

**SENATE JOURNAL**  
**ALASKA STATE LEGISLATURE**  
**THIRTIETH LEGISLATURE**  
**FIRST SESSION**

**Juneau, Alaska**

**Friday**

**January 20, 2017**

**Fourth Day**

Pursuant to adjournment the Senate was called to order by President Kelly at 10:02 a.m.

The roll showed nineteen members present. Senator Coghill was excused from a call of the Senate.

The prayer was offered by the Chaplain, Pastor Kirk Elmore, Landmark Apostolic Church. Senator Hoffman moved and asked unanimous consent that the prayer be spread. Without objection, it was so ordered.

Lord today I am reminded of a scripture in the book of Psalms chapter 133 that says, "How good and pleasant it is when God's people live together in unity!" In this historical hall and among these elected officials I pray for unity. God this does not mean that we will always agree with one another, but it does mean that our actions, our words and our hearts be mindful of each other. These sessions that bring forth the direction of our state must be led by conviction, integrity and compassion. God I ask that you give these men and women the courage to stand for the things that are right...not just convenient. In this time of transition on the local, state and federal levels, it is my heart's desire that we come together as a people, as a state and as a nation to work side by side to create a stronger state than ever before. Ecclesiastes says, "Two are better than one because they have a good return for their labor. For if either

of them falls, the one will lift up his companion. But woe to the one who falls when there is not another to lift him up." Lord help us to work with each other, help us to see the differences as an opportunity for growth and not division. Lastly Lord I pray for their strength. I ask that you give them the endurance of both body and mind to accomplish the tasks that are set before them. This great state with all its diversity of land and people will continue to be a land of prosperity, hope and of promise. Let this session be filled with your presence and your word be their guide. I ask of these things in the wonderful name of my savior, Jesus. Amen.

Senator Bishop led the Senate in the Pledge of Allegiance.

### **Certification**

Senator Micciche moved and asked unanimous consent that the journals for the second and third legislative days be approved as certified by the Secretary. Without objection, it was so ordered.

### **Communications**

A memo dated January 18, from Senator MacKinnon and Senator Hoffman, Coauthors; Senate Finance Committee, was read stating the committee selected Senator Bishop as Vice Chair effective January 18.

The following reports are on file in the Office of the Secretary of the Senate:

Department of Revenue  
Investment Earnings Report  
Alaska Marine Highway System Fund  
January 17, 2017  
in accordance with AS 19.65.070 (c)

Investment Earnings Report  
Alaska Marine Highway Vessel Replacement Fund  
January 17, 2017  
in accordance with AS 37.05.550 (c)

The following Budget and Audit Reports were received from Kris Curtis, Legislative Auditor, in accordance with AS 24.20.311 and are on file in the Office of the Secretary of the Senate:

2016 Annual Report, Unabridged  
2016 Annual Report, Condensed

Department of Health and Social Services  
Alaska Health Care Commission Sunset Review  
October 17, 2016

Department of Public Safety  
Alaska Scientific Crime Detection Laboratory, Select Issues  
November 7, 2016

### **Introduction and Reference of Senate Bills**

#### **SB 27**

SENATE BILL NO. 27 BY SENATOR DUNLEAVY, entitled:

"An Act relating to the establishment of the Task Force on Reading Proficiency and Reading Instruction for All Students and on the Effects of Dyslexia on Some Students."

was read the first time and referred to the Education Committee.

#### **SB 28**

SENATE BILL NO. 28 BY SENATOR STEDMAN, entitled:

"An Act relating to the general grant land entitlement for the Petersburg Borough; and providing for an effective date."

was read the first time and referred to the Community and Regional Affairs Committee.

**SB 29**

SENATE BILL NO. 29 BY THE SENATE RULES COMMITTEE  
BY REQUEST OF THE GOVERNOR, entitled:

"An Act repealing the Workers' Compensation Appeals Commission; relating to decisions and orders of the Workers' Compensation Appeals Commission; relating to superior court jurisdiction over appeals from Alaska Workers' Compensation Board decisions; repealing Rules 201.1, 401.1, and 501.1, Alaska Rules of Appellate Procedure, and amending Rules 202(a), 204(a) - (c), 210(e), 601(b), and 603(a), Alaska Rules of Appellate Procedure; and providing for an effective date."

was read the first time and referred to the Labor and Commerce, Judiciary and Finance Committees.

The following fiscal information was published today:

Fiscal Note No. 1, Department of Labor and Workforce Development

Governor's transmittal letter dated January 19:

Dear President Kelly:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill that would repeal the Workers' Compensation Appeals Commission (Commission). Established in 2005, the Commission has jurisdiction over appeals from decisions and orders of the Alaska Workers' Compensation Board (Board). The Commission was created to streamline the appeals process for injured employees and their employers; however, it has instead created unnecessary costs and delays, and has not streamlined the appeals process.

The bill would reinstate superior court jurisdiction as the first level for review of decisions and orders of the Board. No changes are made to Board procedure, only to the forum for review of a Board decision. Moreover, no changes are made to the longstanding standards governing stays of payments and attorney fee awards under AS 23.30.145(c) in a workers' compensation benefits appeal. The superior court would apply the same standards of review used by the Commission and by the superior court when it had jurisdiction. Also

consistent with longstanding practice, a cost bond on appeal would be waived for an employee appealing a denial of workers' compensation benefits. However, in terms of attorney fee awards in appeals of civil penalty orders against employers for a failure to insure for workers' compensation liability, the bill's repeal of the Commission's fee provision, AS 23.30.008(d), would result in overruling *State of Alaska, Division of Workers' Compensation v. Titan Enterprises, LLC*, 338 P.3d 316 (Alaska 2014). Instead, Rule 508(e)(4), Alaska Rules of Appellate Procedure, would govern attorney fee awards in civil penalty appeals. This change means that a prevailing party in an appeal of a civil penalty order – the employer or the Division of Workers' Compensation – could receive 20 percent of its actual attorney fees, instead of fully compensatory and reasonable fees that a prevailing injured employee would receive in a benefits appeal.

The bill would amend the Alaska Rules of Appellate Procedure to remove references to the repealed Commission that would no longer have subject matter jurisdiction over these appeals, to reinstate the standard for stays that the superior court applied when it previously reviewed these appeals, and to change the name of the agency issuing the final administrative decision from the Commission to the Board. Legislative amendment of the court rules will ensure a smooth transition for workers' compensation appeals after the repeal of the Commission.

Also, to facilitate a smooth transition, the bill would require that new appeals and petitions for review of a board decision be filed with the superior court beginning on June 1, 2017, but would retain the Commission's jurisdiction over pending matters through December 1, 2017. If the Commission does not conclude pending matters on or before December 1, 2017, the bill provides that the matters would be transferred to the superior court for further proceedings.

In the spirit of streamlining government processes and protecting citizen rights, the bill would protect the right to challenge a decision of the Alaska Workers' Compensation Board, but without the unnecessary and inefficient step of appearing before the Workers' Compensation Appeals Commission.

I urge your prompt and favorable action on this measure.

Sincerely,

/s/

Bill Walker

Governor

**SB 30**

SENATE BILL NO. 30 BY THE SENATE RULES COMMITTEE  
BY REQUEST OF THE GOVERNOR, entitled:

"An Act approving and ratifying the sale of royalty oil by  
the State of Alaska to Petro Star Inc.; and providing for an  
effective date."

was read the first time and referred to the Resources and Finance  
Committees.

The following fiscal information was published today:  
Fiscal Note No. 1, Department of Natural Resources

Governor's transmittal letter dated January 19:

Dear President Kelly:

Under the authority of Article III, Section 18, of the Alaska  
Constitution, I am transmitting a bill relating to approval and  
ratification of the sale of royalty oil by the State of Alaska to Petro  
Star Inc.

The Commissioner of Natural Resources has determined that it is in  
the best interest of the State to take royalty oil in-kind from lessees on  
the North Slope. Under two proposed contracts, the Department of  
Natural Resources (Department) will sell North Slope royalty oil to  
Petro Star Inc. for a combined period of five years. The first contract  
does not require legislative approval as an agreement lasting one year  
or less and entered into with the objective to relieve market conditions  
under AS 38.06.055(b). The Department proposes to deliver between  
18,800 to 23,500 barrels per day (bpd) under the first contract. The  
Department estimates that the one-year contract will begin delivery of  
royalty oil on January 1, 2017, and continue until December 31, 2017.

The second contract, which requires legislative approval, will have a term of four years, beginning on January 1, 2018, and ending on December 31, 2021. The bill would approve and ratify the “Agreement for the Sale of Royalty Oil Between and Among the State of Alaska, and Petro Star Inc. and Arctic Slope Regional Corporation.” The agreement provides for the sale of 16,400 to 20,500 bpd of the royalty oil in the first year; from 13,200 to 16,500 bpd in the second year; from 10,800 to 13,500 bpd in the third year; and from 8,400 to 10,500 bpd in the fourth year. The royalty oil would be sold to Petro Star Inc. at a price in the agreement calculated to equal or exceed the value that the State would obtain for the royalty oil if it was taken in-value. The agreement includes provisions to support employment of state residents and in-state processing. Arctic Slope Regional Corporation guarantees the performance of Petro Star Inc., its wholly-owned subsidiary, for all of Petro Star Inc.’s obligations under the contract.

The bill is the culmination of diligent analysis and public process that are imperative for responsible resource stewardship. The Department and the Alaska Royalty Oil and Gas Development Advisory Board (Board) considered the fiscal, economic, societal, and environmental impacts and benefits of the agreement. The Department issued a Final Best Interest Finding and Determination on the agreement that included analysis of the factors for the sale of royalty oil in AS 38.05.183. The Department did not receive any comments from the public on the sale during the public comment period that ended on August 29, 2016. Additionally, the Board held a public hearing on the sale. In accordance with AS 38.06.050, the Board voted to approve a written recommendation and report on August 31, 2016, recommending legislative approval of the agreement.

The bill would allow the State to obtain the maximum value for its royalty oil. I urge your prompt and favorable action on this measure.

Sincerely,

/s/

Bill Walker  
Governor

**SB 31**

SENATE BILL NO. 31 BY THE SENATE RULES COMMITTEE  
BY REQUEST OF THE GOVERNOR, entitled:

"An Act relating to compensation, merit increases, and pay increments for certain public officials, officers, and employees not covered by collective bargaining agreements; and providing for an effective date."

was read the first time and referred to the State Affairs and Finance Committees.

The following fiscal information was published today:

Fiscal Note No. 1, Office of the Governor

Governor's transmittal letter dated January 19:

Dear President Kelly:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to pay for nonunion state employees, public officials, and legislators.

The bill would freeze salaries by prohibiting the payment of general salary increases and eliminating the payment of merit step increases and pay increments, between July 1, 2017, and June 30, 2019, for partially exempt, exempt, and other nonunion employees in the Executive Branch, Legislative Branch, and employees of the University of Alaska. Additionally, the bill would give the Governor the authority to waive any portion of the Governor's salary during the period July 1, 2017, through July 1, 2019. The bill would not apply to persons who are members of a collective bargaining unit established under AS 23.40.070 - 23.40.260 (Public Employment Relations Act).

This two-year freeze in employee pay will allow time for the State to responsibly address the serious budget deficit.



I urge your prompt and favorable action on this measure.

Sincerely,

/s/

Bill Walker

Governor

### **Unfinished Business**

#### **SB 27**

Senators Gardner, MacKinnon, Giessel, Costello, Hughes, Wilson, Stevens moved and asked unanimous consent to be shown as cosponsors on SENATE BILL NO. 27 "An Act relating to the establishment of the Task Force on Reading Proficiency and Reading Instruction for All Students and on the Effects of Dyslexia on Some Students." Without objection, it was so ordered.

### **Announcements**

Announcements are at the end of the journal.

### **Adjournment**

Senator Micciche moved and asked unanimous consent that the Senate stand in adjournment until 11:00 a.m., January 23, 2017. Without objection, the Senate adjourned at 10:18 a.m.

Liz Clark  
Secretary of the Senate

**Announcements**

Americans with Disabilities Act Notice - Persons with disabilities who require special accommodation or alternative communication formats to access committee meetings may contact the appropriate committee office or the Legislative Information Office in their community. Reasonable advance notice is needed to accommodate the request. For further information, call the ADA Coordinator at 465-3854 Voice/465-4980 TDD.

**STANDING COMMITTEES**

+ indicates teleconference

= indicates bill previously heard/scheduled

**COMMUNITY & REGIONAL AFFAIRS**

**Jan 24      Tuesday                      Beltz 105 (tsbldg)              3:30 PM**  
No Meeting Scheduled

**Jan 26      Thursday                      Beltz 105 (tsbldg)              3:30 PM**  
No Meeting Scheduled

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**EDUCATION**

**Jan 20      Friday                              Capitol 106              8:00 AM**  
-- Testimony <Invitation Only> --  
-- Joint with House Education Committee --  
+ Overview: Department of Education and Early  
Development

**Jan 23      Monday                              Butrovich 205              8:00 AM**  
No Meeting Scheduled

**Jan 25      Wednesday                      Butrovich 205              8:00 AM**  
-- Testimony <Invitation Only> --  
+ Overview of the K-12 Foundation Formula

**Jan 27      Friday                              Butrovich 205              8:00 AM**  
-- Testimony <Invitation Only> --  
+ Increasing Broadband Access and Capacity for  
Rural Schools

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**FINANCE**

<b>Jan 20</b> +	<b>Friday</b> Presentation: Overview FY18 Operating Budget David Teal, Director, Legislative Finance Division	<b>Senate Finance 532</b>	<b>9:00 AM</b>
<b>Jan 23</b> +	<b>Monday</b> Presentation: Intent Language Report David Teal, Director, Legislative Finance Division Megan Wallace, Attorney, Legislative Legal Division	<b>Senate Finance 532</b>	<b>9:00 AM</b>
<b>Jan 24</b> +	<b>Tuesday</b> Presentation: Intent Language Funding Plan Alaska Travel Industry Association	<b>Senate Finance 532</b>	<b>9:00 AM</b>
<b>Jan 25</b> +	<b>Wednesday</b> Presentation: Intent Language Status Update Alaska Seafood Marketing Institute	<b>Senate Finance 532</b>	<b>9:00 AM</b>
<b>Jan 26</b> +	<b>Thursday</b> Presentation: Overview FY18 Budget Alaska Mental Health Trust	<b>Senate Finance 532</b>	<b>9:00 AM</b>
<b>Jan 27</b>	<b>Friday</b> No Meeting Scheduled	<b>Senate Finance 532</b>	<b>9:00 AM</b>

**HEALTH & SOCIAL SERVICES**

<b>Jan 25</b> +	<b>Wednesday</b> -- Testimony <Invitation Only> -- Department Overview Commissioner Valerie Davidson Acting Assistant Commissioner Shawnda O'Brien **Streamed live on AKL.tv**	<b>Butrovich 205</b>	<b>1:30 PM</b>
<b>Jan 27</b> +	<b>Friday</b> -- Testimony <Invitation Only> -- Presentation: Update on Medicaid Reform Monique Martin, DHSS Health Care Policy Advisor **Streamed live on AKL.tv**	<b>Butrovich 205</b>	<b>1:30 PM</b>

**JUDICIARY**

<b>Jan 23</b>	<b>Monday</b> No Meeting Scheduled	<b>Beltz 105 (tsbldg)</b>	<b>1:30 PM</b>
<b>Jan 25</b>	<b>Wednesday</b> -- Testimony <Invitation Only> -- + Presentation by the Alaska Criminal Justice Commission	<b>Beltz 105 (tsbldg)</b>	<b>1:30 PM</b>
<b>Jan 27</b>	<b>Friday</b> + Implementation Overview of Senate Bill 91 (29th Legislature)	<b>Beltz 105 (tsbldg)</b>	<b>1:30 PM</b>

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**LABOR & COMMERCE**

<b>Jan 24</b>	<b>Tuesday</b> + ECONOMIC INDICATORS & TRENDS Alaska Travel Industry Association Presentation: Alaska Tourism Industry and Trends Department of Transportation & Public Facilities Presentation: Alaska International Airport System - An Economic Engine Division of Insurance Presentation: Alaska's Health Care Insurance Market -- Testimony <Invitation Only> --	<b>Beltz 105 (tsbldg)</b>	<b>1:30 PM</b>
<b>Jan 26</b>	<b>Thursday</b> + STRATEGY FOR ALASKA'S ECONOMY Alaska Regional Development Organizations Anchorage Economic Development Corporation Fairbanks Economic Development Corporation Southeast Conference Department of Commerce, Community, & Economic Development Presentation: Northern Opportunity: Alaska's Economic Strategy -- Testimony <Invitation Only> --	<b>Beltz 105 (tsbldg)</b>	<b>1:30 PM</b>

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**RESOURCES**

<b>Jan 23</b>	<b>Monday</b>	<b>Butrovich 205</b>	<b>3:30 PM</b>
	-- Testimony <Invitation Only> --		
+	Update: Alaska LNG Project		
<b>Jan 25</b>	<b>Wednesday</b>	<b>Butrovich 205</b>	<b>3:30 PM</b>
	-- Testimony <Invitation Only> --		
+	Alaska Energy Authority: Presentation on Alaska Affordable Energy Strategy		
<b>Jan 27</b>	<b>Friday</b>	<b>Butrovich 205</b>	<b>3:30 PM</b>
	No Meeting Scheduled		

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**STATE AFFAIRS**

<b>Jan 24</b>	<b>Tuesday</b>	<b>Butrovich 205</b>	<b>3:30 PM</b>
	3:30 pm - 4:30 pm		
	Dr. Ralph Townsend, Institute of Social and Economic Research (ISER)		
+	Presentation on Alaska's Economy		
	4:30 pm		
+	SB 1	APPROP: 2016 PFD SUPPLEMENTAL PAYMENT	
		-- No Public Testimony <Introduction Only> --	
+	SB 2	2016 PFD SUPPLEMENTAL PAYMENT	
		-- No Public Testimony <Introduction Only> --	
<b>Jan 26</b>	<b>Thursday</b>	<b>Butrovich 205</b>	<b>3:30 PM</b>
	Jared Walczak, Tax Foundation		
+	Presentation on the Effects of Various Taxes on Alaska's Economy		
	Bob Bartholomew, City & Borough of Juneau Finance Director		
	Clinton Singletary, City & Borough of Juneau Sales Tax Administrator		
+	Discussion on the Mechanics of Collecting Sales Tax		
<b>Jan 28</b>	<b>Saturday</b>	<b>Butrovich 205</b>	<b>10:00 AM</b>
+=	SB 1	APPROP: 2016 PFD SUPPLEMENTAL PAYMENT	
		-- Public Testimony <3 Minute Time Limit> --	
+=	SB 2	2016 PFD SUPPLEMENTAL PAYMENT	
		-- Public Testimony <3 Minute Time Limit> --	

**TRANSPORTATION**

<b>Jan 24</b>	<b>Tuesday</b>	<b>Butrovich 205</b>	<b>1:30 PM</b>
	No Meeting Scheduled		
<b>Jan 26</b>	<b>Thursday</b>	<b>Butrovich 205</b>	<b>1:30 PM</b>
+	Aviation Improvement Program Deputy Commissioner John Binder		

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**JOINT COMMITTEES****LEGISLATIVE COUNCIL**

<b>Jan 20</b>	<b>Friday</b>	<b>House Finance 519</b>	<b>11:30 AM</b>
+	Committee Organization - Election of the Chair - Election of the Vice Chair Committee Policies - Quorum & Voting Requirements - Alternate Members - Sanctioning Charitable Events - Subcommittee Assignments Other Committee Business - West Benson LIO - Manual of Legislative Drafting 2017 by Jerry Luckhaupt - 2017 Revisor's Bill by Lisa Kirsch - Sanctioning Charitable Events		

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**SELECT COMMITTEE ON LEGISLATIVE ETHICS**

<b>Jan 24</b>	<b>Tuesday</b>	<b>Location TBA</b>	<b>8:30 AM</b>
+	-- MEETING CANCELED -- Call to Order Welcome New Legislators & Public Members Approval of Minutes a. August 18, 2016 Full Committee b. August 18, 2016 Senate Committee c. August 18, 2016 House Committee -- Public Comment -- <b>(Continued on Next Page)</b>		

**(Continued from Previous Page)**

Election of Committee Chairs for 2017-18

Chair / Staff Report

a. Comments from Administrator

b. Informal Advice Staff Report

c. Ethics Training

- 2016 Final Numbers

- 2017 Training Update

d. Ethics Disclosures

e. COGEL Conference Report

- Comments from Conner Thomas, Skip Cook, and  
Jerry D. Anderson

f. Publications

- Advisory Opinions & Public Decisions

- 2017 Standards of Conduct Handbook

Annual Benefit and Loan Review

Executive Session

Public Session

Other Business