

ALASKA LEGISLATURE

2274

HOUSE and SENATE FINANCE COMMITTEE FILES, 2001 - 2002

HB

370

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 2
 Bill Version: HB 370
 (H) Publish Date: 2/1/02

Revision Date/Time (Note if correction): _____ Dept. Affected: GOV
 Title An Act relating to the issuance of BRU Elections
revenue bonds by AHFC for veteran mortgages Component Elections
 Sponsor Rules
 Requester Governor Component No. 21

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual	1.5					
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1.5	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1.5					
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	1.5	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This figure includes the cost of providing information about this issue in the Official Election Pamphlet, as required by AS 15.58. If this measure requires the printing an 8-1/2 by 18 inch ballot, the cost will increase by \$22.0.

Prepared by: Gail Fenuniai, Election Programs Specialist Phone 465-3935
 Division: Division of Elections Date/Time 11/20/01 3:36 PM
 Approved by: Lieutenant Governor Fran Ulmer Date 11/20/2001
 Agency: Office of the Lieutenant Governor

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 370
 (H) Publish Date: 2/1/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title: Authorizing a public vote on state-guaranteed veterans mortgage bonds BRU: Alaska Housing Finance Corp
 Component: Operations
 Sponsor: Rules Committee
 Requester: Governor Component No. 110

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 C/F/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*
 This legislation authorizes a statewide public vote on \$500 million in revenue bonds to finance the Veterans Mortgage Program (VMP). Alaska is one of five states in the nation that established this program under the federal tax code. AHFC administers the program on behalf of the state.

 Costs associated with the issuance of these bonds are anticipated to be covered with annual operating budget authorizations. Anticipated costs will be related to voter information dissemination about the bonds and the program. No additional budget authorization is necessary for these activities.

 If approved by voters, bond issuances in the future will be done based on loan demand.

Prepared by: John Bitney, Legislative Liaison Phone 330-8445
 Division: AHFC Date/Time 1/29/02 1:32 PM
 Approved by: Larry Persily, Deputy Commissioner Date 01/29/2002
 Agency: Department of Revenue



TONY KNOWLES
GOVERNOR
governor@gov.state.ak.us

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

HB 370
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January 29, 2002

The Honorable Brian Porter
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, Alaska 99801-1182

Dear Speaker Porter:

Alaska has the highest per capita percentage of veterans of any state in the nation. We must send the clear message that our state recognizes and appreciates those who have served. This bill I am transmitting is one in a package of legislation I am introducing this year to offer tribute to our veterans. It continues the state's history of authorizing bonds for guaranteed veteran housing loans.

The State of Alaska is one of only five states that receives favorable treatment under the Internal Revenue Code for guaranteed veterans bonds. This program is designed to provide the lowest possible interest rates to our veterans, without any income limitations.

The accompanying bill is the first step in allowing the state to continue to take advantage of this worthwhile program. It would provide for a statewide vote at the next general election on authorizing \$500 million in Alaska Housing Finance Corporation (AHFC) bonds for qualifying veterans. This would be the fifth such bond approval; the voters authorized a total of \$2.2 billion in state-guaranteed AHFC veterans bonds in four separate elections between 1982 and 1986. The AHFC has issued nearly all of those bonds, requiring a new authorization.

The need for continuing this guaranteed housing loan program for veterans may well increase. Congress is considering expanding the current Internal Revenue Service Code definition of "qualified veterans," which now limits participants to those who served in the military before January 1, 1977 and were honorably discharged within the last 30 years. I support extending the program to veterans who have served in more recent years. If this effort succeeds, the veteran's mortgage program in this state would see a dramatic increase in home loans to qualifying individuals -- all the more reason to allow this question to be placed on the statewide ballot.

Sincerely,

A handwritten signature in black ink, appearing to read "Tony Knowles".
Tony Knowles
Governor

Veterans Mortgage Program

The Veterans Mortgage Program offers financing for qualified veterans at lower interest rates. Active duty service in the Armed Forces, Public Health Service, NOAA or service as a cadet at the US Military, Air Force, Coast Guard or Naval Academy may qualify.

Eligible Borrowers:

- Veterans must have entered active duty service prior to January 1, 1977 and not have been discharged more than 30 years prior to the date of application to AHFC.
- Veterans must be credit qualified residents of the State of Alaska.

Eligible Properties:

- Owner-occupied single-family residences, condominiums, units within a PUD, duplexes, triplexes, fourplexes and Type I mobile homes.
- On 2-4 family dwellings, all units must have been in existence and initially occupied as a multi-family residence for at least the preceding five years.

Loan Amount:

- For maximum loan amounts for AHFC programs ([click here](#)).

Loan Terms:

- Fixed interest rate for 15 or 30 years.

Down Payment:

- Conventional loans – A minimum of 5% on single-family residences, .0% for duplexes, and 20% for triplexes and fourplexes.
- Down payment requirements for federally insured or guaranteed loans may be lower.

Criteria:

- If there is more than one borrower and the applicants are unmarried, both borrowers must be qualified veterans.
- The Certificate of Veterans Eligibility or a Title 38 letter and a copy of the applicants DD214 are used to determine program eligibility.

Assumptions:

- Assumable by qualified veterans.

Add on Options:

- [Affordable Housing Enhanced Loan Program \(AHELP\)](#)



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907-338-6100

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PO Box 101020
Anchorage, AK 99510-1020

Internet Web Site
<http://www.ahfc.state.ak.us>

April 4, 2002

Representative John Coghill, Chairman
House State Affairs Committee
State Capitol Building
Juneau, Alaska

In Re: HB370, Authorization for Veteran Mortgage Revenue Bonds

Dear Representative Coghill:

This letter is to both request your consideration for hearing HB370, an Act authorizing state-guaranteed bonds for the Veteran's Mortgage Program, and also to provide some background information regarding the program.

HB 370 provides for a vote of the people at the next general election on the question of the State authorizing the guarantee of \$500,000,000 of Alaska Housing Finance Corporation bonds for qualifying veterans. A total amount of \$2,200,000 of State-guaranteed veterans bonds has been authorized to be issued by the Corporation by four state-wide voted bond propositions. The affirmative state-wide votes for these bond propositions occurred in 1982, 1983, 1984, and 1986.

Although the bonds are general obligations of the State of Alaska which must be voted, the issuance of the bonds has not affected the State's credit in any way. The rating agencies consider that for practical purposes these are not to be counted against the State's bond capacity because the bonds are fully supported by mortgages of the Corporation. These mortgages are largely guaranteed by federal agencies, such as the Veterans Administration.

AHFC, in fact, is closing on a \$50,000,000 Veterans Mortgage Bond sale over the next two days. These bonds achieved a triple A rating. A copy of the rating provided by Moody's Investor Services is being sent with this letter.

Bonds under this program provide funds for low-interest home loans to qualified veterans. A qualified veteran is someone who has served in active duty prior to January 1, 1977 and not have been discharged more than 30 years prior to the date of loan application.



"HOUSING FOR ALASKANS"



FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. HB524

ANALYSIS CONTINUATION

It is anticipated that these bonds will be sold on a competitive basis, with the bonds being awarded to the bidder with the lowest true interest cost. As this structure almost always results in a net premium bond position, it is expected the bonds will be remarketed and the premium used to pay the underwriter's sales force and expenses. The cost of remarketing these bonds is estimated at \$500,000.

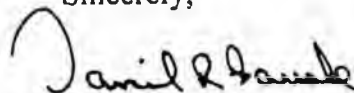
Assuming an interest rate of 4.85% (approximately 25 basis points higher than current rates), and a 20-year term, the annual debt service would be approximately \$7.7 million per year beginning in FY2004. If this rate increases by 1% prior to selling bonds, the annual cost would increase to \$8.4 million.

Alaska receives favorable treatment under the Internal Revenue Code since it issued guaranteed veterans bonds between January 1, 1979 and June 22, 1984 in large amounts. Annual issuance of the average of those years is permitted under the Code. However, because of the limitations on the qualifications for veterans, fewer and fewer loans are made each year as number of qualified veterans diminishes.

Unless Congress acts to extend the qualifications for veterans to men and women who have served in more recent years, it is anticipated that the authorization for bonds in HB 370 will be the last request for this program. I would note that SJR 31 is currently referred to the House State Affairs Committee, and would request Congress to extend the benefits of this program to veterans who have served in recent years.

I hope this description provides a sufficient summary for considering a hearing on the legislation. If any further information is needed, please do not hesitate to contact me immediately.

Sincerely,

A handwritten signature in cursive script, appearing to read "Daniel R. Fauske".

Daniel R. Fauske, CEO/Executive Director
Alaska Housing Finance Corporation

enclosures

MEMORANDUM

April 10, 2002

TO: Mike Abbott, Legislative Director
Office of the Governor

FROM: John Bitney, AHFC

SUBJECT: Public Vote on Veteran's Mortgage Bonds

After our conversation this morning regarding timing issues relating to the Veteran's Mortgage Program, I contacted Joe Dubler, AHFC's Chief Financial Officer, regarding the amount of funds remaining in the program from the last public vote in 1986.

The Governor's bill (HB370 & SB268) requests \$500 million in bond authorization for our Veterans Mortgage Program (VMP). From the last vote in 1986, there is \$47.5 million in remaining authorization. The \$50 million financing closed last week will largely be used to pay for existing loans already made, along with current activity levels. In FY01, for example, 430 loans were made at a volume level of just over \$73 million. As you can see, our remaining authorization should be used up by the end of this year.

In order to qualify for a VMP loan, a veteran must have served in active duty prior to January 1, 1977 and have been honorably discharged within 30 years. This is a federal restriction on qualifications for the program, and is diminishing the number of qualified veterans each and every year. However, if new bonds are not approved by the voters at the next election, AHFC would face the prospect of putting the program on hold until a special election could be arranged to approve more bonds.

The \$500 million level of authorization is also in consideration of the anticipated recommendation to Congress by the Millennium Housing Commission that the Veterans Programs be extended indefinitely and apply to all veterans. If the new bonds are approved and Congress does not extend the program, some of the authorization would likely go unused as the program is winding down (due to a decrease in qualified veterans).

The AHFC has been pushing for years for this extension of benefits to additional veterans who have served. Governor Knowles has also written letters to Congress supporting bills to extend the program. SJR31 also supports Congressional efforts to extend the program and is likely to pass the Alaska Legislature this session.

If that were to become a reality, the large population of veterans in Alaska would, more than likely, refinance their existing conventional mortgages into the tax-exempt rate offered under the VMP, saving them hundreds of dollars a year in interest costs.

AHFC strongly believes the Governor's legislation should be passed for these bonds to be approved at the next election in order to have the necessary authorization in place to continue this program.

NEW ISSUE - FULL BOOK-ENTRY

**RATINGS: Moody's: Aaa
S&P: AAA
Fitch IBCA: AAA**

Subject to compliance by the Corporation with certain covenants designed to meet the requirements of the Internal Revenue Code of 1986, as amended (the "Code"), in the opinion of Wohlforth, Vassar, Johnson & Brecht, P.C., Bond Counsel, and Hawkins, Delafield & Wood, Special Tax Counsel, under existing statutes and court decisions. (i) interest on the 1999 Bonds (as defined below) is not included in gross income for federal income tax purposes; (ii) interest on the Subseries A-1 (Non-AMT) Bonds (as defined below) is not treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations; however, such interest is included in calculating the "adjusted current earnings" of certain corporations for purposes of calculating the alternative minimum tax imposed on such corporations; and (iii) interest on the Subseries A-2 (AMT) Bonds (as defined below) is treated as a preference item for purposes of calculating the alternative minimum tax imposed under the Code with respect to individuals and corporations. In the opinion of Bond Counsel, under existing laws, interest on the 1999 Bonds is exempt from taxation by the State of Alaska except for inheritance and estate taxes and taxes of transfers by or in anticipation of death. Bond Counsel and Special Tax Counsel express no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 1999 Bonds. See "FEDERAL INCOME TAX MATTERS" herein.



\$110,000,000
ALASKA HOUSING FINANCE CORPORATION
Collateralized Bonds, 1999 First Series (Veterans Mortgage Program)
\$46,095,000 Subseries A-1 (Non-AMT)
\$63,905,000 Subseries A-2 (AMT)

Dated: October 1, 1999

Due: June 1, as shown below

The Alaska Housing Finance Corporation (the "Corporation") will initially issue its Collateralized Bonds, 1999 First Series (Veterans Mortgage Program), Subseries A-1 (Non-AMT) (the "Subseries A-1 (Non-AMT) Bonds"), and Collateralized Bonds, 1999 First Series (Veterans Mortgage Program), Subseries A-2 (AMT) (the "Subseries A-2 (AMT) Bonds") and, together with the Subseries A-1 (Non-AMT) Bonds, the "1999 Bonds") in book-entry form only, registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York, which will act as securities depository of the 1999 Bonds. Individual purchases of the 1999 Bonds will be made in the principal amount of \$5,000, or integral multiples thereof within a single maturity, and will be in book-entry form only. Beneficial Owners (as defined herein) will not receive certificates representing their ownership of the 1999 Bonds.

The 1999 Bonds will be primarily secured by Program Obligations initially consisting of conventional, single-family residential mortgage loans that are either guaranteed by the Department of Veterans Affairs or insured by the Federal Housing Administration (the "Mortgage Loans") and securities backed by Mortgage Loans ("Mortgage Certificates"). The Mortgage Certificates will be issued or guaranteed by GNMA, FNMA or FHLMC (as defined herein) and will be held by the Trustee. The 1999 Bonds will also be secured by the Plotted Revenues and by all assets held in any fund or account established under the Indenture. The Mortgage Loans will consist of Mortgage Loans that the Corporation has purchased or will purchase from qualifying lending institutions located in the State of Alaska that originated such Mortgage Loans (the "Purchased Mortgage Loans"). See "THE PROGRAM OBLIGATION FUND - The Special Mortgage Loan Purchase Program" herein. Each Mortgage Loan will be secured by a first mortgage lien on residential property located in the State of Alaska.

Interest on the 1999 Bonds will be payable on each June 1 and December 1, commencing on June 1, 2000. Principal of all 1999 Bonds is payable at the corporate trust office of U.S. Bank Trust National Association, the Trustee, at maturity or upon earlier redemption. The 1999 Bonds are subject to redemption, including redemption at par, prior to maturity under certain conditions as set forth herein under the caption "DESCRIPTION OF THE 1999 BONDS."

Principal of and interest on the 1999 Bonds are unconditionally guaranteed by the State of Alaska.

MATURITIES, PRINCIPAL AMOUNTS AND INTEREST RATES

\$46,095,000

Subseries A-1 (Non-AMT) Bonds

\$7,615,000 Subseries A-1 (Non-AMT) Serial Bonds

Due June 1	Principal Amount	Interest Rate	Due June 1	Principal Amount	Interest Rate	Due June 1	Principal Amount	Interest Rate
2001	\$280,000	4.30%	2006	\$450,000	6.00%	2011	\$676,000	5.50%
2002	376,000	4.50	2007	470,000	5.10	2012	810,000	6.80
2003	390,000	4.70	2008	495,000	6.20	2013	645,000	5.70
2004	410,000	4.80	2009	320,000	5.30	2014	685,000	5.80
2005	450,000	4.90	2010	645,000	5.40	2015	725,000	5.90

\$6,310,000 6.00% Subseries A-1 (Non-AMT) Term Bonds due June 1, 2021
\$12,215,000 6.10% Subseries A-1 (Non-AMT) Term Bonds due June 1, 2030
\$2,785,000 6.15% Subseries A-1 (Non-AMT) Term Bonds due June 1, 2038

\$63,905,000

Subseries A-2 (AMT) Bonds

\$10,390,000 Subseries A-2 (AMT) Serial Bonds

Due June 1	Principal Amount	Interest Rate	Due June 1	Principal Amount	Interest Rate	Due June 1	Principal Amount	Interest Rate
2001	\$490,000	4.40%	2006	\$605,000	6.10%	2011	\$785,000	5.00%
2002	505,000	4.60	2007	635,000	5.20	2012	830,000	5.70
2003	525,000	4.80	2008	665,000	5.80	2013	880,000	5.80
2004	560,000	4.90	2009	700,000	5.40	2014	930,000	6.90
2005	575,000	5.00	2010	740,000	5.80	2015	986,000	6.00

\$7,290,000 6.15% Subseries A-2 (AMT) Term Bonds due June 1, 2021
\$19,575,000 6.20% Subseries A-2 (AMT) Term Bonds due June 1, 2031
\$28,850,000 6.25% Subseries A-2 (AMT) Term Bonds due June 1, 2039

Price of all 1999 Bonds: 100%
(plus accrued interest)

If certain conditions are met, the Corporation may issue additional bonds (the "Additional Bonds") together with the 1999 Bonds, the "Bonds") on a parity with the 1999 Bonds. See "SECURITY FOR THE 1999 BONDS - Additional Bonds."

THE CORPORATION HAS NO TAXING POWER. THE BONDS ARE GENERAL OBLIGATIONS OF THE CORPORATION FOR WHICH ITS FULL FAITH AND CREDIT ARE PLEDGED. SUBJECT TO AGREEMENTS MADE AND TO BE MADE WITH THE HOLDERS OF OTHER OBLIGATIONS OF THE CORPORATION PLEDGED PARTICULAR REVENUES AND ASSETS NOT PLEDGED TO THE BONDS AND TO THE EXCLUSION OF MONEY IN THE CORPORATION'S HOUSING DEVELOPMENT FUND.

The 1999 Bonds are offered when, and if issued, subject to the approval of legality by Wohlforth, Vassar, Johnson & Brecht, P.C., Anchorage, Alaska, Bond Counsel and to the confirmation of certain tax matters by Wohlforth, Vassar, Johnson & Brecht, P.C. and by Hawkins, Delafield & Wood, New York, New York, Special Tax Counsel.

It is expected that the 1999 Bonds in definitive form will be available for delivery through the facilities of DTC in New York, New York on or about October 28, 1999.

MERRILL LYNCH & CO.

October 13, 1999

jbitney

From: Dan Fauske [dfauske@ahfc.state.ak.us]
Sent: Wednesday, April 03, 2002 11:36 AM
To: 'JOHN BITNEY'
Subject: FW: Alaska Housing Finance Corporation

-----Original Message-----

From: Moody's Investors Service [mailto:epi@moodys.com]
Sent: Tuesday, March 19, 2002 1:30 PM
To: dfauske@ahfc.state.ak.us
Subject: Alaska Housing Finance Corporation

MOODY'S ASSIGNS Aaa RATING TO \$50 MILLION ALASKA HOUSING FINANCE CORPORATION
COLLATERALIZED BONDS 2002 FIRST SERIES (VETERANS MORTGAGE PROGRAM)

NEW YORK, March 19, 2002 -- Moody's Investors Service has assigned the rating of Aaa to the \$50 million Alaska Housing Finance Corporation Collateralized Bonds, 2002 First Series (Veterans Mortgage Program). This rating reflects Moody's view of the strong financial condition of the bond program and the Corporation, and the sound loan portfolio. Proceeds from the current bond issue will be used to fund single-family mortgage loans for veterans in the State of Alaska. The 2002 Bonds are General Obligations of AHFC and the State of Alaska and will be primarily secured by single-family residential mortgage loans that are either guaranteed by the Department of Veterans Affairs or Rural Housing Service or insured by the Federal Housing Administration or private mortgage insurance. The bonds are the third issuance under the Corporation's trust indenture dated October 1, 1999 and are on parity with approximately \$180 million in outstanding bonds. The outlook for the bond program is stable.

Moody's believes that the program's strong initial financial position is expected to be maintained due to large infusions of Corporation funds. The Corporation will fund a 2% debt service reserve and a minimum 10.7% overcollateralization reserve (OCR) for this issue from unrestricted funds of the Corporation. These contributions bring the effective program asset-to-debt ratio up to 1.127, an amount sufficiently high to allow the program to absorb significant losses due to loan defaults. While the earnings of the OCR are not required to be retained within the program, the investment income derived from the debt service reserve contribution coupled with loan revenues should allow the program financial position to experience sound growth throughout its life.

We also find additional strength in this bond program derived from the Aa2 rated general obligation pledge of the Corporation. The Corporation's financial profile is amongst the strongest of all state housing agencies nationwide and Moody's expects it to remain so for the near future. The Corporation's \$1.7 billion combined fund balance as a percent of bonds outstanding is currently 57.24%. Consistent net revenue strength over the past

few years particularly within the general account have allowed the Corporation to continue this strong growth path notwithstanding some other outstanding risks to fiscal stability.

The Corporation's large and diverse management staff provides a sound base to manage its \$4.7 billion of assets. At approximately 310 staff members, among the largest nationwide, the Corporation is fully capable of managing the risks inherent in running a housing agency. Of particular note, the Corporation employs a separate Internal Audit department to maintain additional oversight of asset and financial management. Additionally, Corporation staff publishes high quality and detailed disclosure for investment surveillance providing greater insight into Corporation operations.

Moody's has determined that the likely combination of insured, guaranteed and low loan-to-value (LTV) loans in the portfolio provides a sound asset base for the program's future performance. As of December 31, 2001, 50% of the previous veterans programs loans have been covered by federal guarantees from the Veterans Administration, providing a secure barrier from excessive losses due to loan defaults. An additional 23% of the portfolios are uninsured loans with LTV's below 80% mitigating the potential for large loan losses. The remainder of the loans are divided between high quality private mortgage insurers (20%) and the Federal Housing Administration Insurance (7%). In light of past Veterans Programs of the Corporation, it is expected that the remaining loans to be originated under this specific program shall retain a similar composition.

The bonds are also guaranteed by the State of Alaska, which is currently rated Aa2. However, the current Aaa rating assignment on the 2002 bonds is independent of this guarantee.

The Alaska Housing Finance Corporation is a non-stock, public corporation and government instrumentality of the State of Alaska established for the purpose of providing residential mortgage loan financing for individuals of low to moderate income. As of June 30, 2001, the Corporation had \$3.0 billion of debt outstanding, nearly all of which is rated by Moody's.

OUTLOOK:

The outlook for the program and the Corporation general obligation rating is currently stable.

Key Facts (As of June 30, 2001):

Type of Obligation: General Obligation of the Corporation

Parity bonds outstanding: \$180 million

Corporation combined fund balance: \$1.7 billion

Corporation combined fund balance as a % of bonds outstanding: 57.2%

Corporation unrestricted general account balance: \$537.4 million

Corporation unrestricted general account balance as a % of bonds
outstanding:
17.8%

Corporation net operating revenue as a % of gross operating revenue: 27.37%

ANALYSTS:

Paul Nolan, Analyst, Public Finance Group, Moody's Investors Service
Florence Zeman, Backup Analyst, Public Finance Group, Moody's Investors
Service

CONTACTS:

Journalists: (212) 553-0376
Research Clients: (212) 553-1625

HB

382

HFIN

FILE

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 382
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Public Safety
Title An Act relating to the evaluation and BRU AST Detachments
cleanup of sites where controlled substances . . . Component AST Detachments
Sponsor Representative Guess
Requester House Resources Committee Component No. 2325

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill will have no fiscal impact on the Department of Public Safety.

Prepared by: Lt. Julia Grimes Phone 269-4532
Division: Division of Alaska State Troopers Date/Time 2/27/02 3:49 PM
Approved by: Commissioner Glenn Godfrey Date 2/27/2002
Agency: Department of Public Safety

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 382
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Environmental Conservation
Title: An Act Relating to Cleanup of Illegal Drug Sites BRU: Environmental Health
Sponsor: Representative Guess Component: Laboratory Services
Requester: House Resources Committee Component No.: 2065

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	10.0	0.0	0.0	0.0	0.0	0.0
Supplies	2.0	2.0	2.0	2.0	2.0	2.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	12.0	2.0	2.0	2.0	2.0	2.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	12.0	2.0	2.0	2.0	2.0	2.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	12.0	2.0	2.0	2.0	2.0	2.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

The evaluation and cleanup process of illegal drug sites as proposed in this bill will require the Department to develop contaminated substance limits in regulation and guidelines for decontamination. In preparing this fiscal note, the Department has assumed that the expected number of contaminated sites requiring evaluation and clean up would be approximately 18 a year based on actual numbers of 13 sites last year and 25 the year before. Additionally, it is anticipated that Alaska can use standards and cleanup guidance documents from other states as templates.

Contractual costs of 10.0 would be incurred the first year to pay for regulation development, public notices, and production of the required guidance document.

Continued on Page 2

Prepared by: Janice Adair, Director Phone (907) 269-7644
Division: Environmental Health Date/Time 2/25/02 2:49 PM
Approved by: Kurt Fredriksson - Deputy Commissioner Date 2/25/2002
Agency: Department of Environmental Conservation

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

BILL NO. HB 382

ANALYSIS CONTINUATION

Continuation from Page 1

A telephonic survey of the private labs in the state revealed that there are no labs currently capable of conducting some of the analyses required under this legislation. Therefore, this fiscal note assumes that the department's chemical laboratory will conduct the required tests. Laboratory supplies cost of 2.0 are included to cover the commodities required for this testing.

Line Item Description	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY2007
Personal Services	\$0	\$0	\$0	\$0	\$0	\$0
Travel	\$0	\$0	\$0	\$0	\$0	\$0
Contractual						
• Regulations and Public Notice	\$2,000	\$0	\$0	\$0	\$0	\$0
• Guidance Document preparation and copying	\$8,000	\$0	\$0	\$0	\$0	\$0
Subtotal:	\$10,000	\$0	\$0	\$0	\$0	\$0
Supplies						
• Laboratory commodities (72 Samples)	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Equipment	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$12,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000

22-LS1105VL
Lauterbach
4/17/02

Adopted
4/17/02

CS FOR HOUSE BILL NO. 382()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - SECOND SESSION

BY

Offered:
Referred:

Sponsor(s): REPRESENTATIVE GUESS

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the evaluation and cleanup of sites where certain controlled
2 substances may have been manufactured or stored; and providing for an effective date."

3 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

4 * Section 1. The uncodified law of the State of Alaska is amended by adding a new section
5 to read:

6 **PURPOSE.** The purpose of this Act is to provide a just, equitable, and practicable
7 method, to be cumulative with and in addition to any other remedy provided by law, whereby
8 property that endangers the life, safety, or welfare of the general public or occupants of the
9 property because of toxic chemical contamination that may result from illegal drug
10 manufacturing may be required to be decontaminated or vacated and secured against use.

11 * Sec. 2. AS 46.03 is amended by adding new sections to read:

Article 6A. Cleanup of Illegal Drug Sites.

12 **Sec. 46.03.500. Notice of illegal drug manufacturing site.** (a) When a law
13 enforcement officer, qualified under federal regulations to investigate and dismantle
14

1 illegal drug manufacturing sites, determines that a site constitutes an illegal drug
2 manufacturing site, the law enforcement agency that employs the officer shall notify
3 the owner of the property and the department that the determination has been made.

4 (b) The notice to the property owner required under this section must include
5 the following information:

6 (1) the parcel identification number and legal description of the
7 property where the site is located;

8 (2) a statement of the determination made by the law enforcement
9 officer that the site was an illegal drug manufacturing site and the findings that formed
10 the basis for the determination;

11 (3) a citation to, and short summary of, AS 46.03.510, which restricts
12 transfer and occupancy of the site until it is determined to be fit for use; and

13 (4) the following information if it has been provided to the law
14 enforcement agency by the department:

15 (A) a copy of the standards contained in regulations adopted
16 under AS 46.03.530 that determine whether the property is fit for use;

17 (B) a copy of the testing procedures established under
18 AS 46.03.520(b) and a copy of the list of laboratories maintained under
19 AS 46.03.520(c) that must be used for determining whether the property is fit
20 for use; and

21 (C) a copy of the guidelines for decontamination established by
22 the department under AS 46.03.540(b).

23 (c) The notice to the department required under this section must include

24 (1) the parcel identification number and legal description of the
25 property where the site is located;

26 (2) a statement of the determination made by the law enforcement
27 officer that the site was an illegal drug manufacturing site and the findings that formed
28 the basis for the determination; and

29 (3) the name and mailing address of the person who owns the property
30 where the site is located.

31 **Sec. 46.03.510. Restrictions on property.** (a) Until determined to be fit for

1 use under AS 46.03.550, the property for which a notice has been issued under
2 AS 46.03.500 may not be use^d or occupied for any purpose or transferred, sold,
3 leased, or rented to another person except as provided in (b) of this section and except
4 as necessary for testing or decontamination under AS 46.03.520 and 46.03.540. An
5 oral or written contract that would transfer, sell, use, lease, or rent the property in
6 violation of this subsection is voidable between the parties at the option of the
7 purchaser, transferee, user, lessee, or renter. However, this subsection does not

8 (1) make voidable a promissory note or other evidence of indebtedness
9 or a mortgage, trust deed, or other security interest securing the promissory note or
10 evidence of indebtedness, if the note or evidence of indebtedness, mortgage, trust
11 deed, or other security interest was given to a person other than the person
12 transferring, selling, using, leasing, or renting the property to induce the person to
13 finance the transfer, sale, use, leasing, or rental of the property;

14 (2) make voidable a lease or rental agreement between the property
15 owner and the person who caused the property to be contaminated and determined
16 unfit for use; or

17 (3) impair obligations or duties required to be performed on
18 termination of a contract, as required by the contract, such as payment of damages or
19 return of refundable deposits.

20 (b) Notwithstanding (a) of this section, property covered by (a) of this section
21 may be transferred or sold if full written disclosure is made to the prospective
22 transferee or purchaser that the property has been determined to be an illegal drug
23 manufacturing site and the property has not been determined to be fit for use. The
24 disclosure shall be attached to the earnest money receipt, if any, and shall accompany
25 the transfer or sale document. The disclosure is not considered to be part of the
26 transfer or sale document, however, and may not be recorded. The property shall
27 continue to be subject to the restrictions in (a) of this section after transfer or sale
28 under this subsection.

29 (c) A person who knowingly uses, transfers, sells, leases, rents, or occupies
30 property in violation of this section is guilty of a class A misdemeanor. In this
31 subsection, "knowingly" has the meaning given in AS 11.81.900(a).

1 **Sec. 46.03.520. Testing procedures.** (a) If the owner of the property for
2 which notice was received under AS 46.03.500 desires to determine if the property is
3 fit for use, the owner shall cause the site to be tested for the substances specified in
4 AS 46.03.530, using the procedures and laboratory services specified under (b) and (c)
5 of this section. The property owner shall inform the laboratory used for a test under
6 this subsection that the test is related to property that has been determined to be an
7 illegal drug manufacturing site.

8 (b) The department shall establish procedures for testing property that may
9 have been an illegal drug manufacturing site.

10 (c) The department shall establish and maintain a list of laboratories in the
11 state that have the capacity to perform the testing procedures and have notified the
12 department that they wish to be on the list maintained under this subsection. A
13 laboratory may not be included on the list unless the laboratory agrees to send the
14 department a copy of test results related to properties whose owners have informed the
15 laboratory that the test results are for property that has been determined to be an illegal
16 drug manufacturing site.

17 **Sec. 46.03.530. Standards for determining fitness.** (a) Property for which a
18 notice was received under AS 46.03.500 is not fit for use if a test of the property
19 shows the presence of one of the following substances above the limit set by the
20 department for that substance: lead, mercury, methamphetamines, and volatile organic
21 compounds.

22 (b) The department shall adopt regulations that set the limit for each substance
23 listed in (a) of this section for purposes of determining whether the property for which
24 a notice was received under AS 46.03.500 is fit for use.

25 **Sec. 46.03.540. Decontamination requirements.** (a) If the owner desires to
26 decontaminate the property for which a notice has been issued under AS 46.03.500,
27 the owner shall follow the guidelines established by the department under (b) of this
28 section.

29 (b) The department shall establish guidelines for decontamination of sites that
30 are determined to be unfit for use under AS 46.03.530. The department shall provide
31 a copy of the guidelines to any person who requests a copy.

1 **Sec. 46.03.550. Fitness for use.** (a) Property for which a notice has been
2 issued under AS 46.03.500 shall be determined by the department to be fit for use if
3 the owner submits satisfactory evidence to the department that

4 (1) based on testing procedures established by the department under
5 AS 46.03.520(b) and performed by laboratories that are on the list maintained by the
6 department under AS 46.03.520(c), the limits on substances specified in AS 46.03.530
7 are not exceeded on the property; or

8 (2) if the property was ever tested under AS 46.03.520 and the test
9 results showed the property to be unfit for use under AS 46.03.540, decontamination
10 procedures were performed in accordance with the guidelines established under
11 AS 46.03.540(b) and the requirements of (1) of this subsection have been met.

12 (b) The department shall maintain a list of properties for which the department
13 has received notice under AS 46.03.500. When the department determines under (a)
14 of this section that a property on the list is fit for use, the department shall remove the
15 property from the list and notify the owner of the property that the property is fit for
16 use. On request, the department shall give a copy of the list maintained under this
17 section to any person who requests the list.

18 **Sec. 46.03.560. Securing the property.** The owner of property for which a
19 notice was received under AS 46.03.500 shall ensure that the property is vacated and
20 secured against use

21 (1) within four days after receiving the notice if the owner does not test
22 the property under AS 46.03.520 within four days after receiving the notice; or

23 (2) within four days after receiving the test results if the owner tests
24 the property within four days after receiving the notice, the test shows the presence of
25 a substance that exceeds the limits set in regulations adopted under AS 46.03.530, and
26 the owner does not begin decontamination procedures under AS 46.03.540 within four
27 days after receiving the test results.

28 **Sec. 46.03.570. Duties of the department; regulations.** (a) The department
29 shall adopt regulations implementing AS 46.03.500 - 46.03.599.

30 (b) The department shall periodically review information related to
31 decontamination of illegal drug manufacturing sites to determine whether substances

1 should be added to or deleted from AS 46.03.530. The department shall report written
2 findings to the governor if the department determines that a change should be made to
3 the list of substances in AS 46.03.530. The governor shall notify the legislature when
4 written findings have been made under this subsection and provide a copy of the
5 findings to a legislator on request.

6 **Sec. 46.03.599. Definitions.** In AS 46.03.500 - 46.03.599,

7 (1) "illegal drug manufacturing site" means property on which there is
8 a reasonably clear possibility of contamination with chemicals associated with the
9 manufacturing of a controlled substance and where

10 (A) activity involving the unauthorized manufacture of a
11 controlled substance listed on schedule I or II in AS 11.71 or any precursor
12 chemical for such substances occurs; or

13 (B) there are kept, stored, or located any of the devices,
14 equipment, things, or substances used for the unauthorized manufacture of a
15 controlled substance listed on schedule I or II in AS 11.71;

16 (2) "site" means an illegal drug manufacturing site.

17 * **Sec. 3.** The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 **REGULATIONS.** The Department of Environmental Conservation may immediately
20 begin to develop and adopt regulations to implement this Act. The regulations take effect
21 under AS 44.62 (Administrative Procedure Act).

22 * **Sec. 4.** The uncodified law of the State of Alaska is amended by adding a new section to
23 read:

24 **CERTIFICATION OF EFFECTIVE DATE OF REGULATIONS.** The lieutenant
25 governor shall certify to the revisor of statutes the effective date of the initial regulations
26 adopted by the Department of Environmental Conservation under sec. 3 of this Act.

27 * **Sec. 5.** Sections 1 and 2 of this Act take effect on the effective date of the initial
28 regulations adopted by the Department of Environmental Conservation under sec. 3 of this
29 Act.

30 * **Sec. 6.** Sections 3 and 4 of this Act take effect immediately under AS 01.10.070(c).

ALASKA STATE LEGISLATURE



REPRESENTATIVE GRETCHEN GUESS

Sponsor Statement HB 382

" An Act relating to the evaluation and cleanup of sites where certain controlled substances may have been manufactured or stored."

Purpose

Currently Alaska has no standards or requirements for the clean up of illegal drug labs. HB 382 sets standards for cleanup of illegal drug manufacturing sites to ensure the safety of future residents.

Background

Illegal drug manufacturing labs, such as "meth labs," are rising in Alaska with seizures doubling in number from 2000 to 2001. Often these labs are in homes, apartments, and hotels where chemical contamination can pose a serious health hazard to future residents.

Currently Alaska has no standards or requirements for the clean up of illegal drug labs. Once law enforcement discovers an illegal lab it falls to the property owner to properly clean up the hazardous material. If this clean up is not done properly it could pose a serious health risk to future occupants of the property, especially children.

Solution

- HB 382 creates a simple system whereby law enforcement, once they have discovered a lab, will notify the property owner. Either law enforcement or the Department of Environmental Conservation (DEC) will provide the owner with materials developed by DEC. These materials will outline testing procedures and guideline limits for a number of dangerous chemicals that commonly contaminate illegal drug lab sites. In order to demonstrate the property is fit for habitation, the owner must provide test results showing the levels of contamination are below DEC set limits.
- HB 382 offers safeguards for future occupants of the property. Under this bill, the property owner may not allow the reoccupation or rental of the property until it has been tested and shown to be below DEC set limits.
- HB 382 requires full disclosure to any purchaser of the property if it was an illegal drug manufacturing site and has not been properly cleaned.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99801-1182
Deliveries to: 129 6th St., Rm. 329

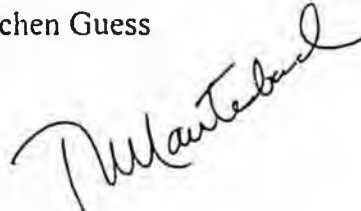
MEMORANDUM

February 25, 2002

SUBJECT: Illegal Drug Sites (HB 382)

TO: Representative Gretchen Guess
Attn: Maridon

FROM: Terri Lauterbach
Legislative Counsel



You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Describes the purpose of the bill.

Section 2. Requires testing of property before continued use if a law enforcement officer has determined that the property was an illegal drug manufacturing or storage site. Declares that the property is unfit for use if it doesn't meet the limits set by the Department of Environmental Conservation for lead, mercury, methamphetamines, or volatile organic compounds. Requires decontamination, if done, to be done according to guidelines set by DEC. Specifies miscellaneous other duties for DEC and for the property owner.

TML:med
02-207.med

ALASKA STATE LEGISLATURE



REPRESENTATIVE GRETCHEN GUESS

General Information About Illegal Drug Manufacturing Labs and Their Health Effects

No Requirements to Clean Up Illegal Labs

Illegal drug manufacturing labs, such as "meth labs," are rising in Alaska with seizures doubling in number from 2000 to 2001. Often these labs are in homes, apartments, and hotels where chemical contamination can pose a serious health hazard to future residents.

Currently Alaska has no standards or requirements for the clean up of illegal drug labs. Once law enforcement discovers an illegal lab it falls to the property owner to clean up the hazardous material. If this clean up is not done properly it could pose a serious health risk to future occupants of the property, especially children.

Chemicals Used in the Manufacture of Illegal Drugs

Illegal drugs such as methamphetamines can be made using many different chemical processes. Most of these include the use of metals (such as mercury and lead), explosives, acids, chemical salts and volatile organic compounds (VOCs). Exposure to metals and salts can cause respiratory irritation, decreased mental function, anemia, kidney damage and birth defects. Lead and mercury are particularly hazardous. Exposure to VOCs may cause nose and throat irritation, headaches, dizziness, nausea, vomiting, confusion and breathing difficulties.

Many of the chemical agents used in the production of (meth) are caustic, corrosive, or create noxious and harmful fumes. The cooking of these chemicals produces vapors which permeate the interior materials of buildings, including sheet rock, carpets, and other porous surfaces. These chemical residues continue to volatilize from these reservoirs long after the laboratory is dismantled. This creates a potential for long-term exposure resulting in adverse health effects if a building is reoccupied without decontamination. Many of the chemicals in illegal drug manufacture are known to be carcinogenic (cancer causing), mutagenic (an agent that can induce or increase the frequency of mutation in an organism), and teratogenic (causing malformations of an embryo or fetus) in animal and human studies.

General Impacts

Many of the contaminants present during meth's cooking process can be harmful if someone is exposed to them. These contaminants can cause health problems including respiratory (breathing) problems, skin and eye irritation, headaches, nausea and dizziness. Acute (short-term) exposures to high concentrations of some of these chemicals can cause severe health problems including lung damage and burns to different parts of the body. In extreme cases a child's entire respiratory system could shut down with acute exposure to meth fumes.

Impacts on Children

Children are more susceptible to chemical hazards than adults because they grow rapidly, have higher metabolic rates, and have greater intake of food and water. They are also more likely to be exposed to contaminants on surfaces. Crawling or toddling children touch many surfaces and then put their dirty hands in their mouths.

Exposure to methamphetamine, heavy metals, and other ingredients used in methamphetamine manufacture, and their residues, put children at risk for damage to the nervous system. Exposure of a developing nervous system to neurotoxins can be insidiously amplified as a child grows. Cells killed leave a gap in the total number of cells that make up the mature brain. Damaged cells that survive can pass on the deficit as they multiply. Damage to the developing brain can have greater effect than the same exposure once development is complete (as in adults).

ALASKA STATE LEGISLATURE



REPRESENTATIVE GRETCHEN GUESS

Questions Relating To HB 382

"An Act relating to the evaluation and cleanup of sites where certain controlled substances may have been manufactured or stored."

Questions:

1. **Why doesn't a property owner have to clean up the site regardless of whether or not they intend to rent or sell?**

We want to limit the role of government intrusion. What if the person doesn't have any money; the person has a debilitating disease and can't afford to clean it up? We're saying if you want to do something with it you must clean it. If not, then its not required at this point. Our concern is the threat to public safety – it's not dangerous if no one is allowed in it. If you don't clean it up, then you won't be allowed to have people in it.

2. **Is disclosure of chemicals already required?**

No. This is an issue that has not been addressed until now.

3. **Why DEC?**

DEC is the agency most capable of integrating it into their current program. They already have systems in place for testing and setting standards. If it were routed through HSS a whole new position would need to be created and most likely have a much higher cost associated.

4. **What do Oregon and Washington have in place?**

OR and WA both fund this program through HSS, but they have fully funded positions. It would cost a lot more to emulate their system. OR is operated on the state level – WA operated on the local level (although WA told us they wished they had it at the state level due to poor execution). In Alaska local governments don't have the expertise for testing.



George P. Wuerch.
Mayor

ANCHORAGE POLICE DEPARTMENT

4501 South Bragaw Street • Anchorage, Alaska 99507-1599

Telephone (907) 786-8500

<http://www.ci.anchorage.ak.us>



Walt Monegan
Chief

February 27, 2002

Dear Representative Guess,

The Anchorage Police Department Metropolitan Drug Unit strongly supports House Bill Number 382, an Act relating to the evaluation and cleanup of sites where certain controlled substances may have been manufactured or stored.

This Bill addresses the very serious problem law enforcement has encountered of unwilling or unknowing landlords, home and motel owners who after, a toxic clandestine drug laboratory is seized from their property, do not care or don't know the proper guidelines to ensure that their particular location is safe for occupation.

This Legislation will no doubt protect the health and enrich the life of the citizens of the State of Alaska.

Lieutenant Dave Hoffman
Anchorage Police Department
Commander, Metropolitan Drug Unit

Endorsements:

Sergeant Marc Woodward
Anchorage Police Department
Supervisor Metropolitan Drug Unit

Detective Kurt Kornchuk
Anchorage Police Department
DEA Task Force/Clandestine Laboratory Coordinator

Cc: Resources Committee Co-Chair Beverly Masek



SARAH H. PALIN
MAYOR

CITY OF WASILLA

290 E. Herning Ave.
Wasilla, Alaska 99654-7091
Phone: (907) 373-9055
Fax: (907) 373-9096

March 1, 2002

The Honorable Gretchen Guess
Alaska House of Representatives
State Capitol, Room 112
Juneau, AK 99801-1182

Dear Representative Guess:

Thank you for the opportunity to comment in support of House Bill 382, relating to the evaluation and cleanup of sites where certain controlled substances may have been manufactured or stored.

There has been an alarming increase in methamphetamine use and production in the Mat-Su Valley, as well as all over the State, and there are currently no guidelines in place to assist property owners and the general public in cleaning up former meth lab sites. Exposure to the chemicals and contaminants left behind when a meth lab is shut down can cause serious health problems to future occupants.

We need to find a way to ensure the safety of future residents and provide guidelines for property owners and landlords to properly clean up the hazardous material resulting from illegal drug manufacturing. As President of the Alaska Conference of Mayors, I also assisted in passing of Resolution 2002-08, "A Resolution to Support Efforts to Combat the Use of Illegal Drugs in Alaskan Communities" (attached). I wholeheartedly support HB 382.

Sincerely,

Sarah Palin
Mayor of Wasilla

cc: Rep. Beverly Masek, Co-Chair
Resources Committee

Enclosure



217 Second Street, Suite 200 • Juneau, Alaska 99801 • Tel (907)586-1325, Fax (907)-463-5480

26 February 2002

The Honorable Gretchen Guess
Alaska House of Representatives
State Capitol, Room 112
Juneau, AK 99801-1182

Dear Representative Guess:

Thank you for the opportunity to support HB 382, relating to the evaluation and cleanup of illegal drug manufacturing sites. The Alaska Municipal League and the Alaska Conference of Mayors encourage all efforts to address the growing problem of illegal drug use, including the manufacture of controlled substances. We are enclosing Alaska Municipal League/Alaska Conference of Mayors Resolution 2002-08, "A resolution to support efforts to combat the use of illegal drugs in Alaskan communities."

As you know, there are currently no regulations in place to address the process of decontamination at these highly volatile sites. We applaud your effort in creating a more accountable cleanup procedure.

Thank you for your continued interest in Alaska's municipalities. If you have any questions about this or any other municipal issue, please let me know.

Sincerely,

Kevin Ritchie
Executive Director

Enclosure

cc: Representative Beverly Masek, Co-Chair
Representative Drew Scalzi, Co-Chair
House Resources Committee



217 Second Street, Suite 200 ■ Juneau, Alaska 99801 ■ Tel (907)586-1325, Fax (907)-463-5480

RESOLUTION 2002-8

A RESOLUTION TO SUPPORT EFFORTS TO COMBAT THE USE OF ILLEGAL DRUGS IN ALASKAN COMMUNITIES

WHEREAS, the Alaska Municipal League recognizes the destructive nature of illegal drugs on the citizens of Alaska; and

WHEREAS, the illegal use, manufacturing, and sales of illegal drugs is a growing and serious societal ailment, especially the most recent trend in illegal methamphetamine drug use, as well as other illegal clandestinely produced substances; and

WHEREAS, the Alaska Municipal League recognizes not only the human destruction, but also the economic devastation, property damage, and environmental disasters that can be brought to a community by illegal clandestine laboratory facilities; and

WHEREAS, the law enforcement agencies of Alaska, including local, state, and federal entities, all recognize the seriousness of the situation and hope to gain support in combating the potential devastation that could be visited upon Alaska; and

WHEREAS, the support of the Alaska Municipal League and the individual Mayors is vital to gain widespread support for law enforcement efforts to combat the growing methamphetamine problem and support within communities to educate citizens through organized community programs, school programs, and local media; and

WHEREAS, it is recognized that the success of any meaningful program related to illegal drugs, whether education or enforcement, lies in a multi-disciplined approach towards addressing the problem; and

WHEREAS, the Alaska State Legislature needs to be aggressive in addressing the seriousness of the illegal clandestine laboratory activities through adopting statutes specific to these types of crimes, enhanced sentencing guidelines, and funding.

NOW, THEREFORE BE IT RESOLVED, by the Alaska Municipal League that, members, as a group and as individuals will support the entities involved with investigating and prosecuting individuals involved in the illegal manufacturing, sales, and use of controlled substances produced in clandestine laboratory facilities, and will support the entities involved in providing education and training to the citizens of the State of Alaska to help combat the problem.

BE IT FURTHER RESOLVED, that the Alaska Municipal League supports any efforts to substantially increase penalties for those who operate clandestine illegal substance laboratories particularly in cases where minor children could be impacted.

Date: 02/28/02

The Honorable Gretchen Guess
Alaska House of Representatives
State Capitol, Room 112
Juneau, AK 99801-1182

Dear Representative Guess:

I have read with interest the Sponsor Statement for HB 382. I was the Wasilla Chief of Police when "Meth Labs" first started to become a problem here in the Mat-Su Borough.

I educated myself about meth labs by calling and visiting other states where meth had acquired a foothold. In areas where the meth problem was not addressed there have been huge health and economic problems affecting whole communities.

I support HB 382 and thank you for your proactive stance. This bill will have a positive effect on those responsible for setting standards and providing guidelines to protect future residents from health hazards and landlords from liability suits.

HB 382 helps to set a high standard for the quality of life we desire here in Alaska and I thank you for your sponsorship in this endeavor.

Sincerely,



Charlie Fannon

cc: Rep. Beverly Masek, Co-Chair
Resource Committee

Municipality of Anchorage



P.O. Box 196650
Anchorage, Alaska 99519-6650
Telephone: (907) 343-4431
Fax: (907) 343-4499
<http://www.ci.anchorage.ak.us>

George P. Wuerch, Mayor

OFFICE OF THE MAYOR

February 28, 2002

Representative Gretchen Guess
Alaska State Legislature
State Capitol
Juneau, Alaska 99801

Re: HB 382

Dear Representative Guess,

As you know, there has been a proliferation of illegal drug manufacturing laboratories in the state recently.

These labs are often located in residential settings, homes, apartments, and hotel rooms. Because they employ the use of highly toxic and hazardous material in the manufacturing process, they pose a serious health risk to future property occupants.

HB 382 addresses this problem by setting up a notification and cleanup system and provides a process designed to ensure future tenants are protected from any hazards that may exist.

The Municipality of Anchorage recognizes this bill may impose some additional expenses to property owners who have unknowingly rented to meth lab operators, but we believe that with reasonable cleanup guidelines, the safety concerns of future tenants outweigh the additional costs.

Thank you for recognizing this problem and offering a workable solution.

Sincerely,

Tim Rogers
Legislative Program Coordinator



Frontiersman

Online archives from the Wasilla Frontiersman.

February 15, 2002

Valley hotbed of meth activity, officials say

By NAOMI KLOUDA-Frontiersman reporter

MAT-SU - Drug enforcement officials say there's an alarming increase in methamphetamine production in the Valley, but a little help from the public could see the problem stamped out.

Palmer's District Attorney office received 54 new meth lab cases to prosecute this quarter, compared to Anchorage's 57 new cases for the same period, said Jack Smith, assistant district attorney.

"What we are seeing here is potentially an epidemic like in the Lower 48," said Mat-Su Drug Enforcement Unit Supervisor Patrick Davis. "Yet Alaska has the opportunity to take a pro-active approach and curb this by hitting it en masse."

The good news is that the epidemic has a cure - if enough people are educated about meth production. It's not like the fad drugs that are brought into the state, such as cocaine and ecstasy, Davis said. Making meth is dangerous.

Meth production creates toxic vapors and wastes that are so hazardous suspects are made to remove their clothing and don chemical suits for the ride to jail.

Drug unit officers undergo special training to make them aware of the 30,000 possible chemicals in the processes used to make meth. Davis is an Alaska State Trooper, yet he had to learn enough about molecules and the incompatibility of chemicals to make him a chemist.

The Alaska Legislature passed a law last year making meth production a class A felony offense, recognizing it as a worse crime, in fact, than using the drug. Possession or using meth is a class C felony crime. This gives judges the ability to sentence meth "cooks" to five-year presumptive terms, Smith said.

Methamphetamine was devised by the Nazis in Germany during World War

II.

"It was given to soldiers to amp them up for battle," Davis said.

In the '60s, Davis said, meth began cropping up as "biker's dope" in California, among such groups as the Hell's Angels.

The drug can be ingested as a powder, by shooting up or smoking and gives an eight to 12-hour high that begins with a 30-40 minute rush. If more meth is taken, the person can stay awake for three days. But after 72 hours the body starts shutting down, wanting to sleep. The ensuing deep sleep is like the person was knocked out by anesthesia. "You can't wake them up," Davis said.

"When the person wakes and craves more, the process starts again but he will reach a tweaking stage considered dangerous, when the body tries to shut down and the drug won't let it," Davis said.

A superhuman feeling similar to that given by LSD can result. Also, paranoia and other behavior makes the user dangerous to those around him and to officers trying to make a traffic stop or arrest.

Entering a place where meth is made involves an array of hazards. Drug officers involved with collecting evidence from meth labs in the previous decade suffered kidney and liver failure and damage to their lungs. Some died in explosions from entering rooms so charged with vapors that an electrical carpet-spark ignited fire.

The drug enforcement agency stepped in about 10 years ago, after Occupational Safety and Health Administration (OSHA) decided the only officers who should be handling the stuff used to make meth ought to be highly trained.

After a 1999 bust in Valdez, Davis said, the drug team had to wait a day and half for a vapor cloud to clear out before they could enter the home to clean up the hazardous chemicals.

|| Landlords who unknowingly rent to methamphetamine "cooks" find their property uninhabitable after the renter moves on, Smith said.

"The house becomes an environmental hazard," he explained.

The Valley has proven an attractive place to set up "Beavis and Butthead" meth operations - small-time efforts for personal use and for sale to a few people. The wide open spaces between neighbors in the Valley grant more privacy, Smith and Davis said. The drug unit has busted larger meth operations, professionals who moved here from Fairbanks where they had previous meth convictions, and former pot growers who decided it's more lucrative to make meth than to wait 90 days for a marijuana crop.

Officers found two meth operations in vans being driving around town. "They were cooking it on a stove or hot plate in the van, probably to avoid being detected by neighbors," Smith said.

To catch meth lab operators, drug enforcement officers depend on tips from the public. Neighbors might not realize the drug is being manufactured next door, but they notice the smell of bleach or starter fluid - strong odors they may not identify.

"They might see weird activity, such as a lot of people going in and out of a house in a short amount of time, indicating the cook has made a batch and now it's ready to sell," Davis said.

Store clerks should be suspicious if they see someone purchasing large quantities of coffee filters, matches, pseudoephedrine and bleach, according to information that has been provided to store owners by the drug unit.

The process for making meth takes cold medication, such as pseudoephedrine, and chemically alters it so that it produces a high, Davis said.

"The ephedrine molecule in the chemical process that is used basically removes an oxygen atom and turns it into methamphetamine," he explained.

All labs share common hazards such as flammability, combustibility and heat stress, as well as the inherent hazards of the original products being used, like Heet, fuel and acids. There are also unique hazards to each lab in that the gases generated by combinations of phosphorous and hydriotic acid, are chemical compounds that can be pyroforic, meaning they react with air to spontaneously ignite, or aquaforic, meaning that they can explode with contact to water.

What's especially troubling is when a whole family lives in the environment in which meth is produced. One Wasilla drug arrest and conviction stemmed from a 13-year-old boy who reportedly told his school counselor that his dad made him help make meth. The boy's job, the child said, was to tear up matchbooks used to obtain red phosphorous.

In that same home, drug enforcement officers reported they found the boy's father sitting with a baby on his lap and a loaded syringe next to him. On the stove top, a batch of meth reportedly sat drying in a pan. Three other children and his wife all lived in the same apartment, which was in a Wasilla apartment complex.

The 13-year-old has since been taken from the home and reportedly lives with relatives in the Lower 48. His father is now serving time for a drug conviction on that case, Smith said.

Davis said about 90 percent of their cases come from tips given by the public. The Mat-Su Drug Team encourages anyone with information

concerning potential meth lab activity to contact them at 373-0705.

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Online archives from the Wasilla Frontiersman.

August 14, 2001

Law enforcement officials take part in drug training

By Frontiersman staff

ANCHORAGE — Alaska State Troopers are among the more than 50 law enforcement officers from around the state taking part in nine days of training offered by the U.S. Department of Justice Drug Enforcement Administration, Aug. 6-15 at the National Guard Armory at Fort Richardson.

Those receiving the training include federal agents, state investigators and local police officers from across the state. The training is designed to provide law enforcement officers with the tools and techniques necessary to deal with illegal methamphetamine laboratories in a safe and proper manner.

According to Lt. Al Storey, commander of the Alaska State Trooper Statewide Drug Enforcement Unit, "the extreme danger of clandestine labs is widely known in other states, but these types of labs are a fairly recent development in Alaska." Alaska law enforcement units seized 50 labs in the calendar year 2000, nearly double the number seized in 1999.

"The trend towards discovering an increasing number of labs is expected to continue and law enforcement officials are worried about this illegal activity," Storey said, "not only because of the effect that the illegal drug has on its users, but also because of the dangers of fires and chemical contamination."

Officers attending the class will learn what chemicals are used in clandestine labs, the dangers of those chemicals, and how to properly collect samples of evidence for subsequent prosecution. They will also be taught how to use the specialized equipment needed for work in contaminated

locations, without endangering their own health.

The training is being co-hosted by the Drug Enforcement Administration and the Alaska State Troopers, with additional support from the Anchorage Police Department and the Alaska National Guard Counter Drug Support Unit.

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Amendment

OFFERED IN HOUSE FINANCE COMMITTEE
To: CSHB 382(FIN)

BY: REP. CROFT

Page 2, line 3, following "owner of the property"

Insert ", the property occupant,"

Page 2, line 4 , following "property owner"

Insert "and the property occupant"

HB

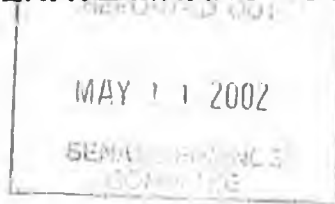
382

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 5/7/02



FURTHER:

DATE TURNED IN TO OFFICE: 5/11/02

Finance Committee considered **CS FOR HOUSE BILL NO. 382(FIN)**
HB 382 CLEANUP OF ILLEGAL DRUG SITES

"An Act relating to the evaluation and cleanup of sites where certain controlled substances may have been manufactured or stored; and providing for an effective date."

and recommends:

- be replaced with _____ CS _____ (_____)
- adopt previous S CS CS HB 382 (RES)
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DRS	2/27/02		✓	1
DEC	2/25/02	12.0		2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			
COCHAIR: <i>[Signature]</i>	✓			

FISCAL NOTE

MAY 11 2002

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 382(RES)
 (H) Publish Date: 3/18/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Public Safety
 Title An Act relating to the evaluation and BRU AST Detachments
cleanup of sites where controlled substances . . . Component AST Detachments
 Sponsor Representative Guess
 Requester House Resources Committee Component No. 2325

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type-Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill will have no fiscal impact on the Department of Public Safety.

Prepared by: Lt. Julia Grimes Phone 269-4532
 Division Division of Alaska State Troopers Date/Time 2/27/02 3:49 PM
 Approved by: Commissioner Glenn Godfrey Date 2/27/2002
 Agency Department of Public Safety

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 2
Bill Version: CSHB 382(RES)
(H) Publish Date: 3/18/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Environmental Conservation
Title: An Act Relating to Cleanup of Illegal Drug Sites BRU: Environmental Health
Component: Laboratory Services
Sponsor: Representative Guess
Requester: House Resources Committee Component No.: 2065

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	10.0	0.0	0.0	0.0	0.0	0.0
Supplies	2.0	2.0	2.0	2.0	2.0	2.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	12.0	2.0	2.0	2.0	2.0	2.0

CAPITAL EXPENDITURES						
----------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	12.0	2.0	2.0	2.0	2.0	2.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	12.0	2.0	2.0	2.0	2.0	2.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

The evaluation and cleanup process of illegal drug sites as proposed in this bill will require the Department to develop contaminated substance limits in regulation and guidelines for decontamination. In preparing this fiscal note, the Department has assumed that the expected number of contaminated sites requiring evaluation and clean up would be approximately 18 a year based on actual numbers of 13 sites last year and 25 the year before. Additionally, it is anticipated that Alaska can use standards and cleanup guidance documents from other states as templates.

Contractual costs of 10.0 would be incurred the first year to pay for regulation development, public notices, and production of the required guidance document.

Continued on Page 2

Prepared by: Janice Adair, Director Phone: (907) 269-7644
Division: Environmental Health Date/Time: 2/25/02 2:49 PM
Approved by: Kurt Fredriksson - Deputy Commissioner Date: 2/25/2002
Agency: Department of Environmental Conservation

FISCAL NOTE

**STATE OF ALASKA
2002 LEGISLATIVE SESSION**

BILL NO. CSHB 382(RES) - FN#2

ANALYSIS CONTINUATION

Continuation from Page 1

A telephonic survey of the private labs in the state revealed that there are no labs currently capable of conducting some of the analyses required under this legislation. Therefore, this fiscal note assumes that the department's chemical laboratory will conduct the required tests. Laboratory supplies cost of 2.0 are included to cover the commodities required for this testing.

Line Item Description	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY2007
Personal Services	\$0	\$0	\$0	\$0	\$0	\$0
Travel	\$0	\$0	\$0	\$0	\$0	\$0
Contractual						
• Regulations and Public Notice	\$2,000	\$0	\$0	\$0	\$0	\$0
• Guidance Document preparation and copying	\$8,000	\$0	\$0	\$0	\$0	\$0
Subtotal:	\$10,000	\$0	\$0	\$0	\$0	\$0
Supplies						
• Laboratory commodities (72 Samples)	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Equipment	\$0	\$0	\$0	\$0	\$0	\$0
Total	\$12,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000

ALASKA STATE LEGISLATURE



REPRESENTATIVE GRETCHEN GUESS

Sponsor Statement HB 382

" An Act relating to the evaluation and cleanup of sites where certain controlled substances may have been manufactured or stored."

Purpose

Currently Alaska has no standards or requirements for the clean up of illegal drug labs. HB 382 sets standards for cleanup of illegal drug manufacturing sites to ensure the safety of future residents.

Background

Illegal drug manufacturing labs, such as "meth labs," are rising in Alaska with seizures doubling in number from 2000 to 2001. Often these labs are in homes, apartments, and hotels where chemical contamination can pose a serious health hazard to future residents.

Currently Alaska has no standards or requirements for the clean up of illegal drug labs. Once law enforcement discovers an illegal lab it falls to the property owner to properly clean up the hazardous material. If this clean up is not done properly it could pose a serious health risk to future occupants of the property, especially children.

Solution

- HB 382 creates a simple system whereby law enforcement, once they have discovered a lab, will notify the property owner. Either law enforcement or the Department of Environmental Conservation (DEC) will provide the owner with materials developed by DEC. These materials will outline testing procedures and guideline limits for a number of dangerous chemicals that commonly contaminate illegal drug lab sites. In order to demonstrate the property is fit for habitation, the owner must provide test results showing the levels of contamination are below DEC set limits.
- HB 382 offers safeguards for future occupants of the property. Under this bill, the property owner may not allow the reoccupation or rental of the property until it has been tested and shown to be below DEC set limits.
- HB 382 requires full disclosure to any purchaser of the property if it was an illegal drug manufacturing site and has not been properly cleaned.

LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES
LEGISLATIVE AFFAIRS AGENCY
STATE OF ALASKA

(907) 465-3867 or 465-2450
FAX (907) 465-2029
Mail Stop 3101

State Capitol
Juneau, Alaska 99601-1182
Deliveries to: 129 6th St., Rm. 329

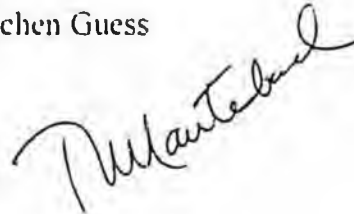
MEMORANDUM

February 25, 2002

SUBJECT: Illegal Drug Sites (HB 382)

TO: Representative Gretchen Guess
Attn: Maridon

FROM: Terri Lauterbach
Legislative Counsel



You have requested a sectional summary of the above-described bill.

As a preliminary matter, note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill and the bill itself is the best statement of its contents. If you would like an interpretation of the bill as it may apply to a particular set of circumstances, please advise.

Section 1. Describes the purpose of the bill.

Section 2. Requires testing of property before continued use if a law enforcement officer has determined that the property was an illegal drug manufacturing or storage site. Declares that the property is unfit for use if it doesn't meet the limits set by the Department of Environmental Conservation for lead, mercury, methamphetamines, or volatile organic compounds. Requires decontamination, if done, to be done according to guidelines set by DEC. Specifies miscellaneous other duties for DEC and for the property owner.

TML:med
02-207.med

ALASKA STATE LEGISLATURE



REPRESENTATIVE GRETCHEN GUESS

General Information About Illegal Drug Manufacturing Labs and Their Health Effects

No Requirements to Clean Up Illegal Labs

Illegal drug manufacturing labs, such as "meth labs," are rising in Alaska with seizures doubling in number from 2000 to 2001. Often these labs are in homes, apartments, and hotels where chemical contamination can pose a serious health hazard to future residents.

Currently Alaska has no standards or requirements for the clean up of illegal drug labs. Once law enforcement discovers an illegal lab it falls to the property owner to clean up the hazardous material. If this clean up is not done properly it could pose a serious health risk to future occupants of the property, especially children.

Chemicals Used in the Manufacture of Illegal Drugs

Illegal drugs such as methamphetamines can be made using many different chemical processes. Most of these include the use of metals (such as mercury and lead), explosives, acids, chemical salts and volatile organic compounds (VOCs). Exposure to metals and salts can cause respiratory irritation, decreased mental function, anemia, kidney damage and birth defects. Lead and mercury are particularly hazardous. Exposure to VOCs may cause nose and throat irritation, headaches, dizziness, nausea, vomiting, confusion and breathing difficulties.

Many of the chemical agents used in the production of (meth) are caustic, corrosive, or create noxious and harmful fumes. The cooking of these chemicals produces vapors which permeate the interior materials of buildings, including sheet rock, carpets, and other porous surfaces. These chemical residues continue to volatilize from these reservoirs long after the laboratory is dismantled. This creates a potential for long-term exposure resulting in adverse health effects if a building is reoccupied without decontamination. Many of the chemicals in illegal drug manufacture are known to be carcinogenic (cancer causing), mutagenic (an agent that can induce or increase the frequency of mutation in an organism), and teratogenic (causing malformations of an embryo or fetus) in animal and human studies.

General Impacts

Many of the contaminants present during meth's cooking process can be harmful if someone is exposed to them. These contaminants can cause health problems including respiratory (breathing) problems, skin and eye irritation, headaches, nausea and dizziness. Acute (short-term) exposures to high concentrations of some of these chemicals can cause severe health problems including lung damage and burns to different parts of the body. In extreme cases a child's entire respiratory system could shut down with acute exposure to meth fumes.

Impacts on Children

Children are more susceptible to chemical hazards than adults because they grow rapidly, have higher metabolic rates, and have greater intake of food and water. They are also more likely to be exposed to contaminants on surfaces. Crawling or toddling children touch many surfaces and then put their dirty hands in their mouths.

Exposure to methamphetamine, heavy metals, and other ingredients used in methamphetamine manufacture, and their residues, put children at risk for damage to the nervous system. Exposure of a developing nervous system to neurotoxins can be insidiously amplified as a child grows. Cells killed leave a gap in the total number of cells that make up the mature brain. Damaged cells that survive can pass on the deficit as they multiply. Damage to the developing brain can have greater effect than the same exposure once development is complete (as in adults).

ALASKA STATE LEGISLATURE



REPRESENTATIVE GRETCHEN GUESS

Questions Relating To HB 382

"An Act relating to the evaluation and cleanup of sites where certain controlled substances may have been manufactured or stored."

Questions:

1. **Why doesn't a property owner have to clean up the site regardless of whether or not they intend to rent or sell?**

We want to limit the role of government intrusion. What if the person doesn't have any money; the person has a debilitating disease and can't afford to clean it up? We're saying if you want to do something with it you must clean it. If not, then its not required at this point. Our concern is the threat to public safety – it's not dangerous if no one is allowed in it. If you don't clean it up, then you won't be allowed to have people in it.

2. **Is disclosure of chemicals already required?**

No. This is an issue that has not been addressed until now.

3. **Why DEC?**

DEC is the agency most capable of integrating it into their current program. They already have systems in place for testing and setting standards. If it were routed through HSS a whole new position would need to be created and most likely have a much higher cost associated.

4. **What do Oregon and Washington have in place?**

OR and WA both fund this program through HSS, but they have fully funded positions. It would cost a lot more to emulate their system. OR is operated on the state level – WA operated on the local level (although WA told us they wished they had it at the state level due to poor execution). In Alaska local governments don't have the expertise for testing.



George P. Wierch,
Mayor

ANCHORAGE POLICE DEPARTMENT

4501 South Bragaw Street • Anchorage, Alaska 99507-1599

Telephone (907) 786-8500

<http://www.ci.anchorage.ak.us>



Walt Monaghan
Chief

February 27, 2002

Dear Representative Guess,

The Anchorage Police Department Metropolitan Drug Unit strongly supports House Bill Number 382, an Act relating to the evaluation and cleanup of sites where certain controlled substances may have been manufactured or stored.

This Bill addresses the very serious problem law enforcement has encountered of unwilling or unknowing landlords, home and motel owners who after a toxic clandestine drug laboratory is seized from their property, do not care or don't know the proper guidelines to ensure that their particular location is safe for occupation.

This Legislation will no doubt protect the health and enrich the life of the citizens of the State of Alaska.

Lieutenant Dave Hoffman
Anchorage Police Department
Commander, Metropolitan Drug Unit

Endorsements:

Sergeant Marc Woodward
Anchorage Police Department
Supervisor Metropolitan Drug Unit

Detective Kurt Kornchuk
Anchorage Police Department
DEA Task Force/Clandestine Laboratory Coordinator

Cc: Resources Committee Co-Chair Beverly Masek



SARAH H. PALIN
MAYOR

CITY OF WASILLA

290 E. Herning Ave.
Wasilla, Alaska 99654-7091
Phone: (907) 373-9055
Fax: (907) 373-9096

March 1, 2002

The Honorable Gretchen Guess
Alaska House of Representatives
State Capitol, Room 112
Juneau, AK 99801-1182

Dear Representative Guess:

Thank you for the opportunity to comment in support of House Bill 382, relating to the evaluation and cleanup of sites where certain controlled substances may have been manufactured or stored.

There has been an alarming increase in methamphetamine use and production in the Mat-Su Valley, as well as all over the State, and there are currently no guidelines in place to assist property owners and the general public in cleaning up former meth lab sites. Exposure to the chemicals and contaminants left behind when a meth lab is shut down can cause serious health problems to future occupants.

We need to find a way to ensure the safety of future residents and provide guidelines for property owners and landlords to properly clean up the hazardous material resulting from illegal drug manufacturing. As President of the Alaska Conference of Mayors, I also assisted in passing of Resolution 2002-08, "A Resolution to Support Efforts to Combat the Use of Illegal Drugs in Alaskan Communities" (attached). I wholeheartedly support HB 382.

Sincerely,

Sarah Palin
Mayor of Wasilla

cc: Rep. Beverly Masek, Co-Chair
Resources Committee

Enclosure



Alaska Conference of Mayors

217 Second Street Suite 200 • Juneau, Alaska 99801 • Tel (907)586-1325, Fax (907)-463-5480

26 February 2002

The Honorable Gretchen Guess
Alaska House of Representatives
State Capitol, Room 112
Juneau, AK 99801-1182

Dear Representative Guess:

Thank you for the opportunity to support HB 382, relating to the evaluation and cleanup of illegal drug manufacturing sites. The Alaska Municipal League and the Alaska Conference of Mayors encourage all efforts to address the growing problem of illegal drug use, including the manufacture of controlled substances. We are enclosing Alaska Municipal League/Alaska Conference of Mayors Resolution 2002-08, "A resolution to support efforts to combat the use of illegal drugs in Alaskan communities."

As you know, there are currently no regulations in place to address the process of decontamination at these highly volatile sites. We applaud your effort in creating a more accountable cleanup procedure.

Thank you for your continued interest in Alaska's municipalities. If you have any questions about this or any other municipal issue, please let me know.

Sincerely,

A handwritten signature in black ink, appearing to read "Kevin Ritchie".

Kevin Ritchie
Executive Director

Enclosure

cc: Representative Beverly Masek, Co-Chair
Representative Drew Scalzi, Co-Chair
House Resources Committee



RESOLUTION 2002-8

A RESOLUTION TO SUPPORT EFFORTS TO COMBAT THE USE OF ILLEGAL DRUGS IN ALASKAN COMMUNITIES

WHEREAS, the Alaska Municipal League recognizes the destructive nature of illegal drugs on the citizens of Alaska; and

WHEREAS, the illegal use, manufacturing, and sales of illegal drugs is a growing and serious societal ailment, especially the most recent trend in illegal methamphetamine drug use, as well as other illegal clandestinely produced substances; and

WHEREAS, the Alaska Municipal League recognizes not only the human destruction, but also the economic devastation, property damage, and environmental disasters that can be brought to a community by illegal clandestine laboratory facilities; and

WHEREAS, the law enforcement agencies of Alaska, including local, state, and federal entities, all recognize the seriousness of the situation and hope to gain support in combating the potential devastation that could be visited upon Alaska; and

WHEREAS, the support of the Alaska Municipal League and the individual Mayors is vital to gain widespread support for law enforcement efforts to combat the growing methamphetamine problem and support within communities to educate citizens through organized community programs, school programs, and local media; and

WHEREAS, it is recognized that the success of any meaningful program related to illegal drugs, whether education or enforcement, lies in a multi-disciplined approach towards addressing the problem; and

WHEREAS, the Alaska State Legislature needs to be aggressive in addressing the seriousness of the illegal clandestine laboratory activities through adopting statutes specific to these types of crimes, enhanced sentencing guidelines, and funding.

NOW, THEREFORE BE IT RESOLVED, by the Alaska Municipal League that, members, as a group and as individuals will support the entities involved with investigating and prosecuting individuals involved in the illegal manufacturing, sales, and use of controlled substances produced in clandestine laboratory facilities, and will support the entities involved in providing education and training to the citizens of the State of Alaska to help combat the problem.

BE IT FURTHER RESOLVED, that the Alaska Municipal League supports any efforts to substantially increase penalties for those who operate clandestine illegal substance laboratories particularly in cases where minor children could be impacted.

Date: 02/28/02

The Honorable Gretchen Guess
Alaska House of Representatives
State Capitol, Room 112
Juneau, AK 99801-1182

Dear Representative Guess:

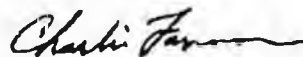
I have read with interest the Sponsor Statement for HB 382. I was the Wasilla Chief of Police when "Meth Labs" first started to become a problem here in the Mat-Su Borough.

I educated myself about meth labs by calling and visiting other states where meth had acquired a foothold. In areas where the meth problem was not addressed there have been huge health and economic problems affecting whole communities.

I support HB 382 and thank you for your proactive stance. This bill will have a positive effect on those responsible for setting standards and providing guidelines to protect future residents from health hazards and landlords from liability suits.

HB 382 helps to set a high standard for the quality of life we desire here in Alaska and I thank you for your sponsorship in this endeavor.

Sincerely,



Charlie Fannon

cc: Rep. Beverly Masek, Co-Chair
Resource Committee

Municipality of Anchorage



P.O. Box 196650
Anchorage, Alaska 99519-6650
Telephone: (907) 343-4431
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<http://www.ci.anchorage.ak.us>

George P. Wuerch, Mayor

OFFICE OF THE MAYOR

February 28, 2002

Representative Gretchen Guess
Alaska State Legislature
State Capitol
Juneau, Alaska 99801

Re: HB 382

Dear Representative Guess,

As you know, there has been a proliferation of illegal drug manufacturing laboratories in the state recently.

These labs are often located in residential settings, homes, apartments, and hotel rooms. Because they employ the use of highly toxic and hazardous material in the manufacturing process, they pose a serious health risk to future property occupants.

HB 382 addresses this problem by setting up a notification and cleanup system and provides a process designed to ensure future tenants are protected from any hazards that may exist.

The Municipality of Anchorage recognizes this bill may impose some additional expenses to property owners who have unknowingly rented to meth lab operators, but we believe that with reasonable cleanup guidelines, the safety concerns of future tenants outweigh the additional costs.

Thank you for recognizing this problem and offering a workable solution.

Sincerely,

Tim Rogers
Legislative Program Coordinator



Frontiersman

Online archives from the Wasilla Frontiersman.

February 15, 2002

Valley hotbed of meth activity, officials say

By NAOMI KLOUDA-Frontiersman reporter

MAT-SU - Drug enforcement officials say there's an alarming increase in methamphetamine production in the Valley, but a little help from the public could see the problem stamped out.

Palmer's District Attorney office received 54 new meth lab cases to prosecute this quarter, compared to Anchorage's 57 new cases for the same period, said Jack Smith, assistant district attorney.

"What we are seeing here is potentially an epidemic like in the Lower 48," said Mat-Su Drug Enforcement Unit Supervisor Patrick Davis. "Yet Alaska has the opportunity to take a pro-active approach and curb this by hitting it en masse."

The good news is that the epidemic has a cure - if enough people are educated about meth production. It's not like the fad drugs that are brought into the state, such as cocaine and ecstasy, Davis said. Making meth is dangerous.

Meth production creates toxic vapors and wastes that are so hazardous suspects are made to remove their clothing and don chemical suits for the ride to jail.

Drug unit officers undergo special training to make them aware of the 30,000 possible chemicals in the processes used to make meth. Davis is an Alaska State Trooper, yet he had to learn enough about molecules and the incompatibility of chemicals to make him a chemist.

The Alaska Legislature passed a law last year making meth production a class A felony offense, recognizing it as a worse crime, in fact, than using the drug. Possession or using meth is a class C felony crime. This gives judges the ability to sentence meth "cooks" to five-year presumptive terms, Smith said.

Methamphetamine was devised by the Nazis in Germany during World War

II.

"It was given to soldiers to amp them up for battle." Davis said.

In the '60s, Davis said, meth began cropping up as "biker's dope" in California, among such groups as the Hell's Angels.

The drug can be ingested as a powder, by shooting up or smoking and gives an eight to 12-hour high that begins with a 30-40 minute rush. If more meth is taken, the person can stay awake for three days. But after 72 hours the body starts shutting down, wanting to sleep. The ensuing deep sleep is like the person was knocked out by anesthesia. "You can't wake them up," Davis said.

"When the person wakes and craves more, the process starts again but he will reach a tweaking stage considered dangerous, when the body tries to shut down and the drug won't let it," Davis said.

A superhuman feeling similar to that given by LSD can result. Also, paranoia and other behavior makes the user dangerous to those around him and to officers trying to make a traffic stop or arrest.

Entering a place where meth is made involves an array of hazards. Drug officers involved with collecting evidence from meth labs in the previous decade suffered kidney and liver failure and damage to their lungs. Some died in explosions from entering rooms so charged with vapors that an electrical carpet-spark ignited fire.

The drug enforcement agency stepped in about 10 years ago, after Occupational Safety and Health Administration (OSHA) decided the only officers who should be handling the stuff used to make meth ought to be highly trained.

After a 1999 bust in Valdez, Davis said, the drug team had to wait a day and half for a vapor cloud to clear out before they could enter the home to clean up the hazardous chemicals.

|| Landlords who unknowingly rent to methamphetamine "cooks" find their property uninhabitable after the renter moves on, Smith said.

"The house becomes an environmental hazard," he explained.

The Valley has proven an attractive place to set up "Beavis and Butthead" meth operations - small-time efforts for personal use and for sale to a few people. The wide open spaces between neighbors in the Valley grant more privacy, Smith and Davis said. The drug unit has busted larger meth operations, professionals who moved here from Fairbanks where they had previous meth convictions, and former pot growers who decided it's more lucrative to make meth than to wait 90 days for a marijuana crop.

Officers found two meth operations in vans being driving around town. "They were cooking it on a stove or hot plate in the van, probably to avoid being detected by neighbors," Smith said.

To catch meth lab operators, drug enforcement officers depend on tips from the public. Neighbors might not realize the drug is being manufactured next door, but they notice the smell of bleach or starter fluid - strong odors they may not identify.

"They might see weird activity, such as a lot of people going in and out of a house in a short amount of time, indicating the cook has made a batch and now it's ready to sell," Davis said.

Store clerks should be suspicious if they see someone purchasing large quantities of coffee filters, matches, pseudoephedrine and bleach, according to information that has been provided to store owners by the drug unit.

The process for making meth takes cold medication, such as pseudoephedrine, and chemically alters it so that it produces a high, Davis said.

"The ephedrine molecule in the chemical process that is used basically removes an oxygen atom and turns it into methamphetamine," he explained.

All labs share common hazards such as flammability, combustibility and heat stress, as well as the inherent hazards of the original products being used, like Heet, fuel and acids. There are also unique hazards to each lab in that the gases generated by combinations of phosphorous and hydriotic acid, are chemical compounds that can be pyroforic, meaning they react with air to spontaneously ignite, or aquaforic, meaning that they can explode with contact to water.

What's especially troubling is when a whole family lives in the environment in which meth is produced. One Wasilla drug arrest and conviction stemmed from a 13-year-old boy who reportedly told his school counselor that his dad made him help make meth. The boy's job, the child said, was to tear up matchbooks used to obtain red phosphorous.

In that same home, drug enforcement officers reported they found the boy's father sitting with a baby on his lap and a loaded syringe next to him. On the stove top, a batch of meth reportedly sat drying in a pan. Three other children and his wife all lived in the same apartment, which was in a Wasilla apartment complex.

The 13-year-old has since been taken from the home and reportedly lives with relatives in the Lower 48. His father is now serving time for a drug conviction on that case, Smith said.

Davis said about 90 percent of their cases come from tips given by the public. The Mat-Su Drug Team encourages anyone with information

concerning potential meth lab activity to contact them at 373-0705.

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Frontiersman

Online archives from the Wasilla Frontiersman.

August 14, 2001

Law enforcement officials take part in drug training

By Frontiersman staff

ANCHORAGE — Alaska State Troopers are among the more than 50 law enforcement officers from around the state taking part in nine days of training offered by the U.S. Department of Justice Drug Enforcement Administration, Aug. 6-15 at the National Guard Armory at Fort Richardson.

Those receiving the training include federal agents, state investigators and local police officers from across the state. The training is designed to provide law enforcement officers with the tools and techniques necessary to deal with illegal methamphetamine laboratories in a safe and proper manner.

According to Lt. Al Storey, commander of the Alaska State Trooper Statewide Drug Enforcement Unit, "the extreme danger of clandestine labs is widely known in other states, but these types of labs are a fairly recent development in Alaska." Alaska law enforcement units seized 50 labs in the calendar year 2000, nearly double the number seized in 1999.

"The trend towards discovering an increasing number of labs is expected to continue and law enforcement officials are worried about this illegal activity," Storey said, "not only because of the effect that the illegal drug has on its users, but also because of the dangers of fires and chemical contamination."

Officers attending the class will learn what chemicals are used in clandestine labs, the dangers of those chemicals, and how to properly collect samples of evidence for subsequent prosecution. They will also be taught how to use the specialized equipment needed for work in contaminated

locations, without endangering their own health.

The training is being co-hosted by the Drug Enforcement Administration and the Alaska State Troopers, with additional support from the Anchorage Police Department and the Alaska National Guard Counter Drug Support Unit.

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SENATE COMMITTEE REPORT

DATE: 4/24/02

FURTHER: Finance

DATE TURNED IN TO OFFICE: 5/6/02

Resources Committee considered CS FOR HOUSE BILL NO. 382(FIN)

HB 382 CLEANUP OF ILLEGAL DRUG SITES

"An Act relating to the evaluation and cleanup of sites where certain controlled substances may have been manufactured or stored; and providing for an effective date."

and recommends:

- be replaced with S CS SHB 382 (RES)
- adopt previous CS ()
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
DPS	2/27/02		✓	1
DEC	2/25/02	✓		2

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Rick Halladay</i>	✓			
<i>David Taylor</i>	✓			
<i>Ben Stevens</i>	✓			
<i> </i>	✓			
<i>Gary Wells</i>			✓	
CHAIR: <i>Johnson</i>	✓			

HB 382-CLEANUP OF ILLEGAL DRUG SITES
SENATE FINANCE COMMITTEE

SIGN-IN

NAME: Mary Siroky Subject/Bill No: HB 382
Co./Dept./Title: DEC Phone: 465-5355
Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
Co./Dept./Title: _____ Phone: _____
Address: _____ Zip: _____

Do you wish to testify? Yes No Respond To Questions

NAME: _____ Subject/Bill No: _____
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Do you wish to testify? Yes No Respond To Questions

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Do you wish to testify? Yes No Respond To Questions