

ALASKA LEGISLATURE

1257

HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996

## **ARMY NATIONAL GUARD**

The Alaska Army National Guard numbers in 'excess of 2,100 members. Just under 25% (470) are employed fulltime. The Army Guard's headquarters is located at Camp Denali. Major battalion locations include Anchorage, Bethel and Nome. Company headquarters are at Kotzebue, Fairbanks, Kenai and Juneau. Detachments and other elements are located at numerous villages across the State. Members of the Alaska National Guard reside in virtually every district.

Alaska's Army National Guard is increasingly called upon to support America's Army with such missions as the United Nations Peace Keeping Force in the Sinai. The Guard's units are integrating into the United States Army Pacific training and deployment rotations with increasing regularity. Recently, Army Guard soldiers and units trained in California, Arkansas, Louisiana, Washington, Oregon, Hawaii, Japan, Russia, Panama, Guatemala, Honduras, Belize, Costa Rica and Korea.

## **AIR NATIONAL GUARD**

The Alaska Air National Guard membership, of over 1,850 airmen, are assigned primarily to units at Kulis Air National Guard Base (adjacent to Anchorage International Airport) and to Eielson Air Force Base near Fairbanks. The Headquarters, Alaska Air Guard and the Alaska Rescue Coordination Center are located at Camp Denali. A Combat Communications Squadron is assigned to Elmendorf Air Force Base. Nearly 40% (729) of the force are employed fulltime.

The Air Guard has two major operational units including the 176th Wing and the 168th Air Refueling Wing. There are three primary flying elements within the Wings. The 144th Airlift Squadron and the 210th Rescue Squadron are both assigned to the 176th Wing at Kulis ANG Base. The 168th Air Refueling Squadron is assigned to her parent unit at Eielson AFB. Members of the 210th Rescue Squadron were responsible for saving the lives of 71 Alaskans during 1995. Air Guard members also took part in missions to such places as Sakhlin Island, Turkey, Bosnia, Kuwait, Saudi Arabia, Australia, Singapore and Canada.

## **DIVISION OF EMERGENCY SERVICES**

The Division of Emergency Services (DES) has some thirty State employees. Much of the Division's funding is provided as pass through support from the Federal Emergency Management Agency. DES is charged with protecting their fellow Alaskans by preparing them for disasters and calamities. New leaders emerged within the Division during the 1995 fall floods that hit southcentral Alaska hard. New energy and ideas are developing within the Division, increasing productivity and improved value to the State.

DES is continuing to upgrade local all-hazard disaster plans with community and village leaders across the State. Local Emergency Planning Committees are increasing their activity with support and encouragement from the Division. Likewise, the role of the State Emergency Response Commission is growing in practical effectiveness.

## **STATE DEFENSE FORCE**

The Alaska State Defense Force (ASDF) is an all volunteer backup force to the Alaska National Guard. The ASDF includes nearly 250 members who train one weekend per month. Nearly 80% (of the members) have prior military experience.

ASDF members were called to State Active Duty (subsequently reimbursed by FEMA) during the 1995 fall floods to augment communications, security, transportation and public affairs support for the Alaska Division of Emergency Services. ASDF teams are also involved with supporting the Alaska National Guard Youth Corps Challenge Program for at-risk-youth.

## **ALASKA NAVAL MILITIA**

The Naval Militia is composed of active Naval and Marine Corps Reserve volunteers who perform a dual role in service to their State and nation. During emergencies and disasters, the Naval Militia is capable of bringing up to 130 volunteers forward to provide support similar to the ASDF.

## **SPECIAL PROGRAMS**

*Office of Veterans Affairs.* Funding was restored, during the past legislative session, to allow for restaffing of the State Veterans Affairs Coordinator. The new coordinator is actively engaged with meeting the various veterans groups, advocating for individuals and assessing the ongoing needs of Alaska's 72,000 veterans. His travels include attendance at such events as the upcoming American Legion Southeast Alaska Conference.

*Alaska National Guard Youth Corps ChalleNGe Program.* The Youth Corps is designed to help "at-risk" 16-18 year-olds, who have not completed a high school program, get the education and training necessary to become healthy, contributing and productive citizens of our State and nation.

The program will graduate its fourth class in February. More than 200 young people will have taken the road back.

Congress and the Department of Defense fund this program in 15 states. The program is divided into two phases. During a military regimented 22-week residential phase, students are trained in academic subjects, basic work and healthy life skills, health, physical fitness, citizenship, government, leadership and teamwork skills.

Students are offered a range of opportunities to complete high school diploma or G.E.D. requirements. In some instances even having the time to take college classes. Graduates work on phase two of the program with adult volunteer mentors in their home communities, for up to a year. The program is budgeted at approximately \$3.1 million.

***Alaska National Guard Drug Demand Reduction Program.*** The Drug Demand Reduction Program provides statewide support to federal, State and local agencies through education and awareness projects and activities promoting prevention of substance and alcohol abuse.

During 1995, DDR supported 27 programs or activities while reaching nearly 14,000 youth. The Guard's DDR Program is administered by one fulltime Army National Guard officer and four part-time enlisted soldiers. In addition, 127 volunteers, 35 family volunteers and 244 community volunteers helped make the program work.

The success of the DDR Program is apparent through partnerships with the Alaska Federation of Natives Sobriety Movement, Association of Village Council Presidents, Alaska Division of Alcoholism and Drug Abuse, Federal Bureau of Investigations, Alaska Department of Public Safety, Council on Prevention of Alcohol and Drug Abuse and the Anchorage Police Department among the many.

***Alaska National Guard Counter Drug Support Program.*** Alaska's specially trained National Guardsmen work alongside Alaska State Troopers and various other federal and local law enforcement agencies in the war on drugs. During 1995, the Counter Drug Support Program was responsible for removing more than \$53 million in drugs, drug property and currency from Alaska's streets.

Alaska National Guard support manifests itself through:

1. Domestic cannabis suppression/  
eradication
2. Operational support
3. Transportation support
4. Aerial Reconnaissance
5. Surface Reconnaissance
6. Intelligence analysis
7. Cargo/mail inspection
8. Training
9. Logistical support
10. Communications
11. Engineering support

## ISSUES & CHALLENGES

### ~ **Alaska National Guard**

- ~ ~ Decreasing ability to maintain facilities
- ~ ~ Potential loss of soldiers, federal impact associated with closing facilities
- ~ ~ Restructuring, re-organizing of Force
- ~ ~ Ensuring relevant, ready Forces to meet Alaska's and the Nation's needs
- ~ ~ Assimilating operations of Bryant Army Airfield
- ~ ~ Recruiting and retaining right mix of young men and women for the Alaska Army & Air National Guard
- ~ ~ Developing leadership training and education to meet the needs of our soldiers now and in the future
- ~ ~ Ensuring a drug free healthy work environment

### ~ **Division of Emergency Services**

- ~ ~ Restructuring, re-organizing of Division
- ~ ~ Effective management of emergencies
- ~ ~ Review of *Lessons Learned* from recent floods
  - ~ ~ ~ Koyukuk Flood
  - ~ ~ ~ Southcentral Fall Floods

# DMVA BUDGET

**DEPARTMENT OF MILITARY AND VETERANS AFFAIRS  
FY 97 OPERATING BUDGET**

**COMPONENTS:**

Commissioner'S Office \$1,675.7  
(\$299.7 FF; \$1,166.4 GF; \$108.1 GFM; \$101.5 I/A)  
National Guard Facilities Operation & Maintenance \$14,479.3  
(\$10,195.2 FF; \$1,177.8 GFM; \$2,164.1 GF; \$28.4 GFPR; \$837.4  
I/A; \$76.4 CIP)  
Disaster Planning and Control \$3,155.8  
(\$1,115 FF; \$515.2 GFM; \$279.2 I/A; \$1,246.4 I/A Oil Haz)  
Youth Corps \$3,120.5 FF  
Educational Benefits \$28.5 GF  
Retirement Benefits \$2,584.9 GF  
Veterans' Services \$480.0 GF  
Disaster Relief Fund \$9000.0 FF  
State Active Duty \$100.0 I/A

**MAJOR CHANGES**

FY 97 budget request does not include an appropriation of general funds to capitalize the disaster relief fund. The average annual general fund cost for disaster relief efforts is approximately \$5,786,000 based on years FY 91 through FY 95.

An increase of \$1,480,500 in general funds is included to improve the actuarial position of the National Guard and Naval Militia Retirement System.

The Army Guard Facilities Maintenance component reflects a \$367,000 increase in interagency receipts associated with the provision of maintenance services for Alaska Court System facilities in Anchorage and Kenai.

The Army Guard Facilities Maintenance component includes a federal funds increment of \$952,600 for operation and maintenance of Bryant Airfield on Fort Richardson.

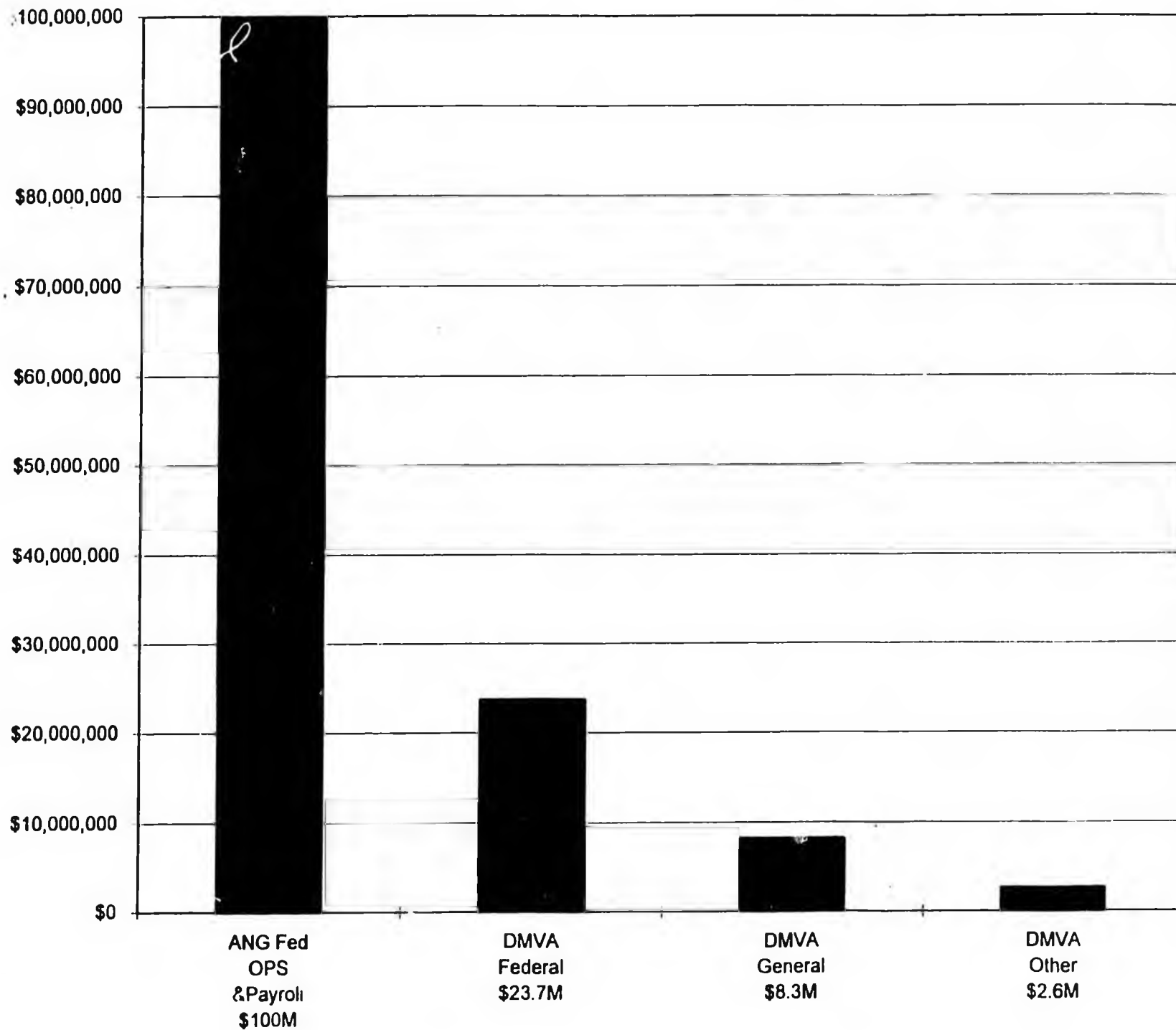
**EFFICIENCIES**

A total of \$307,900 (GF \$204,800) has been reduced from FY 96 authorized amounts. DMVA will be sharing a Director of Administrative Services with DNR. Due to a reorganization and restructuring of the Division of Emergency Services an estimated savings of \$50,100 in personal services will occur. A \$75,000 grant to the Red Cross will be eliminated in FY 97. The Air National Guard is studying the feasibility of contracting for services previously performed internally.

**FY 97 OPERATING BUDGET:**

General Funds: \$8,253,400 Federal Funds: \$23,730,400 Other  
Funds: \$2,640,900 Total: \$34,624,700  
Number of Positions: 162.0

### Department of Military and Veteran's Affairs FY 97 Funding



DEPARTMENT OF MILITARY AND VETERANS' AFFAIRS  
SUPPLEMENTAL INFORMATION FY 97

	GF	GFM	GF/PR	Federal	I/A	470 Fun	CIP	Total	Positions
<b>FY 96 Authorized</b>	<b>5,031.2</b>	<b>1,856.2</b>	<b>28.4</b>	<b>22,725.0</b>	<b>868.8</b>	<b>1,240.2</b>	<b>75.0</b>	<b>31,824.8</b>	<b>156.0</b>
<b>FY 96 Base Adjustments</b>									
Salary Adjustments	23.6	13.2	0.0	59.8	6.4	9.5	1.0	113.5	
DIS Adjustments	1.6	9.4		7.6	-1.0	-0.3		17.3	
Risk Mgt Adjustments	9.3	4.8		22.0	2.3	3.5	0.4	42.3	
National Guard Retirement	1,480.5							1,480.5	
<b>Total Base Adjustments</b>	<b>1,515.0</b>	<b>27.4</b>	<b>0.0</b>	<b>89.4</b>	<b>7.7</b>	<b>12.7</b>	<b>1.4</b>	<b>1,653.6</b>	
<b>Decrements</b>									
Emergency Services-Admin Efficiency		-50.1						-50.1	
Eliminate Red Cross Grant	-75.0							-75.0	
Eliminate Fish and Game 470								0.0	
Fund Support-no longer needed						-6.5		-6.5	
Shared Services Agreement DNR	-47.5							-47.5	
Air Guard-Feasibility of Contracting Services		-32.2		-96.6				-128.8	
<b>Total Decrements</b>	<b>-122.5</b>	<b>-82.3</b>	<b>0.0</b>	<b>-96.6</b>	<b>0.0</b>	<b>-6.5</b>	<b>0.0</b>	<b>-307.9</b>	
<b>Increments</b>									
Emergency Services--FEMA Training Grant & Community Asst. Grant to Ketchikan				60.0				60.0	
Cost Allocation Plan					74.6			74.6	
Bryant Air Field Operations				952.6				952.6	2.0
Maintain Kenai Courthouse					57.6			57.6	
Maintain Anchorage Courthouse					309.4			309.4	4.0
<b>Total Increments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>1,012.6</b>	<b>441.6</b>	<b>0.0</b>	<b>0.0</b>	<b>1,454.2</b>	<b>6.0</b>
<b>FY 97 Governor's Request</b>	<b>6,423.7</b>	<b>1,801.3</b>	<b>28.4</b>	<b>23,730.4</b>	<b>1,318.1</b>	<b>1,246.4</b>	<b>76.4</b>	<b>34,624.7</b>	<b>162.0</b>
<b>Total Changes</b>	<b>1,392.5</b>	<b>-54.9</b>	<b>0.0</b>	<b>1,005.4</b>	<b>449.3</b>	<b>6.2</b>	<b>1.4</b>	<b>2,799.9</b>	<b>6.0</b>

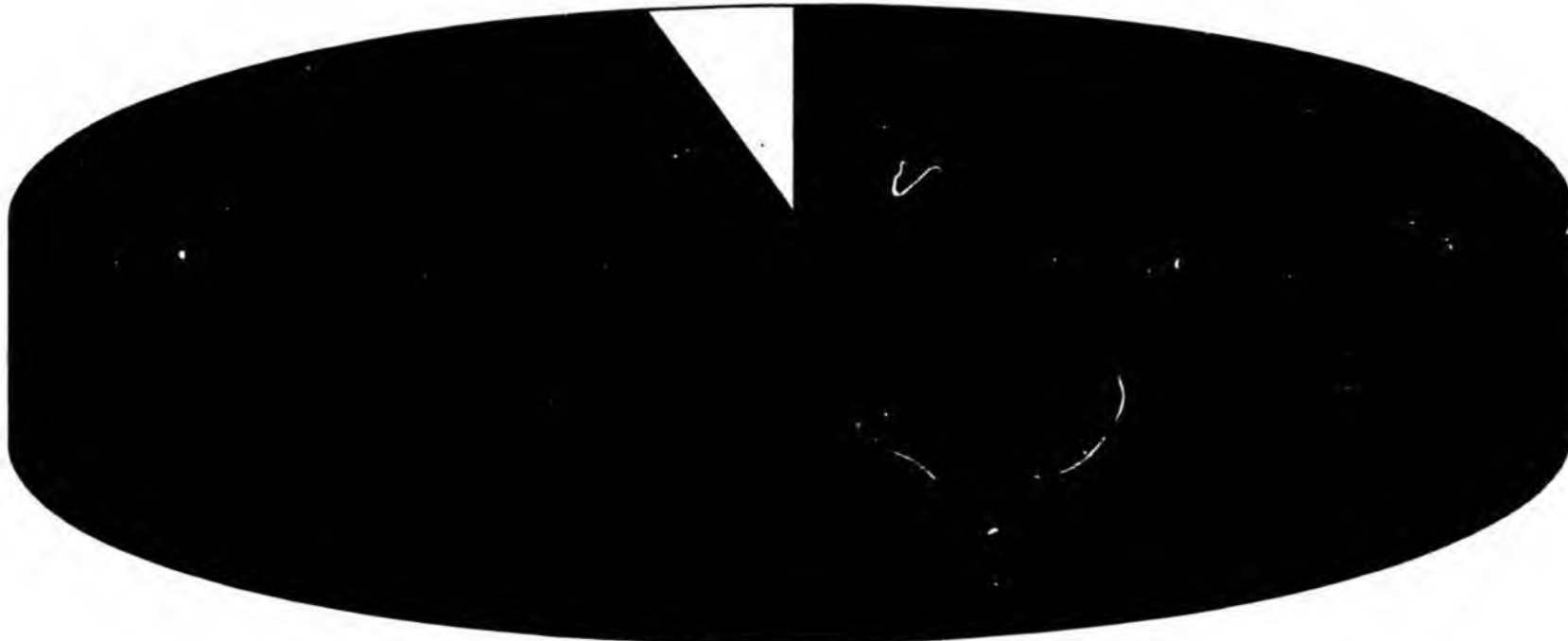
# DMVA FACILITIES

## CRITICALITY OF STATE SUPPORT TO GUARD FACILITIES

- Air National Guard operates out of two locations, Kulis in Anchorage and Eielson in Fairbanks. Asset value of facilities at both locations comes to \$205.0M. Asset value of aircraft and equipment at both locations comes to \$446.0M. \$890.8 in general funds, over \$3.3M in federal funds and \$72.0M in federal budget operations and payroll are associated with these two facilities.
- Army National Guard operates out of 107 facilities throughout the state. Asset value of all facilities is over \$157.0M. \$2,479.5 in general funds, \$6,849.7 federal funds and \$28.0M in federal budget operations and payroll are associated with these facilities.
- As DMVA's ability to maintain facilities decreases, facilities must be closed to ensure minimum standards are met on remaining facilities.
- As facilities are closed, the soldiers associated with those facilities are either reassigned or decommissioned. The state loses federal payroll jobs.
- Alaska National Guard Federal operations and payroll amount to \$100M annually.
- Closing facilities can be compared to base closures on the National level.

**Alaska National Guard Facilities-Funding Sources  
Includes Federal Payroll Associated with Facilities**

GENERAL FUNDS



FEDERAL FUNDS

FY 97 Governor's Requested general funds for Army and Air Guard	3,370,300 = 3%
Federal Funds Requested in the Governor's Budget	10,195,200
Federal Funds Not in State Budget but Tied to State Funding	99,755,849
<b>Total all Funding Sources</b>	<b>\$109,951,049 = 100%</b>

419.0	Army Guard GF+PR
2060.5	Army Guard GFM
787.2	Air Guard GFM
<u>103.6</u>	Air Guard GF
<b>3370.3</b>	

**ALASKA COMMISSION ON  
POSTSECONDARY EDUCATION**

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**ALASKA STUDENT LOAN  
CORPORATION**

**FY 97 Budget Overview**

**Diane Barrans  
Executive Director**

**January 1996**  
(1/23/96 Version)

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**Alaska Commission on Postsecondary Education**

**Members**

Eric Forrer, Chair	Board of Regents
Bobette Bush, Vice Chair	Community Colleges
Mark Begich	General Public
Rosa Foster	General Public
Charlie Parr	General Public
Scott Sterling	General Public
Senator Johnny Ellis	Alaska State Senate
Rep. Con Bunde	Alaska House of Representatives
Roger Jarvis	Board of Education
Mary Jane Fate	Board of Regents
Vacant	Governor's Council
Vacant	Private Higher Education
Milton Byrd	Proprietary Education
Paige Adams	Student

**Alaska Student Loan Corporation**

**Members**

Mark Begich, Chair	Postsecondary Commission
Eric Forrer	Postsecondary Commission
Wilson Condon	Commissioner of Revenue
Mark Boye	Commissioner of Administration
Willie Hensley	Commissioner of Commerce and Economic Development

## GENERAL DUTIES AND RESPONSIBILITIES

### **Alaska Commission on Postsecondary Education (ACPE)**

- **Consumer Protection**

- Monitor school advertising and contracts with students.
  - Handle customer complaints.
  - Assure loan/tuition refunds and student teach-outs when schools close.
  - Gather information on student loans available to residents of Alaska and disseminate the information to reasonably assure that qualified residents are aware of financial resources available to those attending or desiring to attend institutions for which the corporation can make loans.

- **Institutional Authorization**

- Provide biennial review and re-authorization for approximately 80 postsecondary institutions.
  - Regulate program and degree offerings.
  - Approve institutions for Alaska and Veterans student loans.

- **Student Financial Aid**

- Originate and service, for the Alaska Student Loan Corporation, full-time, half-time, teacher scholarship, and family education loans.
  - Originate and service Memorial Scholarship Loans.
  - Disburse state and federal grants to low income students.
  - Arrange participation in both the WICHE Professional Exchange and WAMI Medical Programs.

### **Alaska Student Loan Corporation (ASLC)(AS 14.42.200)**

- Borrow money to carry out the purpose of the corporation and issue obligations as evidence of the borrowing.
- Invest or reinvest money held by the Corporation.
- Enter into agreements with the ACPE relating to the administration of the student loan fund.

## MISSION

The **Alaska Commission on Postsecondary Education** and the **Alaska Student Loan Corporation** support the development of economically viable, lifelong learners and citizens by providing educational loans to postsecondary students and authorizing the operation of state postsecondary institutions.

## GOALS

- |                    |  |
|--------------------|--|
| <b>Service</b>     | Value and serve our customers, including students, parents, policy makers, bond holders, professional colleagues and co-workers.   |
| <b>Efficiency</b>  | Identify and implement program efficiencies through improved management, processes, and technology to ensure the self-sustenance and marketability of the Alaska Student Loan Programs through the 21st century.   |
| <b>Quality</b>     | Emphasize quality in postsecondary education and training to ensure value for Alaskans in their pursuit of lifelong learning.  |
| <b>Information</b> | Provide Alaskans with the tools and information to make sound postsecondary education/training investments and decisions by developing a one-stop resource of education/training/labor information through expanded collaboration with other agencies and advocacy groups. |
| <b>Involvement</b> | Involve parents, families, and communities as active partners in all aspects of the postsecondary education process.   |

In support of these goals,

***ACPE/ASLC should do MORE...***

**Front end counseling**--Take more responsibility for ensuring that our customers have information about the loan program and educational and training opportunities available to them. Tailor counseling activities to the needs of identified at-risk borrowers and postsecondary institutions.

**Market our services and successes**--Advertise the programs and services we provide and let the public know when we make positive changes to serve them better. As our array of services expands, market them to our potential customers.

**Expand financial aid training**--Expand financial aid training opportunities for secondary school counselors, Native corporation education specialists, and employment center staff. Develop distance delivery training programs for rural counselors who are geographically isolated. When economically feasible, make personal contact with students in secondary and postsecondary schools.

**Emphasize collaboration and communication**--Take affirmative steps to expand collaboration and communication with the Departments of Education, Labor, Health and Social Services, and Community and Regional Affairs; the University of Alaska; and the Alaska Human Resource Investment Council.

**Focus on involvement**--Increase interaction with, and presence in, the community through ties with private industry employers, State Chamber of Commerce, PTA, Rotary, etc.

**Analysis of the student loan program's economic impact on Alaska and Alaskans**

**Stress staff training and teamwork**

**Raise standards of accountability for postsecondary institutions**

**Emphasize frequent contact with delinquent borrowers**--Focus more due diligence efforts on very early and frequent delinquency contact.

**Increase partnerships with other financial aid providers to share information**

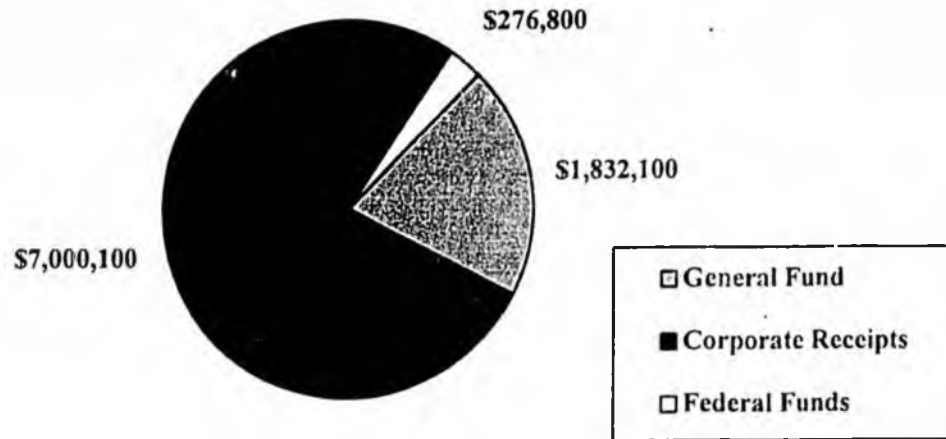
**Increase partnerships with postsecondary institutions to collaborate on default management**

**ALASKA COMMISSION ON POSTSECONDARY EDUCATION**  
**FY97 BUDGET SUMMARY AND COMPARISON**  
(Narrative Explanation of Budget Components to follow)

	<b>FY96 Budget Final</b>	<b>FY97 Budget Requested</b>
<b>Operating Budget</b>		
General Fund:		
WICHE Student Exchange	\$ 329,700	\$ 193,600
WAMI Medical Program	1,267,000	1,309,000
Federal Student Aid (State Match)	329,500	329,500
	<b>1,926,200</b>	<b>1,832,100</b>
Corporate Receipts:		
Postsecondary Commission:		
Program Administration	717,900	758,700
Loan Operations	6,451,500	6,241,400
	<b>7,169,400</b>	<b>7,000,100</b>
Federal Funds:		
Program Administration:		
Veterans Administration	148,100	151,800
State Postsecondary Review Entity (SPRE) Program	100,000	--
Federal Student Aid (SEIG)	163,500	125,000
Governors Council on Vocational Ed.	160,100	--
	<b>571,700</b>	<b>276,800</b>
	<b>Total Operating</b>	<b>Total Operating</b>
	<b>\$ 9,667,300</b>	<b>\$ 9,109,000</b>

**ACPE FUNDING SOURCES  
ILLUSTRATED**

**FY97 BUDGET**



Positions by Component:	Program Administration		Loan Operations	
	FY96	FY97	FY96	FY97
Permanent Full-time	10	10	95	89
Permanent Part-time	0	0	0	4
Temporary	0	0	0	0
<b>Total</b>	<b>10</b>	<b>10</b>	<b>95</b>	<b>93</b>

All positions for the Agency are reflected above. All positions are funded with Corporate Receipts except for 1.5 positions being funded with federal receipts in the Program Administration component.

## ACPE/ASLC OPERATIONAL BUDGET COMPONENTS

The budget is a continuing budget with no significant changes in services to be performed in FY97. Following is a summary of changes, by funding source, between the FY96 and FY97 budgets.

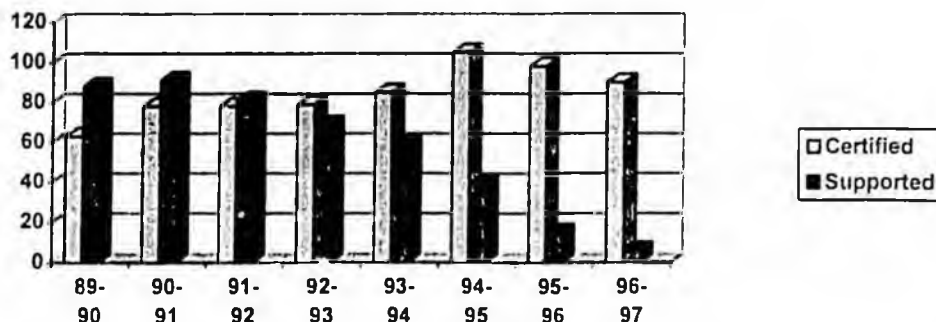
### General Fund Programs

#### **WICHE (Western Interstate Commission on Higher Education) Student Exchange Program**

The Commission serves as Alaska's agency for coordinating activities in the 15-state WICHE Compact. The goal of this component is to provide undergraduate, graduate and professional educational opportunities to Alaskan students in fields for which there are no programs operating in Alaska. The component administers various WICHE programs operating in Alaska: 1) The Professional Student Exchange Program (PSEP); 2) The Western Undergraduate Exchange (WUE); and 3) The Western Regional Graduate Program (WRGP). Currently, in the PSEP (which is the only program requiring student-specific support fees) eight fields in human and animal medicine are available and supported through agreements with WICHE institutions.

FY96 funding (\$329,700) for this program pays WICHE compact membership dues and funds 15 continuing PSEP students. FY97 funding (\$193,600) will pay WICHE Compact membership dues and will fund six continuing students. The membership dues ensure that students also have continuing access to the WUE and WRGP programs in which approximately 800 Alaskans participate each year. New PSEP students have not been funded in several years and FY97 is the last year the Commission anticipates funding students.

**# WICHE PSEP STUDENTS**



\* Due to budget cuts, no new participants have been supported in several years.

## **Federal Student Aid**

The goal of the Federal Student Aid component is to administer federal student financial aid programs to provide the greatest benefit to Alaskan students. The component administers the **State Student Educational Incentive Grant (SSIG)** and the **Paul Douglas Teacher Scholarship Loan** programs.

The SSIG grant requires the state to match funding one-to-one in order to qualify for federal funding; therefore, the budget authority for this program is funded with both federal (\$120,000 in FY97 and \$118,500 in FY96) and state (\$329,500 in FY97 and FY96) funds. This program is the only need-based student aid program in the state. It targets low-income, first-time undergraduate students. This funding level will allow the Commission to fund approximately 300 of the 1,500 eligible students with need-based grants of \$1,500.

The Paul Douglas Scholarship program is funded with federal funds (\$5,000 in FY97 and \$45,000 in FY96). Subsequent to preparing budget information for the Governor's office, the Paul Douglas Scholarship program was eliminated by the federal government. No awards will be made for this program in FY97.

*Federal Student Aid Changes from FY96 authorized budget to FY97 requested budget:*

\$ 40,000 Reduction in federal authorization due to the elimination of federal funds for the federal Paul Douglas Teacher Scholarship Program.

\$ 1,500 Increase in funding for the SSIG program.

## **Corporate Receipts**

### **Program Administration**

This component has three goals:

- 1) to administer and provide policy direction for Commission programs, achieving efficiencies through improved management, processes and technology;
- 2) to review and oversee postsecondary programs and institutions operating in the state, with the exception of the University of Alaska system, emphasizing quality in postsecondary education and training to ensure value for Alaskans in their pursuit of lifelong learning; and
- 3) to provide Alaskans with information about the educational opportunities available in Alaska and about the financial aid programs available to assist in accessing those opportunities. In the future this agency must strive to provide Alaskans with the tools and information to make sound postsecondary education/training investments and decisions by developing a one-stop resource of education/training/labor information through expanded collaboration with other agencies and advocacy groups.

# **CORRECTION**

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services  
Department of Education  
State of Alaska

## ACPE/ASLC OPERATIONAL BUDGET COMPONENTS

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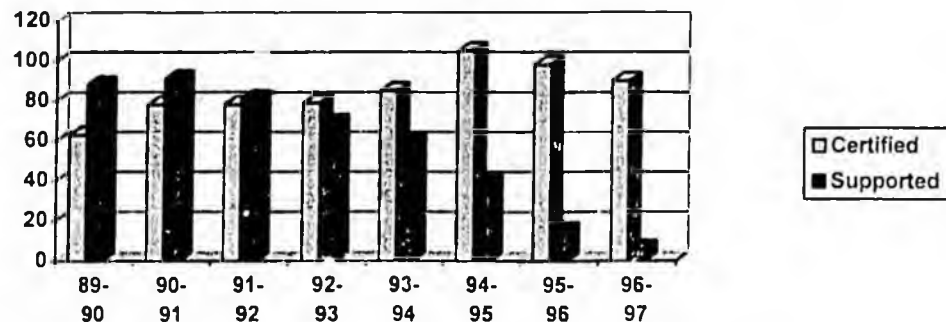
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FY96 funding (\$329,700) for this program pays WICHE compact membership dues and funds 15 continuing PSEP students. FY97 funding (\$193,600) will pay WICHE Compact membership dues and will fund six continuing students. The membership dues ensure that students also have continuing access to the WUE and WRGP programs in which approximately 800 Alaskans participate each year. New PSEP students have not been funded in several years and FY97 is the last year the Commission anticipates funding students.

**# WICHE PSEP STUDENTS**



**\* Due to budget cuts, no new participants have been supported in several years.**

*WICHE Changes from FY96 authorized budget to FY97 requested budget:*

\$ 42,000 Transfer to WAMI Medical Education to fund the cost of living increase in the 2nd, 3rd and 4th year contract obligation for FY97.

\$ 94,100 Reduction due to Professional Student Exchange program students completing their studies in supported fields.

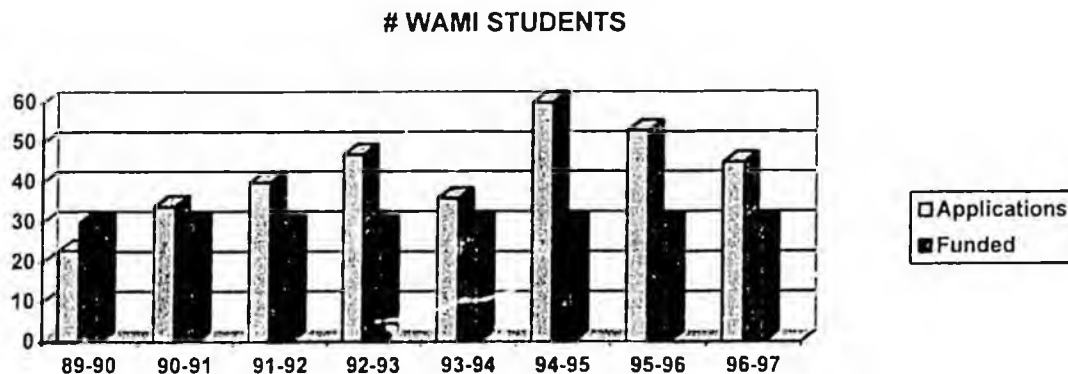
**WAMI (Washington, Alaska, Montana and Idaho) Medical Education Program**

The WAMI program provides guaranteed access to a medical school for residents of Alaska. The University of Washington School of Medicine acts as the regional medical school for Washington, Alaska, Montana and Idaho by reserving a predetermined number of class places each year. Alaska currently contracts and pays for thirty places (30), ten in each of the 2nd, 3rd and 4th years of study.

FY96 funding (\$1,267,000) for this program covers the State's contractual obligation. FY97 funding (\$1,309,000) will again cover the contractual costs associated with this program.

*WAMI Changes from FY 96 authorized budget to FY97 requested budget:*

\$ 42,000 Transfer from the WICHE Student Exchange component to cover the cost of living increase that is factored into the contractual obligation.



## **Federal Student Aid**

The goal of the Federal Student Aid component is to administer federal student financial aid programs to provide the greatest benefit to Alaskan students. The component administers the **State Student Educational Incentive Grant (SSIG)** and the **Paul Douglas Teacher Scholarship Loan** programs.

The SSIG grant requires the state to match funding one-to-one in order to qualify for federal funding; therefore, the budget authority for this program is funded with both federal (\$120,000 in FY97 and \$118,500 in FY96) and state (\$329,500 in FY97 and FY96) funds. This program is the only need-based student aid program in the state. It targets low-income, first-time undergraduate students. This funding level will allow the Commission to fund approximately 300 of the 1,500 eligible students with need-based grants of \$1,500.

The Paul Douglas Scholarship program is funded with federal funds (\$5,000 in FY97 and \$45,000 in FY96). Subsequent to preparing budget information for the Governor's office, the Paul Douglas Scholarship program was eliminated by the federal government. No awards will be made for this program in FY97.

*Federal Student Aid Changes from FY96 authorized budget to FY97 requested budget:*

\$ 40,000 Reduction in federal authorization due to the elimination of federal funds for the federal Paul Douglas Teacher Scholarship Program.

\$ 1,500 Increase in funding for the SSIG program.

## **Corporate Receipts**

### **Program Administration**

This component has three goals:

- 1) to administer and provide policy direction for Commission programs, achieving efficiencies through improved management, processes and technology;
- 2) to review and oversee postsecondary programs and institutions operating in the state, with the exception of the University of Alaska system, emphasizing quality in postsecondary education and training to ensure value for Alaskans in their pursuit of lifelong learning; and
- 3) to provide Alaskans with information about the educational opportunities available in Alaska and about the financial aid programs available to assist in accessing those opportunities. In the future this agency must strive to provide Alaskans with the tools and information to make sound postsecondary education/training investments and decisions by developing a one-stop resource of education/training/labor information through expanded collaboration with other agencies and advocacy groups.

These goals will be met with Corporate Receipt funding of \$758,700 in FY97 (\$717,900 in FY96). To support the Department's goal of setting standards of quality to protect the interest of individual Alaskans and the Alaska Student Loan Corporation, it is vital that ACPE insure compliance as the statutes mandate. No less important is the ACPE's activities to find ways to reduce the student loan program default rate to insure that the program can continue to meet the needs of all Alaskan applicants. Monitoring school compliance and collection agency effectiveness will be key to the effort of default management.

*Changes from FY96 authorized budget to FY97 requested budget:*

\$ 7,300 Increase due to adjustments made to the exempt salary schedule and risk management rates.

\$ 33,500 Increase to support an increase in institutional oversight and audit activity.

### Loan Operations

The goals of this component are:

- 1) to serve and value our customers, including students, parents, policy makers, bond holders, professional colleagues and co-workers,
- 2) to identify and implement program efficiencies through improved management, processes, and technology to ensure the self-sustainability and marketability of the Alaska Student Loan Programs through the 21st century,
- 3) to provide low-cost financing to the Alaska Student Loan Program (ASLP),
- 4) to disburse low-cost loans to eligible Alaskans enabling them to pursue postsecondary education and training, and
- 5) to service the outstanding loan portfolio in a manner which maximizes repayment to the Student Loan fund and protects the financial integrity of the Alaska Student Loan Program.

These goals will be met with Corporate Receipt funding of \$6,241,400 in FY97 (\$6,451,500 in FY96).

The Commission has eliminated two full-time permanent positions in this component due to operational efficiencies.

*Changes from FY96 authorized budget to FY97 requested budget:*

\$ 179,500 Four positions will be deleted in FY97 due to completion of a capital project.

\$ 89,600 Reduction in Information services chargeback.

\$ 59,000 Increase due to adjustments made to the exempt salary schedule and risk management rates.

## **Federal Funds**

### **Veterans Administration**

The Commission receives a grant from the U.S. Department of Veterans Affairs (VA). With these funds, Commission staff perform the following functions:

- 1) Inspect and supervise approved programs, schools, and training establishments within the State of Alaska (SOA);
- 2) Determine which education and training programs may be approved for veterans and other eligible individuals;
- 3) Render services and obtain information necessary for the VA to approve or disapprove programs offered by the federal government with the SOA;
- 4) Review and approve catalogs and term schedules from approved educational institutions;
- 5) Conduct on-site supervisory visits to 75 educational institutions and training sites within the SOA approved for VA education and training benefits; and
- 6) Make VA requested visits to schools and training sites.

The Commission does not expect a significant decrease in funding for this program in FY 97; however, all programs funded by the federal government are being scrutinized very closely.

*Changes from FY96 authorized budget to FY97 requested budget:*

\$ 1,900 Increase in federal funding.

\$ 1,800 Increase due to adjustments made to the exempt salary schedule and risk management rates.

### **State Postsecondary Review Entity Program**

Congress eliminated funding for the State Postsecondary Review Entity Program (SPRE) which was targeted to pay for a large portion of the costs related to Institutional authorization and school compliance functions. The state must absorb these expenses that will be incurred regardless of the elimination of the SPRE Program. This is not an unfunded mandate. These activities would have taken place in conjunction with SPRE functions and the state would otherwise have benefited by having a non-state funding source for these concurrent functions.

*Changes from FY96 authorized budget to FY97 requested budget:*

\$ 100,000 Reduction in federal funding.

### **Federal Student Aid**

This program was addressed above under the general fund section as it is funded with both state general funds and federal funds.

### **Governors Council on Vocational Education**

Chapter 61, SLA 1995, established the Alaska Human Resource Investment Council and transferred certain functions of other entities to the council. Passage of HCS CSSB 142 (FIN) transferred the functions of this component to the Alaska Human Resource Investment Council. This council, in FY97, will be a component of the Office of the Governor.

*Changes from FY96 authorized budget to FY97 requested budget:*

\$ 160,100 Transfer to the Governor's Office.

Brd. of  
Storage Tank  
Assistance

DEC

**SFIN**

**FILE**



OFFICIAL BUSINESS

# Alaska State Legislature

## Senate

### Office of the Secretary

STATE CAPITOL  
JUNEAU, ALASKA 99801-1182  
(907) 465-3701  
FAX: 465-2832

January 16, 1996

#### MEMORANDUM

TO: Senator Frank, Cochair  
Senator Halford, Cochair  
Finance Committee

FROM: Nancy Quinto  
Secretary of the Senate

SUBJECT: Sunset Audits

President Pearce has referred the following report to your committee:

Department of Environmental Conservation, Board of Storage Tank  
Assistance, September 19, 1995 (Sunset)

NQ/vsw

Enclosure

*1-16-96  
Delivered to Co chairs*

# Audit Report

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**DEPARTMENT OF ENVIRONMENTAL  
CONSERVATION BOARD OF STORAGE  
TANK ASSISTANCE**

**September 19, 1995**

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Audit Control Number:

18-1432-96

Division of Legislative Audit  
P.O. Box 113300, Juneau, Alaska 99811-3300

# LEGISLATIVE BUDGET AND AUDIT COMMITTEE

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## DIVISION OF LEGISLATIVE AUDIT

The Legislative Budget and Audit Committee is a permanent interim committee of the Alaska Legislature. The committee is made up of five senators and five representatives, with one alternate from each legislative chamber. The chairmanship of the committee alternates between the two chambers every legislature.

The committee is responsible for providing the legislature with audits of state government agencies. The programs and activities of state government now cost more than \$5 billion a year. As legislators and administrators try increasingly to allocate state revenues effectively and make government work more efficiently, they need information to evaluate the work of governmental agencies. The audit work performed by the Division of Legislative Audit helps provide that information.

As a guide to all their work, the Division of Legislative Audit complies with generally accepted auditing standards established by the American Institute of Certified Public Accountants and with government auditing standards established by the U.S. General Accounting Office.

Audits are performed at the direction of the Legislative Budget and Audit Committee. Individual legislators or committees can submit requests for audits of specific programs or agencies to the committee for consideration. Copies of all completed audits are available from the Division of Legislative Audit's offices in either Anchorage or Juneau.

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### DIVISION OF LEGISLATIVE AUDIT

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# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit



P. O. Box 113300  
Juneau, AK 99811-3300  
(907) 465-3830  
FAX (907) 465-2347

September 19, 1995

Members of the Legislative Budget  
and Audit Committee:

In accordance with the provisions of Title 24 of the Alaska Statutes, the attached report is submitted for your review.

### DEPARTMENT OF ENVIRONMENTAL CONSERVATION BOARD OF STORAGE TANK ASSISTANCE

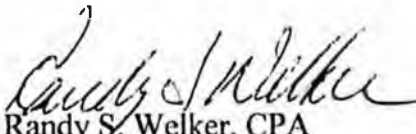
September 19, 1995

Audit Control Number

18-1432-96

This audit was conducted under the requirements of Alaska Statutes 44.66.050 and the authority of AS 24.20.271(1). In the report, we assess the operations and performance of the Board of Storage Tank Assistance utilizing the criteria set out in AS 44.66.050(c). This statutory criteria is intended to be used to assess whether the activities of a given board, commission, council, agency, or program is effectively meeting a demonstrated public need. Currently under AS 44.66.010(18), the board is scheduled for termination on June 30, 1996. The board would be allowed one year in which to conclude its affairs. We recommend that the legislature extend the board until June 30, 2000.

The audit was conducted in accordance with generally accepted government auditing standards and the criteria set out in AS 44.66.050(c). Fieldwork procedures utilized in the course of developing this report are discussed in the Objectives, Scope, and Methodology section of this report.

  
Randy S. Welker, CPA  
Legislative Auditor

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## OBJECTIVES, SCOPE, AND METHODOLOGY

In accordance with the intent of Titles 24 and 44 of the Alaska Statutes (sunset legislation), we have reviewed the activities of the Board of Storage Tank Assistance. As required by AS 44.66.050(a), the legislative committee of reference shall consider this report during the legislative oversight process to determine whether the board should be reestablished. Currently, AS 44.66.010(18) states that the board will terminate on June 30, 1996, and will have one year from that date to conclude its affairs.

### Objectives

Our specific audit objectives were:

1. To determine if the termination date of the board should be extended.
2. To determine if the board is operating in the interest of the public. In assessing the operations and performance of the board, we utilized the criteria set out in AS 44.66.050(c). Criteria set out in this statute relates to the determination of a demonstrated public need for the board.

### Scope and Methodology

The board was created in September 1990. Our scope included all activities of the board since its inception. We reviewed the board's activities to determine whether they have been in the interest of the public and whether they have been in compliance with Alaska statutes and regulations.

In order to address our audit objectives, we reviewed the following:

- Applicable sections of Alaska's statutes and regulations.
- Budget documents, session laws and other legislative information relating to the board's operations.
- Transcribed minutes and audio tapes of board meetings.
- Internal reports and documents prepared by the board and the Department of Environmental Conservation (DEC).
- Reading files of the board's executive director.
- Grant files of recipients of financial assistance.
- Financial information on the State's accounting system.

- Office of the Ombudsman closed case file.
- Office of the Governor, Boards & Commissions files.
- Prior year audit workpapers and audit reports related to various DEC operations.

Also, we conducted interviews with the following:

- Board members and the board's executive director.
- DEC staff.
- Owners and operators of underground petroleum storage tanks.

In addition, we attended the July 20, 1995 meeting of the board. We observed the proceedings and the interaction of the board with the public.

## ORGANIZATION AND FUNCTION

In 1990, the legislature (Chapter 96, SLA 1990) established a process to provide both technical and financial assistance to owners and operators of underground storage tanks (USTs). It was determined that such assistance was necessary for UST owners to comply with both current and prospective federal and state requirements. The 1990 legislature also provided for the cleanup of existing leaks and prevention of future leaks associated with USTs in order to protect the public from contamination of drinking water and to protect the environment.

The comprehensive legislation established the Board of Storage Tank Assistance. The board works in conjunction with the State's Department of Environmental Conservation (DEC) to carry out the various requirements of the UST statutes. The board is involved in the making of regulations pertaining to USTs and DEC is responsible for administering the UST program. This includes the administration of the financial assistance program.

The program offers grants and loans to owners and operators to test, clean up, upgrade, or close their facilities. The Storage Tank Assistance Fund (STAF) was established to fund the program. Appropriations are made to STAF from the mitigation account fund and from tank registration receipts.

### Board Responsibilities

The board's primary statutory functions are to:

1. Adopt regulations to be used by DEC in determining which costs are eligible for financial assistance.
2. Adopt regulations to be used by DEC to rank (prioritize) applications for financial assistance.
3. Resolve disputes that might arise when DEC determines that a UST owner or operator is not eligible for assistance, determines that costs are ineligible, or assigns a rank with which an owner or operator does not agree.
4. Approve regulations specifying allowable technologies for testing, containment and cleanup, or corrective action prior to being adopted by DEC.
5. Review regulations proposed by DEC that sets a standard for the level of a contaminant that is allowed to remain in soil or groundwater after cleanup of a release from, or associated with, an UST.

Additional responsibilities are assigned to the board under 18 AAC 78. The board allocates funds appropriated to the STAF for the financial assistance program. Also, the board is responsible for the establishment of a point system to rank eligible applicants.

## Board Membership

Under the requirements of AS 46.03.360, the seven member board consists of the commissioners of DEC and the Department of Transportation and Public Facilities (DOTPF), or their designees, and the following persons appointed by the governor to serve staggered four-year terms:

- A registered engineer, who is knowledgeable about installing, upgrading, repairing, or closing USTs.
- A general contractor, who is knowledgeable about installing, upgrading, repairing, or closing USTs.
- Two owners or operators of an UST, at least one of whom does not own or operate more than 10 USTs.
- A member of the insurance industry.

Members serve without compensation, but are entitled to per diem and travel expenses. Since 1991, the board has employed a full-time executive director.

## DEC's Responsibilities

DEC's Division of Spill Prevention and Response administers the financial assistance program. Statutes and regulations require DEC to:

1. Receive, review, and approve applications and other required documentation for financial assistance.
2. Priority rank applicants using a scoring system developed by the board.
3. Distribute and monitor grant awards.
4. Manage the Storage Tank Assistance Fund.

### **Board of Storage Tank Assistance** *(as of August 15, 1995)*

**Judy Chadwick-Anderson**, Chair  
(representative of the Insurance Industry)  
**Kurt Fredriksson**  
designee of the commissioner of DEC  
**Robert Haines**  
Tank Contractor  
**Nate Johnson**  
designee of the commissioner of DOTPF  
**Steve Johnson**  
Registered Engineer  
**Jim Weymiller**  
Tank Owner  
**Dale Young**  
Tank Owner  
**John Barnett**  
Executive Director

## BACKGROUND INFORMATION

In 1990, the legislature created a program to provide both financial and technical advisory assistance to the owner and operators of underground petroleum storage tanks (UST). The assistance was to help UST owners and operators comply with current and prospective state and federal regulations (see inset at right). These regulatory requirements address numerous design and operational aspects of USTs.

Underground tanks are typically used to store petroleum and other potentially hazardous substances. These tanks invariably develop leaks which allow the substances stored in them to leak into the surrounding soil, contaminating the groundwater, which in turn could contaminate a drinking water source.

The U.S. Congress directed the Environmental Protection Agency to develop regulations for the design, construction, and installation of new tanks. Additionally, new, stricter standards were established for the retrofitting of existing tanks. Such tanks will be required to be upgraded to provide for leak detection, corrosion prevention, and spill and overflow protection.

In addition, UST owners are required to demonstrate they are capable of assuming financial responsibility for the costs involved in taking corrective action and cleaning up releases from their tanks.

Such financial responsibility extends to covering third party loss and bodily injury. Most UST owners are required to demonstrate \$1 million of financial responsibility per occurrence and \$2 million aggregate. Failure to meet the requirements may result in fines of up to \$10,000 per day.

### **Federal Law Imposes Strict Requirements on USTs**

Congress passed the Hazardous and Solid Waste Amendments of 1984 to the Resource Conservation and Recovery Act. These amendments, in part, require the U.S. Environmental Protection Agency (EPA) to regulate USTs containing petroleum and hazardous substances. According to EPA estimates, nationwide there are several million USTs that contain petroleum or hazardous substances - tens of thousands of which, together with their associated piping, are leaking and contaminating groundwater, a major source of drinking water for a large portion of the country.

Congress directed the EPA to develop regulations for the design, construction, and installation of new tanks as well as the addition of leak detection, corrosion prevention, and spill and overflow protection to existing tanks. The EPA regulations went into effect on December 22, 1988 and USTs installed on or before that date are considered "existing tanks," while those tanks installed after that date are considered "new installations." New installations are to meet the performance standards set out in the regulations at the time of tank installation. Existing tanks are allowed to phase in these standards over a period of 10 years.

Congress also mandated that all UST owners, except state and federally owned or operated tanks, be able to demonstrate specific levels of financial responsibility for corrective action and cleanup associated with releases from their USTs including third party loss and bodily injury. The financial responsibility requirements were phased in according to the type of owner and the number of tanks owned. The final date for all tank owners to meet this requirement was December 31, 1993. Most tank owners are required to demonstrate \$1 million of financial responsibility per occurrence and \$2 million aggregate. Failure to meet the requirements may result in fines of up to \$10,000 per day.

*Source: DEC's FY 94 STAF Report*

Because most Alaska businesses using USTs were unable to meet the financial responsibility requirements and unable to pay the possible fines, state legislation was introduced to provide assistance to assume "financial responsibility." The prime sponsor of the original 1990 legislation stated that it is "*the responsibility of the legislature to assist the small tank owners to comply with the new federal regulations.*"

The enacted legislation addressed educational, technical, and financial assistance for UST owners and operators. It required owners and operators to register their tanks and pay a registration fee based on the size of their tank. In addition, the storage tank assistance fund (STAF) was established to provide financial assistance to owners and operators.

### Financial Assistance Programs

Appropriations are made to STAF to fund the financial assistance programs. The programs provide grants and loans to owners and operators of regulated USTs. Assistance is provided under four different programs. As shown below, each program has different eligibility requirements, application dates, and grant reimbursement percentages.

<b>Summary of UST Financial Assistance Programs</b>				
<b>PROGRAM</b>	<b>STATUTE (AS) REGULATION (AAC) SESSION LAW (SLA)</b>	<b>APPLICATION DUE DATE</b>	<b>ELIGIBLE COSTS</b>	<b>TYPE OF ASSISTANCE</b>
<b>Tank Tightness Testing &amp; Site Assessment Incentive Program</b>	AS 46.03.415 18AAC78.510 (Subsequently repealed)	March 5, 1992	Tank tightness tests or site assessments to determine if there had been a release of petroleum.	50% of actual costs. Not to exceed (a) \$300 per tank for tank tightness tests up to a maximum of \$1,200 per facility; and, (b) \$800 per tank for site assessments up to \$3,200 per facility.
<b>Tank Cleanup Grant &amp; Loan Program</b>	AS 46.03.420 18 AAC 78.515	June 30, 1994	Risk assessment, containment, corrective action, and cleanup.	Up to \$1 million per occurrence, owner/operator is responsible for 10% of total cleanup costs (not to exceed \$25,000). Loans are available for owner's share.
<b>Tank Upgrade &amp; Closure Grant Program</b>	AS 46.03.430 18 AAC 78.520	December 31, 1994	Removal, upgrade or replacement of UST that was installed before December 22, 1988.	60% of actual cost. Not to exceed \$60,000.
<b>Reimbursement Program</b>	SLA 1990, Ch 96, Sec 7 18 AAC 78.525	March 5, 1991	Risk assessment, containment, cleanup, corrective action, upgrading or closure activities on or after December 22, 1988 and before September 5, 1990.	90% of containment, cleanup, corrective action and risk assessment. 60% of upgrade or closure.  Not to exceed \$200,000 per owner/operator.

Financial assistance is no longer provided under the tank tightness testing and site assessment incentive program. Eligible applicants that applied before the due date for the other three programs are still on the active list awaiting funds. Applications for the tank cleanup grant and loan program are still accepted from applicants who applied before the due date for the tank upgrade and closure grant program if they discover and report contamination before July 1, 1996. Eligible applicants that applied before the due date for the other three programs are still on the active list awaiting funds

### Funding Issues

Like all state operations, funding for the STAF must be appropriated by the legislature. Since the beginning of the financial assistance program, demand for assistance has been much more than the annual appropriations. Eligible applicants that are not funded in one year remain active until funds are available.

At the inception of the program, \$6 million was appropriated for the grant and loan program. That amount has decreased each year with \$1.9 million appropriated to fund FY 96 grants. DEC has estimated that over \$54 million is needed to fund all eligible applicants. It will take approximately 19 years to fund existing projects at that level of funding.

### Reimbursement Program

Original legislation assigned a low priority to this program. Payment is to be made if there is sufficient funding. Since inception, no projects have been funded. DEC has 158 applications for reimbursement. They estimate that it will require over \$3 million to fund all projects.

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## REPORT CONCLUSIONS

In our opinion, the Board of Storage Tank Assistance should be reestablished. The board plays an integral role in the State's underground storage tank (UST) program. The board acts as a mediator, sets regulations, and acts as a sounding board to owners and operators of USTs.

The board acts as an independent body in settling disputes between DEC and owners and operators of USTs. Since the board's inception, they have mediated over eleven formal appeal cases. The board has been involved in numerous cases on an informal basis. Owners and operators call the board to informally discuss the applicability of state statutes and regulations to their specific situation; thereby averting the need for formal appeals.

The board actively participates in the making of statutes and regulations pertaining to USTs. The board is statutorily required to adopt regulations to be used by DEC to administer the UST program. Regulations originally adopted have been amended and are currently in the process of being revised. The board also reviews all regulations pertaining to USTs that are proposed by DEC.

We believe the board should continue until June 30, 2000. The intent of legislation establishing the board was to assist owners and operators of USTs to comply with federal and state laws and regulations. U.S. Environmental Protection Agency (EPA) regulations require USTs to meet new, stricter federal standards by December 22, 1998. The "need" or demand for funding to bring operating USTs into compliance have far outstripped the appropriations made to date. Prospectively, it is unlikely that the amount of the appropriations will substantially increase over the next few fiscal years.<sup>1</sup>

Currently, it is unclear what enforcement actions EPA will take in Alaska against UST owners that are not in compliance with the new regulations. Given these circumstances, we foresee there may be an ongoing public policy role for the board beyond the EPA implementation deadline. By extending the board to June 30, 2000, a reevaluation of its activities can be made in the summer of 1999. Evaluation at this time would be made in the context of EPA's enforcement action regarding UST requirements.

Many owners and operators need assistance from the financial assistance program before undertaking the necessary action to comply with federal and state laws and regulations. With the existing level of funding (See Background Information) for the program, some eligible applicants will not receive funding until after the federal deadline.

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<sup>1</sup> As discussed in the Background Information section, it is estimated that it will cost more than \$54 million to bring operating USTs into compliance with the prospective federal requirements. This estimate is based only on the funding that has been applied for to date under the State's assistance program. Representatives of the Alaska Underground Tank Owners and Operators organization reported to us that they felt there were many owners and operators, who face being in non-compliance, that have not come forward and even applied for any of the available funding.

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## FINDINGS AND RECOMMENDATIONS

### Recommendation No. 1

The legislature should consider changing the statute to require the appointment of one public member to the Board of Storage Tank Assistance with no commercial or financial interest in the replacement and retrofitting of underground storage tanks.

Alaska Statute (AS 46.03.360) requires seven members to be appointed to the Board of Storage Tank Assistance. Membership includes two government members — the commissioners of the Department of Environmental Conservation and the Department of Transportation and Public Facilities — and five “public members.” Four of the public members must have specific knowledge of underground storage tanks. The fifth public member must be a member of the insurance industry. While not required by statute, this position has been filled by individuals involved in UST pollution liability insurance.

Typically, the legislature has provided for the appointment of what is termed “a public member” to the State’s various professional licensing boards. The intent behind such a requirement is to give the general public access to the decision-making and actions that such a board might take. The public member acts as a disinterested representative on these boards, that unlike other board members, has no professional nor financial interest in board proceedings. While the five public members on the Board of Storage Tank Assistance are from the private sector, they are involved, to varying degrees, with the commercial aspects surrounding USTs.

Because environmental concerns are shared equally by the general public as well as those with a specialized knowledge of UST issues and concerns, we suggest that the board and the public may benefit from the appointment of a board member with no ties to USTs. Such an appointee should have no commercial or financial interest in the replacement and retrofitting of USTs. Appointment of such a member would serve to “open up” the board proceedings in this admittedly very esoteric subject area. Since the board is instrumental in developing priorities and criteria by which funding decisions are made, such a perspective may provide a viewpoint that is independent from any operational, regulatory, or commercial interest. The presence of such a member would increase, albeit perhaps very incrementally, awareness of the objectives and goals of the board, to the public at large while providing a “reality check” on the actions and goals of the board.

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## ANALYSIS OF PUBLIC NEED

### Limited Analysis

The following analysis of board activities relates to the public need factors defined in the "sunset" law, Alaska Statute 44.66.050. These analyses are not intended to be comprehensive, but address those areas we were able to cover within the scope of our review.

The extent to which the board, commission, or program has operated in the public interest.

### Projects with the greatest health and environmental threats receive priority

In accordance with its statutory responsibility, the board has adopted regulations to be used by the Department of Environmental Conservation (DEC) to rank requests for assistance. Regulations specify the criteria to be used for ranking applications for cleanup, upgrade, and closure. Although not in regulation, the board has established a point system to prioritize each type of project. The point system is designed to give the highest points to leaking underground petroleum storage tanks (USTs) that pose the greatest threat to public health and the environment, thus ensuring projects requiring prompt corrective action are funded first.

### Projects with imminent public health threats receive emergency funds

An owner or operator of a UST is eligible for emergency financial assistance if a leak or overflow of their tank poses an imminent public health threat and the owner or operator does not have the funds to begin clean up action. This type of release is usually evidenced by groundwater that has a high potential for contamination with a distinct probability that drinking water is or will be threatened.

After determining eligibility for an emergency grant, DEC must consult the board. At a public meeting the board reviews the severity of the situation, the need for financial assistance, and the applicant's compliance with federal and state laws. Also, the board reviews the preliminary scope of work. The board determines whether the amount of requested funds is appropriate for the proposed scope of work.

Since the board's inception, they have approved seven projects in which almost \$700,000 has been expended on emergency projects.

### Board resolves disputes

DEC receives and processes applications for financial assistance. If determined eligible, an applicant's project receives a score (or rank). Once the project receives funding, documentation of expenses is submitted to DEC for reimbursement.

One of the board's statutory duties is to hear appeals from owners and operators who disagree with DEC's determinations. The board has adopted regulations on the appeal process. Once an appeal is requested, regulations require a hearing to be held at the next scheduled board meeting and the board is required to issue a decision within 10 days. According to the board, the hearing date and time is scheduled at the convenience of the appellant. If the location of the next board meeting is inconvenient, a teleconference is held.

Our testing revealed that the board is in compliance with regulations. The files we reviewed showed that appeal hearings were heard within 30 days after a written request was made. Decisions were issued at the end of each hearing.

Since 1991, the board has heard eleven appeals. The majority were related to rank and the remainder related to the eligibility of costs. Appeals over eligibility for the financial assistance program have never been brought before the board. The board has ruled in favor of the appellant in 6 of the eleven appeals (55%), with the remainder in favor of DEC.

According to the board, they have worked with numerous UST owners and operators who have disagreed with DEC's actions but, due to the board's intervention, did not request an appeal. Often, an explanation or clarification of procedures by the board's executive director has eliminated the need for a formal appeal.

#### Information provided to interested parties

The board utilizes several medium to ensure that owners and operators are kept abreast of federal and state regulations. After the new storage tank statutes and regulations were adopted, the board, in conjunction with DEC, conducted workshops in seven different areas of the State to introduce individuals to the UST program. The workshops were attended by owners and operators of USTs and individuals from private companies; city, borough, and state agencies.

Currently, the board contributes one or two articles to DEC's newsletter, "Alaska Underground," which is published approximately three times a year. Articles are about board activities or changes in regulations or policies. In addition to owners and operators, the newsletter is distributed to consultants, certified workers, legislators, state agencies and interested persons.

In between publication dates, the board prepares information bulletins that are distributed to tank owners and operators. The bulletins are one to two page reports on issues of interest.

The board has prepared a booklet of "Questions and Answers" about the UST program. It is designed to introduce people to the program and provide answers to questions most frequently asked of the board. It is updated annually and distributed to tank owners and operators, legislators, DEC staff, and federal Environmental Protection Agency staff.

The extent to which the operation of the board, commission, or agency program has been impeded or enhanced by existing statutes, procedures, and practices which it has adopted, and any other matter, including budgetary, resource, and personnel matters.

The board's establishing legislation also provided financial assistance programs to assist the owners and operators of USTs to comply with federal and state requirements. Appropriations are made to the storage tank assistance fund to provide assistance to owners and operators of UST. Although DEC manages the fund, the board is responsible for allocating funds to the financial assistance programs.

Each year, at its July meeting, the board discusses funding. DEC informs the board of the number of applications received and the amount requested. They also suggest various methods to allocate the funds. The board then decides which projects to fund.

When the fund was first established in 1991 more than \$6 million was allocated to storage tank grants. Since then, funding has decreased. While funds have decreased, requests for financial assistance have increased. DEC estimates that over \$54 million is needed to fund all projects on file.

The FY 96 appropriation to financial assistance grants and loans was \$1.9 million. If funding continues at the this level it will take approximately 19 years to fund all projects.

Due to insufficient funding, no funds have been paid to eligible applicants of the reimbursement program. Original legislation allowed tank owners and operators to apply for reimbursement for a part of their eligible costs for UST upgrade activities if such activities took place prior to the law's effective date. Applicants had to apply by March 5, 1991 to be considered for funding. Legislation required that payments under this program would only be made after other requests for financial assistance had been satisfied. Since there remains outstanding funding requests under the various other programs, the board has not allocated any funding for this purpose.

DEC's records indicate that approximately \$3 million is needed to reimburse the 158 eligible applicants on file.

The extent to which the board, commission, or agency has recommended statutory changes that are generally of benefit to the public interest.

The board has actively participated in statutory changes regarding USTs. In 1994, three changes were made to the statutes:

1. Original legislation required the board to hear appeals when disputes arose on eligibility of costs and priority ranking. Statutes were amended to allow the board to also hear appeals on program eligibility.

2. The due date for applications for financial assistance for the tank closure and upgrade and closure program was set for December 31, 1994.
3. The application due date for the tank cleanup grant and loan program (cleanup program) was June 30, 1994. Statutes were amended to extend the due date for two years for eligible applicants of the upgrade and closure program if they discover and report contamination before July 1, 1996.

The extent to which the board, commission, or agency has encouraged interested persons to report to it concerning the effect of its regulations and decisions on the effectiveness of service, economy of service, and availability of service that it has provided.

Activities of the board are discussed at meetings that are open to the public. All meetings are announced in newspapers in the three largest cities in the State. The announcement includes a brief summary of the major issues that will be discussed.

The meeting agenda provides for public comment at the beginning and end of each meeting. Also, the board chair solicits public comments throughout the meeting.

The extent to which the board, commission, or agency has encouraged public participation in the making of its regulations and decisions.

The board has encouraged public participation in the making of its regulations. Prior to adoption, regulations are discussed at board meetings which are advertised and open to the public.

The efficiency with which public inquiries or complaints regarding the activities of the board, commission, or agency filed with it, with the department to which a board or commission is administratively assigned, or with the Office of the Ombudsman have been processed and resolved.

From a review of the ombudsman closed case files we determined that no complaints have been filed against any activities of the board.

The extent to which the board or commission which regulates entry into an occupation or profession has presented qualified applicants to serve the public.

Since the board does not regulate any occupation or profession, this criterion is not applicable to the activities of the board.

The extent to which state personnel practices, including affirmative action requirements have been complied with by the board, commission, or agency to its own activities and the area of activity or interest.

Nothing has come to our attention to indicate that the board has not complied with state personnel practices.

The extent to which statutory, regulatory, budgeting, or other changes are necessary to enable the agency, board or commission to better serve the interests of the public and to comply with the factors enumerated in this subsection.

See Recommendation No. 1.

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# Board of Storage Tank Assistance

410 WILLOUGHBY AVENUE  
JUNEAU, ALASKA 99801  
(907) 465-5219  
FAX (907) 465-5218

Tony Knowles, Governor

December 22, 1995

Division of Legislative Audit  
P.O. Box 113300  
Juneau, AK 99811-3300

RECEIVED  
DEC 27 1995

LEGISLATIVE AUDIT

Attention: Jim Griffin

RE: Preliminary Report, Sunset Review of the Board of Storage Tank Assistance  
Audit Control Number: 18-1432-95

Dear Mr. Griffin,

This letter is in response to the Preliminary Report pertaining to the Sunset Review of the Board of Storage Tank Assistance.

Several errors were noted as follows:

Page 7, paragraph 3. Actual number is \$1.9 million, not \$2.9 million.

Page 15, paragraph 5. Actual number is \$1.9 million, not \$2.9 million.

Page 16, Items 2 & 3. References to "closure program" should read "upgrade and closure program"

The Board of Storage Tank Assistance discussed at length the findings and recommendation outlined in the Preliminary Report, specifically Recommendation No 1, "*The legislature should consider amending Board statutes to provide for the appointment of a public member with no specialized knowledge of, or commercial interest in, underground storage tanks.*"

The Board fully supports modifying existing statutes to allow for additional appointments. With nearly 50 million dollars in financial assistance requests currently on file, the Board welcomes any additional input and insight that might be brought forward by citizens concerned with protecting Alaska's public health and environment. The Board of Storage Tank Assistance has been extremely successful in protecting and restoring Alaska's fragile environment from petroleum contamination resulting from leaking underground storage tanks and has done so without jeopardizing Alaskan jobs or Alaska's transportation dependant economy. The program is under funded at this time and needs to develop an alternative funding source to address current and future needs. The appointment of a concerned representative from outside the tank industry will help the Board evaluate future needs, scope and funding alternatives to insure the continued future success of the Storage Tank Assistance program.

The Board is committed to constantly refining and improving the Storage Tank Assistance Fund consistent with the program's original assistance-oriented intent. Tank owners and operators are a hard working and indispensable segment of Alaska's economy and deserve a hard working, conscientious and diversified Board of Storage Tank Assistance.

As you are aware, funds appropriated by the Alaska State Legislature to the Storage Tank Assistance Fund are allocated annually by the Board of Storage Tank Assistance to different financial assistance programs, the tank cleanup program, the tank upgrading program and the tank closure program.

The Board of Storage Tank Assistance makes the annual allocations after taking into consideration the amount of money in the Fund, the money required to meet the needs for each program, as supported by approved applications and the requirement that the greatest priority be given to funding projects that present the greatest threat or potential threat to public health.

Although all regulated tank owners and operators are eligible, all applicants are priority ranked for funding according to regulations and criteria established by the Board of Storage Tank Assistance. The ranking system emphasizes public health threat foremost followed by numerous other considerations such as size of business, number of tanks owned, whether the company is too small to be self-insurable, nearest alternative fuel source and whether the facility is in a rural location. Several other criteria are used to rank applications with an emphasis on small rural tank owners that pose an imminent public health threat and have acted in good faith to undertake as much of the work as possible on their own.

Although the Board has addressed public health threats associated with leaking underground petroleum storage tanks to a considerable extent, the problem is not yet resolved and will take many years to resolve statewide. Again, the Board fully supports the recommendation outlined in the Preliminary Report.

Please feel free to contact me at 465-5219 at your convenience if you have any questions or wish to discuss this matter further.

Sincerely Yours,



John C. Barnett

Executive Director, Board of Storage Tank Assistance

cc: Judy Chadwick-Anderson, Board Chairperson

# ALASKA STATE LEGISLATURE

## LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Division of Legislative Audit

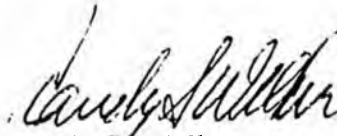


P. O. Box 113300  
Juneau, AK 99811-3300  
(907) 465-3830  
FAX (907) 465-2347

December 29, 1995

Members of the Legislative  
Budget and Audit Committee:

We have reviewed the response of the Board of Storage Tank Assistance to our audit report. We have made the suggested editing changes noted in the letter regarding a dollar amount used in the report and the description of one of the State's underground storage tank programs.

  
Randy S. Welker  
Legislative Auditor

Cambridge

Energy

Contract

**HFIN**

**FILE**

# **Alaska State Legislature**

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**March 29, 1995  
Juneau**

**CONFIDENTIAL**

**Cambridge Energy Research Associates**

## **Overview**

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### **Oil Outlook Through 1996**

- Oil Demand
- Non-OPEC Supply
- OPEC Production and Politics
- The Oil Price Outlook

### **Crude Quality Differentials**

### **E&P Productive Capacity**



### **The Longer Term: Beyond 1996**

- Scenarios

## **Oil Outlook Through 1996**

# NEW OIL MARKET REALITIES

## The World Economy: The Implications for Oil Demand in 1995/96

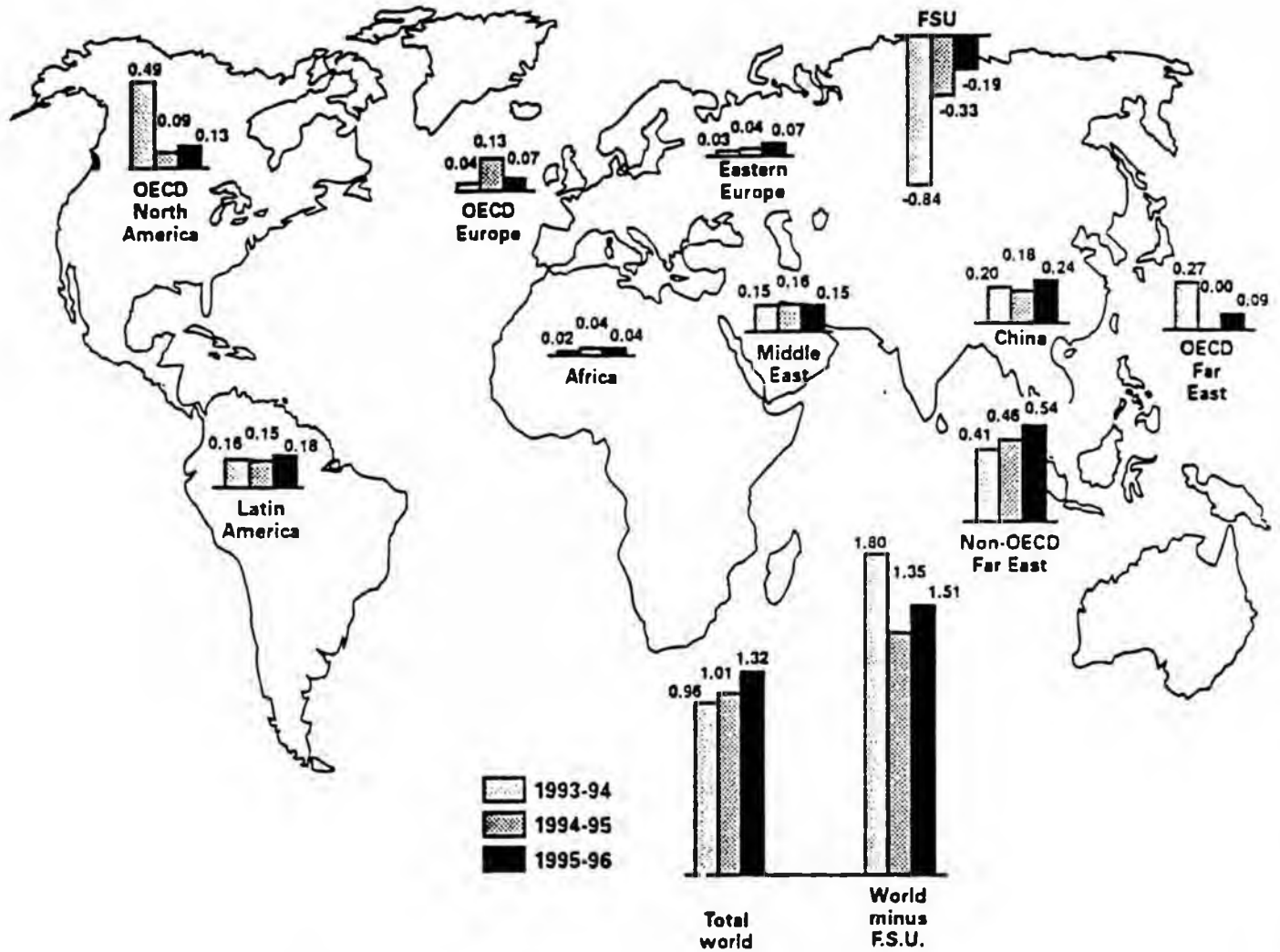
Economic Growth Scenarios	Annual Oil Demand Growth (mbd)
 <p data-bbox="487 862 636 950"><b>Strong economic convergence</b></p>	0.9 to 1.1 mbd in 1995 1.1 to 1.4 mbd in 1996
 <p data-bbox="487 1201 636 1288"><b>Weak economic convergence</b></p>	0.6 to 0.7 mbd in 1995 0.8 to 1.0 mbd in 1996

**THE KEY**  
Interest rates  
Far East growth  
Preventing China from overheating  
U.S./Europe anti-inflation policy

## NEW OIL MARKET REALITIES

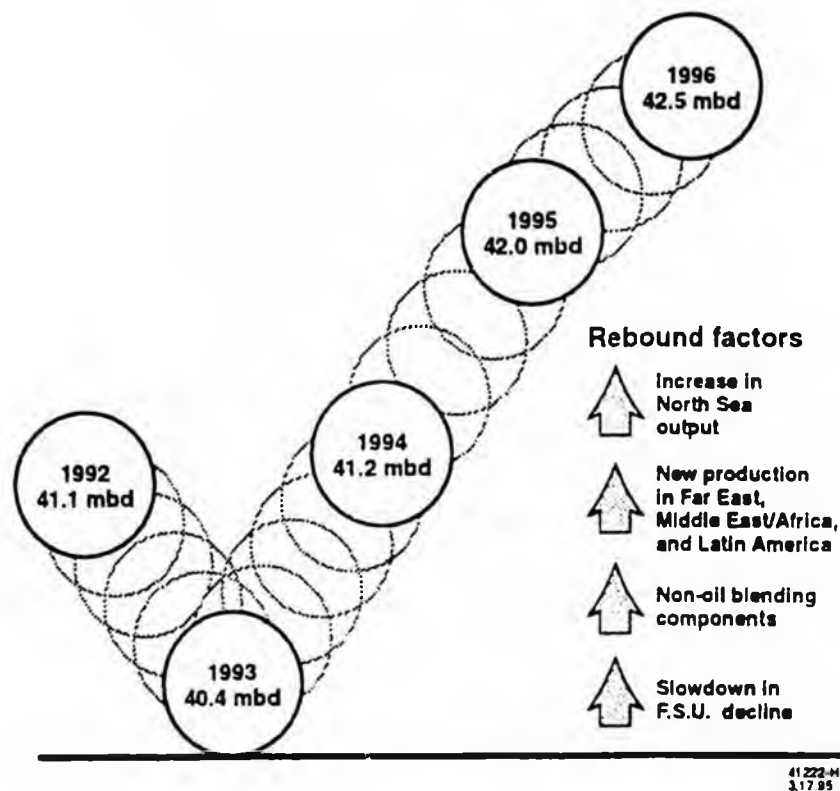
### Changes in Oil Demand by Region: Taking off the F.S.U. "Mask"

(mbd)



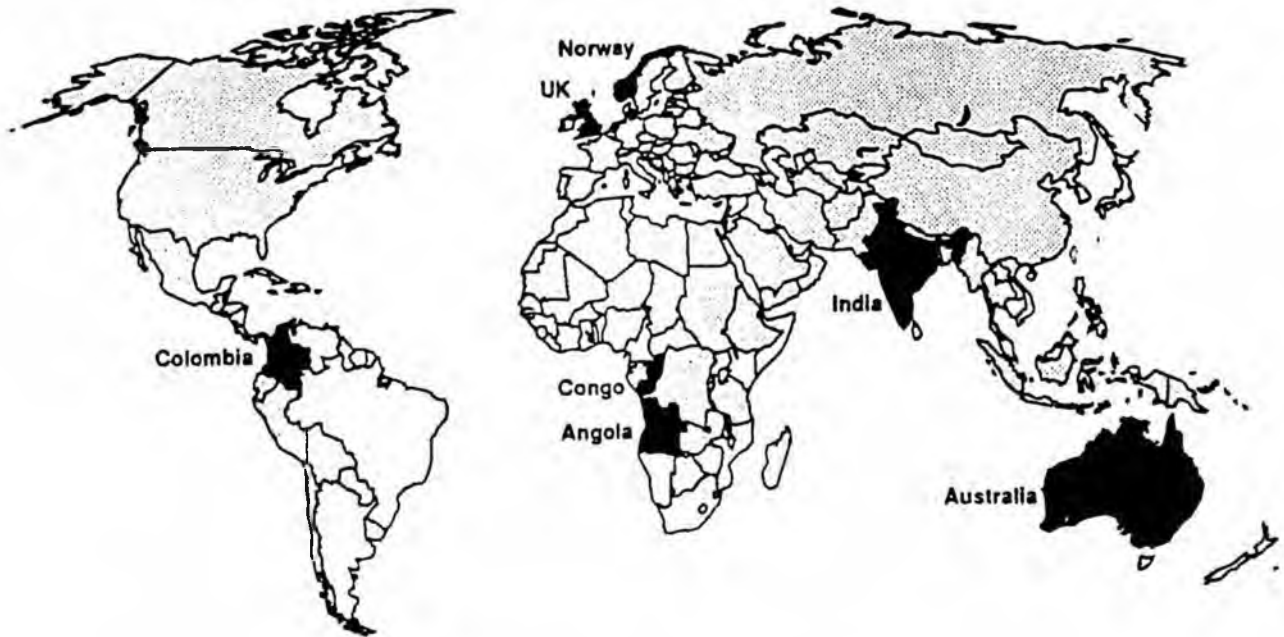
Source: Cambridge Energy Research Associates.

## Non-OPEC Supply: The Rebound



Source: Cambridge Energy Research Associates.

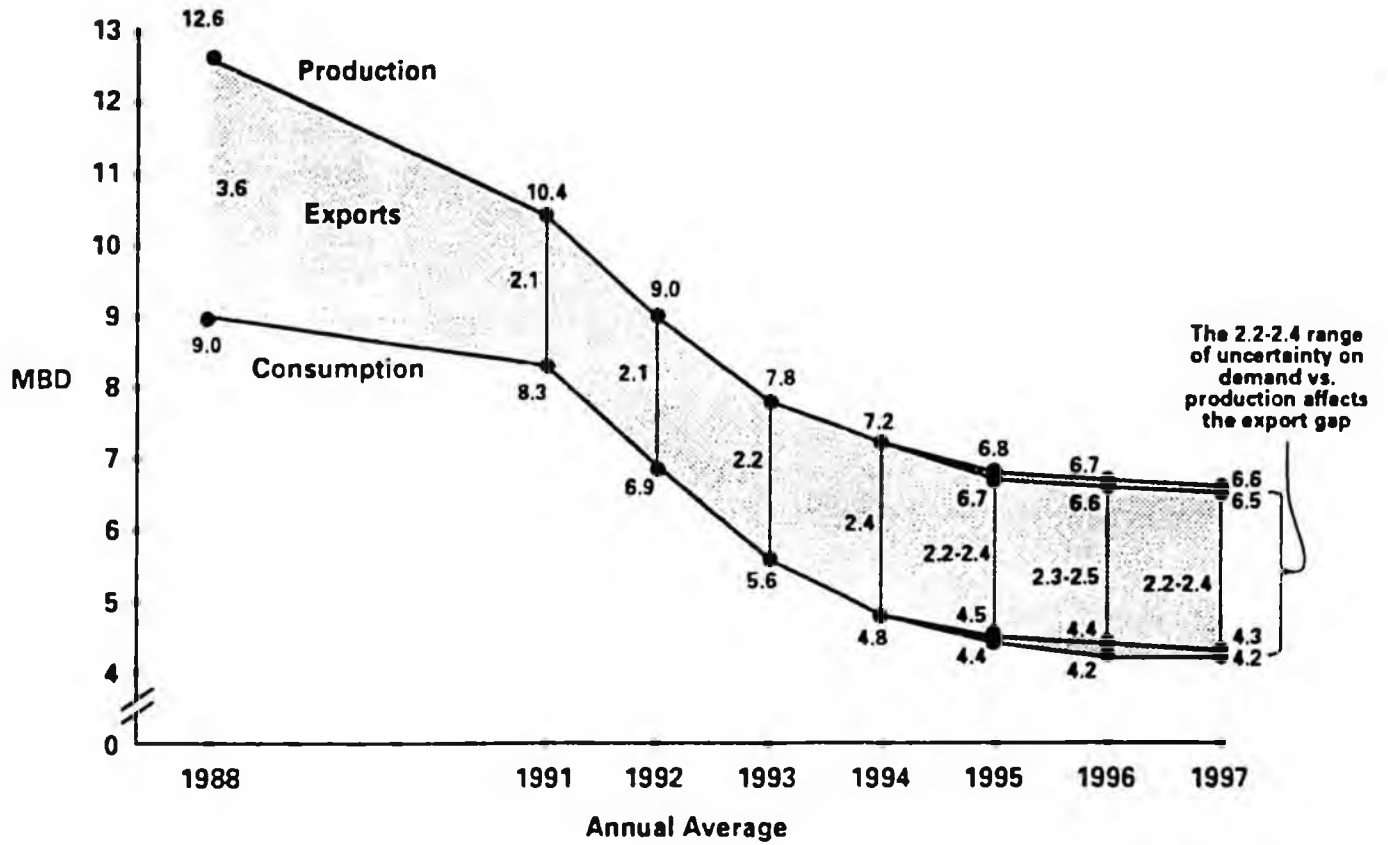
## NEW OIL MARKET REALITIES 1995: Another Banner Year for Non-OPEC



Net additions: +0.8 to 0.9 mbd

Source: Cambridge Energy Research Associates.

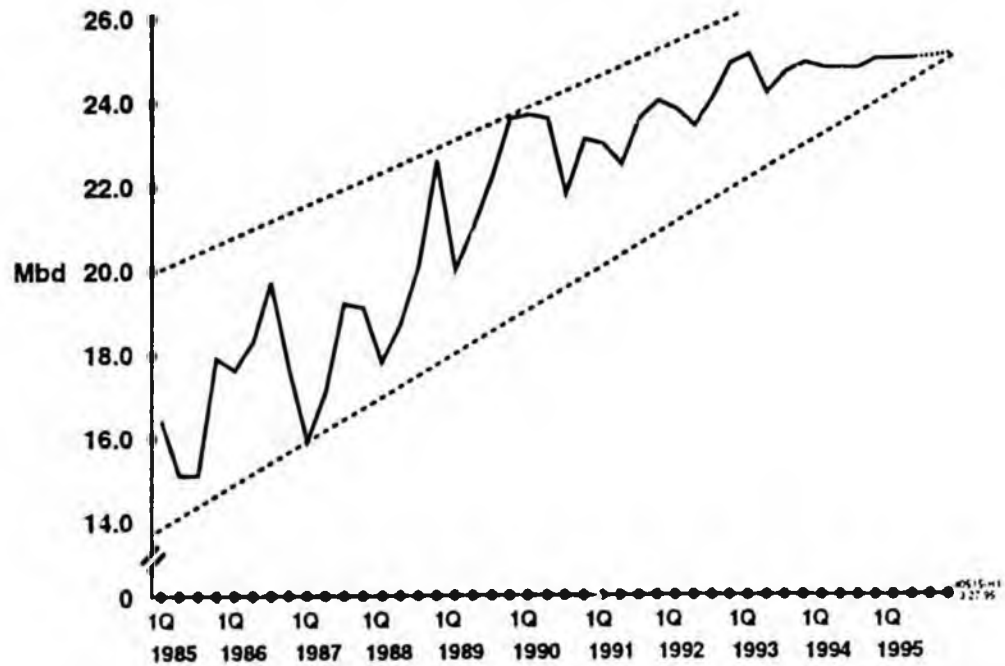
**NEW OIL MARKET REALITIES**  
**F.S.U. Production vs. Consumption:**  
**Exports Continue, but Timing Is Erratic**



Source: Cambridge Energy Research Associates.

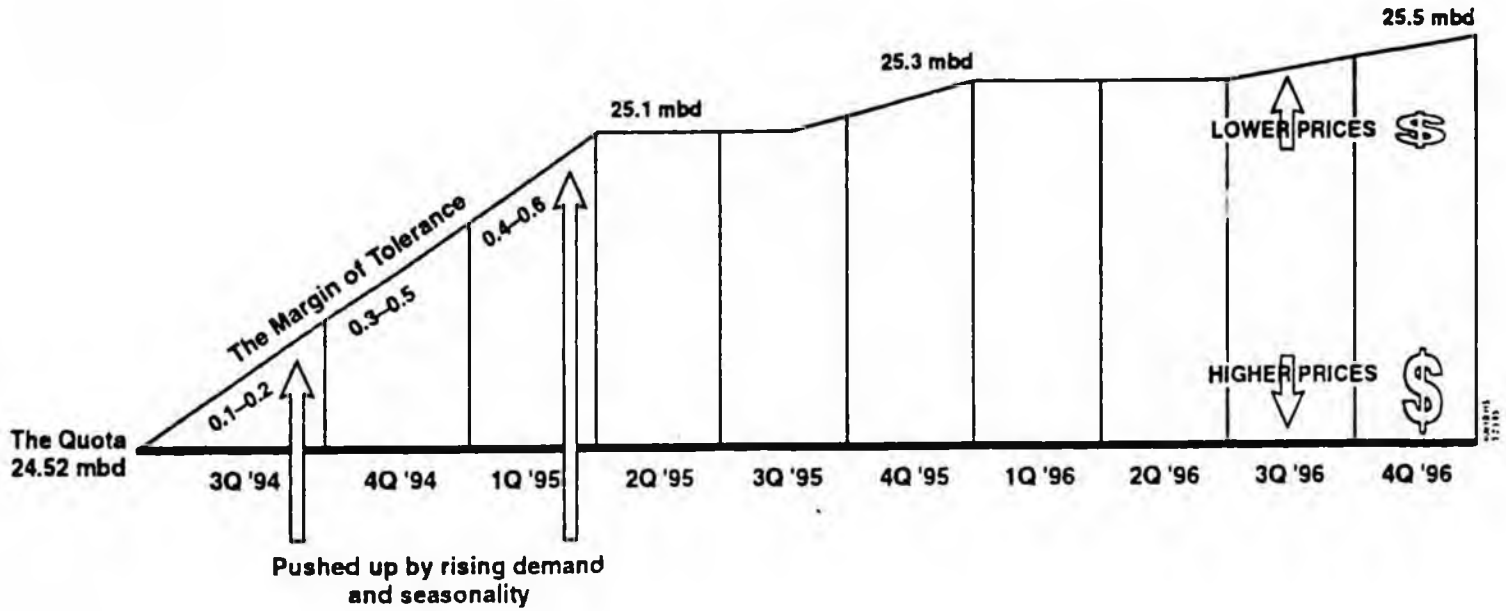
Note: Numbers may not add due to rounding.

### OPEC Production 1Q 1985 to 4Q 1995



Source: Cambridge Energy Research Associates.

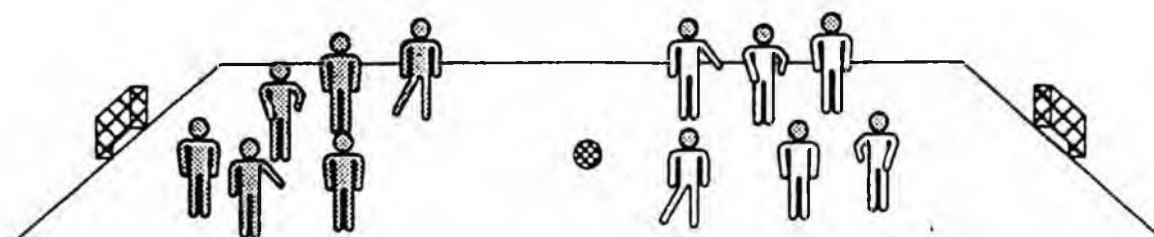
### OPEC Overproduction and the Margin of Tolerance: OPEC at the Outer Edge



Source: Cambridge Energy Research Associates.

NEW OIL MARKET REALITIES  
The OPEC Playing Field: Past and Future

Pre-1995



Volume/Capacity Reality Team

The High Price Team

Different teams seeking to set ground rules of oil supply and price

Post-1995



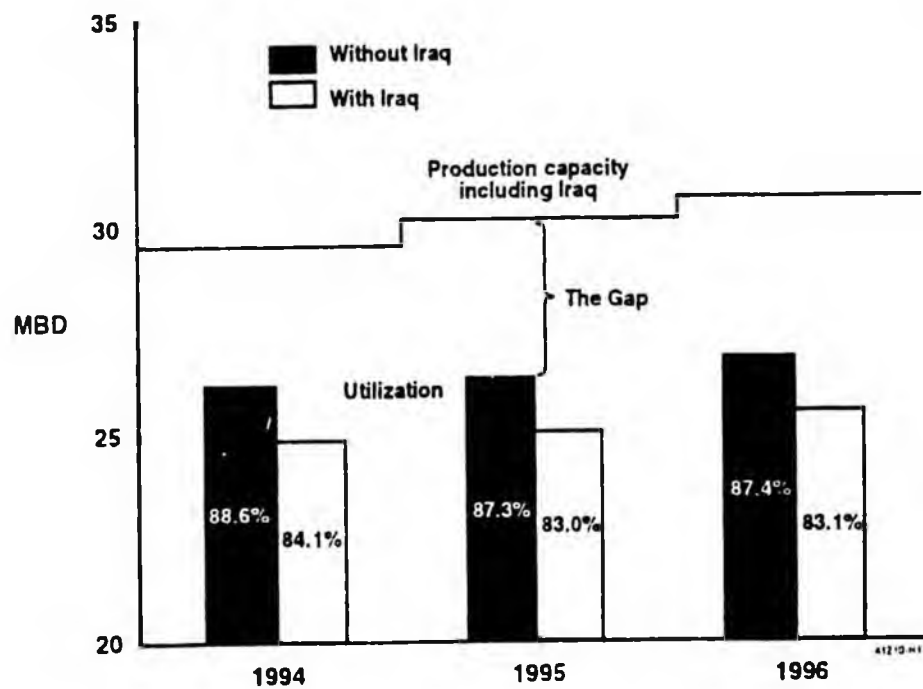
Technological advances in  
oil production and end-use

Non-OPEC

Twelve individual players loosely united by opposition to "too-low" prices they no longer control, and by fear of consequent domestic social/political upheaval

Source: Cambridge Energy Research Associates.

## The OPEC Utilization Gap: With and Without Iraq

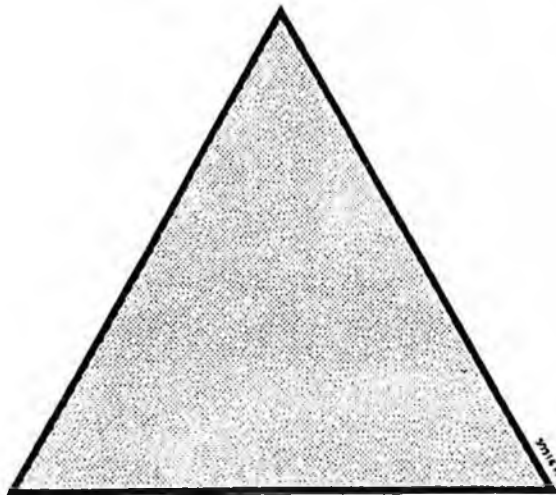


Source: Cambridge Energy Research Associates.

## Iraqi Re-entry: The Triangle of Competition

### New Iraqi Oil

- The uncertainty of timing and volumes



### OPEC Oil

- Unlikely to reduce current 24.52 mbd quota after sanctions are lifted
- May attempt to reduce output from recent levels to accommodate Iraq

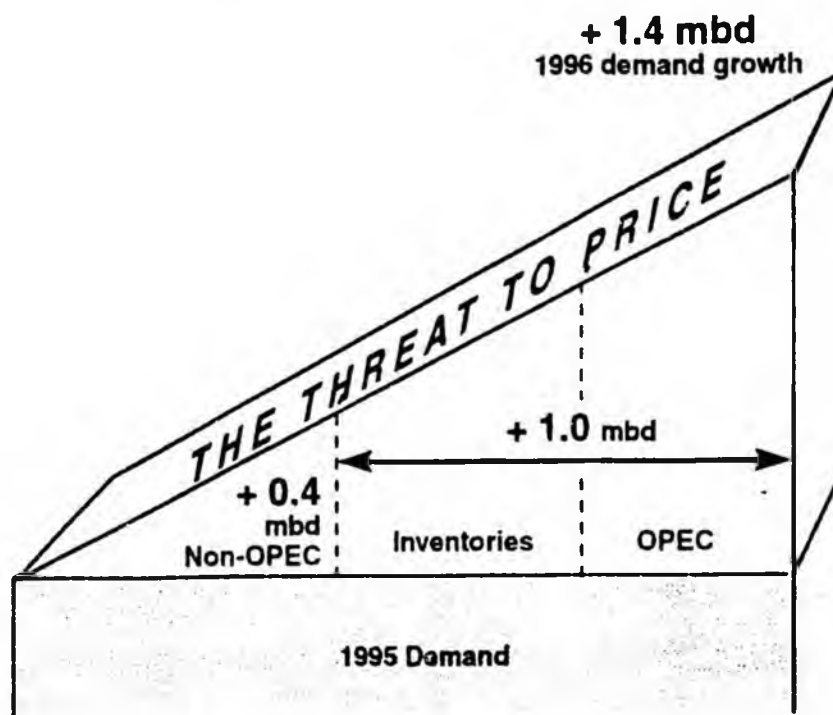
### World Inventories

- Early reduction of inventory levels would lessen price impact of Iraqi start-up

---

Source: Cambridge Energy Research Associates.

### OPEC in 1996: The Inventory Threat

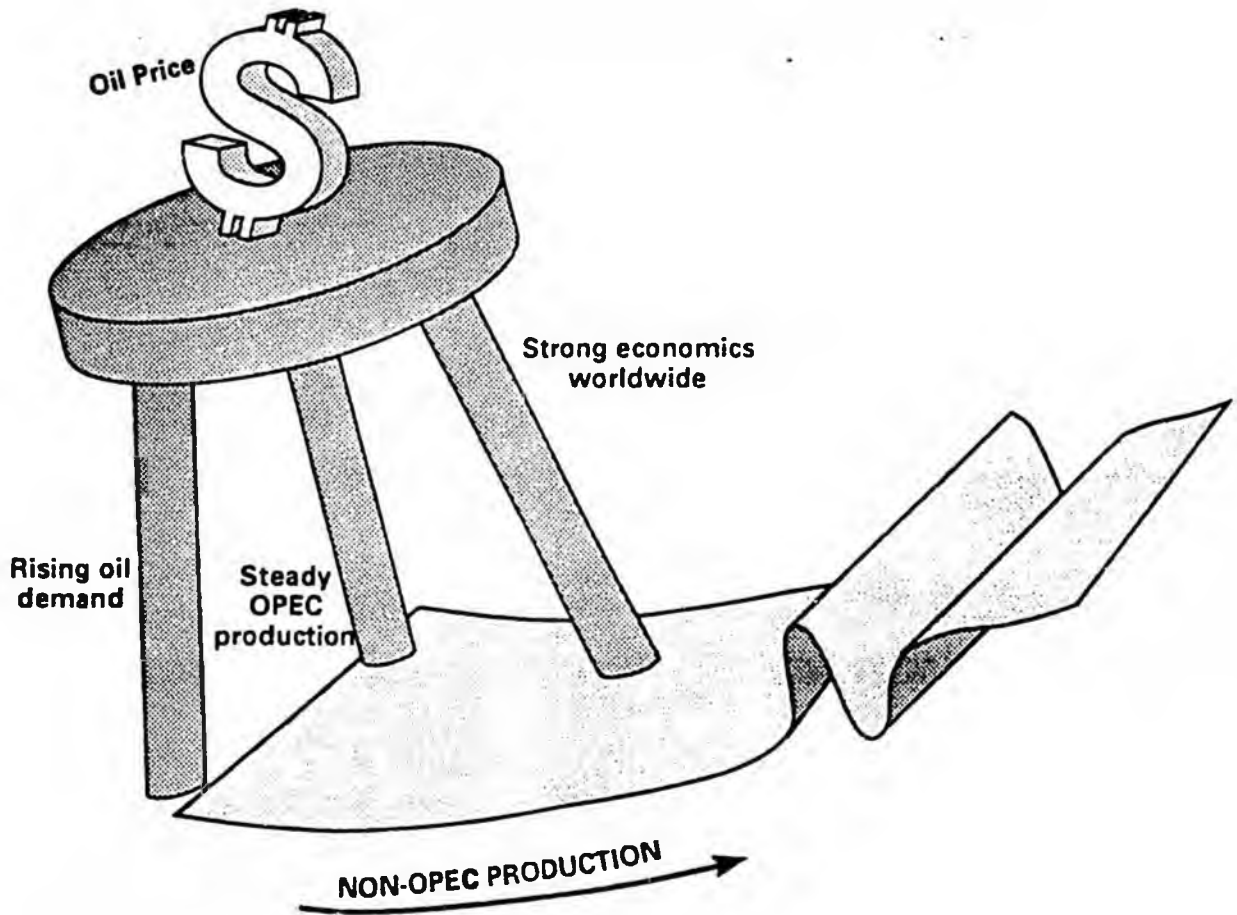


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Source: Cambridge Energy Research Associates.

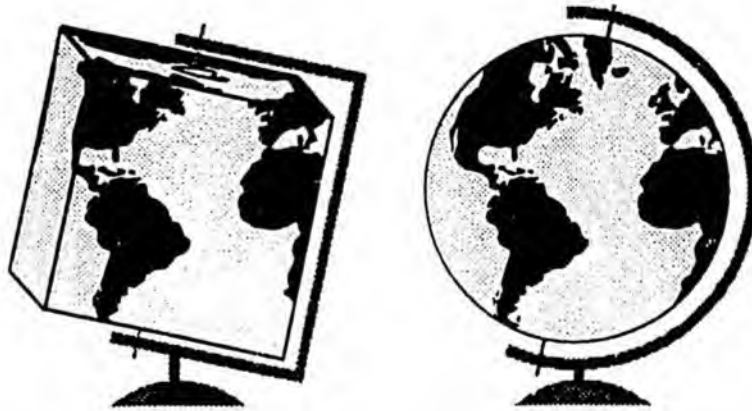
# NEW OIL MARKET REALITIES

## Non-OPEC Production: Destabilizing Oil Price Support



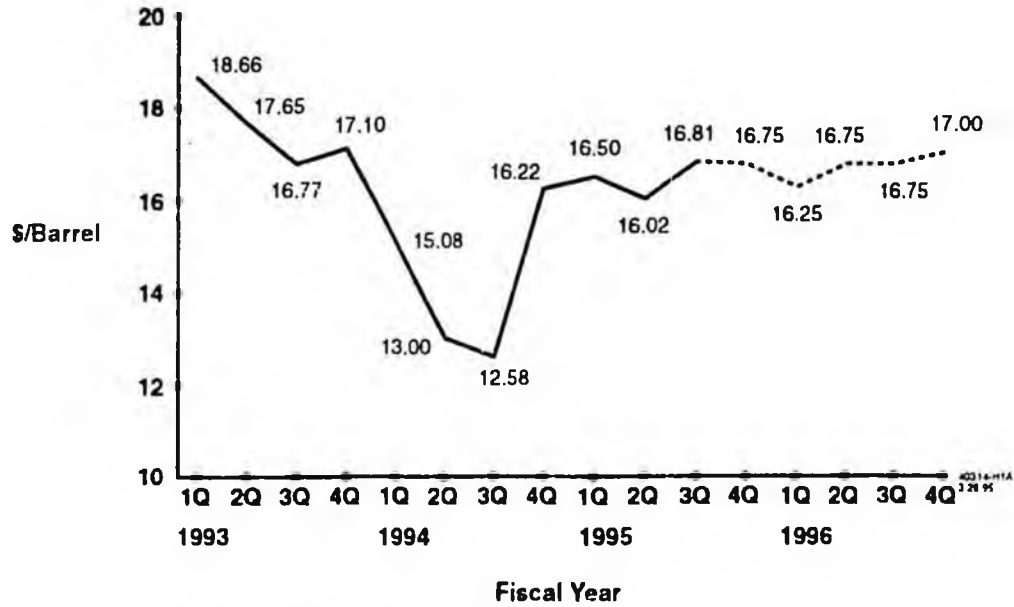
Source: Cambridge Energy Research Associates.

NEW OIL MARKET REALITIES  
**The New Price Seasonality**



Quarter	Old World	New World
1	Strong	Weak
2	Weak	Strong
3	Strengthening	Stronger
4	Strong	<b>Weakening  late in quarter  (unless a good cold snap  before December)</b>

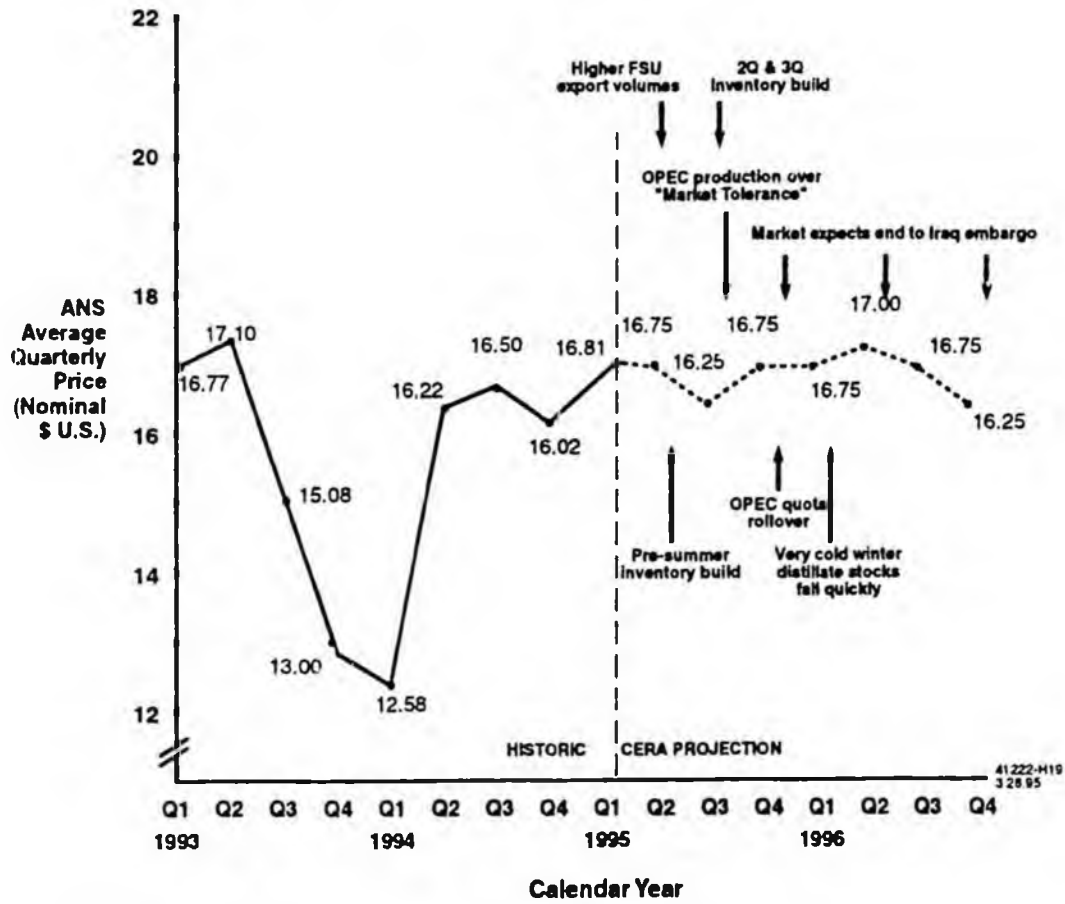
### ANS Price Outlook\*



\*Weighted 85% California/15% U.S. Gulf Coast

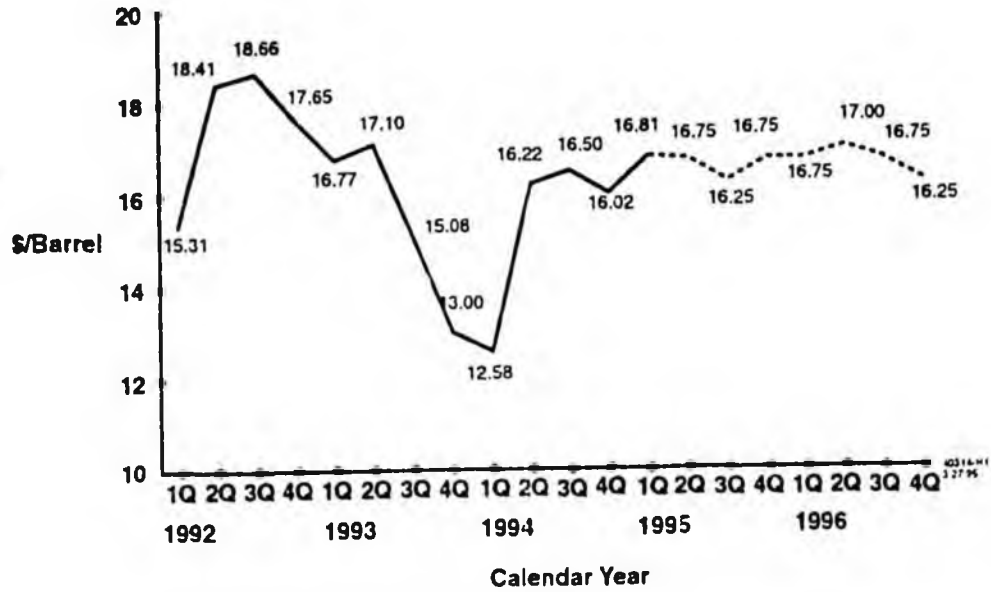
Source: Cambridge Energy Research Associates.

## NEW OIL MARKET REALITIES The 1993-96 Oil Price Environment



Source: Cambridge Energy Research Associates.

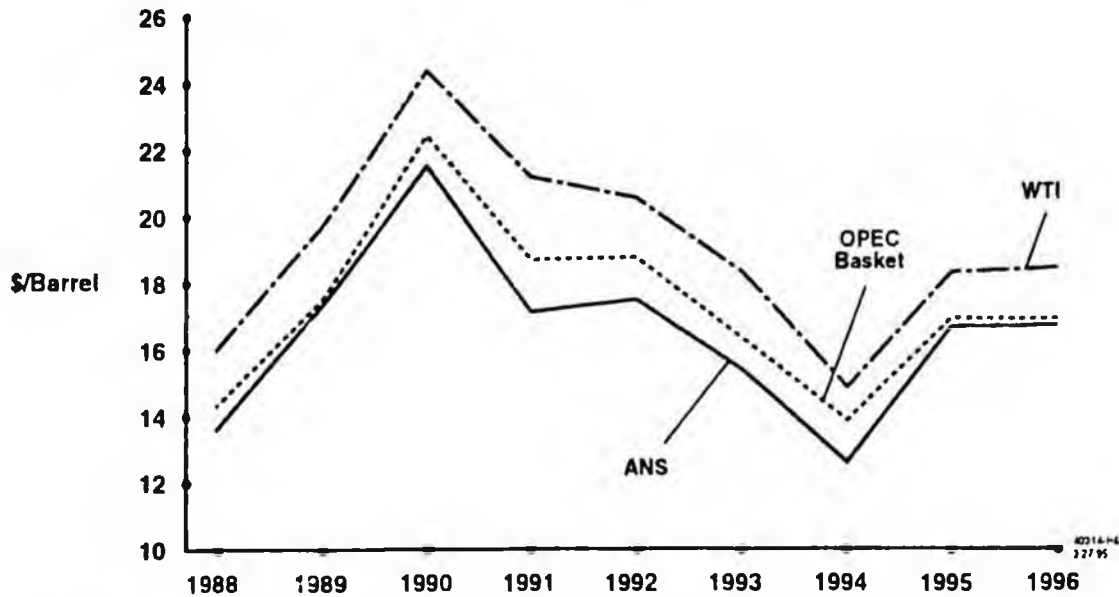
### ANS Price Outlook\*



\*Weighted 85% California/15% U.S. Gulf Coast

Source: Cambridge Energy Research Associates.

### Oil Prices (Calendar Year)



	1988	1989	1990	1991	1992	1993	1994	1995	1996
ANS* —	13.54	17.27	21.51	17.10	17.48	15.37	12.55	16.65	16.70
WTI ---	15.94	19.68	24.36	21.17	20.55	18.31	14.81	18.30	18.44
OPEC Basket ·····	14.25	17.43	22.42	18.67	18.74	16.32	13.81	16.90	16.90

\*Weighted 85% California/15% U.S. Gulf Coast

Source: Cambridge Energy Research Associates.

NEW OIL MARKET REALITIES  
**The Spring/Summer 1995 Price Triangle**

**Physical Fundamentals:**

**POSITIVE**

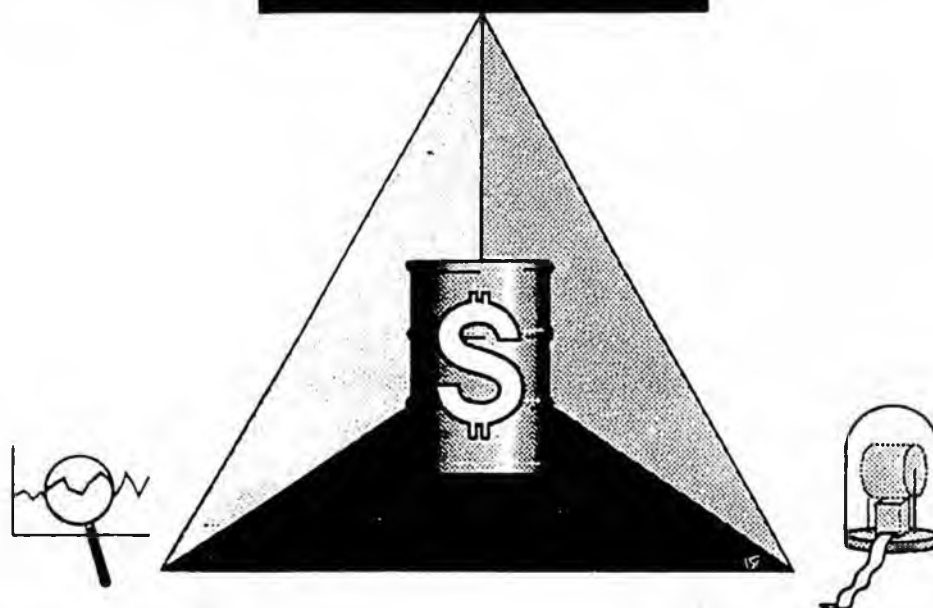
- Increasing demand
- Strong economic growth

**DEMAND**

**SUPPLY**

**NEGATIVE**

- Rising non-OPEC production
- Weak oil product prices



**Technical Chart Analysis:  
 The Strength of Volatility**

- Fearing too low a price  
 in a growing market

**Market Psychology:  
 The Tone of Volatility**

**POSITIVE**

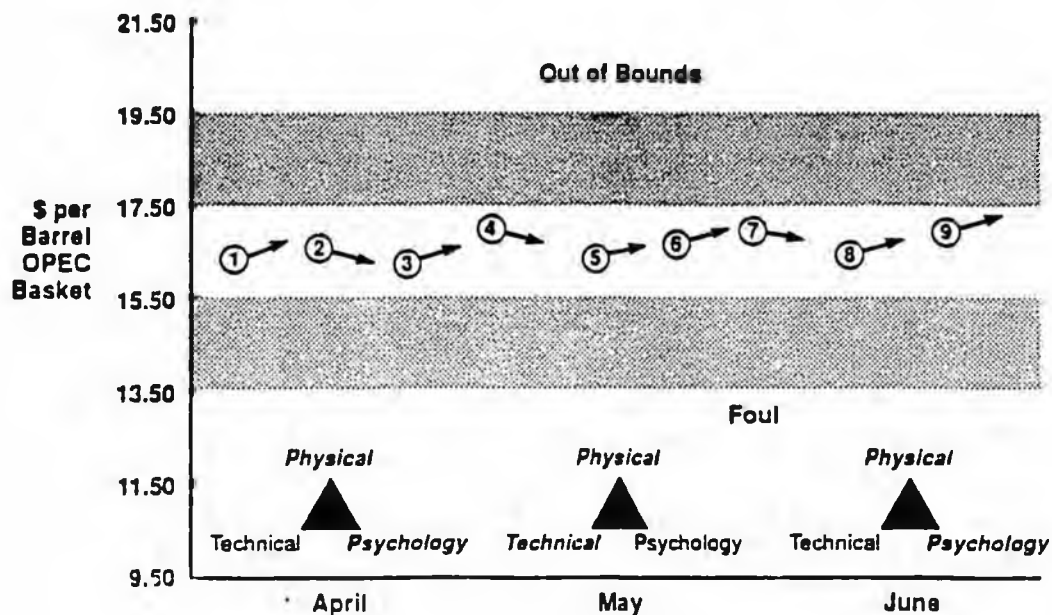
- Doubting Iraq's return
- OPEC production  
 discipline

**NEGATIVE**

- Fearing Iraq's return
- No security-of-supply  
 concerns

Source: Cambridge Energy Research Associates.

## The Signposts and the Price Playing Field: Second Quarter 1995



- |   |   |
|---|---|
| 1. End of refinery maintenance            | 6. Rising demand spurs technical buying                   |
| 2. UN Report on Iraqi Compliance          | 7. Perception of high non-OPEC output                     |
| 3. US reiterates tough anti-Iraq position | 8. June 19 meeting: OPEC decision to keep quota unchanged |
| 4. Higher FSU exports                     | 9. Japanese electric power oil demand adds price support  |
| 5. North Sea maintenance programs begin   |   |

Source: Cambridge Energy Research Associates.

## **Crude Quality Differentials**

## **The Playing Field of Crude Quality Price Differentials**

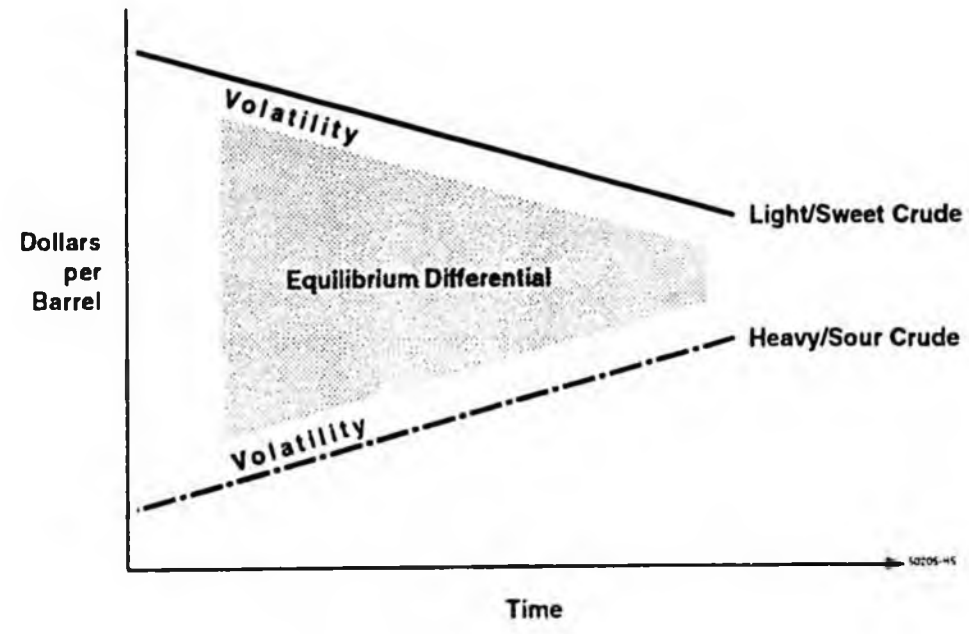
Four underlying factors narrow the range.

- Technological evolution: the oldest differential reducer
- Economies of scale: the over-capacity conundrum
- Changing product demand barrel: profitably but challenging
- Environmental regulation: new rules leave their mark

But not

- Change in crude quality

### Emerging Market Trends Will Tend to Keep Future Differentials Narrow



Source: Cambridge Energy Research Associates.