

SENATE FINANCE COMMITTEE  
April 10, 2008  
9:12 a.m.

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at [9:12:56 AM](#).

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Representative Ralph Samuels; Representative Bob Lynn; Michael Sica, Staff, Representative Bob Lynn; Jennifer Baxter, Staff, Senator Nancy Dahlstrom; Jeff Briggs, Firefighter, Alaska Professional Firefighters Association  
Jerry Burnett, Director, Division of Administrative Services, Department of Revenue

PRESENT VIA TELECONFERENCE

Tam Cook, Director, Legislative Legal Services, Legislative Affairs Agency; Mark Drygas, President, Alaska Professional Fire Fighters Association; Kevin Smith, Executive Director, Alaska Municipal League Joint Insurance Association

SUMMARY

HB 2 "An Act relating to the vocational education account and appropriations from that account; and providing for an effective date."

HB 2 was SCHEDULED but not HEARD.

CS HJR 28(FIN)

Proposing amendments to the Constitution of the State of Alaska relating to the budget reserve fund, and to appropriations to and transfers from the fund; and dedicating a portion of the petroleum production tax to the fund.

CS HJR 28 (FIN) was HEARD and HELD in Committee for further consideration.

SCS CSHB 226(L&C)

"An Act extending the termination of the state training and employment program; requiring a review of the program; and providing for an effective date."

SCS CSHB 226 (L&C) was SCHEDULED but not HEARD.

CS HB 147(RLS)

"An Act relating to matching funds and state money for state tourism marketing contracts with trade associations; and providing for an effective date."

CSHB 147 (RLS) was REPORTED out of Committee with no recommendations and a previously published fiscal note from Department of Commerce, Community and Economic Development.

HB 373 "An Act extending specified public school bond debt reimbursement; and providing for an effective date."

HB 373 was SCHEDULED but not HEARD.

CS HB 281(RLS) am

"An Act requiring candidates to disclose certain information about all contributors under AS 15.13; relating to the preservation of records required to be kept by candidates, groups, nongroup entities, or persons under AS 15.13; relating to records required to be kept by certain lobbyists and persons who employ, retain, or contract for the services of lobbyists; relating to complaints filed with the Select Committee on Legislative Ethics; relating to administrative complaints filed with the Alaska Public Offices Commission; relating to the statute of limitations for civil actions brought under AS 39.50; extending the statute of limitations for prosecutions of violations of the Alaska Election Code; and providing for an effective date."

SCS CSHB 281 (FIN) was REPORTED out of Committee with a "do pass" recommendation and accompanying previously published fiscal notes from the

Legislative Affairs Agency, the Department of Administration, and the Department of Law.

CS HB 320(FIN)

"An Act relating to search and rescue training and search and rescue parties; requiring certain search and rescue volunteers to be considered state employees for purposes of workers' compensation coverage; and allowing political subdivisions to elect to provide workers' compensation insurance coverage for search and rescue personnel."

CS HB 320 (FIN) was SCHEDULED but not HEARD.

CS HB. 200(FIN)

"An Act relating to the presumption of coverage for a workers' compensation claim for disability as a result of certain diseases for certain fire fighters."

CS HB 200 (FIN) was REPORTED out of Committee with no recommendations and accompanying previously published fiscal notes from the Department of Administration and the Department of Labor and Workforce Development.

CS HB325(FIN)

"An Act relating to the teachers' and health care professionals' housing loan program in the Alaska Housing Finance Corporation; and providing for an effective date."

CS HB 325 was SCHEDULED but not HEARD.

CS HB 50(JUD)

"An Act relating to the Interstate Compact for the Placement of Children; establishing an interstate commission for the placement of children; amending Rules 4 and 24(b), Alaska Rules of Civil Procedure; and providing for an effective date."

CS HB 50 (JUD) was SCHEDULED but not HEARD.

CS HB 332(FIN)(title am)

"An Act defining an elementary school to include certain pre-elementary programs and relating to

counting pre-elementary students in a school's average daily membership."

CSHB 332 (FIN) (title am) was SCHEDULED but not HEARD.

CS HB 44(FIN)

"An Act relating to information from veterans on the permanent fund dividend application form."

CS HB 44 was SCHEDULED but not HEARD.

[9:13:13 AM](#)

HOUSE BILL NO. 2

"An Act relating to the vocational education account and appropriations from that account; and providing for an effective date."

[9:13:16 AM](#)

CS FOR HOUSE JOINT RESOLUTION NO. 28(FIN)

Proposing amendments to the Constitution of the State of Alaska relating to the budget reserve fund, and to appropriations to and transfers from the fund; and dedicating a portion of the petroleum production tax to the fund.

Co-Chair Hoffman MOVED to ADOPT Senate Committee Substitute for CS HJR 28, work draft 25-LS1217\N as the working document before this Committee. There being NO OBJECTION, work draft 25-LS1217\N was adopted.

REPRESENTATIVE RALPH SAMUELS presented the bill history. He reported that the original bill introduced the creation of a separate funding account apart from any other current account. This account would take the progressivity money from the petroleum tax and for five years force it constitutionally into this new account to provide an endowment style payout between 4.5 and 5 percent. This account would consist of money from today's oil and would not allow this or the next generation of legislators to spend it. Representative Samuels declared that as oil production declines in the future, this account would help share the wealth for future generations.

[9:18:07 AM](#)

Representative Samuels continued that the bill evolved by taking more of the today's money and incorporating it into the Constitutional Budget Reserve to also share the wealth

generationally. He stressed that as production continues to decline and the budget continues to rise, the easiest way out is to take the Constitutional Budget Reserve money and not make any fundamental changes. He warned that the longer the state waits to discuss fiscal responsibility the harder the choices will be. He noted that the House took the entire Constitutional Budget Reserve and put it into an endowment program. A solution arrived at between the House and the Senate is reflected in the new Committee Substitute. This would split the Constitutional Budget Reserve where half would be remaining with the three-quarter vote money and the other half would be the endowment money concept of this bill. The payout of the endowment money would still be at five percent with a five year rolling average that would not start until the three-quarter money was spent down to \$1 billion. He reiterated that the point was to make sure the endowment keeps gaining as much money as possible before the five percent is taken.

[9:21:25 AM](#)

Representative Samuels defended the idea of saving as much money as possible to let the interest accrue. The point of having a trigger at \$1 billion is that the Legislature will spend the money down in the three-quarter vote money before the payout starts at the five percent of whatever is in the endowment. The Legislature would have the prerogative to add money to either account each year. He noted that another part of the Committee Substitute changes the vote from three-quarter to two-thirds. Also there is no longer any constitutionally forced progressivity money into the account; it would be Legislative prerogative. Every future Legislature and Administration would determine what would be done with the surplus funds.

[9:24:48 AM](#)

Representative Samuels referred to Tam Cook online to review the sectionals.

[9:25:32 AM](#)

Co-Chair Stedman reviewed the fiscal notes.

AT EASE: [9:26:01 AM](#)

RECONVENED: [9:26:15 AM](#)

Co-Chair Stedman expressed his concern running with a \$4 billion general fund operation which has been growing at an unsustainable rate of about ten percent which they are trying to rein back to three or four percent. He stressed that the state's operating expenses will continue to grow with time and it is unrealistic to think it will be cut back. Co-Chair Stedman believed that by tying up all the

savings would put the state in the position, should there be a volume disruption or price decline, of having to go to the earning reserves of the Permanent Fund to make a substantial withdrawal for the operating side of the state. He cautioned that keeping some liquidity in the money was necessary for the Legislature to address these concerns.

[9:29:18 AM](#)

Senator Elton questioned if Section 1 states that all money received by the state after July 1, 1990, not already deposited in the Permanent Fund, would go into the endowment account of the Constitutional Budget Reserve.

Representative Samuels replied that this provision or litigation money was put into the Constitutional Budget Reserve.

Co-Chair Stedman requested a breakdown of the Constitutional Budget Reserve.

[9:30:54 AM](#)

Senator Thomas asked for an explanation of the language on page 2, line 7 "except as invested for."

[9:31:32 AM](#)

TAM COOK, DIRECTOR, LEGISLATIVE LEGAL SERVICES, LEGISLATIVE AFFAIRS AGENCY testified via teleconference and responded that the language is intended to say that money can not be transferred from the primary account except to the extent that money is transferred for investment in that account. They would pay money to buy investments such as mutual funds.

[9:33:06 AM](#)

Senator Dyson remarked that part of his enthusiasm for the bill concerned a forced discussion of what to do about more revenues. He assumed that part of the discussion should or could be if they were going to use part of the earnings reserve account for the purpose it was originally created to produce income that could be used to sustain some level of government after the oil revenues were gone or greatly diminished.

[9:34:16 AM](#)

Representative Samuels remarked that many groups have worked on this discussion including himself, Representative Mike Doogan and Representative Harry Crawford. They all agree that the longer the Legislature waits to have this discussion the higher the budget and the deeper the debt. He

believed that saving the money now will benefit the state in the long run. He noted that debates on income tax and sales tax are frequent, but unpopular discussions. He believed budget cuts would affect rural community more than a broad-based tax.

[9:38:15 AM](#)

Representative Samuels stressed again that the longer the Legislature waits to make a decision with what to do with the oil reserve money, the worse the economic reality becomes.

[9:38:49 AM](#)

Senator Dyson agreed that Alaska needs to have a "rainy day" account accessible without the politics but is now in favor of the previous version of the bill because it would force the government to have the discussions.

Representative Samuels concluded that money could also be taken off the table by having a spending limit.

[9:40:52 AM](#)

JERRY BURNETT, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF REVENUE talked with the Commissioner and agrees that this Committee Substitute takes care of most concerns and the lack of liquidity in managing the money.

Co-Chair Stedman inquired if the Department has any dollar estimates of what they would like set aside in cash.

[9:42:23 AM](#)

Mr. Burnett remarked that the department manages currently to have an average of \$1 billion in the Constitutional Budget Reserve for cash flow purposes. This amount will grow and is reasonable. He believed that setting the \$4 billion in each account would provide a lot of comfort.

[9:43:35 AM](#)

Senator Elton wondered what other concerns the department might have.

Mr. Burnett remarked that they would return to the Committee if they see any new concerns.

[9:44:03 AM](#)

Mr. Burnett reported that the new spring forecasts should be out soon.

[9:45:02 AM](#)

CS HJR 28 (FIN) was HEARD and HELD in Committee for further consideration.

AT EASE: [9:45:35 AM](#)

RECONVENED: [9:57:32 AM](#)

CS FOR HOUSE BILL NO. 147(FIN)

"An Act relating to matching funds and state money for state tourism marketing contracts with trade associations; and providing for an effective date."

Co-Chair Stedman remarked this is the bill's second hearing to clear up concerns expressed by Senator Hoffman and Senator Elton. The concerns have been resolved.

Co-Chair Stedman reviewed the fiscal note.

Senator Hoffman MOVED to REPORT out of Committee CSHB 147 (RLS) with individual recommendations and accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS HB 147 (RLS) was REPORTED out of Committee with no recommendations and a previously published fiscal note from Department of Commerce, Community and Economic Development.

AT EASE: [9:59:50 AM](#)

RECONVENED: [10:00:48 AM](#)

CS FOR HOUSE BILL NO. 281(RLS) am

"An Act requiring candidates to disclose certain information about all contributors under AS 15.13; relating to the preservation of records required to be kept by candidates, groups, nongroup entities, or persons under AS 15.13; relating to records required to be kept by certain lobbyists and persons who employ, retain, or contract for the services of lobbyists; relating to complaints filed with the Select Committee on Legislative Ethics; relating to administrative complaints filed with the Alaska Public Offices Commission; relating to the statute of limitations for civil actions brought under AS 39.50; extending the statute of limitations for prosecutions of violations of the Alaska Election Code; and providing for an effective date."

[10:01:17 AM](#)

Co-Chair Hoffman MOVED to ADOPT a Senate Committee Substitute for CSHB 281 (FIN), work draft 25-LS1115\D as the

working document before this committee. There being NO OBJECTION, work draft 25-LS1115\D was adopted.

AT EASE: [10:01:32 AM](#)

RECONVENED: [10:02:58 AM](#)

REPRESENTATIVE BOB LYNN presented an overview of the Sponsor Statement:

House Bill 281 strengthens oversight of Alaska's ethics laws by allowing the state's watchdog agencies more time to receive complaints and properly investigate alleged violations. It also establishes an adequate time period for the retention of records related to those complaints.

This act covers the four areas of oversight assigned to the Alaska Public Offices Commission and the Select Committee on Legislative Ethics: campaign disclosures ([AS 15.13](#)), lobbying ([AS 24.45](#)), legislative financial disclosure ([AS 24.60](#)) and public official financial disclosure ([AS 39.50](#))

HB 281 creates a standard statute of limitations of five years for complaints that can be filed with APOC and the Select Committee. It also codifies a period of six years for the retention of records required under these sections.

By allowing a reasonable amount of time to receive complaints and conduct investigations, HB 281 helps APOC and the Select Committee accomplish their missions of ensuring the public's confidence in elected and appointed officials, and preserving the integrity of the legislative process.

This bill is an important follow-up to the recent efforts to shore up the Foundation of Trust between Alaskans and their government, which took a big step forward last year when the governor and the legislature passed a landmark ethics bill.

[10:04:23 AM](#)

Senator Elton referred to Section 4, page 3, where it changed the requirement for a lobbyist or a person who contracts for a lobbyist. He inquired why it was six years there and five years elsewhere in the bill.

[10:04:51 AM](#)

MICHAEL SICA, STAFF, REPRESENTATIVE BOB LYNN explained that in the past APOC when having a statute of limitations for one year through regulations would then have two years for retention of records. The additional year for records to be

retained would help with the associated statute of limitations. The six years of retention dovetails with the five years allowed for the complaint of an alleged violation.

[10:05:49 AM](#)

Senator Huggins inquired if there were any violations or concerns that made the two year requirement inadequate.

Representative Lynn responded that although he did not have the actual numbers it did cause some concern.

Mr. Sica remarked that there has been past testimony that the two years was inadequate. He remarked that the five years seemed like a standard uniform statute of limitations for all codes overseen by the agencies.

[10:06:54 AM](#)

Senator Olson questioned if this was a comparable time with other complaints related to non-elected officials throughout the state.

[10:07:11 AM](#)

Mr. Sica responded he could not think of any similar codes but some alleged violations do have five year statutes of limitations.

Senator Olson inquired how other states deal with APOC type complaints.

Mr. Sica responded that the time varies from state to state.

[10:08:17 AM](#)

Senator Elton MOVED TO REPORT out of Committee SCS CSHB 281 (FIN) from Committee with individual recommendations and accompanying fiscal notes.

SCS CSHB 281 (FIN) was REPORTED out Committee with a "do pass" recommendation, and accompanying previously published fiscal notes from the Legislative Affairs Agency, the Department of Administration, and the Department of Law.

AT EASE: [10:09:00 AM](#)

RECONVENED: [10:25:11 AM](#)

CS FOR HOUSE BILL NO. 200(FIN)

"An Act relating to the presumption of coverage for a workers' compensation claim for disability as a result of certain diseases for certain fire fighters."

Co-Chair Stedman signified that this was the first hearing of the bill with the intention of hearing from the bill sponsor, take public testimony and act on the will of the Committee.

[10:25:35 AM](#)

JENNIFER BAXTER, STAFF, SENATOR NANCY DAHLSTROM, presented an overview of the sponsor statement:

House Bill 200, "An Act relating to the presumption of coverage for a workers' compensation claim for disability as a result of certain diseases for certain occupations," establishes a presumption in the Worker's Compensation program for professional and volunteer firefighters who have had a qualifying medical exam and have been on the job at least seven years.

It grants benefits to firefighters stricken with certain types of cancer and heart disease due to their exposure to toxic chemicals, and high levels of carbon monoxide. Silent killers like asbestos and benzene can appear after they leave the job. The requirements of this bill are that the claims must be made within five years after the last day of employment.

In addition to firefighters, first responders deserve protection for the health and safety risks they live with in order to keep us safe. HB 200 also includes a presumption that compensation for certain disabilities resulting from blood born pathogens be covered.

Arguments have been made that this coverage would be exorbitantly expensive; however this has not been the case in other states. For example, the state of California has over 30,000 paid firefighters and more than 30,000 volunteers, but the addition of cancer presumptive benefits has had no impact on the actuarial assumptions system for its retirement system.

Firefighters and first responders take great risks every day to protect our lives and the lives of our loved ones. They are regularly exposed to dangerous elements such as carcinogenic substances, carbon monoxide and contaminated blood that can lead to chronic and debilitating illnesses later in their life.

A great deal of thought has been put into this legislation in order to create defined parameters of who qualifies for these benefits.

[10:26:49 AM](#)

Senator Huggins requested further explanation of negative lifestyle habits.

Ms. Baxter described that if a firefighter is a smoker this might be considered a negative lifestyle for cancer coverage.

Senator Huggins inquired if a firefighter gained a great deal of weight over the years could this be a factor in a negative lifestyle.

Ms. Baxter responded that physical fitness and weight is listed in the bill as a preponderance of evidence that could be rebutted.

[10:28:37 AM](#)

Co-Chair Stedman wondered how prostate cancer, listed on page 2, line 13 fits into the cancer list.

Ms. Baxter responded that fire fighters have a greater number of cases than the national average.

Co-Chair Stedman noted that the theory is that most males if they live long enough might develop prostate cancer.

[10:29:27 AM](#)

Ms. Baxter pointed out that could probably be rebutted in a claim case.

Senator Olson questioned how a firefighter's family history of diseases would fit into the rebuttal for non-coverage.

[10:30:01 AM](#)

Ms. Baxter responded that this bill takes it off the employees and puts it on the employer to prove but an employee's family history could be taken into consideration before a claim is settled.

Co-Chair Stedman reviewed the two indeterminate fiscal notes.

[10:30:37 AM](#)

Senator Thomas mentioned that heredity factors are referenced in the bill.

[10:30:51 AM](#)

MARK DRYGAS, PRESIDENT, ALASKA PROFESSIONAL FIRE FIGHTERS ASSOCIATION testified via teleconference and spoke in

support of the bill. He reiterated the firefighters are subject to various cancers and respiratory diseases at a higher rate than the general public.

[10:32:23 AM](#)

Senator Huggins suggested that more than fifty percent of males in the general public will get prostate cancer so he wondered how much higher are the statistics for firefighters.

Mr. Drygas responded that prostate cancer in fire fighters occurs at a higher rate and at a younger age than the general public.

[10:33:18 AM](#)

Senator Huggins requested the statistics of a higher rate.

Mr. Drygas replied he did not have the numbers available. He remarked that the information was received through researching other state's disability coverages.

[10:34:19 AM](#)

Senator Olson agreed with the Co-Chair Stedman that all men risk prostate cancer if they live long enough but did agree that among firefighters the numbers were significantly higher at a younger age.

[10:34:55 AM](#)

Ms. Baxter informed the Committee that the cancer list was developed because studies showed firefighters had a one and one-half to four times greater risk than the general public at a much younger age. It is written in the bill that the firefighter must have been on the job at least seven years and the coverage only extends for five years after they leave the job.

[10:35:57 AM](#)

AT EASE: [10:36:07 AM](#)

RECONVENED: [10:36:33 AM](#)

[10:36:35 AM](#)

KEVIN SMITH, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL LEAGUE JOINT INSURANCE ASSOCIATION testified via teleconference. He explained that the members of this insurance association pool together to cover the first half million dollars of each worker's compensation claim and purchase reinsurance to statutory limits above that amount. In his opinion, this bill is about asking municipalities to pay extra by placing firefighters in a special category separate from other state

workers. He believed this is bad public policy and the health statistics are not supported by science. He argued that the costs of the bill are difficult to determine as many diseases and cancers are treated at different costs. He stressed this bill would be a significant cost increase to municipalities.

[10:40:21 AM](#)

Mr. Smith related that many communities in Alaska use volunteer firefighters because they can not afford full time paid staff but they still need to purchase workman's compensation for their volunteers. The rates for volunteers will have to increase to cover presumptions in this bill. He warned that if small municipalities can not afford to pay full time firefighters, they would find it difficult to pay the additional costs this bill would incur. He emphasized that the bill should be restricted to full time fire fighters and not volunteers.

[10:42:38 AM](#)

Senator Huggins asked Mr. Smith about the gender specific prostate cancer when more women are entering the field. He questioned if there was any statistics concerning women firefighters.

Mr. Smith replied that he was not aware of any gender specific health studies for female firefighters.

[10:43:53 AM](#)

Senator Huggins requested the information from the bill sponsor.

Ms. Baxter agreed that this has been a male dominated field in the past and she was not aware of any direct female studies.

[10:45:12 AM](#)

Senator Huggins reminded the Committee that diseases do not recognize the difference between full-time and volunteers employees so he would not be in favor of eliminating volunteers from the bill.

[10:45:45 AM](#)

JEFF BRIGGS, FIREFIGHTER, ALASKA PROFESSIONAL FIREFIGHTERS ASSOCIATION spoke in support of the bill. He referred to the written testimony from firefighters available to the Committee. He reported that no Alaska citizen, not tied to the insurance industry or government agency, had testified against this bill in the past two years. Alaska is one of

nine states who do not have some sort of presumptive legislation.

10:47:56 AM

Senator Olson inquired if the Alaska Municipal League had a position on the question of smaller communities being able to afford this additional worker compensation.

Ms. Baxter responded they have been opposed to the bill.

Mr. Briggs interjected that the Alaska Municipal League has taken a neutral position on this bill.

10:49:36 AM

Co-Chair Hoffman MOVED to REPORT CSHB 200 (FIN) out of Committee with individual recommendations and accompanying fiscal notes. There being no OBJECTION passed from Committee.

CS HB 200 (FIN) was REPORTED out of Committee with no recommendations and accompanying previously published fiscal notes from the Department of Administration and the Department of Labor and Workforce Development.

SENATE CS FOR CS FOR HOUSE BILL NO. 226(L&C)

"An Act extending the termination of the state training and employment program; requiring a review of the program; and providing for an effective date."

HOUSE BILL NO. 373

"An Act extending specified public school bond debt reimbursement; and providing for an effective date."

HB 373 was SCHEDULED but not HEARD.

CS FOR HOUSE BILL NO. 320(FIN)

"An Act relating to search and rescue training and search and rescue parties; requiring certain search and rescue volunteers to be considered state employees for purposes of workers' compensation coverage; and allowing political subdivisions to elect to provide workers' compensation insurance coverage for search and rescue personnel."

CSHB 373 was SCHEDULED but not HEARD.

CS FOR HOUSE BILL NO. 325(FIN)

"An Act relating to the teachers' and health care professionals' housing loan program in the Alaska Housing Finance Corporation; and providing for an effective date."

CSHB 325 was SCHEDULED but not HEARD.

CS FOR HOUSE BILL NO. 50(JUD)

"An Act relating to the Interstate Compact for the Placement of Children; establishing an interstate commission for the placement of children; amending Rules 4 and 24(b), Alaska Rules of Civil Procedure; and providing for an effective date."

CSHB 50 (JUD) was SCHEDULED but not HEARD.

CS FOR HOUSE BILL NO. 332(FIN)(title am)

"An Act defining an elementary school to include certain pre-elementary programs and relating to counting pre-elementary students in a school's average daily membership."

CSHB 332 (FIN) was SCHEDULED but not HEARD.

CS FOR HOUSE BILL NO. 44(FIN)

"An Act relating to information from veterans on the permanent fund dividend application form."

CSHB 44 (FIN) was SCHEDULED but not HEARD.

ADJOURNMENT

The meeting was adjourned at 10:49