

SENATE FINANCE COMMITTEE  
January 25, 2008  
9:06 a.m.

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at [9:06:24 AM](#).

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair  
Senator Bert Stedman, Co-Chair  
Senator Charlie Huggins, Vice-Chair  
Senator Kim Elton  
Senator Joe Thomas  
Senator Fred Dyson

MEMBERS ABSENT

Senator Olson

ALSO PRESENT

Joanne Bales, Deputy Director, Tax Division, Department of Revenue; Lynn Kent, Director, Division of Water Quality, Department of Environmental Conservation; Laura Beason, Administrative Services Manager, Division of Information and Administrative Services, Department of Environmental Conservation; Jerry Burnett, Director, Division of Administrative Services, Department of Revenue; Representative Bill Thomas; Representative Carl Gatto

PRESENT VIA TELECONFERENCE

None

SUMMARY

OVERVIEW: COMMERCIAL PASSENGER VESSEL TAX PROGRAM UPDATE

[9:07:18 AM](#)

Co-Chair Stedman related a short history of the Ocean Ranger program. He pointed out there have been questions regarding implementation.

[9:10:48 AM](#)

JOANNA BALES, DEPUTY DIRECTOR, TAX DIVISION, DEPARTMENT OF REVENUE, COMMERCIAL PASSENGER provided information and observed that the division administers all tax types levied by the State of Alaska, including the new Commercial Passenger Excise Tax. She presented an overview of the Tax

Initiative since the completion of the first full cruise ship season. There were "revenue" and "non-revenue" related provisions, but she focused first on the revenue provisions (Commercial Passenger Vessel Excise Tax handout, p.1, copy on file). The initiative, effective December 17, 2006, imposes a \$46 Commercial Passenger Vessel Excise Tax on passengers traveling on large cruise ships (over 250 berths). It also levies a tax at the rate of 33 percent of adjusted gross income on the owner/operator of cruise ships conducting gambling activities in Alaska waters. Cruise ship companies are now also subject to Alaska's corporate net income tax, although they have been exempt in the past. Ms. Bales reported that this Initiative assesses a \$4 per passenger berth fee to cover the cost of the new Ocean Ranger program, which Department of Environmental Conservation (DEC) will elaborate on.

Ms. Bales remarked that the Department of Revenue (DOR) is not responsible for enforcing the "other provisions" listed in the Initiative (Initiative Overview, Other Provisions, p. 2, copy on file). These provisions require the cruise ship operators to gather and report information and obtain a new type of permit for sewage, graywater or other wastewater before discharging in Alaska marine waters. The provision also authorizes citizen lawsuits against an owner/operator of a large cruise ship for alleged violations of any permit condition. It further enables a person who provides information leading to enforcement of a law to receive twenty-five to fifty percent of fines imposed. Ms. Bales remarked that additional requirements are also imposed on disclosures about on-ship (shore-side) promotions. Ms. Bales emphasized that Department of Revenue does not administer the provisions, but the Department of Community and Economic Development and the Department of Environmental Conservation are jointly responsible to enforce the other provisions.

[9:14:21 AM](#)

Ms. Bales acknowledged she receives many questions about the Commercial Passenger Vessel Excise Tax (head tax) amount. The "head tax" is a \$46 per passenger tax (Commercial Passenger Vessel Excise Tax) plus a \$4 per passenger Ocean Ranger Fee, which totals \$50 per passenger (CPV Revenues, p. 3, copy on file). The Department of Revenue administers the \$46 excise tax and the Department of Environmental Conservation administers the \$4 per passenger fee.

[9:15:23 AM](#)

Ms. Bales explained the Department of Revenue's responsibilities in this Initiative (Department of Revenue Responsibilities, p.4, copy on file). The Department of Revenue administers and collects the Corporate Income Tax, the Cruise Ship Gambling Tax, and the Commercial Passenger

Vessel Excise Tax (head tax.) The Department of Revenue accounts for and disburses proceeds of the tax as directed by the Legislature and drafts regulations for all tax types in the Initiative. Ms. Bales explained that all corporations are subject to the Corporate Income Tax, but, because of a federal provision, foreign flag vessels have been exempt from Alaska's Corporate Income Tax (Administer & Collect the Corporate Net Income Tax, p. 5, copy on file). This Initiative now requires those vessels that are corporations be subject to the Alaska Corporate Income Tax. Money collected from the Corporate Tax is deposited into the General Fund. The Department of Revenue has no viable tax estimates on the cruise lines given that they have never before paid taxes in Alaska.

Ms. Bales indicated that the first Corporate Income Tax returns are due April 15, 2008, which will then provide more information on the amount of revenue expected from the cruise industry. Ms. Bales continued that no revenue sharing will be provided to municipalities from the Corporate Income tax since all the money is deposited into the General Fund.

[9:17:42 AM](#)

Ms. Bales explained the second part of the Initiative regarding the 33 percent Cruise Ship Gambling Tax (Administer & Collect the 33 percent cruise ship gambling tax, p. 6, copy on file). Some proposed Gambling Regulations were drafted and sent out for public comment, starting in November and ending February 7, 2008. The final Gambling Tax Regulations, expected in April, will focus on the administrative portions of the tax: who must file, when to file, where to file. A tax return is currently being designed, but the Gambling Regulations need to be finalized before the form can be completed. Ms. Bales said the 33 percent tax on gambling is imposed on the Adjusted Gross Income received from gambling activities conducted in Alaska waters. Cruise ship companies must develop an "allocation" method due to the fact that gambling takes place both inside and outside Alaska waters. The adjusted gross income is gross gambling proceeds, minus prizes paid out, and any other federal and municipal taxes imposed on the gambling income. Ms. Bales indicated the gambling income will be filed in annual returns with the first return due on April 15, 2008. The Gambling Tax will be deposited into the Commercial Vessel Passenger Tax Account, a sub account of the General Fund.

[9:20:13 AM](#)

Ms. Bales commented that the \$46 per passenger Commercial Passenger Vessel Excise Tax has received the most focus (Administer & Collect the \$46 commercial passenger vessel excise tax "head tax", p. 7, copy on file). This tax is

levied on cruise ship passengers per voyage. The cruise ship owner/operator is required to collect the tax from the passenger then remit it to the Department of Revenue. A tax return must be filed by the owner/operator at the end of the month following the month the voyage occurred. A voyage is described as one lasting longer than seventy-two hours. Cruise ship companies will be required to report the number of passengers visiting each Alaska port of call.

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Ms. Bales explained that another Department of Revenue function is to account for and disburse funds from the "head tax" (Account for and disburse proceeds of the "head tax" as directed by the Legislature, p. 8, copy on file). The Initiative established a new tax account within the General Fund called the Commercial Vessel Passenger Excise Tax Account. The program is referred to as the Commercial Passenger Vessel Tax program while the tax account is referred to as the Commercial Vessel Passenger Tax Account. During the 2007 cruise ship season, the total revenue collected was \$46.4 million based on 1,010,245 passengers (Receipts from the Commercial Passenger Vessel Excise Tax, p. 9, copy on file). In accordance with the Initiative, the Commercial Vessel Passenger Tax Account keeps seventy-five percent (\$34.50 per person) of the proceeds while a sub-fund, called the Regional Cruise Ship Impact Fund, keeps twenty-five per cent (\$11.50 per person). Ms. Bales reiterated that the Gambling Tax will also be deposited into the Commercial Vessel Passenger Tax Account although there have been no filings or payments into this account at this time.

[9:24:08 AM](#)

Ms. Bales reminded the Committee that the Initiative designates how this money is to be spent, but everything is subject to appropriation by the Legislature. The disbursements are "two-fold" in this account. The first is the "First Five Ports of Call" rule stating that the revenue is to be shared by the first five ports of call on any cruise voyage. Any remaining money in the account the "legislature may appropriate money from this fund for state-owned port and harbor facilities, other services to properly provide for vessel or watercraft visit, to enhance the safety and efficiency of interstate and foreign commerce and such other lawful purposes" (Commercial Vessel Passenger Tax Account, p. 10 copy on file). Ms. Bales acknowledged that this provides some guidance on how the money is to be spent, but emphasized that federal law also requires that the money be used to enhance the visit of cruise ship passengers.

[9:26:08 AM](#)

Ms. Bales went on to explain the First Five Ports of Call Rule (First 5 Ports of Call, p. 11, copy on file). The original Initiative estimate was based on \$5 per passenger, to be shared with the first five ports (approximately \$25 million to date). The Department of Revenue estimate, revised by the restrictions in the wording of the Initiative and the workings of the cruise ship industry, is now closer to \$10 million annually. Ms. Bales went on to explain that most cruise ships do not visit five ports during a voyage. Ms. Bales defined a "port of call" as a municipality or borough (not a private organization or company) where passengers embark or disembark, including lightering passengers, but the port can not have its own passenger tax. Ketchikan and Juneau are usually visited during each voyage, but neither of these communities is entitled to receive money under this specific provision because they have their own passenger tax. Ms. Bales added that the Ketchikan Gateway Borough can receive money under this provision because the borough is not unified with the City of Ketchikan. Ms. Bales specified that ports receiving funds under the First Five Ports of Call Rule are not eligible to receive Regional Cruise Ship Impact funds.

[9:28AM](#)

Ms. Bales referred to the total revenue collections per month, based on the number of passengers (Total Revenue Collections by Month, 2007 Cruise Ship Season, p. 12, copy on file). The 2007 Cruise Ship Season collected over \$46.4 million from 1,010,245 passengers.

[9:29:37 AM](#)

Ms. Bales pointed out that as of May the tax amounted to \$4.9 million, but only \$3.8 million of that amount was actually collected during FY 07. This distinction is an important reflection on how the money to the first five ports was disbursed. During the last legislative session an appropriation in the FY 08 budget directed DOR to disperse funds to communities under the First Five Ports of Call Rule, but the money disbursed was supposed to be money collected in FY 07. The Department of Revenue was not expecting money to be collected in FY 07, but the majority of cruise ship tax payers paid early making it possible to disburse money to the communities in 2008. The Legislature appropriated all proceeds collected in FY 07 and the funds were disbursed to qualifying municipalities and boroughs in December 2007 (Revenue Sharing, p. 13, copy on file). Money collected in FY 08 (July 2007 to the present) is \$42.6 million. All future disbursements must be appropriated by the legislature.

Ms. Bales continued by showing the disbursements each community received in December 2007 (FY 08 Disbursements,

first 5 ports of call, p. 14, copy on file). The Kenai Peninsula Borough, Seward (not unified with Kenai Peninsula Borough), and Ketchikan Borough received \$2.50 per passenger. The other Five Ports of Call cities received \$5 per passenger.

[9:32:2337 AM](#)

Ms. Bales estimated the FY 09 First Five Ports of Call disbursements based on the money collected during the 2007 Cruise Ship Season (FY 09 Estimated Disbursement, first 5 ports of call, p, 15, copy on file). The amount appropriated to the communities in December 2009, if appropriations are designated by the Legislature, will be drawn from the amount collected in FY 08, including any money collected in May 2008.

[9:35:24 AM](#)

Ms. Bales referred to the Account Balances for the total Commercial Vessel Passenger tax amount collected for the 2007 cruise ship season (Account Balances, 2007 Cruise Ship Season, p. 16, copy on file). In December 2007, \$744,580 was disbursed to the first five ports of call. The Department of Revenue expects to disburse another \$9.2 million to the five ports of call in October 2009. The remaining balance of \$24.8 million has not been appropriated. The Regional Cruise Ship Impact Fund has \$11.6 million designated to go to municipalities and other government entities "impacted" by cruise ship activity, but not to communities receiving money under the First Five Ports of Call Rule. A total of \$36.4 million has not been appropriated for any projects or communities. Ms. Bales again stated that DOR is not tasked with drafting regulations on how the funding is spent. The legislature appropriates all money and no appropriations have been made in FY 07 or FY 08.

[9:37:34 AM](#)

Senator Dyson inquired about Department of Revenue's authority to audit cruise ship books.

Ms. Bales responded that DOR has complete authority to audit cruise ship books and records.

Senator Dyson questioned if the ships must follow Alaska gambling laws when they sail in Alaska waters. Ms. Bales responded that gambling is illegal in Alaska, however, the federal law allows gambling on cruise ships in marine waters (3-mile limit of any port in Alaska); therefore, Alaska can not prohibit cruise ship gambling.

Senator Elton asked what capabilities DOR has in collecting the gambling tax. He believed very specific information

would be needed from the cruise lines to apply the tax. Senator Dyson inquired if additional people were needed within DOR to compile this information or was the cruise ship information taken on faith. Ms. Bales replied that auditing any tax type can be problematic, but she did not perceive any additional difficulty from the cruise industry. The Legislature had appropriated some new DOR positions to help in these tasks.

Senator Elton suggested that with the present economy the cruise ship industry numbers could decline in the 2008 Cruise Season. He inquired about the possibility for a reduction of tax estimates.

[9:42:47 AM](#)

Ms. Bales agreed with Senator Elton that entertainment budgets are often the first eliminated from personal budgets, but Alaska is one of the cruise lines premier destinations, which made it stronger and less likely to be impacted.

[9:43:49 AM](#)

JERRY BURNETT, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE noted that he has attended the Economic Forum at the Baranof and pointed out that the dollar decline to the Euro over past few years makes cruising in Alaska for people around the world much less expensive.

[9:44:48 AM](#)

Co-Chair Hoffman inquired if any communities have notified DOR about being "impacted" by the cruise ship industry. Ms. Bales responded that some communities have made inquiries as to how the money disbursements would work, but they have not received requests for any specific projects.

Co-Chair Stedman asked Ms. Bales to elaborate on how DOR plans to help the Legislature sort through the issue and questioned the fact that DOR would not be writing any regulations on the disbursement of funds. Ms. Bales explained that DOR is not drafting regulations that deal with the Commercial Vessel Passenger Tax Account (the remaining \$24.8 million). The Department is a tax collection agency that does not make decisions on how the money is spent. The Department of Revenue has talked to the Department of Law about possible uses for the money. Cruise ship industry concerns as well as federal constitutional prohibitions will make drafting regulations difficult for the Department.

Mr. Burnett added that the Legislature chose not to appropriate the Regional Cruise Ship Impact Fund money to DOR for disbursement in the FY 08 budget. The only money appropriated to DOR for disbursement was the First Five Ports of Call funds. Until the appropriation is made (in the Governor's budget for FY 09) there is no urgency for DOR to complete any regulations.

[9:47:54 AM](#)

Co-Chair Hoffman asked if any cruise ship voyages have more than five ports of call. Ms. Bales replied that to her knowledge there is only one cruise tour this season with seven ports, but that is unusual.

Co-Chair Hoffman wondered if the additional ports could they receive money under this provision when there were more than five ports. He also inquired if there was a list of communities that could be impacted by the cruise ship industry.

Ms. Bales agreed with Co-Chair Hoffman that any community impacted could qualify, but there is not presently a list of potential impacted communities.

Mr. Burnett added that some unincorporated communities and Native villages, who feel they have been impacted by the cruise industry, have contacted DOR with questions about including them in the disbursements.

Senator Thomas believed that it was important to identify those unincorporated areas and Native villages to decide if they should be included in the disbursements.

[9:50:59 AM](#)

Co-Chair Hoffman asked if there was a list of the remaining "state owned" ports and harbors where the Commercial Vessel Passenger Tax Account money may be appropriated.

Ms. Bales answered that there was no current list, but it would be possible to compile a list with the help of the Department of Transportation (DOT).

Co-Chair Stedman responded that the list is available and the DOT could present the list.

Senator Thomas inquired how the proposed regulations for cruise ship gambling were developed, since gambling is illegal in the State of Alaska.

Ms. Bales said regulations were developed in line with every other Alaska state tax program. She pointed out that taxing an illegal activity did not make it legal.

Senator Thomas questioned the process "impacted" communities would follow to receive the funds.

Ms. Bales responded that DOR does not have the expertise to make community determinations, but a possible source could be the Department of Community and Economic Development. Ms. Bales added that DOR is not authorized to transfer responsibilities to another department, which could only be achieved through statute.

Co-Chair Hoffman asked about the language in relation to "other state projects" and questioned if the term "specific communities" was used. Ms. Bales said it does not say "specific communities", but DOR understands it can be shared with specific communities.

[9:55:53 AM](#)

Co-Chair Stedman questioned if the cruise ship industry was working with the departments on "agreed upon" distribution of funds.

Ms. Bales replied that there has been only limited dialogue with the cruise ship industry. She pointed out that the City of Juneau has established a task force, which includes members of the cruise ship industry, to approve projects before passing them to the Juneau Assembly. Ms. Bales thought this arrangement could be possible on the state level, but again, any change must be through statute.

[9:57:09 AM](#)

Senator Elton asked if the initiative prohibits or allows the distribution of money to other state government entities.

Ms. Bales believed it would allow distribution as long as it enhanced the cruise visits. Senator Elton also inquired if funds could be given to DOT if the projects were cruise ship related. Ms. Bales believed it would be proper use of the money.

Mr. Burnett added that use of funds by another department would require legislative appropriation. Senator Elton clarified the two ways to distribute funds to communities were through a state agency or a direct grant approved by the legislature. Mr. Burnett agreed that impact money could be shared directly without a specific appropriation if the money were appropriated to DOR, but he expressed concern because he was not sure how that would be done. Senator Elton inquired if the Legislature could do a capital appropriation to a community not directed through a state agency. Mr. Burnett agreed.

[10:00:40 AM](#)

Co-Chair Stedman mentioned Ketchikan is interested in plugging in the cruise ships to lower emissions. Mr. Burnett agreed that internal DOR discussions have looked at using this money to support a bond issue for a larger project and it could be possible.

Senator Huggins commented that this sounds like an emerging Rail Belt Energy Fund for which appropriations the past two years have been vetoed.

Co-Chair Stedman agreed with his observation.

[10:02:29 AM](#)

LYNN KENT, DIRECTOR, DIVISION OF WATER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION explained that the Citizen's Initiative, Section 7, AS 46.03.476, required the Department of Environmental Conservation (DEC) to implement the Ocean Rangers program (Division of Water, Ocean Ranger Program Revenue and Costs, January, 2008, p. 2, copy on file). The Ocean Rangers are United States Coast Guard licensed marine engineers required to be on board vessels when entering Alaska waters. The Ocean Rangers monitor vessel compliance with state and federal requirements for wastewater discharge, other environmental rules, health, and sanitation practices. The new fee for this program, found in Section 8, AS 46.03.480(d), imposed \$4 per passenger berth fee on all large commercial passenger vessels. The law also states that the Ocean Ranger program is subject to legislative appropriation. Cruise ships subject to this tax are defined as a commercial passenger vessel that provides overnight accommodations for two hundred and fifty or more passengers. During the 2007 cruise ship season, twenty-seven large commercial passenger vessels made regular visits to Alaska. The seven major cruise ship companies pay the bulk of the fee. All cruise ship companies must register their ships early in the calendar year and provide information to DEC on the vessel size and number of planned voyages to Alaska. The Department of Environmental Conservation uses this information to calculate the ocean ranger fee for that particular company and vessel. The Department invoices the cruise lines for all of the season's voyages and the fee collected is deposited into the Commercial Vessel Passenger Fund in the fiscal year they are collected. The money collected in FY 07 was \$3.8 million. The Department of Environmental Conservation is projecting a collection of \$4 million in FY 08 and FY 09. The Legislature appropriated to the Ocean Ranger program in FY 07, \$124.7 thousand and the current appropriation for FY 08 is \$1.2 million.

[10:07:09 AM](#)

Ms. Kent reported that in the Governor's FY 09 requested budget, the Ocean Ranger amount is \$3.8 million. The Department of Environmental Conservation plans to request, in the Governor's amended budget, additional authorization from the Commercial Passenger Vessel Fund up to the amount of the projected revenues. In the first 2007 cruise season, DEC considered the program "transitional" to observe the needs of the program. The on board professionals gathered information about the ships and determined the training needs for the Ocean Ranger program. Later in the cruise season, the program added Coast Guard licensed marine engineers to refine the suggested check list and training. The engineers visited all twenty-seven cruise ships that regularly call in Alaska and traveled on portions of one hundred and fourteen voyages.

10:09:06 AM

Ms. Kent indicated that DEC continually evaluates the Ocean Ranger program to meet the stated requirements in statute. Two options considered were to put the ocean ranger on board, via a pilot boat, when entering Alaska waters or embark the ocean ranger at the voyage point of origin. The most cost effective approach appears to be embarking them at point of origin although they would have no function or authority on board until entering Alaska Waters. The projected fee revenue of \$4 million per year is not sufficient to provide full voyage coverage on every vessel coming into Alaska. The Department of Environmental Conservation's best estimate to provide full voyage coverage would be over \$5 million per year. Ms. Kent maintained that the plan was to implement the program as fully as possible based on the Legislative appropriations. Ms. Kent listed four different monitoring approaches for the Ocean Ranger (Division of Water, Ocean Ranger Program Revenue and Costs, January, 2008, p. 3):

- (1) Embarks at the point of origin and sails the full voyage.
- (2) Embarks at first Alaska port and disembarks at the last Alaska port.
- (3) Ride from one Alaska port to the next Alaska port.
- (4) Conduct in-port inspections only.

Ms. Kent remarked that in FY 08, only a portion of the \$1.2 million appropriation has been used from the end of the last cruise season. She believed (with the remaining \$500,000) ten ocean rangers could be hired, trained and equipped providing a mix of these approaches, visiting about sixty-eight of the ship's two hundred planned voyages this season. For in-port only observations, the ocean rangers could complete one hundred and seventy.

[10:12:23 AM](#)

Ms. Kent reported that full voyage observations could be completed for the two hundred cruise ship voyages planned for the remainder of this fiscal year by using the anticipated receipts for FY 08. Co-Chair Hoffman questioned if the \$1.2 million authorized for the FY 08 budget was adequate or if supplemental funds were needed. Ms. Kent regarded the funding inadequate to meet the letter of the law requiring Ocean Rangers on board each vessel entering Alaska waters.

[10:13:31 AM](#)

Senator Elton wondered if there was money in the fund to appropriate the supplemental requirements.

Ms. Kent replied that a sufficient amount remained in the fund to appropriate the needs.

Senator Dyson questioned if the marine engineers were taking samples.

Ms. Kent responded that existing regulations requires self monitoring by the cruise ship to check the ship's wastewater discharge and report the results to the Department of Environmental Conservation.

Senator Dyson asked for clarification if the Ocean Rangers would be taking samples independent of the cruise line to verify the results. Ms. Kent said this was done through DEC, not the ocean rangers, as they are not fully in place, but affirmed that in the future the ocean rangers would independently take samples.

Senator Huggins wondered how the Ocean Ranger would be recognized on board. Ms. Kent explained that the Ocean Ranger is just an observer on board and would not carry tools or interfere with any on board action.

Senator Huggins inquired if the Alaska Marine Highway System had Ocean Rangers on board.

[10:17:14 AM](#)

Ms. Kent responded that the Alaska Marine Highway ferry system is covered by some of the commercial vessel requirements and not others. The ferries do not pay the \$4 per passenger fee, but they are responsible to monitor and report information DEC.

Senator Huggins wanted clarification if Ocean Rangers would be placed on the Alaska Marine Highway system. Ms. Kent

responded that Ocean Rangers will not be positioned on the Alaska Marine Highway ferries.

[10:18:02 AM](#)

Co-Chair Stedman inquired about the program's contractor, Crowley Marine, the unions employed and any possible impact that may liable the State of Alaska. Ms. Kent replied that DEC had just completed a thorough process selecting the contractor for this program. Crowley Marine, the chosen contractor, is working with a union in Florida to recruit and train the ocean rangers.

Co-Chair Stedman wondered how the shifts, berthing, meals and free time for the ocean rangers were being conducted. Ms. Kent responded that the ocean rangers are considered "paying" passengers berthed in passenger cabins. The actual "work-day" details are still being discussed with Crowley Marine.

[10:19:56 AM](#)

Co-Chair Stedman asked if the ocean rangers were part of DEC or separate contractors. Ms. Kent replied they were separate contractors providing observations that are reported back to DEC.

Co-Chair Stedman questioned the guide lines for the ocean rangers while on board. Ms. Kent responded that it would be left to the contractor to provide the logistics of scheduling. Co-Chair Stedman asked if qualified individuals in Alaska were available for this program or would they have to be imported. Ms. Kent pointed out that it is the obligation of the contractor to provide the licensed marine engineers for the program and they would probably be recruited from the union in Florida. It is not known at this time if they would hire locally.

[10:21:43 AM](#)

Senator Thomas observed that there is often the need to monitor the monitors. He wondered if there was a better method of collecting samples to assure security and prevent the cruise ship from changing methods upon entering Alaska waters. Ms. Kent mentioned that the ocean ranger had no authority until arriving in Alaska waters because the fee revenue is not sufficient to have the ocean ranger on board for the full voyage. A possible pilot process could be remote monitoring of discharging wastewater while in Alaska waters.

[10:24:41 AM](#)

Senator Thomas considered remote monitoring a sound idea similar to the trucking industry monitoring their driver's from afar. He inquired if the ocean ranger accommodations are "gratis" if they boarded prior to Alaska. Ms. Kent responded that the berth for the ocean ranger must be purchased for the entire voyage, even if was used for part a partial voyage.

[10:25:26 AM](#)

Senator Elton pointed out the difficulty with funds when the cruise ship season does not correspond with the Alaska fiscal year. He thought Crowley Marine suggested the cost for the 2009 calendar year would be \$4.4 million, but the Governor's request for FY 09 is \$3.8 million. He questioned if \$3.8 million would be sufficient or would there be the need for a supplemental.

[10:27:12 AM](#)

LAURA BEASON, ADMINISTRATIVE SERVICES MANAGER, DIVISION OF INFORMATION AND ADMINISTRATIVE SERVICES, DEPARTMENT OF ENVIRONMENTAL CONSERVATION responded that money needed depended if the ocean rangers rode the full voyage or a voyage portion. The figure arrived at was a snapshot based on known information, not a final figure for the year. Senator Elton asked if DEC was presently making negotiations with Crowley Marine. Senator Elton noted that Crowley Marine projected that costs could decrease based on discount berth negotiations with the cruise lines, but he could not see any ship incentive to lower berth costs. Ms. Beason acknowledged that there is no incentive for the ships to lower berth fees. Senator Elton inquired if there had been any negotiations about paying for a crew berth instead of a passenger berth. Ms. Kent responded that discussions with the Department of Law and the Cruise Ship companies determined the ocean rangers must be put into a passenger cabin as they were not a member of ship's crew.

[10:29:37 AM](#)

Co-Chair Hoffman questioned if all of the four proposed methods met the requirements for the Initiative. Ms. Beason answered that the cruise ship must have an ocean ranger when entering Alaska waters to meet the letter of the law. Co-Chair Hoffman asked which of the four methods complies with the intent of law. Ms. Beason replied that putting the ocean ranger on for the full voyage meets the letter of the law. Ms. Kent responded that the program was looking at the intent of the Initiative to monitor the ship's activities while in Alaska waters and that required the ocean ranger to be on for the entire voyage.

[10:32:23 AM](#)

Co-Chair Hoffman requested the costs for implementing each of the proposed methods. Ms. Kent responded that \$5.4 million per year would cover the costs for all ocean rangers to board for the full voyages. Co-Chair Stedman questioned the option for the ocean ranger to ride in the pilot boat when it joined the ship entering Alaska waters. Ms. Kent commented DEC considered this method to be the most expensive option.

[10:33:25 AM](#)

Co-Chair Stedman remarked that with new technology monitoring the location of every ship, it could be known every time the ship's valves were opened for discharge.

Senator Elton asked that given the questions pursued by Senator Hoffman regarding the letter of the law, he was curious if any thought had been presented to bring the law into alignment. Ms. Kent responded that no consideration was being given to change the law.

[10:34:50 AM](#)

Co-Chair Hoffman reiterated that the law does not say ocean rangers need be on board when the ship exits Alaska waters. Ms. Kent agreed that it is not specified in the law. Co-Chair Hoffman interpreted this to mean that ocean rangers could get off at the mid-way point making a less expensive program. Ms. Kent maintained that the full-voyage approach meet the letter and of the law.

[10:36:04 AM](#)

Co-Chair Stedman understood that DEC planned to implement as much of the program as possible with the funds available without asking for additional funds, so he was curious if those plans had changed. Ms. Kent expressed the intent of DEC to operate the most credible program within the amounts appropriated. The Department will seek the entire amount generated by the Ocean Ranger fee in the FY 09 budget request. Co-Chair Stedman wondered if DEC has researched the costs of remote monitoring the ship's valve discharges. Ms. Kent responded that DEC has not evaluated the cost of that option, but a pilot program this summer (2008) would begin to look at all options and costs. Ms. Kent agreed this could be a possible solution for monitoring wastewater discharges, but she reminded the committee that the Ocean Ranger program went beyond wastewater discharge to also cover health and sanitation practices and other environmental issues on board the vessel. Senator Elton added that an appropriation existed within the Alaska Marine Exchange to monitor vessel speeds and locations for every Alaska State ferry down to kayaks. He believed this appropriated money could help

refine this technology for other uses. He questioned if this was being provided through DEC. Ms. Kent replied that the Alaska Marine Exchange provided vessel location information to the Department of Environmental Conservation that was primarily aimed at providing coverage to "blind spots" in the system.

[10:39:38 AM](#)

Co-Chair Hoffman questioned the report (Commercial Passenger Vessel Environmental Compliance Fund, 2007 Cruise Ship Season Revenue Collections, p. 4 and p. 7] noting two ships [Carnival Spirit and the Summit] did not pay the amount invoiced.

Ms. Beason responded that this situation was an internal billing problem that had been corrected and the ships had every intention of paying the newly sent invoice.

Co-Chair Stedman hoped that the intent and the letter of the law would be met as the program moves forward with the goal of meeting environmental concerns and lower costs.

ADJOURNMENT

The meeting was adjourned at 10:40 AM