of anywhere. It was not just preparing the rock quarry. Ms. Ryan responded in the affirmative. She noted that a small amount was used to prepare the quarry. The remaining amount of money that the department was prepared to spend was to ship it to the rock quarry.

Representative Pruitt did not believe the question was answered. He thought the \$8 million was the amount it cost

to prepare the quarry which was the reason for his concern. If some of the funding was used to process the soil he did not have as much frustration. He would appreciate a separation. Ms. Ryan answered they were happy to provide the information.

Representative Ortiz followed up on Representative Pruitt's concerns. He relayed he had been to the site where the original issue had occurred. He understood that a significant amount of money had been spent on digging up the site and there continued to be maintenance on the site before the final removal of material. Ms. Ryan answered in the affirmative. She detailed that there were ongoing maintenance costs. The treated soil was on a very steep slope. It had to be kept covered to keep it from sloughing, which was one reason the department was pushing to complete the project in the current year. There were ongoing state costs to maintain the soil until a solution was decided.

Representative Ortiz believed there had been testing of the water at the current site and thought there had been water contamination found. Ms. Ryan answered in the affirmative. She explained that before the soil was treated it had leached lead across the highway into shell fish harvest areas. The department had spent approximately \$7 million in cleaning up the site and treating the material. The majority of the money spent so far would have been spent with either option.

[4:34:35 PM](#)

Representative Wilson stated that the bottom line was that DEC could have used the entire \$14 million to move the material to a safe site. She suggested that the issue was not about safety. She opined that if the community did not want it at the site, it should have the option to locate it somewhere else. However, she thought the community should be responsible for funding the balance if it wanted a different option. She did not believe the issue was about safety. She thought the policy call was whether to follow DEC's plan at the lowest possible cost, or let the community choose an alternative at no cost to the community. She referenced backup pertaining to the Hillcrest Subdivision Water District (copy on file). She surmised that if the state caused a problem to someone's drinking water, she did not know why the state would only pay \$500,000 of \$2 million charging each homeowner \$25,000

to participate in a water program. She brought up concerns about liability issues. Ms. Ryan was unfamiliar with what the representative had mentioned. Representative Wilson asked if the department could get back to the committee.

Co-Chair Seaton thought the issue fell within the jurisdiction of the Department of Transportation and Public Facilities. Representative Wilson contended it was a DEC contamination issue. The Department of Transportation and Public Facilities might have caused to contamination. The issue had to do with water. Co-Chair Seaton commented that it was drainage. Representative Wilson argued that if the wells were contaminated because of something DOT did, someone at DEC would have had to determine the wells were unsafe. She wanted someone to get back to the committee and provided the name of the project.

Co-Chair Seaton asked if the Wrangell situation pertained to batteries or mining waste. Ms. Ryan replied that Mr. Byford was a junkyard operator and broke batteries up with a hammer; it was the worst lead contamination the EPA had seen.

[4:39:12 PM](#)

Co-Chair Foster REOPENED public testimony on HB 284.

[4:39:33 PM](#)

AT EASE

[4:42:53 PM](#)

RECONVENED

Co-Chair Foster asked to hear from Ms. Pitney regarding the Wrangell issue. He wondered about the possibility of expanding the spend authority of the Spill Response Fund by \$5 million.

PAT PITNEY, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, answered that DEC's concern was respecting the boundaries of the spill response fund. She asserted that it was a privilege to have access to the funds without additional appropriation. Since the request went beyond the lowest cost option, a \$5 million direct appropriation from the spill response fund within the budget would serve that need.

Representative Guttenberg thought the answer might be to require an appropriation bill for any cost beyond the lowest cost option.

Vice-Chair Gara respected that DEC did not want to spend money out of the fund beyond what the department felt comfortable with. He wondered if the department would be satisfied with intent language that allowed the spending. He wondered why an appropriation was necessary when DEC was already authorized to access the fund.

Ms. Pitney responded that it protected the integrity of DEC's honoring of the legislation and their accountability to the fund source. It was imperative that DEC had access to address and respond to spills immediately. A named appropriation was stronger than intent language and DEC would be better protected. It was a policy call.

[4:46:26 PM](#)

Representative Wilson heard from DEC that the fund did not have much in it. She asked if the administration would be concerned opening up the door to what could be paid from the fund. She questioned how healthy the fund would remain.

Ms. Pitney answered that the fund was healthy with a balance of approximately \$42 million. The fund would be drawn down to \$37 million plus whatever was spent throughout a year. The fund was replenished with a tax on oil and a .95 cent fuel surcharge. There might be a time when the fund could be over-used. If that was the case, the legislature would be notified.

Representative Wilson was concerned about being able to hold the person liable for the contamination. She relayed a circumstance in Fairbanks where the city repossessed a property and adopted the same problem as the new owner. She thought that once the precedent was set with the property [in Wrangell], any municipality with a junkyard would be able to argue their case to DEC and point to the project as a precedent. She also thought the legislature was about to set a precedent regarding additional funding [to move the contaminants off-island]. She suggested that if there had been no place to put the contaminated material, it would have been a different scenario. She believed DEC did its due diligence. She did not want everyone throughout the

state to think they could use whatever option, no matter the cost.

4:49:01 PM

JIM JAGER, DIRECTOR, EXTERNAL AFFAIRS, PORT OF ALASKA, ANCHORAGE (via teleconference), spoke in support of \$40 million for construction funding for the Port of Alaska modernization project in the state capital budget. He read from a prepared statement:

Port of Alaska is a publicly owned facility that handles half of all of Alaska's in-bound marine freight. Almost 3.5 million tons of fuel and cargo passed across the Port of Alaska's docks in 2017. Half of the cargo that moves through the port is delivered to final destinations outside of Anchorage and directly benefits some 85 percent of all Alaskans. The port originally opened in 1961 and its docks played key roles in Alaska's growth and economic development. The half-century-old facility has exceeded its economic and structural design life and is failing due to corrosion and obsolescence. The dock's aging piles have lost up to three-quarters of their original thickness and are unlikely to survive another significant earthquake. The existing docks will start closing due to reduced load capacity within about 10 years regardless of repairs or anything else. For these reasons, the Port of Alaska is moving forward with a program to replace its aging docks before they fail. The port modernization program will replace aging dock and relating infrastructure to include operational safety and efficiency, accommodate modern shipping operations, and improve resiliency to enable the facility to survive extreme seismic events and Cook Inlet's harsh marine environment for at least 75 years. The dock replacement plan is optimized to meet Alaska's cargo handling needs, reduce costs, and maintain ongoing port operations. Shore construction for the first new dock will start this summer, 2018, and the overall project construction is expected to last at least 8 years and will cost more than \$700 million depending on final project scope and design. All new state and federal funds, including funds from the state capital budget, will be used to pay construction costs and offset the shipping fees and tariffs that would otherwise be levied to repay

revenue bonds that will help finance the project. I appreciate your careful consideration and support for funding to replace the Port of Alaska's aging docks to benefit all of Alaska. Thank you.

Vice-Chair Gara stated that the name, Port of Alaska, resonated with some and bothered others. He pointed out that the port did not support the entire state and it was owned by the City of Anchorage. He reported that the project had gone up to a cost of \$1.2 billion and, as of about a year ago, was scaled back to a cost of about \$350 million. He referenced the \$750 million cost cited by Mr. Jager. He asked for the cost of the project.

Mr. Jager was not certain what Vice-Chair Gara was referring to when citing the costs. He explained that the project costs would depend on the final scope of the project and what was included. For example, there were costs associated with repairs which had to be done after the failed port intermodal expansion project. The approximate costs were between \$200 million to \$250 million. It was possible those costs would be paid from the MARAD [U.S. Maritime Administration, a wing of the federal Department of Transportation] lawsuit. The total cost depended on what was included in its scope.

Vice-Chair Gara was glad to be reminded of the MARAD lawsuit. He remembered he had been very complimentary of the mayor for getting the cost down to roughly \$350 million plus the settlement proceeds. He asked if the project was possibly larger.

Mr. Jager answered that the project was larger because the design had progressed, and the permitting was being finalized. There were portions of the project that were more expensive than initially anticipated. For instance, the Corp of Engineers had requested that the port reposition the petroleum and cement terminal of which shoreside construction was anticipated to begin in the upcoming summer. The repositioning would involve \$18 million to \$20 million worth of transitional dredging that would not have been included in the budget the previous summer. The price was a moving target.

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Vice-Chair Gara understood that currently the discussion was about \$40 million. However, the cost of the project had been a moving target. He recalled that the project started out as \$175 million and went up to \$1.2 billion. He asked what the \$40 million would be used for.

Mr. Jager answered that any funding would go towards the construction of a new dock. The port had enough funds in-hand left over from the port intermodal expansion project and from operations to cover the anticipated design and permitting costs. Additional money would need to be raised to pay for construction. The funding could come from state or federal sources or from port tariffs and fees. Any funding the port received from state or federal sources would be used to offset the tariffs and fees that would eventually be added to the cost of shipping and paid by Alaskans getting cargo shipped across the port's docks.

Vice-Chair Gara stated there had been discussion in the capitol building that the longer the port remained in disrepair, the more expensive the repairs would be. He wanted to clarify that none of the \$40 million would be used for maintenance of the port. He asked if repairs would be covered with other funds.

Mr. Jager answered that the money spent currently for repairs, such as stabilizing the port's dock fenders and installing pile jackets, was coming out of operational funds.

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Representative Guttenberg spoke of some of the cynicism about the project and the escalating costs, which did not help the legislature. It had been awhile since he had seen the total cost of all aspects of the project. He would like to see what the state was getting and the future obligations of the project.

Representative Pruitt wanted to understand the scope of the project. The port was substantial, but the docks held the greatest concern for him because of challenges such as seismic issues. He mentioned the potential to cut off outside food sources and other things. He asked if the \$40 million would go to shore up the problems to ensure there was not a cut in service.

Mr. Jager answered that the \$40 million would help fund construction for new docks to replace the aging docks that were currently failing due to rust. The money would not be used for new tanks. All of the fuel tanks on the port were privately owned and operated. They were not public infrastructure. Instead, they were infrastructure that the dock leveraged and that leveraged the dock.

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Representative Pruitt asked if the \$700 million mentioned earlier was for the entire project or just the dock repair.

Mr. Jager corrected Representative Pruitt indicating that the docks would not be repaired; they would be replaced. He elaborated that a repair project had been ongoing since 2006 in which steel jackets had been placed over the piles to reinforce the corroded piles. The port had jacketed about half of the piles on the dock. It was a one-time fix that lasted about 15 years. Based on calculations, he expected the docks to start closing in about 10 years. It was not possible to re-jacket a jacketed pile. The main difference between the new and existing docks was that the new docks would be built to modern seismic standards, and they would be built to modern shipping standards. The existing docks started opening up in 1961 when container ships and cargo vessels were significantly smaller than they were today. For example, the new docks would be about 100 to 150 feet farther out into the ocean. The port would have berths that were 45 feet deep instead of the 35 feet berths it had currently to be able to better handle modern ships. The new docks would be set up for 100-gauge cranes as opposed to 38-gauge cranes on the current docks. He reiterated that it was a replacement project. It would be replacing docks that had a long-proven economic history; the economics of the project worked.

Representative Wilson believed Representative Guttenberg was asking about where the repairs were; the new portion, and the business plan. She assumed that \$40 million would not address all of the problems at the Port of Anchorage.

Mr. Jager answered that it did not take care of most of the problems. The money would be used to offset the fees and tariffs that would have to be charged and ultimately paid for by Alaska residents via the cargo crossing the docks. If the port did not receive federal or state funding, the

port would move forward with the project. However, the project would have to be paid for with revenue from fees and tariffs collected for cargo that crossed the port's docks and delivered to Alaskans.

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Representative Wilson asked when the fees and tariffs had last been adjusted. Mr. Jager replied, "We adjust them annually."

Representative Wilson asked how the port's fees and tariffs compared to other ports of approximately the same size. Mr. Jager responded it depended on who a person talked to. Generally, the port's fees were comparable or slightly lower than many other ports. Depending on how much funding was obtained from federal and state government, the Port's fees and tariffs would likely be above average for a comparable port.

Representative Wilson stated that, since the project was not in the current budget, she wanted to see some paperwork on the potential fees and tariffs. She wanted to know where the monies would go and the total cost of the project to better understand it. Presently, she was more comfortable with the costs being covered with tariffs and fees.

Co-Chair Seaton wanted to clarify that the port was going to build a new dock, and the funds that were being discussed were not going to repairs and stabilization of the existing dock. The monies would go to the new dock which was going to be built no matter what. If funds were allocated, they would reduce the necessity for revenue bonds and for tariffs to cover the new dock. He wondered about reducing tariffs to keep the state at lower tariffs than other ports. He asked if his understanding was correct. Mr. Jager answered that the \$40 million request would go to construction costs for the new dock (not for repair or maintenance). The money would result in employment of construction workers.

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Co-Chair Seaton asked when the construction of the new dock would begin. Mr. Jager answered it would be a phased project expected to take 8 years. One of the challenges was to be able to maintain port operations during construction.

The initial shoreside work would begin in the upcoming summer [2018]. Traditional dredging for the new petroleum and cement terminal would take place in the following summer [2019], and pile driving would occur in the summer of 2019. The petroleum and cement terminal, the first new dock of the project, would be constructed and finished during the summer of 2020.

Vice-Chair Gara asked if the project would be able to go forward in a similar way if the legislature appropriated \$20 million in the current fiscal year and \$20 million in the following fiscal year. He wondered if he needed all \$40 million in the current year before July 1, 2019. Mr. Jager commented that Vice-Chair Gara's question was challenging. He anticipated the timing for the initial construction for the shoreside work and the dredging would be the same with either funding scenario. He relayed that the challenge was the need to pre-order materials, particularly the steel for pile. He did not know the preorder time. It could potentially delay the in-water pile driving.

Vice-Chair Gara asked how quickly Mr. Jager could get back to the legislature with an answer. Mr. Jager replied it depended on what he meant by fairly quickly. He believed he could get an idea by the following morning. Vice-Chair Gara replied that that worked.

Co-Chair Foster CLOSED public testimony.

HB 284 was HEARD and HELD in committee for further consideration.

Co-Chair Foster recognized Representative Chuck Kopp in the room. He recessed the meeting to a call of the chair [note: the meeting never reconvened].

#

ADJOURNMENT

[5:10:11 PM](#)

The meeting was adjourned at 5:10 p.m.