

ALASKA LEGISLATURE COMMITTEE FILES 2001-2002 8672

10644 SENATE RESOURCES

What's the recommended plan?

☼ With money previously appropriated by the Legislature, an independent economic analysis was done

☼ New state-owned laboratory located in Anchorage on state-owned land is the most cost-effective replacement plan

☼ Lease-financing through sale of bonds

☼ Total bond sale: \$13,655,000 (includes \$200,000 issuance costs)

☼ Capital appropriation \$310,000 for non-bondable costs



Why choose this plan?

☼ **It's cheaper than leasing.** Over a 20 year term, leasing would cost the State 56% more than owning.

☼ **Laboratories are unique.** They require highly specialized work environments that must be incorporated into the design of the structure.

☼ **Affordable laboratory services are needed on a long-term, dependable basis.** This is critical to the growth of our shellfish and dairy industries.

☼ **Why choose Anchorage?** We needed a location that

- ☼ could receive shellfish samples quickly from the Anchorage International Airport,

- ☼ was on a public sewer system so wastewater could be disposed of safely, and

- ☼ did not have excessive vibration, dust, or electromagnetic interference that would affect the analytical equipment.

Why not privatize these services?

- ☛ FDA does not certify private labs to conduct regulatory PSP testing
- ☛ Federal dairy rules require certain tests to be conducted by state regulatory labs
- ☛ The Federal Drinking Water Act requires private labs to be certified by the State

In addition, we keep costs for industry down:

- ☛ All regulatory testing for PSP, domoic acid, and dairy products are free; we charge only for regulatory PSP testing of export-only shellfish
 - ☛ Testing done at the request of food manufacturers is also a bargain because of how state law requires fees be established -- not all overhead is included nor is there any profit built in
-

What happens if this bill isn't passed?

- * The State will have no option but to go out for an RFP this summer or fall.
- * While the Division of General Services has contract procurement experts, they do not have the expertise to develop an RFP for a laboratory. Professional services contracts -- and the funding to pay them -- would be required.
- * Lease costs will go up and stay up -- unlike bond repayments, which when paid off, are done.



Why own instead of lease?

Lease when:

The program or function to be housed is temporary or the duration of need for the space is uncertain.

There is reasonable competition in the marketplace to provide the type and quantity of space required at the time it is required.

The service is normally provided in the marketplace.

Space needs can be described in clear terms and conditions so that owner and vendor will easily agree on performance criteria of the space.

Life cycle cost analysis indicates cost of lease is less.

Internal configuration of space is fairly constant, needs do not change significantly over time.

Own when:

The program or function to be housed is a basic service needed on a long-term basis in that location.

There is little or no competition in the marketplace to provide the type and quantity of space at the time it is required.

The service is difficult to find in the marketplace.

Space needs are complex and difficult to describe, expertise for interpretation of performance are found mainly with the owner.

Life cycle cost analysis indicates cost of ownership is less.

Internal configuration of space is subject to significant change.

Seafood & Food Safety Laboratory

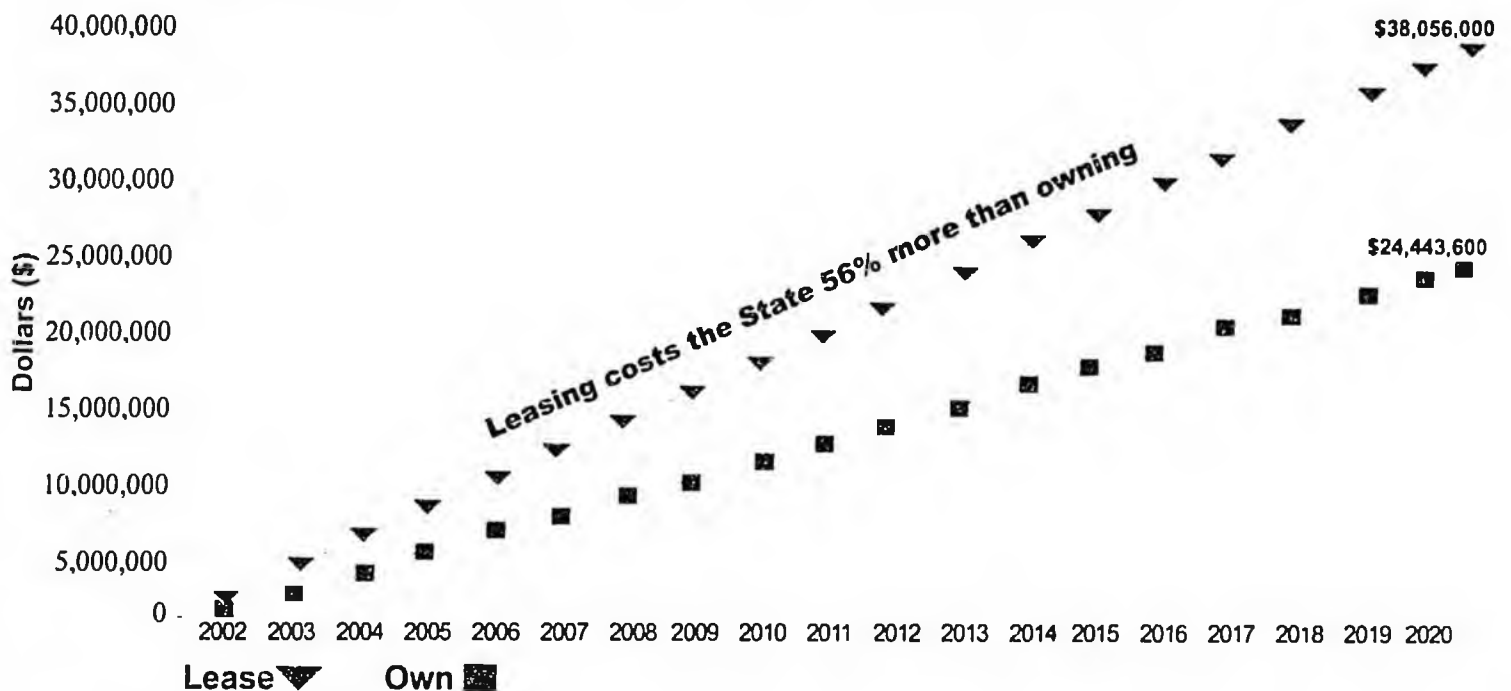
State of Alaska
 Department of Environmental Conservation
 Division of Environmental Health

Our lease is expiring and cannot be extended over the long term. By January 1, 2003, we must have a solid plan for a replacement.

The State's Seafood and Food Safety Laboratory has resided at its present location in Palmer for over thirty years with only minor renovations or upgrades. The lease expired December 2000 with two one-year extensions available. A long term renewal is not an option. By January 2003, we must have a solid plan to replace the current lab.

We want to do our part to lessen the costs of government and provide long term savings. With a capital project approved in FY98, we hired a private consultant to evaluate the best option for replacing the Seafood & Food Safety Laboratory. That evaluation showed the most cost effective option to be a state owned facility. Because of the highly specialized needs of any laboratory, building a new facility was found to be much less expensive than renovating pre-existing space.

Cumulative Cost (No Discounting) - 20 Years



Assumptions:

- Private developer must repay debt within 10 years.
- Private developer will require lease payments during yrs 11-20 that are 75% of payments for yrs 1-10

What The Seafood & Food Safety Lab Does

- Conducts product and water sampling required by the National Shellfish Sanitation Program (NSSP) so that **shellfish can be commercially marketed.**
- Routinely tests commercial shellfish for marine toxins responsible for paralytic shellfish poisoning and domoic acid poisoning to **protect both public health and public perception of Alaska shellfish products.**
- Evaluates and randomly samples finfish for parasites and chemical and bacterial contaminants, which help **determine the health and safety of our ocean resources.**
- Evaluates raw and finished dairy products for bacterial contamination, antibiotics, butter fat content, and effectiveness of pasteurization as required under the Pasteurized Milk Ordinance so **Alaskan milk products can be sold to schools and the military.**
- Certifies private laboratories to do bacteriological monitoring - required by the Safe Drinking Water Act - so these **labs can run official drinking water samples.**
- Works with commercial food industry to **develop safe, ready-to-eat, shelf-stable food products** by ensuring the water activity, water phase salt, and moisture of their products are within acceptable levels.
- Performs animal testing to maintain USDA brucellosis certification, which is required for **interstate and international shipment of cattle.**
- Tests for equine infectious anemia in horses intended for interstate shipment or that will be entered in state fairs or other special events to **prevent the spread of disease.**
- Evaluate fish kill samples to **determine possible causes.**



Customers of the Seafood & Food Safety Laboratory

Shellfish Growers/Harvesters

Dairy Farmers and Processors

Private/Commercial Labs

Private/Commercial Horse &
Cattle Owners

Seafood and

Food Safety



Laboratory

Seafood Processors

Municipalities

Reindeer Herders/Slaughterers

How much will the new Seafood and Food Safety Lab cost and how will it be financed?

We have examined four basic financing alternatives for design and construction of a new Seafood and Food Safety Laboratory: 1) capital budget appropriation, 2) general obligation financing, 3) lease financing, and 4) private lease. A brief description of each, including advantages and disadvantages, is presented below:

State Capital Budget Appropriation

Least expensive in the long-run. Debt issuance costs of \$200,000 and all interest could be avoided but the full construction cost of \$13,765,000 would need to be appropriated in one year.

General Obligation Bonds

In accordance with state law, this option is available for supporting debt only with voter approval, a process that would add at least 2 years to the construction period, meaning a new facility would not be ready for 5-6 years.

Lease Financing

This is commonly used technique of financing construction of public facilities purchased by State agencies around the U.S. Since the facility would be used for a "public purpose," the interest on such debt would carry the same tax-exempt status as the State's general obligation debt, however, the interest rate would likely be .2 to .3% higher.

Private Lease

This is the most expensive option. No existing laboratory facilities are currently available for lease. A private developer would need to construct a new, build-to-suit facility to meet requirements. Loan packages available to private developers for construction have higher interest rates, and are typically repaid within 10 years. Annual lease costs would therefore be much higher than finance options available to the State. It is estimated that a new build-to-suit leased facility would cost approximately \$38,056,000 over a twenty year period.

Recommended Approach

Lease financing through the sale of bonds with a small capital budget appropriation of \$310,000 to cover non-bondable construction costs.

Step 1: The Legislature enacts a bill that authorizes the Department of Administration to enter into a lease financing transaction.

Step 2: The Legislature approves capital budget appropriation to fund non-bondable project costs.

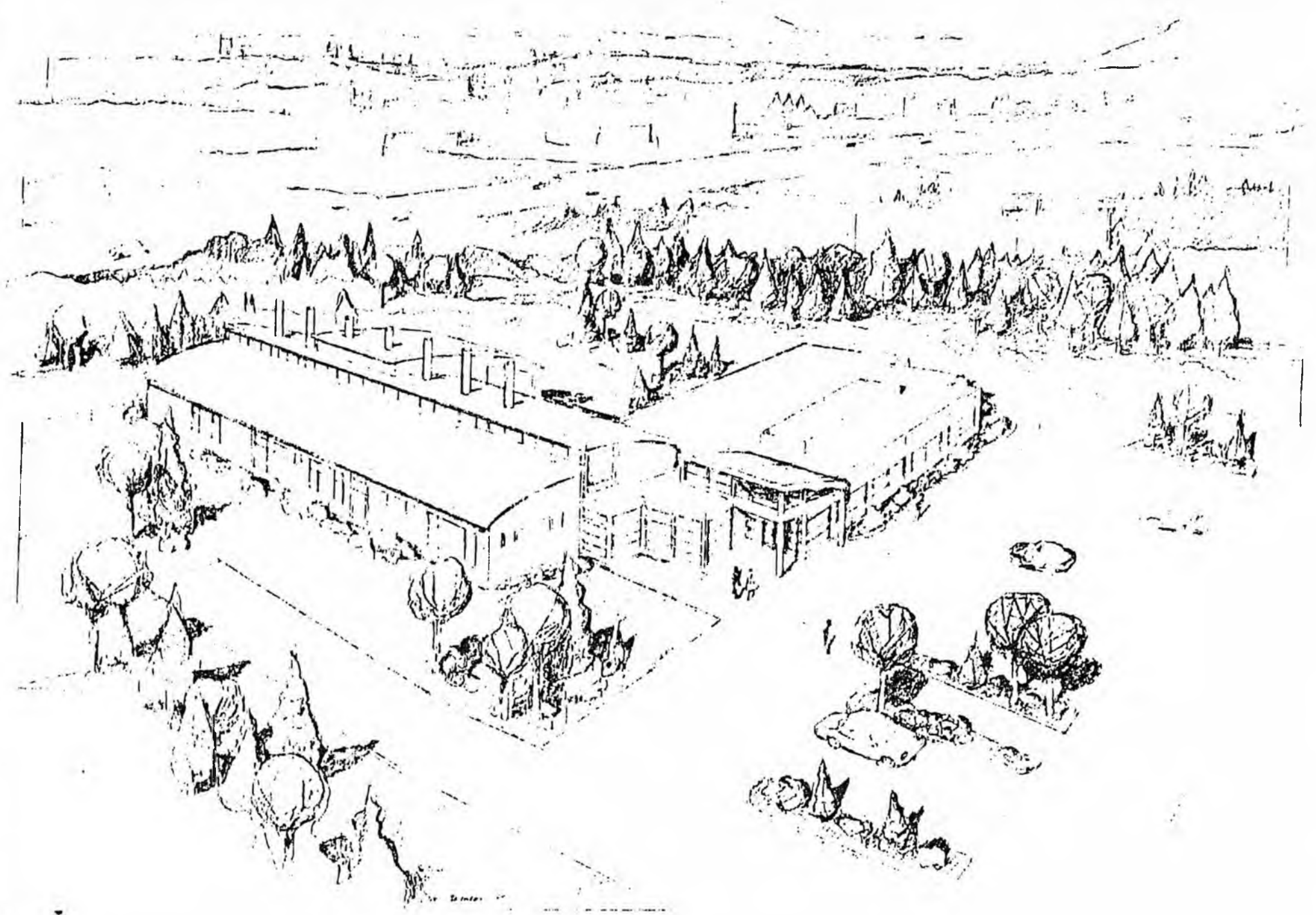
Step 3: The State Debt Manager submits recommended bond sale plan to the State Bonding Committee. After review and approval by the Committee, the State Debt Manager negotiates rate and terms.

Step 4: Funds available for project execution (approximately 90 days after legislative approval).

Recommended approach - lease financing through sale of bonds.

Total bond sale: \$13,655,000 (including \$200,000 issuance costs) with a capital appropriation of \$310,000 for nonbondable construction costs.

Total debt with interest over 20 year term is estimated at \$24,433,600.



How The Lab Supports Private Industry

No one else can do what we do

Paralytic Shellfish Poisoning, PSP

No commercial or private laboratory in the United States tests food products for PSP. U.S. FDA no longer certifies private laboratories for PSP testing. Several factors discourage private industry from PSP testing, such as the legal liability, seasonal need for testing, use of live animals, and high start-up costs.

Dairy Product Evaluation

The Seafood & Food Safety Lab is the only lab in Alaska permitted by FDA to evaluate commercial dairy products. This enables dairy processors to comply with the testing requirements of the U.S. Pasteurized Milk Ordinance, making their products eligible for sale to the military and public schools.

Approve Commercial Labs to Test Drinking Water

Under the federal Safe Drinking Water Act, private laboratories that test public water supplies must be certified by state governments. The Seafood & Food Safety Lab performs this service for those private labs.

Affordable laboratory services are needed on a long-term, dependable basis

Continued access to national and international markets, especially for Alaska's shellfish and dairy products.

Over 50% of all seafood processed in the U.S. comes from Alaskan waters. The shellfish industry is a growing, integral

part of Alaska's diverse economy. The Seafood & Food Safety Laboratory helps ensure these products meet federal food safety standards, and in doing so, supports one of the largest industries in Alaska. Since private labs are not legally mandated to conduct PSP testing, a state-owned lab is necessary to guarantee PSP testing availability, which is needed for market access.

Continued eligibility for military and school contracts for dairy processors.

To bid on military and school contracts, dairy processors must be on the Interstate Milk Shippers List, which requires compliance with the Pasteurized Milk Ordinance (PMO). The Seafood & Food Safety Lab staff routinely evaluate Alaska's milk producers and processors to make sure they meet PMO requirements.

Private/commercial labs must be certified by the State in order for EPA to accept their analyses of public water system samples.

The Lab supports private laboratories by certifying their capacity to test public drinking water sources. Thirty-three laboratories, all located in the state, are certified by the Seafood & Food Safety Lab for microbiological analysis of drinking water as required by the federal Safe Drinking Water Act. By having certified laboratories to test their water supplies, the public can be sure that the test results are accurate.

Low-cost product testing is helping Alaskan industries.

The State Seafood & Food Safety Lab is able to keep PSP testing costs low since insurance premiums and profits are not an issue. Milk products are tested for free by the Seafood & Food Safety Lab. Private labs would have to charge for these services.

- The Seafood & Food Safety Lab is the only lab in the state that is or can be approved by FDA to evaluate dairy products and shellfish.
- The shellfish industry depends on the Seafood & Food Safety Lab to quickly test for marine toxins so they can sell their products in interstate commerce.
- To be sold in national and international markets, Alaska's food products must be tested for compliance with federal food standards.
- Alaska is the largest wild salmon producer in world.
- It is the only lab in the state that is approved by EPA to certify private labs for microbial testing of public water supplies.

CORRECTION

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



Central Microfilm Services
Department of Education & Early Development
State of Alaska

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• Alaska is the largest wild salmon producer in world.

• It is the only lab in the state that is approved by EPA to certify private labs for microbial testing of public water supplies.

Questions and Answers

Why now?

Our lease expired December 2000 and we cannot obtain another long-term lease. Also, the building the lab is currently in is for sale. **One way or another, we have to move.**

Why not privatize?

There are no commercial/private PSP/Marine toxin labs in the U.S. FDA will not approve a private lab for these tests. Also, the federal dairy rules require certain tests be done by a state regulatory lab.

Can you co-locate with new Public Health Lab?

The Public Health Lab has limited expansion capability and is surrounded by wetlands or easements.

Where will the new Seafood & Food Safety Lab be?

We need a site that:

- Has ability to receive samples as quickly as possible;
- Has access to roads and public utilities;
- Is state-owned;
- Would not be subject to excessive vibration, dust, or electromagnetic interference.

Based on these criteria, we've selected an undeveloped parcel of approximately 5 acres, beside the National Guard facility on the southern side of Tudor Road in Anchorage. The site is up-land - not wetland - and adjacent to the new Public Health Lab.

The Anchorage Planning and Zoning Commission approved the location of our lab at this site, 7-0.

Why does owning makes more sense than leasing

No acceptable space is currently available.

We heavily researched all options. No building in Anchorage or Mat-Su would meet our needs without extensive renovation.

Because of the limited need for laboratory space, private developers do not build them without a pre-existing contract. Thus, there is no "lab" space on the rental market.

Labs require highly specialized work environments that must be incorporated into the design of the structure.

Not only do labs have equipment such as incubators and walk-in freezers, they also have specific structural needs such as expanded ventilation systems and vibration-free areas. Because of the highly specialized needs of a lab facility, it's cheaper to build a new facility designed from the get-go as a lab.

It's cheaper!

By constructing our own building, the State would immediately realize savings. With construction costs spread out over 20 years, the State would have lower annual loan payments than lease payments. This is primarily because private developers typically try to recover their investment within the first 10 years whereas the State could take 20 years to pay off the debt. Also, private developers would have a larger investment than the State due to higher borrowing rates. But, the most significant cost savings would occur after loan payments end. Lease payments would continue.

Also, AS 36.30.080 limits lease terms to 40 years, and requires the State to consider whether or not leasing is the least costly means to provide space. It's not - leasing is the most expensive of all options.

As the Alaskan economy has grown, so has the demand for laboratory services. The food samples received have increased from 600 in 1966 to over 10,000 in 1999.



Division of Environmental Health
Safe Water • Safe Food • Healthy Communities



State Supported Debt

Prepared by Deven Mitchell, State Debt Manager
Department of Revenue

State Supported Debt is debt for which the ultimate source of payment is, or may include, appropriations from the State's General Fund. The debt does not have the full faith and credit of the State pledged to it but, it may have the full faith and credit of another public issuer, as in the case of municipal school debt.

State Supported Debt is not considered debt under the Alaska Constitution because the State's payments on the debt obligations, even if they are the subject of a contractual commitment, are subject to annual legislative appropriation. As a result, voter approval of such debt is not required.

The total of State Debt and State Supported Debt is the measure of debt burden used by Moody's, Standard & Poor's, and Fitch's in assigning a credit rating to State debt obligations.

State Supported Debt includes a portion of University of Alaska debt, lease-purchase financing obligations, and the share of municipal G.O. bonds issued for school construction which is reimbursable by the State. Lease-purchase financing consists of lease revenue bonds and certificates of participation (COP's) issued by lessors of facilities used by the State. Historically, Alaska State Housing Authority (ASHA) was the lessor for many of the facilities. Beginning July 1, 1992, Alaska Housing Finance Corporation (AHFC) became the lessor of those State facilities as a result of ASHA's merger with AHFC.

Some State Supported Debt has been authorized by voter referendum as in the case of municipal school debt, some by law as in the case of the University, some by legislative resolution pursuant to AS 37.05.280 (now repealed) as in the case of ASHA, and some issued without specific legislative authorization of the obligation as in the case of some COP's.

In 1986, legislation increased legislative control over lease-financing. Chapter 106, SLA 1986, effective January 1, 1988, requires approval by law of any executive branch lease-financing agreements with annual lease payments exceeding \$1 million. Chapter 73, SLA 1992, effective September 14, 1992, adds the requirement of approval by law of leases with total lease payments exceeding \$10 million. Chapter 75, SLA 1994, effective June 7, 1994, generally requires prior legislative approval of all lease-purchase agreements, other than the refinancing of outstanding balances on existing lease purchase agreements and certain University of Alaska transactions.

Lease-Purchase Financing

a. General

Lease-purchase financing involves the issuance, by a lessor, of debt which is secured by the lease payments from the lessee (State) and by the leased facilities.

Lease-purchase obligations may provide for the acquisition of the property by the lessee by the end of the lease. Alternatively, the term of the lease, the lease payments, or purchase option price are such that the lessee (State) is considered the owner of the property for accounting, credit, or federal tax purposes from the outset of the lease. As a result, the interest portion of the lease payments is treated as tax-exempt interest income under the federal income tax.

A lease-purchase financing obligation may take the form of either revenue bonds or certificates of participation. In cases where the State is the lessee, the fact that the lease payments are subject to annual appropriations precludes the obligations from being considered State debt under the Constitution and thus requiring voter approval. However, because the debt obligation is paid from the State's General Fund, these obligations are counted by the rating agencies in measuring the State's debt burden.¹

b. Certificates of Participation (COP's)

Certificates of participation in rent (COP's) are similar to lease revenue bonds. The certificates represent fractional interests or shares in lease payments from lessees, in this case the State, and are sold to finance construction or purchase of the leased facilities. The issuer can be a private developer, public agency, or other party acting as lessor. It can be the State itself, utilizing a trustee to hold title to the property and serve as lessor.

COP's are payable solely from the annual lease payments made by the State. These payments are subject to legislative appropriation. Therefore, COP's are not considered State debt and are not subject to voter approval.

The following Table 2.6 summarizes issued and outstanding COPs.

¹ *The State is also a lessee in a number of buildings financed by private developer lessors by public issuance of debt through AIDEA. In these financings, the leases are also the security for the financing. While the State does not acquire or have an option to acquire the facilities leased, in some cases the term of the lease or amount of lease payments would be such as to qualify the financing as a lease-purchase from an accounting, credit, or federal tax standpoint. In other cases, the leases would not qualify as lease-purchases, and are called operating leases. These financings all relied on the small issues exemption rather than the State leases to obtain tax-exempt status. Most of these lease financings are revenue bonds of AIDEA, backed by the lease revenues, but with a standby purchase agreement from a bank in the event the State fails to renew the lease. If exercised, the bank purchases the bonds as an investment and held not for resale. Other lease financings are general obligations of AIDEA, backed by the Authority's general assets and revenues. At this point, the State has not determined what amount of credit exposure it has for these AIDEA lease financings. It may be that standby purchase agreements and AIDEA's general obligation pledge would cover all financing requirements of lease-purchase obligations. This would provide a layer of credit insulation between the debt and the State that would argue against the debt being considered State Supported Debt.*

TABLE 2.6
State of Alaska Lease-Purchase Financing ¹
Issued and Outstanding
\$(thousands)

	Certificates of Participation (COP's)			Final Maturity
	Date	Amount Issued	Outstanding at 6/30/00	
Seward Student Service Center	7/24/90	\$ 4,560	\$ -	6/15/00
Kenai Court House	7/24/92	4,275	1,630	7/1/02
Wildwood Correctional Center Acquisition	12/10/92	5,655	-	4/1/00
Palmer Court House	7/1/93	3,300	1,155	12/1/02
Court Plaza Building	8/1/93	5,500	435	9/1/00
Anchorage Times Building	6/2/94	6,153	2,969	9/1/03
Soldotna Maintenance Facility	9/1/97	4,900	4,165	1/1/08
Fairbanks Courthouse	10/15/97	29,900	27,410	1/1/13
Palmer Airport Fire Facility	12/15/97	5,995	4,460	6/15/07
Anchorage Health Lab	1/1/98	18,440	15,435	1/1/08
Spring Creek Correctional Center (refunding)	6/15/98	28,040	21,881	9/1/06
Total Certificates of Participation		<u>\$ 116,718</u>	<u>\$ 79,540</u>	

¹ Excludes Alaska State Housing Authority lease revenue bonds.
Source: Department of Revenue official statements

1 is appropriated to the Regulatory Commission of Alaska for fiscal year 2001 expenditures.

2 * Sec. 26. RETAINED FEES. The amount retained to compensate the collector or trustee
3 of fees, licenses, taxes, or other money belonging to the state during the fiscal year ending
4 June 30, 2001, is appropriated for that purpose to the agency authorized by law to generate
5 the revenue.

6 * Sec. 27. SALMON ENHANCEMENT TAX. The salmon enhancement tax collected
7 under AS 43.76.010 - 43.76.028 in calendar year 1999 and deposited in the general fund under
8 AS 43.76.025(c) is appropriated from the general fund to the Department of Community and
9 Economic Development for payment in fiscal year 2001 to qualified regional associations
10 operating within a region designated under AS 16.10.375.

11 * Sec. 28. SHARED TAXES AND FEES. The amount necessary to refund to local
12 governments their share of taxes and fees collected in the listed fiscal years under the
13 following programs is appropriated to the Department of Revenue from the general fund for
14 payment in fiscal year 2001:

15	REVENUE SOURCE	FISCAL YEAR COLLECTED
16	fisheries taxes (AS 43.75)	2000
17	fishery resource landing tax (AS 43.77)	2000
18	aviation fuel tax (AS 43.40.010)	2001
19	electric and telephone cooperative tax (AS 10.25.570)	2001
20	liquor license fee (AS 04.11)	2001

→ 21 * Sec. 29. STATE DEBT AND OTHER OBLIGATIONS. (a) The amount required to pay
22 interest on any revenue anticipation notes issued by the commissioner of revenue under
23 AS 43.08 is appropriated from the general fund to the Department of Revenue for payment
24 of the interest on those notes.

25 (b) The amount required to be paid by the state for principal and interest on all issued
26 and outstanding state-guaranteed bonds is appropriated from the general fund to the state bond
27 committee for payment of principal and interest on those bonds.

28 (c) The sum of \$13,813,530 is appropriated from the general fund to the Alaska debt
29 retirement fund (AS 37.15.011).

30 (d) The sum of \$12,857,805 is appropriated from the Alaska debt retirement fund
31 (AS 37.15.011) to the state bond committee for trustee fees and lease payments relating to

1 certificates of participation issued for real property.

2 (e) The sum of \$7,906,977 is appropriated from the International Airports Revenue
3 Fund (AS 37.15.430) to the state bond committee for payment of debt service and trustee fees
4 on outstanding international airports revenue bonds.

5 (f) The sum of \$52,818,852 is appropriated to the Department of Education and Early
6 Development for state aid for costs of school construction under AS 14.11.100 from the
7 following sources:

8 Alaska debt retirement fund (AS 37.15.011) \$23,481,517

9 School fund (AS 43.50.140) 29,337,335

10 (g) The sum of \$3,541,385 is appropriated from the general fund to the Department
11 of Administration for payment of obligations to the Alaska Housing Finance Corporation for
12 the Robert B. Atwood Building in Anchorage.

13 (h) The sum of \$1,680,000 is appropriated from interest earnings of the Alaska clean
14 water fund (AS 46.03.032) to the Alaska clean water fund revenue bond redemption fund
15 (AS 37.15.560) for payment of principal of and interest, redemption premium, and trustee fees,
16 if any, on bonds issued by the Alaska clean water fund under AS 37.15.560.

17 (i) Section 69, ch. 2, FSSLA 1999, is amended to read:

18 Sec. 69. The [IN ADDITION TO THE AMOUNT REQUIRED TO BE PAID
19 BY THE STATE FOR PRINCIPAL AND INTEREST ON ALL ISSUED AND
20 OUTSTANDING STATE-GUARANTEED BONDS, THE] sum of \$2,450,000 is
21 appropriated from the general fund to the Alaska debt retirement fund
22 (AS 37.15.011) [STATE BOND COMMITTEE FOR PAYMENT OF ADDITIONAL
23 PRINCIPAL AND INTEREST ON THOSE BONDS].

24 * Sec. 30. STATE TRAINING AND EMPLOYMENT PROGRAM. The lapsing balance
25 of the employment assistance and training program account (AS 23.15.625) on June 30, 2000,
26 is appropriated to the employment assistance and training program account for the fiscal year
27 ending June 30, 2001.

28 * Sec. 31. STATEWIDE PRIMARY AND GENERAL ELECTION YEAR COSTS. (a)
29 The sum of \$1,629,000 is appropriated from the general fund to the Office of the Governor,
30 division of elections, for costs associated with conducting the statewide primary and general
31 elections in the fiscal year ending June 30, 2001.

Food Safety Laboratory

FY1999 Request: \$145,700
Reference No: 30694

AP/AL: Appropriation
Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: Unknown - Unknown

Project Type: Health and Safety

Contact:
Contact Phone: () -

Brief Summary and Statement of Need:

Funding:	FY1999	FY2000	FY2001	FY2002	FY2003	FY2004	Total
Gen Fund	\$145,700	\$3,854,300					\$4,000,000
Total:	\$145,700	\$3,854,300	\$0	\$0	\$0	\$0	\$4,000,000

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased Project	<input type="checkbox"/> On-Going Project
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Total Operating Impact:	0	0
One-Time Startup Costs:	0	
Additional Estimated Annual O&M:	0	0

Prior Funding History / Additional Information:

Food Safety Laboratory**FY1999 Request: \$145,700**
Reference No: 30694

The Palmer laboratory has been in its current leased location for over 25 years. The facility is inadequate for the demands of the microbiology program and must be replaced. This funding request will evaluate the replacement options and prepare the department to pursue the most effective replacement solution.

This request will do the following:

- Prepare laboratory design needs and specifications
- Prepare a conceptual building design
- Estimate cost to construct a new facility including all costs of design, equipment and inspection.
- Estimate maintenance and operations cost for 20 to 40 year occupancy
- Evaluate current lease market conditions for replacement options
- Evaluate potential site locations
- Evaluate economic alternatives of lease versus lease-purchase

Concept Design	85,700
Cost Estimate	5,000
Market/Site Eval	15,000
O&M Estimate	10,000
Lease vs L/P Study	<u>30,000</u>
Total	145,700

**Environmental Health Food Safety Lab Relocation Study
and Specifications**

FY2001 Request: \$240,000
Reference No: AMD32579

AP/AL: Appropriation
Historical Category: Health/Safety
Location: Statewide
Election District: Statewide
Estimated Project Dates: 7/1/2000 - 6/30/2005

Project Type: Health and Safety
Contact: Janice Adair
Contact Phone: (907)269-7645

Brief Project Summary and Statement of Need:

Current food safety laboratory lease expires in December, 2000 and cannot be extended or renewed. This project contracts for services for programming, site planning and Bid Specification development to relocate the FSL.

Funding:

	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006	Total
Gen Fund	\$240,000						\$240,000

Total:	\$240,000	0	0	0	0	0	\$240,000
---------------	-----------	---	---	---	---	---	-----------

<input type="checkbox"/> State Match Required = Minimum State Match % Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased Project	<input type="checkbox"/> On-Going Project
	<input checked="" type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

Operating & Maintenance Costs:

	<u>Amount</u>	<u>Staff</u>
Total Operating Impact:	0	0
One-Time Startup Costs:	0	
Additional Estimated Annual O&M:	0	0

Prior Funding History / Additional Information:

An appropriation of 145.7 was made for FY 1999 for a feasibility study.

Environmental Health Food Safety Lab Relocation Study and Specifications Cont.

The Environmental Health (EH) Food Safety Lab (FSL) has been located at its present location for approximately thirty years. During that time, the Lab has received only minor upgrades or renovation. The building does not meet current building codes. In FY99 EH contracted for a feasibility study to relocate the FSL. The study included conceptual design, general layout, equipment requirements, cost estimates, and lease versus build evaluation. The study was further refined in FY00, concluding that a build-to-suit State-owned facility was the most economical option. Property evaluations were performed and a State-owned parcel in Anchorage was selected. This appropriation will allow the Department to contract programming and site planning services. The activities will include spatial delineation of activity areas, internal building utility and equipment requirements, site plan and floor plan design, site analysis, material quality identification, estimate refinement, detailed project schedule development, and partial bid specification development.

Memorandum

To: Janice Adair, Department of Environmental Conservation
Bert Hartley, Department of Environmental Conservation

From: Hart Hodges, Northern Economics

Date: January 29, 2001

Re: Seafood and Food Safety Lab Figures

In our report prepared in 1999, Livingston Slone and Northern Economics estimated that project costs for a new seafood and food safety lab would be approximately \$9.3 million. We also estimated that an existing building of the correct size could possibly be renovated at a cost of roughly \$5.1 million. However, in all comparisons of costs between the different options considered in that report (own versus lease, consolidate the SFSL and State Chemistry Lab, etc.), we included a variety of operating and maintenance costs. We did not demonstrate clearly which option had the lowest capital cost.

We subsequently prepared two memoranda in January and February 2000, which focused on the capital cost of different options. In these memoranda, we showed that it would be less expensive for the state to build its own lab, as opposed to having a private developer construct a facility and lease it to the state or to have a private developer renovate an existing facility for the state. Since that time, the design criteria for the lab have changed, more accurate land and building costs have been prepared, and other refinements have been considered. This memorandum attempts to bring together all of the revisions, but still focus on the capital costs of a new seafood and food safety lab.

The following assumptions reflect our best knowledge of the cost of a seafood and food safety lab:

- Public interest rate is 6.1 percent (compared to 5.5 percent in early reports)
- Private interest rate is 9.5 percent (unchanged)
- The capital cost for the project is estimated to be \$13,655,000 (higher than in early reports)

The private rate is higher than the public rate to reflect the cost

of risk and the return necessary to attract a private developer (a private developer would expect to borrow money at a higher rate and earn a return on the investment). Actual rates available to the state or a private developer might differ slightly from the rates used in these calculations, but the relative differences should be similar to the difference in these figures... and it is the difference in the rates that is critical.

The following tables show cost comparisons for two different options (build to own and lease to own) and two different planning horizons. The lease arrangement option does not include adjustments to the interest rate to account for developer profit. However, the same principal amount of \$13.66 million is used for both the state owned option and the lease arrangement. It could be assumed that the private developer would complete the project for a smaller dollar amount and the difference could be viewed as profit.

Table 1 shows costs, by major category, when loans must be repaid within 10 years.

Table 1. Cost of Seafood and Food Safety Lab, State Owned vs. Lease Arrangement - 10-Year Horizon

Fiscal Year	New Build to Suit – State Owned			New Build to Suit – Lease Arrangement		
	Principal	Interest	Total Capital Cost	Principal and Profit	Interest	Total Capital Cost
2002	1,031,122	832,955	1,864,077	877,554	1,297,225	2,174,779
2003	1,094,020	770,057	1,864,077	960,922	1,213,857	2,174,779
2004	1,160,755	703,321	1,864,077	1,052,210	1,122,570	2,174,779
2005	1,231,562	632,515	1,864,077	1,152,169	1,022,610	2,174,779
2006	1,306,687	557,390	1,864,077	1,261,626	913,154	2,174,779
2007	1,386,395	477,682	1,864,077	1,381,480	793,299	2,174,779
2008	1,470,965	393,112	1,864,077	1,512,721	662,059	2,174,779
2009	1,560,694	303,383	1,864,077	1,656,429	518,350	2,174,779
2010	1,655,896	208,181	1,864,077	1,813,790	360,990	2,174,779
2011	1,756,906	107,171	1,864,077	1,986,100	188,679	2,174,779
Total	13,655,000	4,985,768	18,640,768	13,655,000	8,092,793	21,747,793

Table 2 shows costs for a 20 year planning horizon. The capital requirement and interest rates are the same as those given for Table 1. In addition, the following assumptions are added:

- Private developer must repay debt within 10 years.

- Private developer will require lease payments during years 11-20 that are 75 percent of the payments for years 1-10.
- The state could own the leased facility at the end of the 20-year horizon.

Table 2. Cost of Seafood and Food Safety Lab, State Owned vs. Lease Arrangement - 20-Year Horizon

Fiscal Year	New Build to Suit – State Owned			New Build to Suit – Lease Arrangement		
	Principal	Interest	Total Capital Cost	Principal and Profit	Interest	Total Capital Cost
2002	367,233	832,955	1,200,188	877,554	1,297,225	2,174,779
2003	389,634	810,554	1,200,188	960,922	1,213,857	2,174,779
2004	413,402	786,786	1,200,188	1,052,210	1,122,570	2,174,779
2005	438,619	761,569	1,200,188	1,152,169	1,022,610	2,174,779
2006	465,375	734,813	1,200,188	1,261,626	913,154	2,174,779
2007	493,763	706,425	1,200,188	1,381,480	793,299	2,174,779
2008	523,882	676,305	1,200,188	1,512,721	662,059	2,174,779
2009	555,839	644,349	1,200,188	1,656,429	518,350	2,174,779
2010	589,745	610,442	1,200,188	1,813,790	360,990	2,174,779
2011	625,720	574,468	1,200,188	1,986,100	188,679	2,174,779
2012	663,889	536,299	1,200,188	1,631,084	0	1,631,084
2013	704,386	495,802	1,200,188	1,631,084	0	1,631,084
2014	747,354	452,834	1,200,188	1,631,084	0	1,631,084
2015	792,942	407,246	1,200,188	1,631,084	0	1,631,084
2016	841,312	358,876	1,200,188	1,631,084	0	1,631,084
2017	892,632	307,556	1,200,188	1,631,084	0	1,631,084

2018	947,082	253,106	1,200,188	1,631,084	0	1,631,084
2019	1,004,854	195,334	1,200,188	1,631,084	0	1,631,084
2020	1,066,150	134,037	1,200,188	1,631,084	0	1,631,084
2021	1,131,186	69,002	1,200,188	1,631,084	0	1,631,084
Total	13,655,000	10,348,758	24,003,758	29,965,845	8,092,793	38,058,638

These two horizons were chosen for a variety of reasons. The major reason for not considering a longer planning period is the fact that leases for lab facilities would not be expected to extend beyond 20 years. In addition, a private developer would not be likely to receive a loan for much more than 10 years for this type of project.

The option to have a private developer renovate an existing facility and lease it to the state is not presented in the tables because of the finding (presented in earlier reports) that the cost to lease a building that has been renovated is very similar to the cost of leasing a newly constructed facility. In addition, there is a significant amount of uncertainty surrounding the cost of renovation, as well as the operating cost of such a facility, because the actual configuration of the space cannot be known without having a specific building to consider.

Yet another option would be for the state to purchase and renovate a building or renovate an existing state building. No information was available on the stock of buildings that might be considered for this option. In earlier reports, no building was identified that could be renovated (at reasonable cost) to meet the needs of the seafood and food safety lab.

The following two graphs show the same information that is provided in Table 1 and Table 2.

Figure 1. Cumulative Cost (No Discounting) - 10-Year Horizon

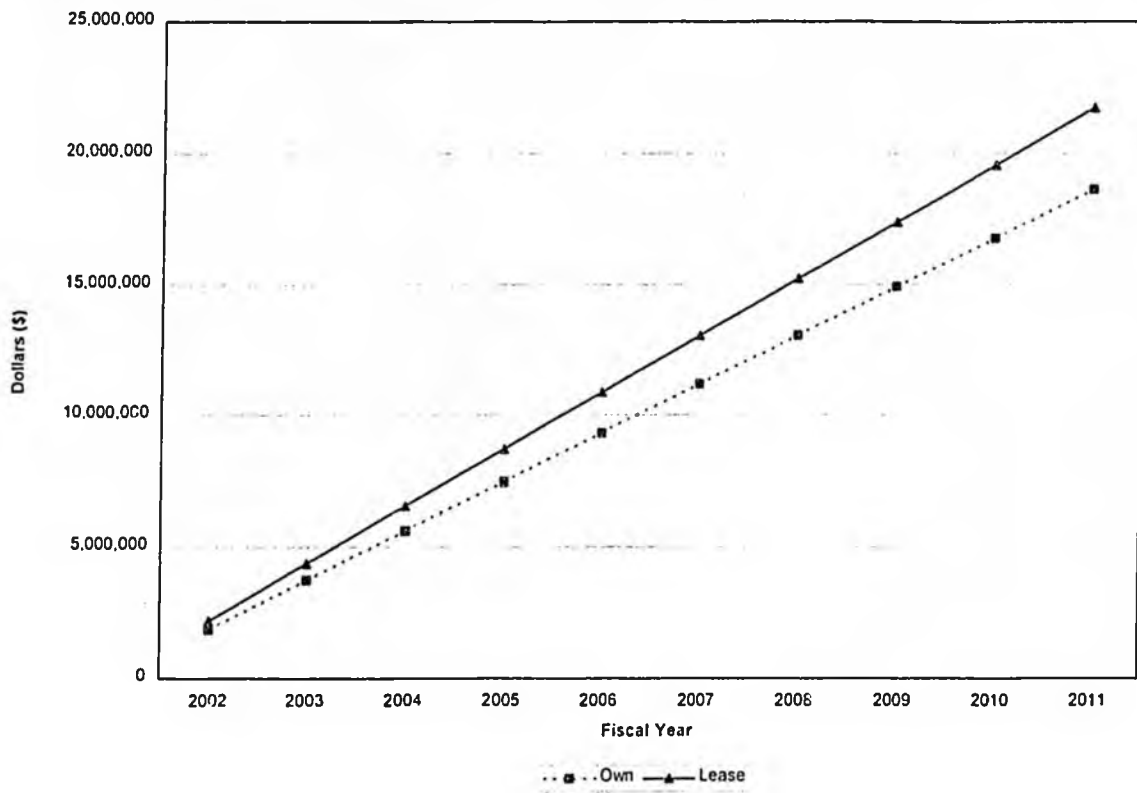
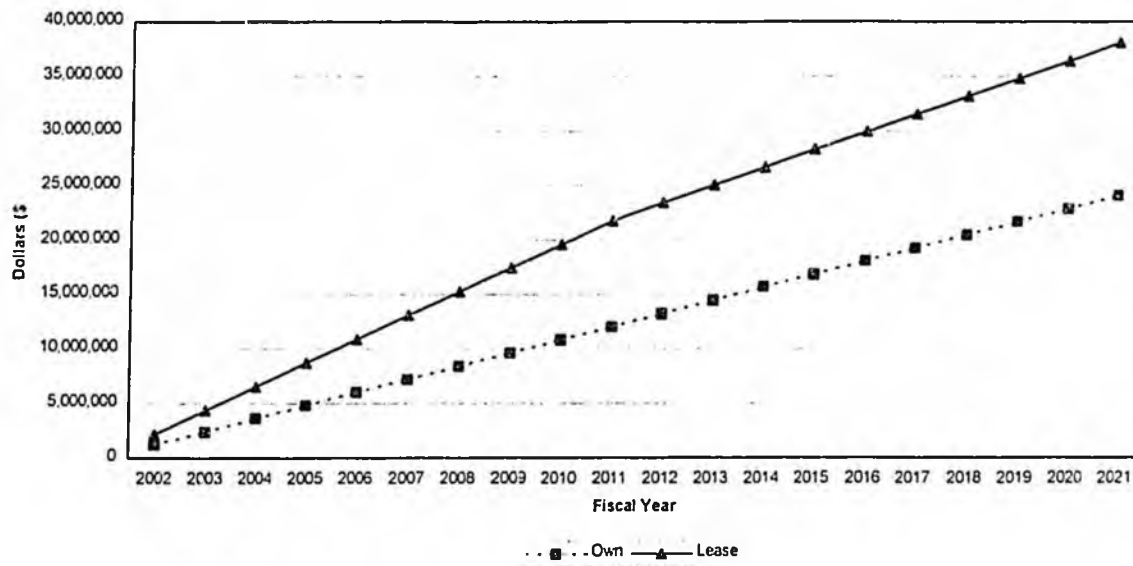


Figure 2. Cumulative Cost (No Discounting) - 20-Year Horizon



**COMPARISON OF NUMBER OF INSPECTIONS¹ PER INSPECTOR FOR
FY '99, FY '00, and FY '01²**

SEAFOOD (ACTIVITY REPORTS)

INSPECTOR	# of Inspections			Total Hours/Inspection ³		
	FY'99	FY '00	FY '01	FY '99	FY '00	FY '01
Carlson	107	50	71	2.4	2.2	2.7
Farrington	63	67	57	3.9	3.1	4.2
Gardner	28	35	45	6.0	4.6	6.8
Lindamood	---	---	1	---	---	17.0
Park	51	20	14	3.1	2.6	3.6
Pearson	39	---	---	5.1	---	---
Pressley	102	41	29	3.0	8.3	5.3
Stark	---	1	---	---	3.0	---
Thomas	36	59	58	3.6	4.3	5.3
Tierney	139	---	33	3.4	---	3.3
Tufto	---	1	7	---	6.5	3.9
Widtfeldt	13	111	9	4.5	4.4	5.5

¹ Inspections do not include field/spotcheck and temporary inspections.

² Fiscal years for purposes of comparison are based on the first two quarters of each fiscal year – July through December

³ Hours are rounded to the nearest tenth. Total time includes actual inspection time, compliance, and file reviews.

20 YEAR

Dated: 10/01/2001
 Delivered: 10/01/2001

Sizing Debt Service Schedule
 DBC
 F&S Lab

Fiscal Yr	Coupon Date	Zer Cpn	Maturing Cpn Rate	Periodic Interest	Gross Semi-Annl Dbl Svc	Cap Int	DebtSvcRsv Int&Prin	CntgncyFnd Int&Prin	NetSemi-AnnlDblSvc	Net Fiscal Dbl Svc
2	1/15/2002									
3	7/15/2002			662,988.93	662,988.93				662,988.93	
3	1/15/2003	N	5.370	165,000.00	420,204.25				585,204.25	1,248,193.18
4	7/15/2003			415,774.00	415,774.00				415,774.00	
4	1/15/2004	N	5.620	420,000.00	415,774.00				835,774.00	1,251,548.00
5	7/15/2004			403,972.00	403,972.00				403,972.00	
5	1/15/2005	N	5.470	440,000.00	403,972.00				843,972.00	1,247,944.00
6	7/15/2005			391,938.00	391,938.00				391,938.00	
6	1/15/2006	N	5.510	465,000.00	391,938.00				856,938.00	1,248,876.00
7	7/15/2006			379,127.25	379,127.25				379,127.25	
7	1/15/2007	N	6.550	490,000.00	379,127.25				869,127.25	1,248,254.50
8	7/15/2007			365,529.75	365,529.75				365,529.75	
8	1/15/2008	N	5.570	520,000.00	365,529.75				885,529.75	1,251,059.50
9	7/15/2008			351,047.75	351,047.75				351,047.75	
9	1/15/2009	N	5.830	500,000.00	351,047.75				901,047.75	1,252,095.50
10	7/15/2009			335,565.25	335,565.25				335,565.25	
10	1/15/2010	N	5.680	580,000.00	335,565.25				915,565.25	1,251,130.50
11	7/15/2010			319,093.25	319,093.25				319,093.25	
11	1/15/2011	N	5.740	610,000.00	319,093.25				929,093.25	1,240,186.50
12	7/15/2011			301,586.25	301,586.25				301,586.25	
12	1/15/2012	N	5.880	645,000.00	301,586.25				946,586.25	1,248,172.50
13	7/15/2012			282,623.25	282,623.25				282,623.25	
13	1/15/2013	N	5.900	695,000.00	282,623.25				967,623.25	1,250,246.50
14	7/15/2013			262,415.75	262,415.75				262,415.75	
14	1/15/2014	N	5.890	725,000.00	262,415.75				987,415.75	1,249,831.50
15	7/15/2014			240,702.00	240,702.00				240,702.00	
15	1/15/2015	N	6.080	770,000.00	240,702.00	1,010,702.00			1,010,702.00	1,251,404.00
16	7/15/2015			217,371.00	217,371.00				217,371.00	
16	1/15/2016	N	6.140	815,000.00	217,371.00	1,032,371.00			1,032,371.00	1,249,742.00
17	7/15/2016			192,350.50	192,350.50				192,350.50	
17	1/15/2017	N	6.200	865,000.00	192,350.50	1,057,350.50			1,057,350.50	1,249,701.00
18	7/15/2017			165,535.50	165,535.50				165,535.50	
18	1/15/2018	N	6.260	920,000.00	165,535.50	1,085,535.50			1,085,535.50	1,251,071.00
19	7/15/2018			138,739.50	138,739.50				138,739.50	
19	1/15/2019	N	6.300	980,000.00	138,739.50	1,116,739.50			1,116,739.50	1,253,479.00
20	7/15/2019			105,869.50	105,869.50				105,869.50	
20	1/15/2020	N	6.350	1,040,000.00	105,869.50	1,145,869.50			1,145,869.50	1,251,739.00
21	7/15/2020			72,849.50	72,849.50				72,849.50	
21	1/15/2021	N	6.380	1,105,000.00	72,849.50	1,177,849.50			1,177,849.50	1,250,699.00
22	7/15/2021			37,600.00	37,600.00				37,600.00	
22	1/15/2022	N	0.400	1,175,000.00	37,600.00	1,212,600.00	1,018.33		1,211,581.67	1,249,181.67
				13,985,000.00	11,034,573.16	25,007,573.16		1,018.33	25,002,554.83	25,002,554.83

True Interest Cost (TIC)..... 6.1152816 Arbitrage Yield Limit (AYL)..... 6.1152816
 Net Interest Cost (NIC)..... 6.2629859 Arbitrage Net Interest Cost (ANIC)..... 6.2629858

= \$1,250,128 / Yr Av.
 SAY \$1,250,000.

Prepared by: Deven Mitchell
 Prepared on: 11/20/2006 15:7 9:50 AM Rpt 14
 Record ID: DFC-2001-U :MUNDD

PROJECT BUDGET

PROJECT NAME: DEC Food Safety Laboratory - ANCHORAGE
 PROJECT NO: 54814
 DOT&PF MANAGER: Matt Tanaka PE (269-0824)
 CLIENT AGENCY: Dept. of Environmental Conservation
 CONTACT: Bert Hartley (269-7662) FAX 269-7654
 Palmer Lab, Dick Barrett (745-3236)

Date Budget Prepared: 12/6/00
 Budget Revision: After Concepts
 Client Concurrence: _____
 (signature & date)

STAGE OF PROJECT:

Startup Programming Schematic Design Design development
 Constr. Document Bid Period Award Constr. (% Complete) Closeout

DESIGN PHASE:	BUDGET	COMMENTS:
Design Fees	\$938,829	Consulting fees for design
Design A/E Contingency	\$161,529	Allowance for design amendments
Design Administration Bldg	\$76,888	DOT&PF project management
Right-of-way (NB)	\$12,000	Acquire land interests, easements
Utilities	\$30,000	Utility permits, easements
Environmental (NB)	\$14,000	Investigations and reports
Technical Services (NB)	\$8,000	Advertise and award contract
Technical Services	\$30,000	Plan sets reproduction costs
Pro-Award Audit (NB)	\$3,500	Audit prior to contract award
MOA Plan Reviews	\$35,720	Plan review fee
Misc. Meetings	\$25,000	Public meetings, P&Z, UDC presentations
ICAP Design Phase (NB)	\$26,710	2% for DOT administration
DESIGN PHASE TOTAL	\$1,362,200	

CONSTRUCTION PHASE:	BUDGET	COMMENTS:
Construction Contract	\$8,310,000	20,500 sf, Type I FFE, utilities, access
Bidding Contingency	\$249,300	3% bidding contingency
Change Order Reserve	\$831,000	10% change order reserve
Subtotal for Construction Contract:	\$9,390,300	
A/E Bid/Constr. Assistance	\$224,400	Partial bid, construction assistance by A/E
Special Inspection	\$40,000	per 1997 UBC
Site Clearing	\$10,000	prevention of migratory bird nesting
Constr. Administration	\$330,445	DOT&PF construction administration, inspection
Artwork, AS 35.27.020	\$91,500	1% for Art per ASCA
Group II Furnishing, Fixtures, Equip (FFE)	\$1,372,138	Type II FFE budget per DEC
Legal (NB)	\$7,800	Contract reviews and protests
Concurrent Review (NB)	\$3,000	Project review and closeout
Project Contingency	\$415,500	5% of constr contr for scope creep, unknowns
ICAP Construction Phase (NB)	\$235,000	2% for DOT administration
Bio Safety Level 3 (BSL3) Features	\$282,400	Complete design and construct cost to convert micro area to BSL3
CONSTRUCTION PHASE TOTAL	\$12,402,500	

TOTAL DOT&PF BUDGET	\$13,764,700	COMMENTS: Assume site on DMVA pad. Costs are adjusted from 2/14/00 estimate based on refinement of conceptual design. Budget items determined ineligible for Certificates of Participation (bonds) are identified (NB).
PROJECT FINANCING	\$200,000	
TOTAL PROJECT BUDGET	\$13,964,700	
(NB) BUDGET ITEMS	\$310,010	
BOND ELIGIBLE BUDGET	\$13,654,690	

Sec. 36.30.070. Supply management. The commissioner shall adopt regulations

governing the

- (1) management of supplies during their entire life cycle;
- (2) sale, lease, or disposal of surplus supplies by public auction, competitive sealed bidding, or other appropriate method;
- (3) purchase of surplus supplies by an employee of the using or disposing agency; and
- (4) transfer of excess supplies. (§ 2 ch 106 SLA 1986)

Sec. 36.30.080. Leases. (a) The department shall lease space for the use of the state or an agency wherever it is necessary and feasible, subject to compliance with the requirements of this chapter. A lease may not provide for a period of occupancy greater than 40 years. An agency requiring office, warehouse, or other space shall lease the space through the department.

(b) [Repealed, § 11 ch 75 SLA 1994.]

(c) If the department, the Board of Regents of the University of Alaska, the legislative council, or the supreme court intends to enter into or renew a lease of real property with an annual rent to the department, University of Alaska, legislative council, or supreme court that is anticipated to exceed \$500,000, or with total lease payments that exceed \$2,500,000 for the full term of the lease, including any renewal options that are defined in the lease, the department, the Board of Regents, the legislative council, or supreme court shall provide notice to the legislature. The notice must include the anticipated annual lease obligation amount and the total lease payments for the full term of the lease. The department, the Board of Regents, the legislative council, and the supreme court may not enter into or renew a lease of real property

(1) requiring notice under this subsection unless the proposed lease or renewal of a lease has been approved by the legislature by law; an appropriation for the rent payable during the initial period of the lease or the initial period of lease renewal constitutes approval of the proposed lease or renewal of a lease for purposes of this paragraph;

(2) under this subsection if the total of all optional renewal periods provided for in the lease exceeds the original term of the lease exclusive of the total period of all renewal options.

(d) When the department is evaluating proposals for a lease of space, the department shall consider, in addition to lease costs, the life cycle costs, function, indoor environment, public convenience, planning, design, appearance, and location of the proposed building.

(e) When the department is considering leasing space, the department should consider whether leasing is likely to be the least costly means to provide the space. ←

(f) When the department is acquiring leased space of 3,000 square feet or less, the department may procure the leased space using the procedures for small procurements under AS 36.30.320, providing public notice is given to prospective offerors in the market area. (§ 2 ch 106 SLA 1986; am § 1 ch 58 SLA 1990; am §§ 8, 9 ch 181 SLA 1990; am §§ 2, 3 ch 73 SLA 1992; am § 3 ch 37 SLA 1993; am §§ 6, 11 ch 75 SLA 1994; am § 10 ch 137 SLA 1996)

Effect of amendments. — The first 1990 amendment, effective June 5, 1990, inserted "or renew" before "a lease" and before "an agreement" in the first and third sentences, respectively, and added the final sentence, in subsection (c).

The second 1990 amendment, effective July 1, 1990, rewrote subsection (b); and, in subsection (c), rewrote the first sentence and inserted "requiring notice" in the third sentence.

The 1992 amendment, effective September 14, 1992, in subsection (c), rewrote the first two sentences and added the last sentence; and added subsections (d) and (e).

The 1993 amendment, effective August 25, 1993, in

subsection (c), added the second sentence and rewrote the remainder of the subsection.

The 1994 amendment, effective June 6, 1994, repealed subsection (b), relating to lease-purchase and lease-financing agreements and rewrote subsection (c).

The 1996 amendment, effective July 9, 1996, added subsection (f).

Editor's notes. — Section 3, ch. 58, SLA 1990 provides that the 1990 amendment to AS 36.30.080(c) by § 1, ch. 58, SLA 1990 "applies to an agreement that is entered into on or after June 5, 1990, and does not apply to a lease or to the renewal of a lease if the lease is in existence on June 5, 1990."

Section 12, ch. 37, SLA 1993 provides: "LEASE EXTENSIONS AUTHORIZED. (a) Notwithstanding AS 36.30, the Department of Administration, the University of Alaska, the legislature, and the court system may extend for up to a maximum extension of five years a real property lease that is entered into under AS 36.30, including procedures and regulations adopted under AS 36.30.005(c) and 36.30.020 — 36.30.030, and that is in existence on the effective date of this section if a minimum cost savings of

"(1) 10 percent can be achieved on the rent due under the lease; or

"(2) five percent can be achieved on the rent due under the lease and the lessor agrees to make modifications of the leased real property to bring the real property into compliance with the requirements of 42 U.S.C. 12101 — 12213 (Americans with Disabilities Act of 1990).

"(b) The cost savings under (a) of this section shall be calculated on the remaining term of the lease and

any renewals, including extensions allowed under (a) of this section.

"(c) The Department of Administration, the University of Alaska, the Alaska Court System, and the Legislative Affairs Agency shall submit a quarterly report to the Legislative Budget and Audit Committee detailing the leases extended and the cost savings achieved under (a) — (b) of this section. The first report is due July 1, 1994, and must cover the period from the effective date of this section through March 31, 1994. The subsequent reports shall be made October 1, 1994, January 2, 1995, and April 1, 1995."

Under § 14, ch. 37, SLA 1993, § 12(a) and (b) are repealed December 31, 1994 and § 12(c) is repealed April 1, 1995.

Opinions of attorney general. — Equipment-lease financing is covered by the procurement code and the statutory requirement of legislative approval. Sept. 17, 1987 Op. Att'y Gen.

NOTES TO DECISIONS

Lease-purchase agreement between Department of Natural Resources and Alaska Court System. — This section (prior to June 7, 1994), § 38.05.035, and § 12, ch. 75, SLA 1994, provided the Department of Natural Resources with authority to enter into a lease-purchase agreement with Alaska Court System for the purchase of a building. Carr-Gottstein Properties v. State, 899 P.2d 136 (Alaska 1995).

Funds placed in escrow for the renovation of a building that was the subject of a lease-purchase agreement between the Department of Natural Resources and Alaska Court System did not constitute unrestricted "program receipts" for deposit in the state treasury and did not violate Alaska Const., art. IX, § 13. Carr-Gottstein Properties v. State, 899 P.2d 136 (Alaska 1995).

Sec. 36.30.083. Lease extensions authorized. (a) Notwithstanding any other provision of this chapter, the department, the Board of Regents of the University of Alaska, the legislative council, or the court system may extend, for up to a maximum extension of 10 years, a real property lease that is entered into under this chapter including procedures and regulations adopted under AS 36.30.005(c), 36.30.020, and 36.30.030 and has at least six months remaining under the lease term, if a minimum cost savings of

→ (1) 15 percent can be achieved on the rent due under the lease; or

(2) 10 percent can be achieved on the rent due under the lease and the lessor agrees to make modifications of the leased real property to bring the real property into compliance with the requirements of 42 U.S.C. 12101 — 12213 (Americans with Disabilities Act of 1990).

(b) The cost savings under (a) of this section shall be calculated on the remaining term of the lease and any renewals, including extensions allowed under (a) of this section.

(c) The department, the University of Alaska, the court system, and the Legislative Affairs Agency shall submit individually an annual report to the Legislative Budget and Audit Committee detailing the leases extended and the cost savings achieved by that entity under (a) or (b) of this section. Reports are due August 31 of each year. (§ 11 ch 137 SLA 1996)

Effective dates. — Section 53, ch. 137, SLA 1996, makes this section effective July 9, 1996, in accordance with AS 01.10.070(c).

Editor's notes. — Section 52, ch. 137, SLA 1996

provides that "[n]otwithstanding AS 36.30.083(c), enacted by § 11 of this Act, the first lease extension report under AS 36.30.083(c) is due August 31, 1997, and must cover fiscal year 1997."

Sec. 36.30.085. Lease-purchase agreements. (a) To perform its duties and statutory functions, the department, the Board of Regents of the University of Alaska, the

- council, or the supreme court may enter into lease-purchase agreements. The department, the Board of Regents, the legislative council, or the supreme court may enter into a lease-purchase agreement only if the department, the Board of Regents, the legislative council, or the supreme court is the lessee under the agreement.
- When evaluating proposals to acquire or improve real property under a lease-purchase agreement, the department, the Board of Regents, the legislative council, or the supreme court shall consider
- (1) in addition to lease costs, the life cycle costs, function, indoor environment, public convenience, planning, design, appearance, and location of the real property proposed for acquisition or improvement; and
 - (2) whether acquisition or improvement of the real property by lease-purchase agreement is likely to be the least costly means to provide the space.
- (c) A lease-purchase agreement
- (1) may not provide for a period of occupancy under the full term of the lease-purchase agreement that is greater than 40 years;
 - (2) must provide that lease payments made by the department, the Board of Regents, legislative council, or the supreme court are subject to annual appropriation.
- (d) If the department, Board of Regents, legislative council, or supreme court intends to enter into or renew a lease-purchase agreement for real property, the department, Board of Regents, legislative council, or supreme court shall provide notice to the legislature. The notice must include the
- (1) anticipated total construction, acquisition, or other costs of the project;
 - (2) anticipated annual amount of the rental obligation; and
 - (3) total lease payments for the full term of the lease-purchase agreement.
- (e) The department, the Board of Regents, the legislative council, or the supreme court may not enter into a lease-purchase agreement to acquire or improve real property unless the agreement has been approved by the legislature by law.
- (f) The provisions of (d) and (e) of this section do not apply to a lease-purchase agreement
- (1) related to the refinancing of an outstanding balance owing on an existing lease-purchase agreement; or
 - (2) by the University of Alaska if the lease-purchase agreement is secured by student fees or university receipts as defined in AS 14.40.491.
- (g) In this section,
- (1) "full term of the lease-purchase agreement" includes all renewal options that are defined within the lease-purchase agreement;
 - (2) "lease-purchase agreement" includes a lease-financing agreement. (§ 7 ch 75 SLA 1994; am §§ 2, 3 ch 36 SLA 1995)

Effect of amendments. — The 1995 amendment, effective May 25, 1995, inserted "or improve" in subsections (b) and (e) and "or improvement" in paragraphs (b)(1) and (b)(2).

Effective dates. — Section 13, ch. 75, SLA 1994 makes this section effective June 7, 1994, in accordance with AS 01.10.070(c).

NOTES TO DECISIONS

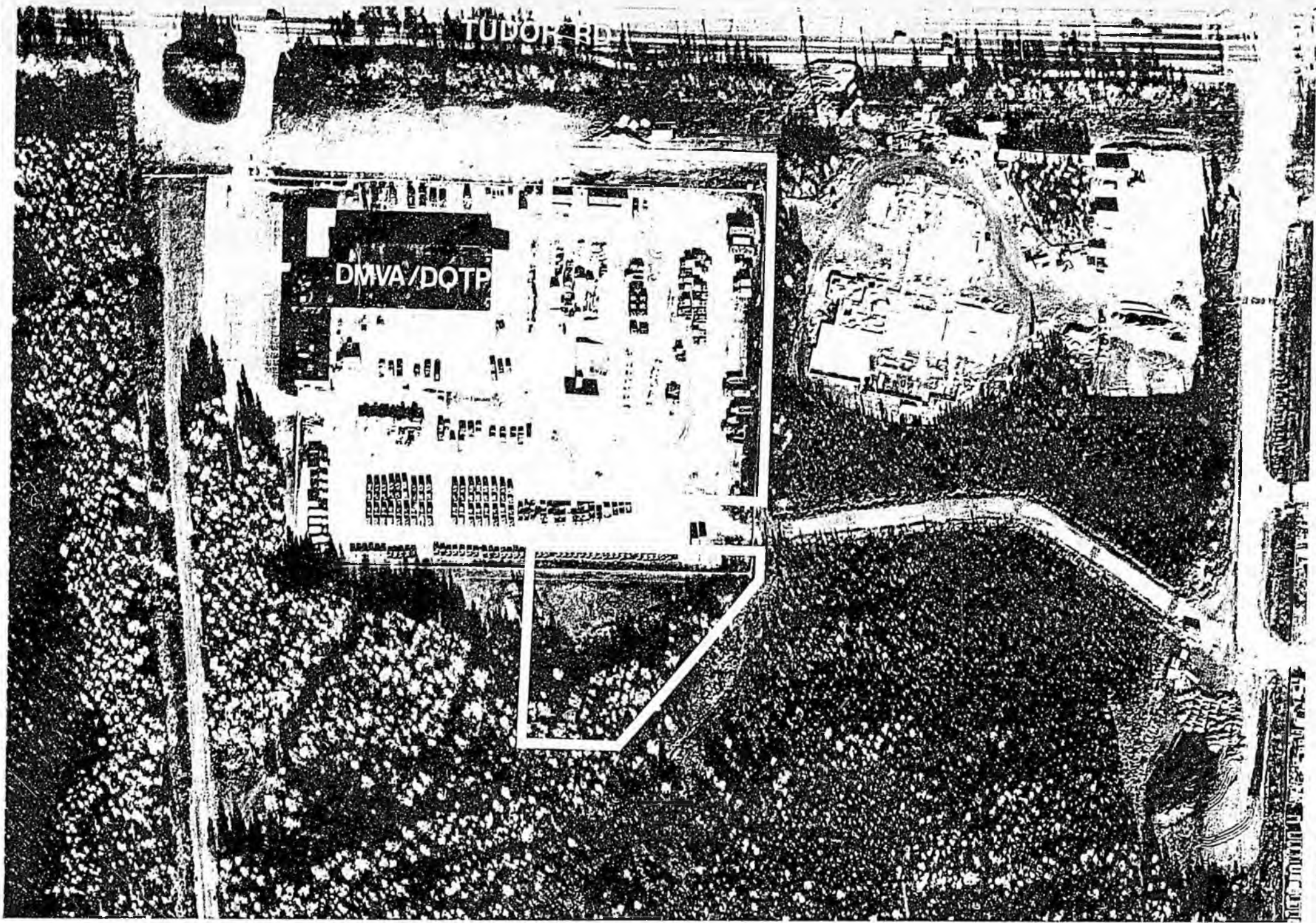
Cited in Carr-Gottstein Properties v. State, 899 P.2d 136 (Alaska 1995).

Sec. 36.30.090. Delivery of supplies. [Repealed, § 48 ch 137 SLA 1996.]

Sec. 36.30.095. Procurement of paper. [Repealed, § 48 ch 137 SLA 1996.]

TUDOR RD

DMVA/DOTP



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3 5

FISCAL NOTE

**STATE OF ALASKA
2001 LEGISLATIVE SESSION**

Fiscal Note Number: 1
 Bill Version: SB 35
 (S) Publish Date: 1/12/01

Revision Date/Time (Note if correction): _____
 Title: Fish and Game electronic licensing

Dept. Affected: Fish and Game
 BRU: Administration and Support
 Component: Administrative Services

Sponsor: Rules Committee
 Requester: Governor

Component Number: 479

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
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						
-----------------------------	--	--	--	--	--	--

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)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This bill provides for the electronic issuance of hunting and fishing licenses, tags and permits. This process is intended to be a convenience to the public and will complement the current paper system that will continue to be offered and account for the vast majority of sales. The state currently sells over 700,000 pieces of licensing stock annually, generating over \$20 million in revenue, and pays out approximately \$2 million in vendor compensation.

Any licenses sold by the state as a license vendor will result in the foregone vendor compensation remaining in the Fish and Game fund pending appropriation by the Legislature through the normal budget process. Any fees assessed by a vendor for providing electronic licenses are anticipated to be less than the amount currently paid out as vendor compensation. In the event that an electronic vendor, through a competitive solicitation process, charges more than the current allowance for vendor compensation, the bill allows for a fee of not more than \$3 to be assessed by the vendor.

Prepared by: Kevin Brooks
 Division: Administration
 Approved by: Gordy Williams for Commissioner Frank Rue
 Agency: Department of Fish and Game

Phone: 465-5999
 Date/Time: Jan. 5, 2001
 Date: Jan. 5, 2001

For distribution information, call the Governor's Legislative Office

STATE OF ALASKA

DEPARTMENT OF FISH AND GAME
OFFICE OF THE COMMISSIONER

TONY KNOWLES, GOVERNOR

P.O. BOX 25526
JUNEAU, AK 99802-5526
PHONE: (907) 465-4100
FAX: (907) 465-2332

MEMORANDUM

To: Senator John Torgerson, Chair
Senate Resources Committee

From: Commissioner Frank Rue *William Rue*
Alaska Department of Fish and Game

Re: Hearing request for SB 35

Date: February 28, 2001

I am requesting a hearing in the Senate Resources Committee of SB 35, "An Act relating to electronic application for and issuance of licenses, permits, and tags issued by the Department of Fish and Game; relating to violations regarding a license, permit, or tag applied for or issued electronically; and providing for an effective date."

Building upon our current very popular internet license application process, this legislation authorizes the commissioner of fish and game, with the concurrence of the commissioner of public safety and a finding that it is in the best interests of the state, to establish a system for the issuance of electronic licenses, permits, or tags. Such a "paperless" system would supplement current licensing, and offer another level of convenience to the public who may wish to access such a system.

Your expeditious consideration of this request would be appreciated.

SB

49

AMENDMENT#1

OFFERED IN SENATE RESOURCES

BY Senator Torgerson

TO: CS SB 49(RES)

- 1 Page 1, line 12
- 2 Delete "Each application shall be subscribed and sworn to by the applicant
- 3 before an officer authorized to administer oaths in the state."

22-LS0390\C
Lauterbach
1/19/01

CS FOR SENATE BILL NO. 49(RES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS TORGERSON, Taylor, Kelly, Phillips

A BILL
FOR AN ACT ENTITLED

1 "An Act eliminating a requirement that a social security number be provided by an
2 applicant for certain hunting or sport fishing licenses, tags, and permits; and providing
3 for an effective date."

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

5 * Section 1. AS 16.05.360(a) is amended to read:

6 (a) The commissioner or an authorized deputy shall issue each license and tag
7 to a qualified person under written application containing such reasonable information
8 as required by the commissioner. The commissioner shall designate the license and
9 tag form or type. The form or type must be sufficient to identify and locate the
10 applicant and [,] establish the applicant's status as to residency and citizenship [, AND
11 SUPPLY THE PERSON'S SOCIAL SECURITY NUMBER IF REQUIRED BY
12 THIS CHAPTER]. Each application shall be subscribed and sworn to by the applicant
13 before an officer authorized to administer oaths in the state.

14 * Sec. 2. AS 16.05.330(e), 16.05.346(d), and 16.05.360(b) are repealed.

1

* Sec. 3. This Act takes effect immediately under AS 01.10.070(c).

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB49
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title: No Social Security Number Required BRU: Child Support Enforcement
on Hunting/Fishing Licenses Component: Child Support Enforcement
 Sponsor: Senator Torgerson
 Requester: Senate Resources Committee Component Number: 111

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
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 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

There will be no fiscal impact to the Child Support Enforcement Division from this legislation.

State law requires that applicants for sport hunting and fishing licenses provide their Social Security number on the application. However, Alaska has been granted a waiver from the federal law that prompted the state requirement. That federal waiver was granted in December 2000, retroactive to October 2000. The waiver runs for three years, at which time the state (through the Child Support Enforcement Division) may request a continuation of the waiver.

This legislation would repeal the state requirement for Social Security numbers on sport hunting and fishing license applications, with an immediate effective date.

Prepared by: Barbara Miklos, Director Phone 269-6800
 Division: Child Support Enforcement Division Date/Time Jan. 20, 2001, 1 p.m.
 Approved by: Larry Persily, Deputy Commissioner Date Jan. 20, 2001
 Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

ALASKA STATE LEGISLATURE

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Senator John Torgerson, Chair
Senator Druc Pearce, Vice Chair
Senator Rick Halford
Senator Pete Kelly
Senator Robin Taylor
Senator Kim Elton
Senator Georgianna Lincoln



SENATE RESOURCES COMMITTEE

SPONSOR STATEMENT

SB 49

No Soc Sec. # Req'd on Hunt/Fish License

The Twentieth Legislature enacted "SCS CSHB 344 (FIN) am S" in order to comply with the mandates of the federal Personal Responsibility and Work Opportunity Reconciliation Act of 1996. One of the requirements of this Act was the collection of social security numbers on recreational license applications. The Department of Fish and Game has been required to provide these social security numbers to the child support enforcement agency in Alaska or another state in order to comply with the aforementioned federal child support law.

Effective October 1, 2000, the State of Alaska was granted a three-year exemption from requiring social security numbers on hunting and fishing license applications. SB 49 was introduced in response to this federal exemption. Since its imposition, the people of the State of Alaska have been resentful of this federal requirement as an invasion of privacy.

We now have the opportunity to repeal this law. It is important that the Legislature acts quickly and enacts SB 49 so Alaskans can purchase their 2001 hunting and fishing licenses without submitting their social security numbers on the applications. SB 49 provides for an immediate effective date, thereby relieving Alaskans of this burden before the fishing and hunting season gets actively underway.

ALASKA STATE LEGISLATURE



Senator John Torgerson, Chair
Senator Drue Pearce, Vice Chair
Senator Rick Halford
Senator Pete Kelly
Senator Robin Taylor
Senator Kim Elton
Senator Georgianna Lincoln

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SENATE RESOURCES COMMITTEE

SECTIONAL ANALYSIS

CS SB49 (RES)

No Soc Sec. # Req'd on Hunt/Fish License

Sec. 1: Repeals a portion of AS 16.05.360(a) that requires the form or application for a hunting or sport fishing license to contain sufficient information to supply the applicant's social security number.

Sec. 2: This section repeals AS 16.05.330(e), AS 16.05.346(d), and AS 16.05.360(b).

AS 16.05.330(e) requires a person applying for a license or tag for hunting or fishing to provide their social security number on the application.

AS 16.05.346(d) requires a person applying for a musk oxen permit to provide their social security number on the application.

AS 16.05.360(b) requires the Department of Fish and Game to provide the social security numbers of applicants to the Child Support Enforcement Division upon request.

Sec. 3: Provides for an immediate effective date.

SB

72

FISCAL NOTE

**STATE OF ALASKA
2001 LEGISLATIVE SESSION**

Fiscal Note Number: _____
 Bill Version: SB 72
 () Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Fish and Game
 Title: Take a Child Hunting Season BRU: Wildlife Conservation
 Component: Wildlife Conservation
 Sponsor: Senator Kelly
 Requester: Senate Resources Committee Component Number: 473

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
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	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES (1024)	0.0	0.0	0.0	0.0	0.0	0.0
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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 -- F&G Fund (1024)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

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)

Prepared by: Matt Robus, Deputy Director Phone 465-4190
 Division: Wildlife Conservation Date/Time 2/9/01 3:30 PM
 Approved by: Gordy Williams for Commissioner Frank Rue Date 02/09/2001
 Agency: Alaska Department of Fish and Game

For distribution information, call the Governor's Legislative Office

22-LS0084L
Utermohle
2/9/01

Jorgeson

CS FOR SENATE BILL NO. 72(RES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-SECOND LEGISLATURE - FIRST SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATORS KELLY, Halford, Taylor, Green, Ward, Donley, Leman, Austerman, Cowdery, Wilken, Therriault

A BILL
FOR AN ACT ENTITLED

1 **"An Act relating to 'take-a-child-hunting' seasons for big game."**

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

3 *** Section 1.** AS 16.05.255 is amended by adding a new subsection to read:

4 (j) For the purpose of encouraging adults to take children hunting, the board
5 shall establish annual hunting seasons in appropriate areas of the state for big game,
6 other than bison and musk ox, that are open before schools start in the fall and before
7 regular hunting seasons begin. Only a resident adult and a resident child who
8 accompany each other may engage in big game hunting in an area where a season
9 established under this subsection is in effect. In this subsection,

10 (1) "adult" means an individual who is 21 years of age or older;

11 (2) "child" means an individual who is 17 years of age or younger.

Alaska State Legislature

SENATOR

PETER KELLY

Mailing Address:

119 N. Cushman, Suite 201

Fairbanks, Alaska 99701

Senator_Pete_Kelly@legis.state.ak.us

(907) 456-8161



Senate

While in Juneau

State Capitol

Juneau, Alaska

99801-1182

(907) 465-2327

Senate District P

CSSB 72 (RES)

“An Act relating to ‘take-a-child-hunting’ seasons for big game.”

SB 72 would allow the Board of Game to establish big game hunting seasons before the school year starts in the fall and before the regular hunting season begins for Alaskan residents. Currently, many children begin their school year before the start of hunting season and are unable to share the experience with their families. Under this legislation, families will have the opportunity to enjoy time together and learn important aspects of our hunting culture.

SB 72 requires the Board of Game to limit use of the “extended season” to Alaska residents. The Board shall have authority in determining game units for implementation.

This legislation gives families the opportunity to learn the valuable lessons of self-sufficiency together.

Alaska Outdoor Council

PO Box 73902
Fairbanks, AK 99707-3902
Tel./FAX: (907) 455-4AOC (4262)

February 7, 2001

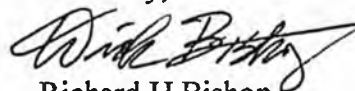
The Honorable Pete Kelly
Alaska State Senate
State Capitol
Juneau, AK 99801-1182

Thank you for introducing Senate Bill 72 (SB 72). This bill addresses a long-standing frustration among Alaskans who cherish Alaska's hunting heritage, and who wish to perpetuate that heritage among their families and friends.

There have been many discussions across Alaska about the importance of formal education, and probably just as many about the importance of passing on the traditions, values and skills associated with hunting. Choosing one of these important elements of a young person's opportunities for development over the other is an annual challenge and frustration. Unfortunately, it is often an "either/or" situation for most families, with the obligations of formal education taking precedence.

SB 72 offers an opportunity for the State of Alaska to help perpetuate its remarkable hunting heritage, which is shared by Alaskans across the State. On behalf of the Alaska Outdoor Council I am pleased to offer our support of SB 72. I look forward to working with you and your staff on the bill.

Sincerely,



Richard H. Bishop
Vice President

SB

76

Alaska State Legislature

SENATOR
GENE THERRIAULT

Mailing Address:
119 N. Cushman, Suite 101
Fairbanks, Alaska 99701
(907) 488-0857
Fax: (907) 488-4271



Senate

While in session
State Capitol
Juneau, Alaska
99801-1182
(907) 465-4797
Fax: (907) 465-3884

Senate District Q

SSSB 76\S

"An Act relating to the Alaska Right-of-Way Leasing Act; and providing for an effective date."

Sponsor: Senator Gene Therriault

Sponsor Statement

Senate Bill 76 makes three important changes to the 1972 Alaska Right-of-Way Leasing Act, which gives the Department of Natural Resources the authority to lease state land for oil and gas pipelines.

First, SB 76 increases the maximum term of right-of-way lease renewals from the current 10 years to 30 years. Leases for several pipelines, including the Trans-Alaska Pipeline System, Endicott, Kuparuk, Oliktok and Milne Point all expire in May, 2004. The 30-year term for renewal is consistent with that of federal grants of right-of-way for oil and gas pipelines, and will result in significant savings of time and money to industry and the state. A section of the bill allows for existing leases to be amended, upon request, to incorporate the new provision for renewal periods of up to 30 years. The bill also places in statute a provision allowing for the extension of leases under their existing terms if the lessee has applied for renewal, but the terms of the lease are still under negotiation at the date of expiration. The language proposed in AS 38.35.110(b) states that the lease shall be continued until the commissioner issues a final determination on renewal.

Although current statutes give the commissioner leeway to extend a right-of-way lease or grant an *interim* lease pending finalization of a renewal determination, I believe the procedure for extending a lease pending renewal needs to be set out in statute. Although DNR believes it can adhere to a self-imposed deadline for renewing leases before they expire, I think such rationale injects unnecessary uncertainty into the renewal process.

Second, the bill amends the definition of "state land" for purposes of the right-of-way leasing act to include only land in which the interest owned by the state is sufficient to permit the state to lease it under the authority of the Department of Natural Resources.

Third, the bill requires lessees under new and renewed right-of-way leases to reimburse the state for costs associated with monitoring the operation, maintenance and termination of pipelines on state right-of-way leases. The bill requires the commissioner to use best efforts to reach agreement with the lessee on the cost reimbursement and to provide the lessee with an annual estimate of the projected costs and scope of the work.

SB

77

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
 Bill Version: SB 77
 () Publish Date: _____
 Dept. Affected: Natural Resources
 BRU: Oil & Gas Development
 Component: Oil & Gas Development
 Component Number: 439

Revision Date/Time (Note if correction): _____
 Title: Net Profit Share Under/Overpayments
 Sponsor: Senator Torgerson
 Requester: Senate Resources

Expenditures/Revenues (Thousands of Dollars)
 Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
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 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: none
 Check this box (X) if funding for this bill is included in the Governor's FY2002 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)
 Approval of this Bill will result in savings of administrative time and resources for both the state and the oil and gas lessees. When oil and gas royalty reports were processed manually the interest waiver was justified from a time and resources standpoint. However, now that the reports are processed automatically, the reverse is true. Manual intervention and exception programming is currently required on a case-by-case basis in order to implement the interest waiver; not having to do this would streamline the process in Royalty Accounting. The original intent of AS 38.05.135(g) is no longer operative. The Bill sponsor statement correctly identifies the historical interest payment amounts that would be effected by repeal of AS 38.05.135(g).
 There is no fiscal impact anticipated with implementation of this legislation.

Prepared by: William Van Dyke Phone 269-8786
 Division: Oil and Gas Date/Time 20-Feb-01
 Approved by: Pat Pourchot Date 20-Feb-01
 Agency: Natural Resources

For distribution information, call the Governor's Legislative Office

ALASKA STATE LEGISLATURE

Senator John Torgerson, Chair
Senator Drue Pearce, Vice Chair
Senator Rick Halford
Senator Pete Kelly
Senator Robin Taylor
Senator Kim Elton
Senator Georgianna Lincoln



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SENATE RESOURCES COMMITTEE

SB 77 SPONSOR STATEMENT "Net Profit Share Under/Overpayments"

In 1998, the Legislature enacted AS 38.05.135 (g), exempting the Department of Natural Resources from calculating interest on small over or underpayments of royalty if the interest is \$150 or less. The cost of calculating these small over/underpayments was more than the interest received or credit applied. Prior to 1998, DNR was calculating these small payments manually. For the 12 months prior to October 31, 2000, the State processed 1716 royalty filings where interest amounts were between a negative \$150 and a positive \$150. The net amount of these under/overpayments was a positive \$4,096.

The effort of calculating, processing and tracking interest for small under/overpayments was not cost effective for the oil companies or the State. With the advent of the State's new Oil and Gas Royalty Accounting System, all interest is calculated electronically. Also, most royalty payers are using main frame computer systems and sending their royalty reports electronically. The failure to repeal AS 38.05.135 (g), would require the Department and royalty payers to reprogram their computer systems to not compute under or overpayments of less than \$150.

The sophisticated computer systems used by the royalty payers and the State are now able to quickly compute the interest owed on even the smallest under or overpayment. All the royalty payments are automatically summed together and one wire transfer is used for payment. The repeal of AS 38.05.135 (g) will solve the problem of the administrative burden on the part of the royalty payers and the State to manually track very small amounts of interest. It is an unnecessary expense to reprogram computer systems to handle separate interest calculations for these small interest amounts, especially when a much easier option is available.

bp



BP Exploration (Alaska) Inc.
900 East Benson Boulevard
P.O. Box 196612
Anchorage, Alaska 99519-6612
(907) 561-5111

February 8, 2001

Senator John Torgerson
State Capitol, Room 427
Juneau, AK 99801-1182

Re: Repeal of AS 38.05.135(g)

Senator Torgerson,

BP Exploration (Alaska) Inc. supports the proposal by the Department of Natural Resources (DNR) to repeal AS 38.05.135(g). This statute sets a floor at \$150 for interest to accrue on royalty and net-profit overpayments and underpayments; no interest is payable for any over/under-payments of \$150 or less.

The idea of setting a floor to avoid dealing with nominal over/under-payments seems reasonable at first, because it appears to save DNR and the oil and gas lessees the trouble of calculating interest when the changes are too inconsequential. However, in practice, this rule turns out to be more bother than it is worth for both DNR and the lessees. This is because the spreadsheet software that comes standard on personal computers currently allows for the calculation of interest with no additional effort, regardless of how small or large each particular over/under-payment happens to be. In fact, by creating the \$150 threshold, AS 38.05.135(g) actually makes it harder for lessees to comply (and for DOR to administer), whenever the spreadsheet software calculates an over/under-payment, the program has to be specially modified to see whether that over/under-payment is over \$150 or not, and to calculate and include the interest only when the adjustment is above this threshold. It would be significantly easier, in terms of lessee compliance and agency administration, to calculate the interest every time instead of only some of the time.

Because complete accuracy in accounting for interest can be achieved for less effort than with the present rule in AS 38.05.135(g), there is no reason for the less accurate rule to continue. We therefore hope you will give DNR's proposal to repeal AS 38.05.135(g) your favorable consideration and support. Please feel free to call me at (907) 564-4039 if you have any questions or wish to discuss this further.

Sincerely yours,

Geoffrey E. Stein
Associate General Tax Counsel

GES:tw

SB

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STORAGE TANK ASSISTANCE FUND ANNUAL REPORT

FISCAL YEAR
2000



Department of Environmental Conservation
Spill Prevention and Response Division



Presented to the **First Session of the Twenty-Second Alaska Legislature**
January 30, 2001 ♦ Tony Knowles, Governor ♦ Michele Brown, Commissioner

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I. INTRODUCTION

Preface

Leaking underground storage tanks have impacted a number of public drinking water systems in Alaska. Benzene, a petroleum component and known carcinogen, poses a significant threat to human health and the environment. Over 50 percent of all pre-1998 underground storage tank (UST) systems in Alaska leaked over time, impacting soils and groundwater.

A. Statement of Purpose

On June 7, 1990, the Governor of Alaska signed into law House Bill 220 which amended Alaska Statutes, Title 46, Chapter 3. Effective on September 5, 1990, this new law is commonly referred to as the "Underground Storage Tank Statute." Among the provisions in the statute, the Storage Tank Assistance Fund was established to provide technical and financial assistance to tank owners and operators in an effort to prevent new spills and cleanup old spills. The following annual report to the legislature is submitted pursuant to Alaska Statutes Section 46.03.410.

B. Federal Law

Subtitle I to the 1984 Hazardous and Solid Waste Amendments to the Resource Conservation and Recovery Act (RCRA) requires, in part, that the U.S. Environmental Protection Agency (EPA) regulate USTs containing petroleum and hazardous substances. At that time, the EPA estimated that out of several million USTs nationwide, tens of thousands might be leaking; as of 9/30/99, over 400,000 confirmed releases nationwide have proven that initial estimate to

be far too low. The resultant groundwater contamination threatens a major source of the country's drinking water.

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

Congress also mandated that all UST owners, except state and federally owned or operated tanks, be able to demonstrate specific levels of financial responsibility for corrective action and cleanup associated with releases from their USTs, including third party loss and bodily injury. The most common type of financial responsibility is commercial pollution insurance.

The financial responsibility requirements were phased in according to the type of owner and the number of tanks owned; the final date for most tank owners to meet this requirement was December 31, 1993. Indian tribes owning USTs on Indian lands had until December 1998 to comply. Most tank owners are required to demonstrate \$1 million of financial responsibility per occurrence and \$2 million aggregate.

C. State Law

It was primarily due to the EPA's 1998 UST regulations that the Alaska legislature introduced the Alaska UST Legislation. During the legislative process, the EPA informed Alaskan lawmakers that federal budget cutbacks would prevent the agency from providing owners with technical assistance for complying with the newly mandated performance requirements. The EPA program would consist of enforcement only, and failure to meet performance standards could result in fines of \$10,000 per day. The EPA may authorize states to implement their own UST program in place of the federal requirements if the state's requirements are "no less stringent" than EPA's and provide for adequate regulatory enforcement.

It was evident to lawmakers that Alaska tank owners covered by EPA's UST regulations would be hard pressed to meet the new standards. The lawmakers also recognized that the regulations governing underground storage tanks systems might not be easily understood by the public.

Rather than relying solely on an enforcement program after problems developed, the Alaska legislature passed proactive legislation (HB 220), providing technical and educational assistance as well as incentives for compliance with federal and state requirements by: setting performance standards for both new and existing UST systems; providing for corrective action activities and cleanup standards for leaking USTs; mandating that the Department of Environmental Conservation provide educational assistance to UST owners and operators; requiring the certification of UST workers; requiring registration of all USTs; establishing a Board of Storage Tank Assistance; and providing guidelines for the administration of the Storage Tank Assistance Fund.

Effective July 1, 1999, Senate Bill 128 established a new cleanup loan program, set owner/operator net worth ceilings for grant eligibility, and established a June 30, 1999 sunset date (subsequently extended to 6/30/01 by House Bill 432) for the Board of Storage Tank Assistance.

Table I Summary of UST Financial Assistance Programs				
PROGRAM	DESCRIPTION	ELIGIBLE COSTS	NET WORTH/PAYMENT LIMITATIONS AS OF 7/1/99	ASSISTANCE PROVIDED
Tank Tightness Testing & Site Assessment Incentive Program	Repealed effective 7/1/99.	Provided funds directly to the owner/operator specifically to reimburse costs for tank tightness tests or site assessments to determine if there had been a release of petroleum.	Not Applicable	Repealed effective 7/1/99.
Tank Cleanup Grant Program	Program active. Application period sunset June 30, 1994*. Funds currently allocated to the program through FY01.	Provides funds directly to the owner/operator specifically to cover costs of risk assessment, containment, corrective action, and cleanup.	The tangible net worth of both owner and operator limited to \$1 million or less each. Grant payments under this program may not exceed \$250,000 less the 10% for owner/operator's deductible (not to exceed \$25,000.) When combined with a grant payment under the tank upgrade and closure program, payment may not exceed \$250,000. When combined with tank cleanup loans under AS 46.03.422 or tank upgrade/closure grants to same owner/operator, payments cannot exceed \$500,000.	Up to \$250,000 and owner/operator is responsible for 10% of total cleanup costs (not to exceed \$25,000) which is excluded from the grant. A tank cleanup loan for no interest is available for this deductible.
Tank Cleanup Loan Program	Program active. Application period sunset June 30, 1994*. Funds currently allocated to the program through FY01.	Provides funds directly to the owner/operator specifically to cover costs of risk assessment, containment, corrective action, and cleanup.	Loans when combined with grants to same owner or operator may not exceed \$500,000. When combined with tank cleanup or tank upgrade/closure grants and loans to same owner/operator, payments cannot exceed \$500,000.	Newly established in FY00, an owner/operator may borrow up to \$500,000 for cleanup at a rate equal to the 12th Federal Reserve District discount rate as of Jan. 1 of the year in which the loan is approved plus one-half percentage point (The Federal Reserve Rate for January 2000 is 5.0%; therefore, the loan interest rate is 5.5% for calendar year 2000.)
Tank Upgrade & Closure Grant Program	Program active. Application sunset December 30, 1994. Funds currently allocated to the program through FY01.	Provides funds directly to the owner/operator specifically to cover costs of removal, upgrade, or replacement of UST system.	The tangible net worth of both owner and operator limited to \$250,000 each. Grant payments under this program cannot exceed a total of \$250,000 for the same owner or operator, when combined with tank cleanup or tank upgrade/closure grants and loans to same owner/operator, payments cannot exceed \$500,000.	Grants for upgrade, replacement or closure of an UST comprising up to 60% of the total eligible costs up to \$60,000 per facility.
Reimbursement Program	Repealed effective 7/1/99.	Provided reimbursement of the costs of risk assessment, containment, cleanup, corrective action, upgrade or closure activities on or after December 22, 1988 and before September 5, 1990.	Not Applicable.	Repealed effective 7/1/99.

*Cleanup applications were accepted through June 30, 1996 for those applicants that had an upgrade and closure application on file on or before December 30, 1994 and disclosed and reported contamination before July 1, 1996 and can prove that contamination occurred before December 22, 1993.

D. Storage Tank Assistance Fund

The Alaska legislation establishing the Storage Tank Assistance Fund made funds available for program implementation, staffing, and administration of the following financial assistance programs: reimbursement incentives for tank tightness testing or site assessments (AS 46.03.415); grants and loans for risk assessment, containment, corrective action, and cleanup costs (AS 46.03.420); and grants for tank system upgrades and closure (AS 46.03.430). Table 1 (Summary of UST Financial Assistance Programs), briefly describes the eligible costs and the assistance provided in each of these programs.

Pursuant to legislation, the Department promulgated regulations (18 AAC 78) on the general requirements for financial assistance eligibility, ineligible costs, project priority ranking procedures, application requirements, conditions of financial assistance, and grant payment procedures.

House Bill 513, signed into law on June 9, 1994, modified the UST law by establishing a December 30, 1994 application deadline for the closure and upgrade program, and extending the application period for cleanup assistance for those applicants who have met the closure/upgrade deadline or those who are already on the closure/upgrade waiting list. To be eligible for this extension, the spill had to be reported by July 1, 1996 and must have occurred before December 22, 1993.

Senate Bill 128, effective July 1, 1999, further modified Alaska's UST law, establishing a new cleanup loan program and owner/oper-

tor net worth ceilings for grant eligibility, as well as a June 30, 2000 sunset date for the Board of Storage Tank Assistance.

House Bill 432, effective June 7, 2000, extends the Board sunset date to June 30, 2001; expands Board authority to review of cleanup decisions and issuance of a recommendation to the Department; and exempts non-profit entities from the tangible net worth ceilings of SB 128.

Following are the annual appropriations to the Storage Tank Assistance Fund since inception:

	(In millions)
FY 1991	\$6.0
FY 1992	\$0.0
FY 1993	\$5.0
FY 1994	\$4.9
FY 1995	\$3.5
FY 1996	\$3.1
FY 1997	\$2.9
FY 1998	\$2.9
FY 1999	\$4.4
FY 2000	\$5.2
FY 2001	<u>\$1.0</u>
Total	\$38.9

For Fiscal Year 1998, the Fund was budgeted for the first time as a Capital Project rather than under the Operating Budget, recognizing the fact that site remediation, tank upgrade, and closure projects particularly with the short Alaskan construction seasons and long term nature of the projects, are more appropriately budgeted to capital projects than an annual operating budget.

II. ABSTRACT

This report summarizes:

- (1) the amount and source of money received by the fund during fiscal year 2000 (FY 00);
- (2) the amount of money expended during FY 00 for each type of expense authorized under AS 46.03.410(b);
- (3) the Department activities paid for from the fund during FY 00 including the number of requests for assistance which have been made to the Department to use the fund and the number of requests funded in each activity area;
- (4) the financial assistance program from inception through December 31, 2000.

III. FY 00 FUND SUMMARY

A. Funding & Appropriations

The Oil and Hazardous Substance Response Prevention Fund served as the source of the Storage Tank Assistance Fund's appropriation in FY 00.

Table 2 reflects appropriations from the Fund to finance program operations, fiscal and other services provided by the Department.

TABLE 2
Storage Tank Assistance Fund
Financial Summary Fiscal Year 2000

Fiscal Year 2000 State Appropriations

	Budget	Actual
FY 00 Appropriations To The Storage Tank Assistance Fund		
Fund Transfer From The Oil & Hazardous Substance Response Prevention Fund Fund - Chapter 84, Sec. 30	5,239,700	5,239,700
Total Appropriations To The Storage Tank Assistance Fund	<u>5,239,700</u>	<u>5,239,700</u>
FY 00 Appropriations From the Storage Tank Assistance Fund		
Storage Tank Program Administration	761,362	734,640
Chapter 70 SLA99 Implementation	200,000	137,205
Division of Administrative Services	136,600	136,600
Division of Statewide Public Service	500	500
Storage Tank Program Grants	5,000,000	0
Total Appropriations From The Storage Tank Assistance Fund	<u>6,098,462</u>	<u>1,008,945</u>

Financial Detail For The Storage Tank Assistance Program

	Authorization	Expenditures	Obligations	Balance
Administration				
Personal Services	616,810	525,657		91,153
Travel	19,017	7,024	220	11,773
Contractual	55,431	158,395	710	(103,674)
Supplies	23,864	10,212	705	12,947
Equipment	46,240	31,717		14,523
Subtotal	<u>761,362</u>	<u>733,005</u>	<u>1,635</u>	<u>26,722</u>
Other				
Chapter 70 SLA99 Implementation	200,000	123,610	13,595	62,795
Storage Tank Grants	5,000,000	0	0	5,000,000
Administrative Services	136,600	136,600	0	0
Statewide Public Service	500	500	0	0
Subtotal	<u>5,337,100</u>	<u>260,710</u>	<u>13,595</u>	<u>5,062,795</u>
Total	<u>6,098,462</u>	<u>993,715</u>	<u>15,230</u>	<u>5,089,517</u>

B. Expenditures

As shown on Table 2, as of June 30, 2000, the unspent balance of the FY 00 storage tank grants was \$5 million.

C. Program Activities Summary

1. Grant Activities

Table 3 summarizes each type of assistance program for which funds were expended or encumbered in FY 00.

Appendix A provides additional detail of the program expenditures by grant and facility location. Tank cleanup project are typically the most expensive and, in the past, accounted for the great-

est amount of funds expended. During FY 99 the Department focussed efforts toward assisting tank owners and operators with their tank closures and upgrades prior to the December 1998 deadline by devoting twice as much funding to upgrade and closure projects as was committed to cleanup projects. Further, the Department entered into Compliance Orders By Consent (COBCs) for owner/operators who did not meet the 1998 deadline. The COBCs established new schedules which clearly outlined the tank activities to be accomplished, deadlines for the accomplishments of project milestones, and penalties.

TABLE 3
Storage Tank Assistance Fund
FY 98 and FY 99 Obligations With FY 00 Expenditures
By Grant Program: Activity

	<u>Expended</u>	<u>Obligated</u>	<u>Total</u>
Cleanup By Appropriation			
FY 98 49180-02	\$70,244.84	\$63,773.20	\$134,018.04
FY 99 49020-03	\$484,736.11	\$652,679.60	\$1,137,415.71
FY 00 49120-04	\$0.00	\$0.00	\$0.00
	<u>\$554,980.95</u>	<u>\$716,452.80</u>	<u>\$1,271,433.75</u>
Upgrade By Appropriation			
FY 98 49180-02	\$37,410.36	\$0.00	\$37,410.36
FY 99 49020-03	\$117,709.25	\$24,741.14	\$142,450.39
FY 00 49120-04	\$0.00	\$0.00	\$0.00
	<u>\$155,119.61</u>	<u>\$24,741.14</u>	<u>\$179,860.75</u>
Closure By Appropriation			
FY 98 49180-02	\$21,415.65	\$17,605.56	\$39,021.21
FY 99 49020-03	\$63,128.01	\$26,260.62	\$89,388.63
FY 00 49120-04	\$0.00	\$0.00	\$0.00
	<u>\$ 84,543.66</u>	<u>\$ 43,866.18</u>	<u>\$ 128,409.84</u>
	<u><u>\$ 794,644.22</u></u>	<u><u>\$ 785,060.12</u></u>	<u><u>\$1,579,704.34</u></u>

As a result, FY 00 activities involved managing the FY 99 grants that were issued (processing amendments and payment requests) and reviewing net worth eligibility for future grant applicants.

2. Program Activities

The following activities illustrate what it takes to administer the state Underground Storage Tank Program to prevent, detect and correct leaks as well as to provide technical, educational and financial assistance to regulated underground storage tank owners and operators.

- Completed modifications necessary in the grant and loan program to satisfy requirements of SB 128, which changed the eligibility requirements for grant applicants, and established a new loan program.
- Sent net worth certification forms to 348 waitlisted grant applicants for Tank Cleanup, Upgrade and Closure grants. Reviewed responses for eligibility under SB 128 guidelines.
- Initiated changes to regulations consistent with SB 128. Revised after public comment, with an effective date of April 16, 2000, and also revised the UST Procedures Manual.
- Initiated FY 01 priority ranking of the grant applicants eligible under SB 128 and prepared the initial priority ranking lists. (The FY 00 ranking had been tabled due to the need for eligibility determinations and regulatory changes).
- In anticipation of the FY 01 grant cycle, processed high priority grant applications, reviewed each for regulatory compliance, and prepared checklists of documents needed for top ranked applicants.
- For active prior-year grants, processed over 202 grant payment requests, totaling just over \$794,000. This required staff review of each invoice and backup documentation for all invoices in excess of \$100.
- Initiated an electronic file scanning pilot project to allow statewide accessibility and improve security of Storage Tank Program files.
- Renewed the reimbursable services agreement with the Department of Community and Economic Development, Division of Investments, to administer the loan portion of the Tank Cleanup Program.
- Continued refining and optimizing performance of the UST database. This Microsoft Access 97 application links Financial Assistance and Priority Ranking with the UST/LUST scores and Time Accounting System databases. This streamlines the data entry and retrieval process. Made improvements to increase speeds of operation and added new SB 128 loan/grant options to the Financial Assistance module to record status.
- Participated in the Board of Storage Tank Assistance meetings while providing information to the Board as requested and participating in appeal and grievance hearings.
- Operated the UST Telephone Hotline to answer technical questions from callers.

- Published and distributed to over 1500 customers, the Alaska Tank News, a quarterly newsletter.
- Maintained a public service oriented Storage Tank Program Web Page, http://www.state.ak.us/dec/dspar/stp_home.htm (8,000 hits in FY 00). This web page contains information about tanks, including: regulations, notification forms, qualified contractors, approved laboratories, certified tank workers and inspectors, risk based decision making, financial responsibility, leaking underground storage tanks, frequently asked program questions, priority ranking lists for the Tank Cleanup, Upgrade and Closure Programs, UST database reports, photos, and many more helpful links.
- Maintained a list of tank owners who have not paid tank registration fees and worked with the Attorney General's office to negotiate collection of delinquent registration fees and the associated late fees.
- Reviewed applications for candidates seeking certified tank worker licenses as well as qualified party approvals for site assessment and remediation work.
- Worked through the first year of a separate capital project to cleanup spills associated with state-run USTs. Latest estimates show over 80 state-owned sites with spills.
- Managed EPA grants for staff oversight of over 1000 tank upgrade, assessment and remediation actions in the state.
- Began third party inspection program for 425 active regulated USTs. Tanks must pass an inspection for release detection, spill prevention equipment, and corrosion control. Tanks passing inspection will receive a tag. Tanks that do not pass will be prohibited from receiving fuel until they are brought into compliance.
- Continued certification process for third party inspectors which includes training, handbook, inspection forms, and testing. Maintained a list of over 1000 qualified scientists doing work under our program.
- Program staff sent out the annual request for proof of financial responsibility to all private, commercial and local government UST owners and operators. Since 1997, the Department has seen compliance with financial responsibility rise sharply from almost zero to 70% in 1998 and about 80% in 1999 and 90% in 2000. We hope to achieve 98% compliance for the year 2001.
- Confirmed 59 new LUST sites during FY 00, and closed 112 LUST sites for which the Responsible Parties received No Further Action letters.
- Monitored 226 UST closures and 22 new tank installations.

D. Assistance Requested and Funded for FY 99

Grant applications are priority ranked for funding annually in accordance with the regulatory criteria set out in 18 AAC 78. Regulations had to be changed, incorporating SB 128 changes. The new regulations became effective April 16, 2000. Therefore, no new grants could be issued until the regulations were finalized, and eligibility (under the new net worth criteria) could be determined. To arrive at the list of facilities to receive potential funds, all unfunded FY 99 applicants were sent

eligibility (net worth) certification forms as mandated in SB 128. Those eligible under this criteria were reranked with updated information as of March 2000. In order to rerank sites, applicants were advised that they did not have to respond to be ranked; they could retain their historical ranking score (though not necessarily the rank). However, if they had updated information or had self initiated work completed since the previous ranking, they needed to provide the new information in order for their score to reflect those efforts. Sites were ranked separately for closure activities or upgrade activities, resulting in a priority ranking list for each activity.

The applications were ranked according to Article 5 of 18 AAC 78. Advertised by the Board of Storage Tank Assistance for a thirty day public comment period, the initial priority ranking list was revised and finalized after pertinent public testimony.

Historically, top priority ranked facilities were contacted for funding based upon the amount of funds available for each program and the preliminary cost estimates submitted by the list

of applicants. Once the initial groups of applicants responded, if funds were available, the department then notified applicants further down the list of funding availability.

However, as explained above, the FY 00 funding was not allocated nor funds expended for new grants during FY 00.

Appendix A is a detailed list by owner/operator of all projects funded during FY 00 by prior year funds and is divided into grant activities by appropriations. Within each prior year appropriation, the amount encumbered or expended per program during FY 00 is listed as well as specific activities paid for by grant funds.

1. Tank Cleanup Program

Appendix B is the list of FY 01 Priority Ranked Cleanup Projects. Of the 51 projects listed, approximate 39 of them are expected to require FY 01 funding for a total of \$2.0 million. The rest of these projects are not expected to require funds until FY 02.

Appendix A, pages 1 and 2, shows the amount expended or encumbered for cleanup grants and the specific activities for each site from prior year grants. Some facilities may be listed more than once since each grant, and amendments to prior year grants, are listed separately. Cleanup grants generally paid for the costs of assessment, testing, and containment, and soil and water remediation.

Grants for cleanup exclude 10% of the total project costs, up to a maximum of \$25,000; the grant applicant is responsible for payment of these excluded costs. The Tank Cleanup Loan Program is available to finance this excluded portion of costs with loans repayable over a five-year period.

2. Tank Upgrade and Closure Program

Appendix A, page 3, is a detailed list of all owners and operators receiving upgrade or closure grant funding from the prior year appropriation.

IV. FINANCIAL ASSISTANCE FOR FY 01

All applicants remaining on the FY 99 waiting list were required to complete eligibility certifications as required under SB 128. These responses were priority ranked as described in more detail under Section III, D, of this report. The FY 01 priority ranking lists are included as Appendices B, C and D.

It should be noted that any eligible FY 99 priority ranked cleanup grant applicant is eligible to apply for a loan under the new provisions of AS 46.03.422. The FY 99 Tank Cleanup Grant and Loan Program priority ranking list is included for informational purposes as Appendix E, and also included in this group are applicants considered "Continuation Cleanup" projects. Appendix F is a listing of the FY 99 Continuation Cleanup Rank List.

This list does not reflect any withdrawals or applicants found ineligible since the list was finalized in FY 99. Appendix C reflects applicants who have expressed interest in the new loan program.

For FY 01 the Department was directed by the Board to fund all upgrade and closure projects, which were estimated to cost \$120,000. As shown in Table 4 below, the actual cost to completely fund three tank closure projects in FY 01 amounted to \$32,287 (upgrade funding was declined.) For the cleanup projects, \$2 million is the anticipated expenditure. The remaining \$3 million in the capital account has been budgeted for grants and loans during FY 02.

TABLE 4
Financial Assistance to be Provided in FY 01

PROGRAM SUMMARY FOR FY 01 GRANTS	
FY 00 APPROPRIATION - FY 01 ACTIVITY	
Number Anticipated FY 01 Grants	42
Total Dollar Amount of Anticipated Grants	\$2,000
Funds Allocated By Board of Storage Tank Assistance	\$5,000
Contingency Funds for Emergency Grants and Cost Increases	\$298
 TANK CLEANUP GRANT AND LOAN PROGRAM	
Total Number Anticipated Grants	39
Total Dollar Amount of Anticipated Grants	\$1,967.8
Contingency Funds (15%)	\$295.2
Total Number Anticipated Loans	0
Total Dollar Amount of Anticipated Loans	\$0
 TANK UPGRADE AND CLOSURE PROGRAM	
Program Total	
Total Number Anticipated Grants	3
Total Dollar Amount of Anticipated Grants	\$32.2
Contingency Funds (10%)	\$3.2
 Tank Upgrade	
Total Number Anticipated Grants	0
Total Dollar Amount of Anticipated Grants	\$0
 Tank Closure	
Total Number Anticipated Grants	3
Total Dollar Amount of Anticipated Grants	\$32.2

V. PROJECTED COSTS AND UNFUNDED REQUESTS

The repeal of the Reimbursement Program (Section 14, SB 128) and the certification of net worth requirements for the grant programs have dramatically impacted the waiting lists for funds.

Prior to the change in legislation, 158 applicants with requests totaling \$3,388,400 were waitlisted under the Reimbursement Program. These applications were received by the March 5, 1991 deadline for cleanup, closure or upgrade activities occurring on or after December 22, 1988 and before September 5, 1990. When making annual grant program allocations, the Board of Storage Tank Assistance was required to consider the Reimbursement Program as the lowest funding priority. These 158 applicants are no longer eligible for funding now that this part of the program has been repealed.

At the end of FY 99 the grant waitlist shown in Table 5 consisted of 215 new cleanup applications totaling \$23.9 million; 29 continuation cleanup projects totaling an estimated \$1.65 million (Appendix F); 37 upgrade applications for \$1.5 million and 96 tank closure applications amounting to \$1.1 million. Appendix B, C, and D list FY 01 priority ranked applicants.

Of the total 244 cleanup grant applicants (29 continuation and 215 "new" cleanups) only 51 projects responded and were found eligible under the new net worth certification requirements. Two upgrade and three closure projects were ranked for funding.

Table 6 summarizes the current status of applications since the implementation of SB 128 program changes.

As mentioned in Section IV, the Board of Storage Tank Assistance allocated the \$5 million from the FY 00 allocation to fund grants for all priority ranked projects for FY 01. The Department is phasing work on projects, and budget plans are detailed under Section IV. Three closures have been funded during FY 01 and up to 39 new cleanup grants are planned.

VI. PROGRAM SUMMARY SINCE INCEPTION

From the inception of the Underground Storage Tank Financial Assistance Program on September 5, 1990 until December 31, 1999, over \$27 million has been expended in grants and loans to pay a portion of the costs of tank tightness testing, site assessment, cleanup, upgrade or closure of USTs in Alaska. Of the over 2,000 applications originally received, almost one-half (1005) have been funded.

Grant and loan activity for all grant programs from inception of the Financial Assistance Program through December 31, 1999, is summarized on Table 5, next page.

Table 6 summarizes the status of applications after the transition to SB 128 and estimates future funding needs.

Table 5
Financial Assistance Grants and Loans Summary - Pre-SB128
(Dollars are in Thousands)

	TTT/SA		Cleanup		Upgrade		Closure		Reimbursement		Total		
	No.	Dollars	No.	Dollars	No.	Dollars	No.	Dollars	No.	Dollars	No.	Dollars	%
Applications Received	416	\$362.5	575	\$56,028.5	308	\$12,076.6	614	\$6,609.0	158	\$3,388.4	2071	\$78,465.0	100%
Grants & Loans Issued	286	\$210.7	231	\$17,889.9	146	\$6,150.0	342	\$3,171.0	0	\$0.0	1005	\$27,421.6	49%
Awaiting Funds Prior to SB128	0	\$0.0	215	\$23,925.7	37	\$1,465.9	96	\$1,080.5	158	\$3,388.4	506	\$29,860.5	24%
Continuation Cleanup Projects 6/30/99	0	\$0.0	29	\$1,650.0	0	\$0.0	0	\$0.0	0	\$0.0	29	\$1,650.0	2%
Ineligible/Withdrawn/Cancelled	130	\$151.9	100	\$12,562.9	125	\$4,460.7	176	\$2,357.5	0	\$0.0	531	\$19,533.0	25%

Table 6
Financial Assistance Grants and Loans Summary Through 12/31/00 - Post-SB128
(Dollars are in Thousands)

	Cleanup Grant		SB 128 Loan Program		Upgrade		Closure	
	No.	Dollars	No.	Dollars	No.	Dollars	No.	Dollars
Applications Awaiting Funds Prior to SB128	<u>244</u>	<u>\$30,331.0</u>	<u>Note 1</u>	<u>\$56,500.0</u>	<u>37</u>	<u>\$1,662.5</u>	<u>98</u>	<u>\$1,219.7</u>
SB128 Eligible/Interested Applicants	51	\$8,908.0	57	\$14,250.0	2	\$0.0	3	\$32.2
Undetermined Eligibility	90	\$9,990.0	169	\$42,250.0	4	\$190.0	30	\$375.0
Ineligible/Withdrawn/Cancelled	103	\$11,433.0	18	\$0.0	31	\$1,472.5	65	\$812.5
SB128 Funding Approach (Note 2):								
FY01 Planned Projects	39	\$2,000.0	0	\$0.0	0	\$0.0	3	\$32.2
FY02 Projected Projects	39	\$2,500.0	30	\$1,500.0	0	\$0.0	0	\$0.0

Note1. Any Cleanup Grant applicant *may* be eligible to apply for a loan under the new program established under SB128. Of the potential pool of 244 applicants, 57 have responded positively to the Department's survey with regard to interest in the loan program. A few applicants have already completed their cleanups making them ineligible for a loan, and have withdrawn from the program.

Note 2: Of the 51 eligible/interested applicants after SB128, 39 are expected to take advantage of grant funding offers during FY01. During FY02, up to 40 of the 51 projects are expected to require initial or continuation funding.