

HOUSE FINANCE COMMITTEE

April 15, 2010

9:00 a.m.

9:00:14 AM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 9:00 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Vice-Chair
Representative Allan Austerman
Representative Mike Doogan
Representative Anna Fairclough
Representative Neal Foster
Representative Les Gara
Representative Reggie Joule
Representative Mike Kelly
Representative Woodie Salmon

MEMBERS ABSENT

None

ALSO PRESENT

Roger Marks, Petroleum Economist, Legislative Budget & Senator Bettye Davis; Joy Lyon, Executive Director, Association of the Education of Young Children; Jordan Nigro, Past President, Alaska Association Homes for Children; Rod Betit, President, Alaska Hospital and Nursing Home Association; John Sherwood, Medical Assistance Administrator, DHSS; Nancy Davis, Registered Nurse and President, Alaska nurses association Juneau Citizen; Debbie Thomason, executive Director, AANA; Senator Joe Paskvan; Paula Scavera, Department of Labor and Workforce Development; Mike Monagle, Administrator, Division of Workers' Compensation; Grier Hopkins, Staff, Senator Joe Thomas; Kate Hudson, Administrator, Violent Crimes Compensation Board; Senator Lesil McGuire, Sponsor; Michael Pawlowski, Staff; Miles Baker, Staff, Senate Finance

Committee; Robert Dindinger, Alaska Act; John Binkley, Alaska Cruise Association; Tanja Cadigan, Owner, Caribou Crossings; Greg Pilcher, Owner, Whale Tales; Stan Stevens, Wildlife Tours Business; Chris Poag, Department of Law; Paula Scavera, Special Assistant, DCLWD; Denise Liccioli, Staff, Senator Donald Olson; Dr. Ward Hurlburt, Chief Health Care Commission, Department of Health and Social Services; William Hogan, Commissioner, Department of Health and Social Services; Josh Applebee, Staff, Kevin Meyer; Pat Davidson, Legislative Auditor, Legislative Audit Division, Legislative Affairs Agency; Senator Joe Paskvan; Patrice Walsh, Chief Examiner, Department of Commerce, Community and Economic Development; Luanne Weyrauch, Division of Banking securities; Senator Bill Wielechowski; Senator Lesil McGuire; Michael Pawlowski, Staff, Lesil McGuire; Stephan Haagenson, Executive Director, Alaska Energy Authority; Sara Fisher-Goad, Deputy Director, Alaska Energy Authority; Mary Soroky, Legislative Liaison, Department of Transportation and Public Facilities; Senator Ellis; Max Hensley, Staff, Senator Ellis.

PRESENT VIA TELECONFERENCE

Gara Birdwell, President, AEYC; Candace Winkler, CEO, Thread, Alaska's Childcare and Referral Network; June Sobocinski, United Way of Anchorage; Gerad Godfrey, Violent Crimes Compensation Board; Kevin Banks, Director, Division of Oil & Gas, Department of Natural Resources; Cathy Foerster, Engineering Commissioner, Alaska Oil and Gas Conservation Commission, Department of Administration; Jennifer Gibbins, Executive Director, Prince William Soundkeeper, Cordova; Steve Hites, Skagway Streetcar Company; Karl Amylon, Ketgh; Chris Wilson, Juneau; Lori Hovanec, Division Banking and Securities; John Carman, President, Home State Mortgages; Gwen Lee, Alaska Association on Developmental Disabilities; Emily Ennis, Alaska Association on Developmental Disabilities.

SUMMARY

SB 13 MEDICAL ASSISTANCE ELIGIBILITY

SB 13 was REPORTED out of Committee with no recommendations and with previously published fiscal notes: FN5 (DHS), FN6 (DHS), FN7 (DHS).

CSSB 32(FIN)

MEDICAID:HOME/COMMUNITY BASED SERVICES

CSSB 32(FIN) was HEARD and HELD in Committee for further consideration.

CSSB 83(L&C)

VOCATIONAL REHABILITATION COMMITTEE

CSSB 83(L&C) was REPORTED out of Committee with a "do pass" recommendation and with attached previously published fiscal note: FN2 (LWF).

CSSB 139(FIN)

INCENTIVES FOR CERTAIN MEDICAL PROVIDERS

CSSB 139(FIN) was SCHEDULED but not HEARD.

SB 159

WORKERS' COMPENSATION FUNERAL EXPENSES

SB 159 was REPORTED out of Committee with a "do pass" recommendation and with previously published fiscal note: FN 2 (LWF)

CSSB 172(FIN) am

ALASKA HEALTH CARE COMMISSION

HCS CSSB 172(FIN) was REPORTED out of Committee with a "do pass" recommendation and with attached new fiscal note by the Department of Health and Social Services.

CSSB 174(FIN)

SCHOLARSHIPS: AK SCHOLARS/GRANTS/EXCHANGE

CSSB 174(FIN) was HEARD and HELD in Committee for further consideration.

CSSB 220(FIN)

ENERGY EFFICIENCY/ ALTERNATIVE ENERGY

CSSB 220(FIN) was HEARD and HELD in Committee for further consideration.

SB 234

ALCOHOLIC BEVERAGE CONTROL BD

SB 234 was HEARD and HELD in Committee for further consideration.

CSSB 243(FIN)

GEOHERMAL RESOURCE:ROYALTY/PERMIT/FEE

HCS CSSB 243(RES) was REPORTED out of Committee with a "do pass" recommendation and with attached previously published fiscal notes: FN2 (REV), FN3 (DNR, FN4 (ADM).

CSSB 258(L&C)

DENTAL CARE INSURANCE/PREFERRED PROVIDERS

CSSB 258(L&C) was HEARD and HELD in Committee for further consideration.

SB 266

VIOLENT CRIMES EMERGENCY COMPENSATION

SB 266 was REPORTED out of Committee with a "do pass" recommendation and with previously published fiscal note: FN1 (DOA).

CSSB 279(FIN)

MORTGAGE LENDING

HCS CSSB 279(FIN) was REPORTED out of Committee with a "do pass" recommendation and with attached previously published fiscal note: FN1 (CED).

CSSB 305(FIN)(title am)

SEPARATE OIL & GAS PRODUCTION TAX

CSSB 305(FIN)(title am) was HEARD and HELD in Committee for further consideration.

CSSB 312(FIN)

VESSEL PASSENGER TAX

CSSB 312(FIN) was HEARD and HELD in Committee for further consideration.

[9:00:22 AM](#)

#sb305

CS FOR SENATE BILL NO. 305(FIN)(title am)

"An Act providing that the tax rate applicable to the production of oil as the average production tax value

of oil, gas produced in the Cook Inlet sedimentary basin, and gas produced outside of the Cook Inlet sedimentary basin and used in the state increases above \$30 shall be 0.4 percent multiplied by the number that represents the difference between that average monthly production tax value and \$30, or the sum of 25 percent and the product of 0.1 percent multiplied by the number that represents the difference between that average monthly production tax value and \$92.50, except that the total rate determined in the calculation may not exceed 50 percent; providing for an increase in the rate of tax on the production of gas as the average production tax value on a BTU equivalent barrel basis of gas produced outside of the Cook Inlet sedimentary basin and not used in the state increases above \$30; relating to payments of the oil and gas production tax; relating to availability of a portion of the money received from the tax on oil and gas production for appropriation to the community revenue sharing fund; relating to the allocation of lease expenditures and adjustments to lease expenditures; and providing for an effective date."

[9:02:15 AM](#)

Representative Fairclough MOVED CS CS SB 305(FIN) 26-LS1577\K, Bullock, 4/14/10 as a working document.

Co-Chair Hawker OBJECTED for discussion.

ROGER MARKS, PETROLEUM ECONOMIST, LEGISLATIVE BUDGET & AUDIT, detailed the "Summary of Changes Between House Resources CS and Finance Work Draft" (copy on file). He listed the reasons as described on the list.

1. Timing window of moving between the one "bucket" and two "bucket" regimes has been removed.
2. AS 43.55.011(g)(3): and (p)(3): This is a technical change that adds clarity. It depicts the detailed methodology for deriving the progressivity factor so that it is clear the word "average in the statute means weighted average.
3. AS 43.55.020(a): The section describing the calculation of the monthly installment payments has been repealed and reenacted. After all

previous changes a more succinct drafting was crafted.

4. AS 55.161(a)(1) and (a)(2): This is an expansion on the current section describing the calculation of the annual and monthly production tax values. Lease expenditures include expenditures allocated under 160(f) (below) for the calendar year incurred to explore land not under lease, or explore or develop a lease before commencement of sustained production.
5. AS. 43.55.160(f): This is a new section. Expenditures to explore land not under lease, or to explore or develop a lease before commencement of production of oil or gas, are allocated between oil and gas in the year the expenditure is incurred. (Method of allocation is specified in AS 43.55.165(h)[an amendment out of House Resources] stating that for allocating costs between oil and gas gross value should be used to the maximum extent possible).
6. AS 43.55.(g): This is a new section that clarifies that lease expenditures include expenditures for producing or that are incurred for exploration or development after the commencement of sustained production, as well.

Representative Gara found it difficult to follow the bill while using the "bucket explanation." He assumed that decoupling would not be necessary until the state began exporting gas. Mr. Marks clarified that if the bill passes then the decoupling is effective immediately. He offered another bucket analogy.

[9:07:52 AM](#)

Mr. Marks explained that the progressivity for the current activity would be calculated together with Cook Inlet Gas, North Slope Oil, and all other instate gas.

Representative Gara asked if the system would be similar to the current one. Mr. Marks responded yes.

Mr. Marks continued to describe the technical changes.

Representative Gara asked if a deduction from gas taxes would be appropriate when producing gas. Mr. Marks answered yes.

Representative Gara asked if small field were found and dedicated to a certain demand, would decoupling allow deduction of gas costs from the gas tax. Mr. Marks discussed allocation. Costs are allocated between oil and gas pursuant to Section 165(h), as seen on page 15, Section 9. This amendment adopted by House Resources stated that costs are allocated between oil and gas based on gross value at the point of production. If the producer had gas income, the cost for developing the gas would be allocated between their gas and oil; expenditures could be offset against the gas income.

Representative Gara commented that companies producing small amounts of gas are not required to decouple. Mr. Marks agreed that is correct.

Representative Gara asked to know the trigger enforcing decoupling. Mr. Marks responded that a North Slope oil producer selling a small amount of taxable gas to Alyeska is considered an in-state gas sale. Those incomes and costs are allocated in proportion to gross value at the point of production.

Co-Chair Hawker clarified that Representative Gara was seeking the trigger point export. Representative Gara understood that companies producing small amounts of gas would operate under current law.

Mr. Marks commented that current law and activities are divided into segments. He listed the segments as North Slope oil and in-state gas.

Representative Gara asked if in-state gas is taxed under Alaska's Clear and Equitable Share (ACES). Mr. Marks answered yes.

Representative Gara asked if export gas triggers the decoupling rules. Mr. Marks responded correct.

[9:17:00 AM](#)

Mr. Marks continued with the technical changes.

Representative Kelly clarified that the mechanism does not change for in-state gas. Mr. Marks answered that is correct.

Representative Austerman asked if the new subsection for Section 8 was discussed in both the Senate and Resource Committees as an option. Mr. Marks responded no. The subsection was an alternative way of addressing concern regarding the deduction of cost in the future.

Co-Chair Hawker added that the three day window was a creation of legislative legal. The approach presented was a joint crafting by Department of Revenue (DOR) and the sponsor.

Mr. Marks commented that the issue of cost recognition was in statute and regulation. As long as status quo was in place, the concern was alleviated.

[9:20:06 AM](#)

Mr. Marks continued with Page 7, Section 7, which are in the current statute and describe how the production tax values are derived for the different segments. Lease expenditures should include those allocated by current production for the calendar year for expenses for exploration and development. Costs incurred can be deducted against current production.

Representative Doogan asked if an oil and gas company looking for gas can deduct costs against oil taxes until gas development occurs. Mr. Marks explained that if a company were looking for gas but had only oil production, the gas seeking costs could be deducted against oil production. Once both oil and gas are produced, the costs are deducted against both in proportion to the gross value of the oil and the gas.

Representative Doogan presented a scenario where a company is exploring just for gas without oil production. Mr. Marks explained that the company would take a credit of 25 percent of the expenditures.

[9:23:13 AM](#)

Mr. Marks explained that lease expenditures include expenditures for producing and exploration before and after the commencement of production.

Representative Austerman asked for identification of the section discussed. Mr. Marks clarified Section 8, Page 14, Section 43.55.160(g).

Co-Chair Hawker commented that an update for the comprehensive sectional for the bill will be provided. Mr. Marks agreed to provide the comprehensive sectional.

Representative Gara pointed out that the state will not require decoupling until Alaska exports gas. Companies that wish to produce gas for export understand the decoupling rule.

Representative Gara asked where the decoupling trigger point was stated in the statute. Mr. Marks replied Section 4, AS 43.55.011(p). The current statute includes a base tax and progressivity for current activity in Section G. He noted that Section P sets up progressivity tax for gas. He mentioned Section 7, Page 9 which references gas produced during a calendar year. He noted that the key phrase was the bottom of Subsection f which explains that exported gas that is subject to a distinct progressivity calculation.

Representative Gara highlighted that the section does not define that the trigger point is for exported gas. He understood the definition to read that in-state gas uses ACES and out of state gas employs the decoupling process. The issue of the commerce clause problem will be dealt with when the state begins exporting gas.

Mr. Marks chose not to provide advice about constitutional issues.

[9:29:00 AM](#)

Co-Chair Hawker removed his objection to adoption of the work draft. The work draft was adopted.

Representative Fairclough communicated that her silence does not mean that that she agrees with the statements made about the inner-state commerce clause.

Representative Gara clarified that he did not know that an inter-state commerce violation existed, but he realized that the question existed.

SB 305 was HEARD and HELD in Committee for further consideration.

[9:31:55 AM](#)

#sb13

SENATE BILL NO. 13

"An Act relating to eligibility requirements for medical assistance for certain children and pregnant women; and providing for an effective date."

SENATOR BETTYE DAVIS expressed appreciation for the bill's hearing. She thanked those working on the legislation. She stressed that this bill will improve the health of young children in Alaska. She believed that approximately 1200 families would be eligible for the Denali Kid Care (DKC) program.

Co-Chair Hawker reported that the bill changes 3 numbers in statute, which changes the poverty level limits for participation in DKC from 175% of the Federal Poverty Level (FPL) to 200%. Senator Davis replied that was correct.

Representative Gara thanked the Senator for her work on the bill.

JOY LYON, EXECUTIVE DIRECTOR, ASSOCIATION OF THE EDUCATION OF YOUNG CHILDREN (AYEC), testified in support of the bill. She claimed that the legislation will eventually save money with the early investment in young children's health.

JORDEN NIGRO, PAST PRESIDENT, ALASKA ASSOCIATION HOMES FOR CHILDREN, voiced her support of the bill.

ROD BETTIT, PRESIDENT, ALASKA HOSPITAL AND NURSING HOME ASSOCIATION, testified in support of this bill.

JOHN SHERWOOD, MEDICAL ASSISTANCE ADMINISTRATOR, DHSS, stated that the administration supports the legislation.

Co-Chair Hawker asked to know income guidelines for 200% of FPL. Mr. Sherwood responded that annual income guidelines for a household of 4 are \$55,000.

Co-Chair Stoltze stated that he was raised in a family of ten children and he asked to know the income guidelines for

a family of that size. Mr. Sherwood answered \$112 thousand per year.

[9:39:52 AM](#)

NANCY DAVIS, REGISTERED NURSE AND PRESIDENT, ALASKA NURSES ASSOCIATION JUNEAU CITIZEN, testified in support of the bill.

DEBBIE THOMASON, EXECUTIVE DIRECTOR, ALASKA NURSES ASSOCIATION, testified in support of the legislation.

GARA BIRDWELL, PRESIDENT, AEYC (via teleconference), testified in support of the bill. She echoed the comments of the prior testifiers.

CANDACE WINKLER, CEO, THREAD, ALASKA'S CHILDCARE RESOURCE AND REFERRAL NETWORK (via teleconference), testified in support of the bill. She mentioned that she serves on the Best Beginning's early learning council. She stated that she also represents 40 organizations affiliated with United Way who also support the passage of the bill.

JUNE SOBOCINSKI, UNITED WAY OF ANCHORAGE (via teleconference), testified in support of the legislation.

Co-Chair Hawker closed public testimony.

Co-Chair Hawker asked to know the fiscal consequences of the bill.

Mr. Sherwood explained the fiscal notes. The first is a note for the public assistance workers as the caseload will increase by approximately 1300 children and over 200 pregnant women. For FY11, the total is \$167,400, with approximately two thirds from federal sources and one third from the general fund. The services are split between two Medicaid components, the Acute and Primary Care and the Behavioral health components. The first year totals approximately \$2.3 million, roughly a two third, one third split between federal and general fund. The behavioral health component equals \$467 thousand the first year with a similar split between federal and general funds. He noted that different matching rates apply to pregnant women and children eligible for the enhanced chip match. Services provided through the tribal health facilities are eligible for the 100 percent match.

Co-Chair Hawker asked how many additional children would be served with the requested funds. Mr. Sherwood responded 1300.

[9:47:48 AM](#)

Vice-Chair Thomas asked about a residency requirement. Mr. Sherwood responded yes, a residency requirement exists for the Medicaid program. The requirement is sometimes described as non-durational where a person must be present in the state with the intent to stay.

Representative Foster noted that the bill restores the program to the levels in effect 12 years ago. He supported the legislation. He mentioned that the program was beneficial to rural Alaska.

Co-Chair Stoltze stated that the Parnell administration is in support of this bill.

Representative Gara added that with the passage of the bill, Alaska will be joining 44 other states that provide a similar standard. The legislation includes a 70 percent federal match. The increase in federal funds leads to an increase in public health and medical profession employment.

Representative Kelly mentioned one down side that federal funds are dropping and state will have to back fill every dollar and with the bill, Alaska is teaching a family of 4 that they cannot live on \$55,000 a year to feed their kids. He believed that the bill was a step in the wrong direction.

[9:52:04 AM](#)

Co-Chair Stoltze MOVED to report SB 13 out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

SB 13 was REPORTED out of Committee with no recommendations and with previously published fiscal notes: FN5 (DHS), FN6 (DHS), FN7 (DHS).

[9:52:44 AM](#)

AT EASE

[9:54:13 AM](#)

RECONVENED

Co-Chair Hawker made a list of bills order.

[9:55:16 AM](#)
[10:02:17 AM](#)

AT EASE
RECONVENED

#sb159
SENATE BILL NO. 159

"An Act increasing the maximum funeral expenses payable as a workers' compensation death benefit; and providing for an effective date."

[10:02:29 AM](#)

SENATOR JOE PASKVAN announced that the bill increases the maximum funeral expenses payable as worker's compensation death benefits. The bill addresses the statute AS 23.30.215(a)(1) in Section 1 stating that the reasonable and necessary funeral expenses are increased from \$5 thousand to \$10 thousand. He explained that an average of 26 fatalities per year require payment of funeral expenses under the workers' compensation statutes. In FY 09 there were 17 fatalities within the state requiring payments of workers' compensation funeral expenses. The expenses include the traditional funeral services, graveside services, or cremation. He pointed out that the funds are not intended to pay for extravagant funerals. The cap of \$10 thousand will cover a modest and average funeral. He explained his reasons for sponsoring the bill. If SB 159 is implemented, there will be no fiscal impact to the state. The overall workers' compensation costs in Alaska are approximately \$200 million. The proposed increase in funeral expenses will be paid from the system costs.

Representative Foster asked about guidelines regarding funeral expenses.

[10:06:30 AM](#)

Senator Paskvan responded that there are no guidelines for the individual components. The bill simply raises the maximum funeral expenses from \$5 thousand to \$10 thousand.

Representative Foster stated that he did not believe that \$10 thousand was extravagant.

Vice-Chair Thomas asked if cremations were an allowable expense. Senator Paskvan responded yes.

Vice-Chair Thomas asked if cremations were listed in the regulations. Senator Paskvan believed that cremation is a customary funeral expense and would be included.

[10:07:55 AM](#)

PAULA SCAVERA, SPECIAL ASSISTANT, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT introduced herself.

MIKE MONAGLE, ADMINISTRATOR, DIVISION OF WORKERS' COMPENSATION introduced himself.

Co-Chair Stoltze asked if the administration supports the legislation. Ms. Scavera responded that the administration is neutral.

Co-Chair Stoltze asked about regulations in place that govern flexibility, especially regarding travel expenditures.

Mr. Monagle responded that workers' compensation regulations do not specify how the funeral benefits must be spent. In the event of a fatality, the insurance company contacts the family and helps to make the necessary arrangements up to the maximum amount allowed.

Co-Chair Stoltze asked how the process works regarding the insurance adjuster. Mr. Monagle answered that the family would express the method that they wish the benefits to be paid and then the insurance company pays the bills. The funeral home bills the insurance company directly.

Representative Foster asked if a portion of the \$10 thousand could be spent on travel.

Mr. Monagle responded yes. The \$10 thousand limit would include the funeral benefit.

Representative Foster imagined that travel or moving of a body would use a large portion of the \$10 thousand. He expressed support of the legislation.

[10:11:23 AM](#)

Vice-Chair Thomas asked if legislators are covered. Mr. Monagle responded that any employee is covered under the workers' compensation act.

Representative Kelly asked about Alaska's cost of insurance to employers. Ms. Scavera responded that Alaska's cost of insurance to employers is the highest in the nation.

[10:12:50 AM](#)

Representative Fairclough asked about a potential burden to the employers. Mr. Monagle responded that an average is approximately 25 fatality cases per year leading to an increase of \$125,000 increase to the system. Workers' compensation total benefit is \$250 million per year. The increase is one tenth of one percent. The rating organization contracted by the state to produce "lost cost" for Alaska reviewed the proposed legislation and stated that the increase would be negligible on premium rates in the state.

Representative Fairclough wondered why with average costs ranging from \$8 thousand to \$9 thousand, a \$10 thousand limit was chosen. Senator Paskvan answered that there are certain cases of transporting a body from rural areas leading to greater expenses.

[10:15:15 AM](#)

Co-Chair Stoltze offered that many businessmen voluntarily provide financial support. This increase does not reflect a callousness of Alaska employers.

Representative Fairclough wondered if the federal government added \$255 as a death benefit.

[10:16:57 AM](#)

Co-Chair Stoltze opened public testimony.

Co-Chair Stoltze closed public testimony.

Representative Fairclough MOVED to report SB 159 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

SB 159 was REPORTED out of Committee with a "do pass" recommendation and with previously published fiscal note: FN 2 (LWF)

[10:18:13 AM](#)

#sb266

SENATE BILL NO. 266

"An Act relating to emergency compensation from the Violent Crimes Compensation Board."

GRIER HOPKINS, STAFF, SENATOR JOE THOMAS delivered the sponsor statement.

The Victims of Violent Crimes Compensation Board (VCCB) was created in 1972 in an attempt to mitigate the financial hardships suffered by victims of violent crimes. This board is able to support these victims and their dependents with up to \$40,000 and \$1,500 in immediate emergency compensation.

Senate Bill 266 proposes to increase the limit for emergency compensation to \$3,500.

The allowable amount for emergency compensation has not been increased since 1975 and is limited to verifiable lost wages, counseling and relocation costs. The most pressing need for emergency compensation is to cover relocation costs when a victim is in immediate danger at their current location.

The costs for these emergency expenses have increased substantially over the years, and \$1,500 is unable to cover deposit and first and last month rents, especially when a family or dependents are involved. Emergency awards are necessary because the Board only meets approximately five times per year, and it can be several weeks or months before a claim are considered.

In Fiscal Year 2009 there was \$25,547.80 given in emergency compensation for 22 claims. 12 of these were made at the maximum amount of \$1,500. So far in FY2010, \$29,699.17 has been awarded by way of emergency awards for 24 claims. The crime victim compensation fund receives approximately 70% of its appropriations from the state in the form of felon's garnished Permanent Fund Dividends and 30% from federal funds. This type of compensation is deducted from the final amount given to the victim and any excess award must be repaid to the Board.

I urge you to join me in assisting Alaska's victims of violent crimes when their need is greatest and support Senate Bill 266.

10:21:30 AM

Representative Fairclough asked if either a higher number or average claims for relocation were considered.

KATE HUDSON, ADMINISTRATOR, VIOLENT CRIMES COMPENSATION BOARD explained that the main issue for emergency funds is relocation. Lost wages and counseling are not generally issues. She explained that the board looked at an average cost of an apartment including a security deposit and two months wages.

Representative Fairclough envisioned \$5000. A travel expense from rural Alaska including rent and deposits for utilities could not be covered with \$3500.

Mr. Hopkins explained that the \$3500 is awarded immediately to help the victim relocate. The victim can always approach the board for additional funding up to the \$40 thousand limit.

Representative Fairclough stated that due to the timing, she would not offer an amendment but she planned to offer it on the floor along with costs for justification. She believed that \$3500 would not be sufficient to meet transportation needs.

Ms. Hudson commented that involved children have their own claim numbers and the board can often award \$3500 per claim number.

Representative Fairclough asked if the award for children was at the discretion of the board. Ms. Hudson responded true. She opined that the board opened cases that they did not have to.

10:25:26 AM

Representative Gara liked Representative Fairclough's suggestion. He asked how her suggestion would affect the solvency of the board. Ms. Hudson opined that the change would have no impact.

Vice-Chair Thomas commented that he agreed with Representative Fairclough about the travel costs.

Representative Foster asked how a person residing in a village might become aware of the opportunity. Ms. Hudson responded that law enforcement is required to provide the information. She noted that child advocacy programs also advertise the opportunity.

[10:27:25 AM](#)

Representative Salmon wondered about relocation in the urban area. Ms. Hudson replied that depends on the claimant's plan. Some claimants choose to move out of town, while others wish to relocate to another state.

[10:28:16 AM](#)

Co-Chair Hawker opened public testimony.

GERAD GODFREY, VIOLENT CRIMES COMPENSATION BOARD (via teleconference) thanked Representative Fairclough for her observation. He commented on an early concern regarding the incremental adjustment paired with inflation as the initial increase was \$1500 to \$6000. In reality, children sometimes have their own claim. He mentioned recent instances where a female involved in a domestic violence situation was in an isolated community where the people of her community would turn against her if she cooperated with law enforcement. The board's role in the matter is to encourage cooperation and performance of the civic duty to prosecute. He hoped that \$3500 would better serve. If a person must consider relocating in an urban area, the board may suggest safe areas.

Co-Chair Hawker closed public testimony.

Representative Fairclough MOVED to report SB 266 out of Committee with individual recommendations and the accompanying fiscal note.

SB 266 was REPORTED out of Committee with a "do pass" recommendation and with previously published fiscal note: FN1 (DOA)

[10:34:15 AM](#)
[2:10:09 PM](#)

RECESS to CALL of the CHAIR
RECONVENED

#sb243
CS FOR SENATE BILL NO. 243(FIN)

"An Act relating to geothermal resources; relating to the royalty obligation for geothermal resources; transferring from the Department of Natural Resources to the Alaska Oil and Gas Conservation Commission authority over permitting and inspection of geothermal wells; providing for a regulatory cost charge for geothermal wells; and providing for an effective date."

2:11:10 PM

SENATOR LESIL MCGUIRE, SPONSOR, discussed the policy changes made regarding geothermal resources. She explained that geothermal harnesses energy from the heat in the earth's core. Alaska provides good geothermal opportunities. The bill reflects on a royalty rate for geothermal energy allowing investors to take advantage of the rate. She explained the 10 percent royalty rate was established for geothermal energy 26 years ago. The rate was deduced to be a placeholder alongside hydrocarbons before a true understanding of geothermal potential existed.

2:15:17 PM

Senator McGuire stressed that the value of the land leased from the Department of Natural Resources (DNR) does convey a use and a royalty is therefore deserved. The bill sets a rate commiserate of 1.57 percent of gross revenues derived from production, sale, or use of geothermal resources for the first ten years, which is the federal rate. The next ten years will require 3.5 percent of the gross income. In crafting the bill, a competitive rate was desired. The goal was a rate that was not higher than the federal government which might disincentivize investment on state land.

Senator McGuire remarked on the importance of the second part of the bill. She explored the history of a company called Naknek Electric who began drilling in Pikes Ridge leading to research of the topic by a commissioner of the Alaska Oil and Gas Conservation Commission (AOGCC). Findings were that the seismic and the geological data had not been analyzed in a method consistent to that of hydrocarbon drilling leading to new methods that better protect workers and the resource. The statutory fix proposed in SB 243 is a result of this work between AOGCC

and DNR. The bill states that AOGCC will assume responsibility for regulating the conservation of a geothermal resource to prevent waste. She added that DNR will oversee leasing, unitization, and general land management.

[2:19:19 PM](#)

Senator McGuire expressed enthusiasm for state resources including geothermal.

Co-Chair Hawker acknowledged that the state did not have a regulatory structure related to geothermal energy. He commended the work done on the legislation.

MICHAEL PAWLOWSKI, STAFF, SENATOR LESIL MCGUIRE, provided a sectional for the bill.

Section 1 amends AS 31.05.030 clarifying that the Alaska Oil and Gas Conservation Commission (AOGCC) has jurisdiction over the exploration and development of geothermal resources; except for the management of leases and units.

Section 2 amends the royalty rate for geothermal resources in AS 38.05.181(g) to reflect federal royalty rates; 1.75% of gross income during the first 10 years and 3.5% of gross income thereafter.

Section 3 adds a new section to AS 41.06 delineating jurisdiction over geothermal resources between the AOGCC and Department of Natural Resources (DNR).

Section 4 amends AS 41.06.010 to allow the AOGCC to investigate the waste of geothermal resources.

Section 5 repeals and reenacts AS 41.06.020 to set out the jurisdiction of the AOGCC over all land in the state and to allow for the suspension of the application of chapter 06 on federal land if similarly regulated by Federal government and clarifies the application of the chapter.

Section 6 amends AS 41.06.030(a) to clarify that a plan of development and operation for a geothermal resource must be filed with the AOGCC.

Section 7 amends AS 41.06.030(b) to clarify that unitization by DNR of a geothermal resource system under AS 41.06.030 when the geothermal resource system includes state land.

Section 8 amends AS 41.06.030(c) to conform to the changes made in section 7.

Section 9 amends AS 41.06.030 by inserting a new subsection (e) that allows the commissioner of DNR to adopt regulations necessary to implement the purposes and intent of chapter 6.

Section 10 amends AS 41.06 by adding a new section 41.06.035 allowing the AOGCC to issue orders and impose requirements to prevent waste and protect correlative rights on any geothermal operation. This section also allows the AOGCC to adopt regulations.

Section 11 repeals and reenacts AS 41.06.040(a) governing the authority of the AOGCC to adopt regulations governing the safe development of a geothermal resource.

Section 12 amends AS 41.06.040 (b) to allow the AOGCC to require a geothermal operator to file a surety bond.

Section 13 amends AS 41.06.040(c) to require notification of the AOGCC rather than the DNR is geothermal exploration encounters hydrocarbons and other fissionable materials.

Section 14 amends AS 41.06.040(d) to replace the commissioner of DNR with the AOGCC for the purposes of authorizing inspection of a geothermal operation.

Section 15 repeals and reenacts AS 41.06.050 governing the AOGCC permitting process for geothermal exploration and development drilling.

Section 16 amends AS 41.06 by adding a new section 41.06.055 authorizing a regulatory cost charge for geothermal wells.

Section 17 repeals and reenacts AS 41.06.060 providing definitions for AS 41.06

Section 18 repeals AS 41.06.030(d) governing lease operations under an approved plan of

development and AS 41.06.040(e) the exemption from AOGCC authority of geothermal resources.

Section 19 adds a new section to the uncodified law of the State of Alaska that applies the royalty rates established by section 2 to leases entered into or renewed after the effective date of the act and directs the commissioner of DNR to offer the royalty rates established by section 2 to an existing lessee.

Section 20 adds a new section to the uncodified law of the State of Alaska that governs the transition of authorities over geothermal resources established in this act.

Section 21 adds a new section to the uncodified law of the State of Alaska that gives direction to the revisor of statutes.

Section 22 immediate effective date for section 20

Section 23 effective date of July 1, 2010

[2:26:46 PM](#)

Vice-Chair Thomas asked about Section 13. He wondered if a company struck hydrocarbons, would they stop drilling for water. Mr. Pawlowski responded that the quantity of hydrocarbons is often the deciding factor. If hydrocarbons are found, it is important that AOGCC knows, because the weight of the mud used in the drilling operations is important.

Vice-Chair Thomas imagined that the royalty rate would change.

Representative Foster remarked on discussions about development of the Pilgrim Hot Springs north of Nome. With the springs existing on private versus state land, he wondered if the royalties will apply.

Mr. Pawlowski pointed out Page 2 Line 25, which explains that the authority of the commission to regulate geothermal extends to all land in the state, including private, municipal, and state land. The regulation of the operation would remain the same, but the royalty rates would not apply.

2:30:47 PM

KEVIN BANKS, DIRECTOR, DIVISION OF OIL & GAS, DEPARTMENT OF NATURAL RESOURCES (via teleconference), addressed the question about geothermal found on private land. He agreed that all of the statutory authorities drafted in the bill are already in place. The bill removes authority given to DNR and transferred them to AOGCC who has the staff for management and safety.

Mr. Banks responded to the question regarding oil found during an attempt to drill for geothermal. He stated that if the oil is on state land, a discussion about the lease must occur. The leases provided are either for oil or geothermal, but not both. If oil was found, it would not be complicated to issue an oil or gas lease allowing the state to receive the appropriate royalties. On private land, the owner would communicate the changes.

Mr. Banks replied to the question concerning changes in the royalty, he stated that "something is better than nothing." He stated that a royalty rate of 1.75 percent for the first ten years, rising to 3.5 for the second ten years, makes private land competitive with federal land.

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Representative Gara pointed out the definition of geothermal, which is divided into "geothermal fluid" and geothermal resources." He wished to ensure that the definition in the bill did not inadvertently include other valuable resources. He requested a list of other possible exemptions. He asked if the definition of geothermal was clear enough to avoid the loss of royalties.

Mr. Banks replied that the bill expands the definition of geothermal. The current statutes have a limit of 120 degrees Celsius increasing the likelihood that electricity could be created with a geothermal resource less than 120 degrees. The addition of the commercial use provision, defined as sales of power, heat to a third party lead to access to those types of resources.

Representative Gara reiterated concerns about inadvertently lowering the royalty on oil, gas, minerals, or gold.

Mr. Banks assured that the language applies only to heat or hot liquids

Vice-Chair Thomas queried the lease rate when hydrocarbons were discovered when drilling for geothermal. Mr. Banks explained hypothetically that if a driller does not have an oil and gas lease; when drilling on public land for geothermal, the driller is governed by the geothermal lease. The company would not be permitted to produce the oil and gas. The department would be summoned to form an oil and gas lease with either a competitive process or a decision made by the commissioner. He pointed out that if oil and gas is found, the company is tapping into a resource that requires a separate lease.

[2:38:40 PM](#)

CATHY FOERSTER, ENGINEERING COMMISSIONER, ALASKA OIL AND GAS CONSERVATION COMMISSION, DEPARTMENT OF ADMINISTRATION (via teleconference), explained that the royalties portion of the bill does not affect the AOGCC. The important sections are those that transfer some but not all authorities from the DNR to the AOGCC. The authorities transferred are those that regulate drilling and production operations, protect correlative, prevent fiscal waste of the resource, and protect the fresh ground water. The DNR will retain pertaining authorities.

Ms. Foerster stressed the importance of AOGCC's expertise, which allows them to take on the additional authorities. She announced the experienced drilling engineers who approve the permits ensuring safety and good operational practices. She also mentioned the experienced field inspectors who competently test equipment to ensure that it works properly. The transfer of authority requires no fiscal impact. If the bill does not pass, a cost to allow the DNR to contract the necessary expertise will require state funding.

Co-Chair Hawker asked if adequate regulatory authority is drafted into the legislation. Ms. Foerster replied the legislation provides everything needed by AOGCC.

Co-Chair Hawker closed public testimony.

Mr. Pawlowski described three fiscal notes. The first is a zero fiscal note from DNR. The second fiscal note is from

AOGCC under the Department of Administration (DOA) and also has zero fiscal impact. The third zero fiscal note is from the Department of Revenue (DOR). All three of the fiscal notes have positive revenue potential for the state.

[2:44:23 PM](#)

Co-Chair Hawker explained that the action of creating the regulatory structure does not lead to a financial consequence for the state, with the state hoping for positive numbers. Mr. Pawlowski agreed.

Vice-Chair Thomas MOVED to report CSSB 243(FIN) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HCS CSSB 243(RES) was REPORTED out of Committee with a "do pass" recommendation and with attached previously published fiscal notes: FN2 (REV), FN3 (DNR), FN4 (ADM).

[2:49:23 PM](#)

AT EASE

#sb312

CS FOR SENATE BILL NO. 312(FIN)

"An Act relating to the deposit of the proceeds of the tax on gambling operations aboard certain commercial passenger vessels into the general fund; providing for a reduction in the excise tax to \$34.50 for a passenger for each voyage on a commercial passenger vessel; describing the passengers that are subject to the excise tax and liable for the payment of the tax; providing for a reduction in the state excise tax imposed on a passenger traveling on a commercial passenger vessel by the amount of tax on a passenger traveling on a commercial passenger vessel imposed by a municipality under a law enacted before December 17, 2007; authorizing appropriations from the commercial vessel passenger tax account to the first seven ports of call in the state and for costs associated with commercial passenger vessels and the passengers on board; limiting the use of funds appropriated from the commercial passenger vessel tax account to expenditures related to port facilities, harbor infrastructure, other services provided to the commercial passenger vessels and the passengers on

board those vessels and certain other purposes; repealing the regional cruise ship impact fund; relating to the administration of the excise tax by the Department of Revenue and regulations required to be adopted; requiring a report from the Department of Commerce, Community, and Economic Development relating to safely and efficiently hosting passengers; defining 'voyage' for purposes of the excise tax; relating to municipal levies on a passenger on a commercial passenger vessel; and providing for an effective date."

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RECONVENED

MILES BAKER, STAFF, SENATE FINANCE COMMITTEE, proposes to reduce the commercial passenger vessel excise tax from \$46 to \$34.50 per passenger per voyage. Currently excise tax is split with 25 percent in regional cruise ship impact fund and 75 percent in the commercial passenger vessel tax account. The bill proposes to reduce the current tax by 25 percent and repeal the regional cruise ship impact fund. With SB 312, the \$34.50 would go into the commercial passenger vessel tax account.

Mr. Baker elaborated that the bill clarifies statute regarding uses and purposes that the legislature may appropriate the tax proceeds for. The first purpose is to make payments to the ports of call; current statute makes payments to first five ports of call. The CS changes the number to seven to reflect larger voyages.

Mr. Baker second purpose for legislative appropriation is found in Section 4(d). In addition to making the port of call payments, the legislature may appropriate money from from the account to projects that improve port and harbor infrastructure, provide services to commercial passenger vessels, and improve safety and efficiency of interstate and foreign commerce activity in which the vessels are engaged.

[4:58:58 PM](#)

Mr. Baker cited Page 3, Line 18, Section B addressing the port of call payments. The language tightens up the purposes for which local port of call payment proceeds can be used.

Mr. Baker stated the intent of Senate Finance Committee was to eliminate confusion in existing statute. The current statute left open the question of appropriation for state owned port and harbor facilities. He stated omission of the language "other services to properly provide for vessel or watercraft visits and enhance safety and efficiency of interstate and foreign commerce and such other lawful purposes as determined by the legislature" which has been replaced with the before mentioned language.

Mr. Baker mentioned another substantial change, where a local government in a port of call with a local tax levied against passengers was given a choice either to rescind the tax and accept or forfeit the state's \$5 payment. The communities that fell into the category were the City and Borough of Juneau and the City of Ketchikan. Both Juneau and Ketchikan had local levies that were greater than \$5. The bill proposes a credit against the \$34.50 that the state is paying. Those municipalities with a tax in place would not require a greater payment of tax from the passenger. The effect of the change is that the state will collect less money. The \$5 payment will work in the current fashion. If the port is a unified city, then the \$5 goes to the unified city.

[5:04:19 PM](#)

Mr. Baker informed that Section 1 addressed the 33 percent tax on gambling proceeds deposited into the commercial passenger tax account. The funds were deposited into this restricted account creating an accounting issue. The 2007 cruise season yielded \$6.7 million in gambling tax which was not appropriated, thereby lapsing into the general fund. The 2008 season yielded \$6.28 million that lapsed. A reverse sweep placed it back into the restricted account. The projection from DOR is another \$5.7 million.

Mr. Baker communicated that Section 10 retains the governor's recommended periodic report. He pointed out that Section 13 states an effective date of October 31st; the reduced head tax will take effect next year.

Representative Doogan reviewed his understanding of the legislation. He understood that the bill lowered the head tax per passenger to \$34.50. He proposed hypothetically that a passenger would stop in Ketchikan, Juneau, and Skagway. When the money is allocated, he understood that

each port would receive \$5 and the ports already receiving taxes would also get theirs. He understood that Ketchikan and Juneau would receive \$12.

Mr. Baker explained that the passenger would pay \$34.50, but when they arrive in Ketchikan, the vessel would pay the \$7 and the \$26.50 balance would go to the state. If the legislature appropriates the \$5 port of call payments, they would go to all three ports.

[5:10:33 PM](#)

Representative Doogan understood the mechanism. He wondered where the remaining money goes. Mr. Baker responded that excess money not paid out would stay in the account available to the legislature for appropriation.

Representative Doogan asked what would happen when a passenger stops at four ports. Mr. Baker directed attention to handout, "Commercial Passenger Vessel Excise Tax; Effects of CS SB 321(FIN) Per P on State Cash Flow, 4/15/2010 10:00 am," (copy on file). The handout lists the five itineraries that are currently sold.

Mr. Baker surmised that if \$5 is the port of call payment, and the DOR forecast is correct at 850 thousand passengers, \$2.3 million will be available for appropriation after the port of call payments are made.

[5:15:13 PM](#)

Representative Austerman asked about the \$2.3 million available for appropriation. He wondered if the amount was available as a result of Ketchikan and Juneau "double dipping" the municipal tax plus the \$5. Mr. Baker replied that the analysis was correct. He pointed out that each provided scenario presents an excise tax of \$19.50 because the \$15 has been backed out for Ketchikan and Juneau.

Representative Austerman summarized that the negative figures seen are the result of increased ports of call.

Mr. Baker pointed to second spread sheet "CS SB 312(FIN) Port of Call Payment Scenarios, April 13, 2010" (copy on file). He analyzed the handout which details the revenue projections using both \$4 and \$5 as examples. The addition of Ketchikan and Juneau in the \$5 port call bumps the

payment by the state up by \$6.1 million based on the projected traffic for the season.

Mr. Baker noted that the principal loss to the account would not be caused by the increased ports of call, but because the tax is decreased to \$34.50. He reminded the committee that the regional portion would be discontinued. The regional cruise ship fund used to go to the treasury and equaled 15 percent.

[5:20:28 PM](#)

Mr. Baker explained that the last few appropriation cycles led to port of call payments of \$9.9 million and an additional \$17 million was appropriated. In FY10, port of call payments of \$10 million were made with an additional \$54 million appropriated in capital projects. The capital budget before the House Finance Committee includes the language necessary to make the port of call payments for 2010, which are estimated at \$10 million. If SB 312 passes the estimation will increase to \$15 million.

Mr. Baker stated that in the current fiscal year, the May/June travelers will lose \$3.1 million with the proposed reduction. The next fiscal year, encompassing July, August, September, October, May and June will equal \$22 million per year in loss of revenue.

Representative Fairclough asked if Juneau's port fee was \$12. Mr. Baker responded that Juneau has \$5 marine passenger fee and a \$3 port development fee for a total of \$8. Ketchikan has a passenger wharfage fee of \$7.

Representative Fairclough asked how communities would respond to the proposed model of tax implementation. She wondered if other municipalities might try to emulate the Ketchikan and Juneau model. Mr. Baker responded that SB 312 proposed capping the tax at \$34.50 per passenger. A community that has raised taxes prior to the passage of SB 312 is grandfathered in. Ketchikan's wharfage fee was initially \$6 and was raised to \$7 in January of 2007 with a sunset date of January 2010 for review.

[5:26:30 PM](#)

Mr. Baker commented that Juneau's \$5 fee currently has no sunset date, but the \$3 fee has a January, 2011 sunset

date. He guessed that if Juneau received an additional \$5, the \$3 port development fee might not be necessary. Representative Fairclough clarified that the legislation seeks to place a cap on maximum collections for the state. The first seven ports of call will be covered by the state at \$5 per port. If cities already have a fee intact, they receive the fee in addition to the \$5. Mr. Baker responded correct.

Representative Fairclough continued that the industry would be subject to an increase by those particular ports of which they could not visit if the added fees were not paid. Mr. Baker agreed, if a port wished to raise a fee, the industry's reaction would be considered.

Mr. Baker directed attention to a third spreadsheet, "Distribution of head tax revenue relative to passenger visits FY07-FY10, April 15, 2010" (copy on file). He explained that Juneau passed their \$5 marine passenger fee in 1999 and the port development fee in 2002. Ketchikan originally passed their fee in 2005. Both communities worked with the industry communicating their needs for port infrastructure and they proposed their fee. A voter's initiative also passed, adding a state tax of \$46, which increased the cost of traveling to Juneau and Ketchikan. The spreadsheet illustrates the reflection of the traffic patterns and the funding. The principal reason that Ketchikan is only at 18 percent of the funding with 27 percent of the passengers and Juneau at 14 percent of the funding with 29 percent of the passengers is because the numbers are skewed. The additional money received by Juneau and Ketchikan is used to pay debt service.

[5:32:25 PM](#)

Representative Fairclough asked if the state is prohibiting communities in local areas to provide taxes for the others that are unaffected. Mr. Baker stressed that is not the intent of the bill.

Representative Doogan understood that a current passenger visiting Juneau and Ketchikan would pay \$61. Mr. Baker concurred.

Representative Doogan continued that in the new model the passenger pays \$34.50 and the state deducts the \$7 and \$8 for Juneau and Ketchikan. Mr. Baker agreed.

[5:34:15 PM](#)

Representative Austerman asked about other communities implementing their own tax. He asked if the bill prohibits the implementation of a community tax. Mr. Baker responded no.

Representative Austerman asked about the \$7 collected in Ketchikan. He wondered if the implementation was prior to the state's \$46 tax. Mr. Baker responded yes, the wharfage fee was passed in 2005 and the citizen's initiative went into effect in 2007.

Representative Austerman asked if Ketchikan used the \$7 bonds for improvements, what will the additional money accomplish.

Mr. Baker elaborated that the additional \$2.50 would be used for additional improvements in services to the passenger and the vessel.

Representative Austerman asked if Juneau's plan was similar. He expressed concern for the other ports since Juneau and Ketchikan would be double dipping.

[5:36:58 PM](#)

Co-Chair Hawker opened public testimony.

[5:37:35 PM](#)

ROBERT DINDINGER, ALASKA ALLIANCE FOR CRUISE TRAVEL, ALASKA ACT explained that while the bulk of his membership comes from Southeast Alaska, the community with the second most members is Fairbanks. According to a study by the Department of Commerce, Community and Economic Development (DCCED) the state can anticipate 5000 fewer tourism industry employees in the beginning of the season. He noted that 2500 were lost last year. He believed that the national economy had a significant impact on revenues because cruise passengers spent less money. The situation in 2010 is unique as the carrying capacity of the cruise industry will be down by 140,000 berths. The decrease in cruise travel to Sitka is projected at 40 percent. He commented that with a loss of 40 percent, the bottom line becomes hard to maintain. He opined that the bill provided

the only hope for improvement of cruise travel to Alaska. If the bill passes, then a message to financial institutions is provided signaling that Alaska is doing its part to improve the potential economic climate for its citizens. He urged the committee to support the legislation.

[5:42:29 PM](#)

Vice-Chair Thomas asked if Mr. Dindinger was married to the bill. Mr. Dindinger replied that he spoke in support of this bill.

Vice-Chair Thomas asked if he would support any bill. Mr. Dindinger replied that he might support another bill that would accomplish the same task.

Vice-Chair Thomas commented on the loss of construction funds. He asked if Skagway should be treated differently than Ketchikan. Mr. Dindinger communicated that he has businesses in Skagway, Juneau, Sitka, and Ketchikan but he was not prepared to provide an opinion about the amount of money provided to each community. He wished only for continued cruise ship business in Alaska.

[5:44:14 PM](#)

Vice-Chair Thomas stressed that each legislator is concerned about the survival of the communities. He sought equal treatment for all communities. He commented that half of the year's cruise ship tax is waived because of the established effective date.

Representative Doogan asked about the 140,000 berth number. Mr. Dindinger responded that four less cruise ships will visit leading to the 140,000 number.

Representative Doogan asked why Sitka would experience a 40 percent loss. Mr. Dindinger replied that the prediction is based on the deployment of the ship taken out of the market. Some ships redeployed with a different itinerary.

[5:47:05 PM](#)

Representative Salmon asked how long Mr. Dindinger was in business. Mr. Dindinger replied that he started his own business in 1980.

Representative Salmon asked how many cruise ships companies visit Alaska. Mr. Dindinger replied six or seven.

Representative Salmon asked how many cruise ships filed the lawsuit. Mr. Dindinger admitted that he did not know.

[5:48:37 PM](#)

JOHN BINKLEY, ALASKA CRUISE ASSOCIATION responded that nine member lines represented by the Alaska Cruise Association initiated the lawsuit.

Representative Gara opined that the legislature was unfairly put in bad place by the industry. He stated concern that the state is asked to provide substantial tax relief without promise that ships will return to the state. Mr. Binkley replied that the legislation was introduced by the governor and the Senate Finance Committee. The legislation was not created by the cruise industry. He noted that signing the settlement agreement is not in the best interest of the Alaska Cruise Association, but if the legislation is passed, the litigation will be dropped.

Representative Gara asked for commitment from the cruise ship industry to bring ships back to the state. Mr. Binkley stated that the change in the head tax is specific to the litigation.

Representative Gara asked if ships will return to Alaska if the legislation is passed. Mr. Binkley simply based on change of head tax does not provide quid pro quo to bring back the ships. Marketing is an issue; Alaska lost market share. The reduction in the state's marketing led to a reduction in demand. He mentioned the regulatory issue as some ships cannot operate in Alaska. The time required to set itineraries is also a consideration.

Representative Gara elucidated that the industry wants a tax reduction, regulatory changes, and additional money for marketing. Mr. Binkley agreed that those elements often deter ships to other destinations.

Representative Gara suggested that if marketing important that is another frustration. Cruise lines stopped contributing to marketing of Alaska by the state.

Mr. Binkley explained that cruise lines are able to get a better return on their money elsewhere. Driving demand and reducing costs can change the situation.

[5:54:45 PM](#)

Representative Salmon commented that his flight business calculates costs of operation with the majority going to the customer. He wondered how the cruise ship industry operates. He expressed confusion and opposed the bill.

Mr. Binkley admitted that he did not understand the question. He believed that the cruise ship industry operates in a manner similar to that of Representative Salmon's flight business by reducing some flights if the customer interest wanes.

Representative Austerman referenced reducing the tax to \$34.50. He understood that the original tax is a \$46 head tax, and if a passenger chooses Ketchikan and Juneau they pay \$61, but this bill drops the amount to \$19.50. Mr. Binkley clarified that the amount does not drop from \$61 to \$19.50.

Representative Austerman opined that the bill is not written that way. Mr. Binkley stated that any tax adjustment will be good for the industry. The industry was willing to drop the litigation in response to a change.

Representative Austerman proposed \$34.50 with the add-ons for Juneau and Ketchikan. He asked if that would constitute a deal breaker. Mr. Binkley replied yes.

[6:00:04 PM](#)

Vice-Chair Thomas asked how much dock fees cost. Mr. Binkley responded approximately \$30 million a year for private dock fees.

Vice-Chair Thomas asked what the total cost would be for the passenger. Mr. Binkley replied \$91 million.

Vice-Chair Thomas asked if the bill was no longer perceived as the governor's bill. Mr. Binkley clarified his statement. He stated that the bill is similar in net outcome for the passenger.

Vice-Chair Thomas commented that Ketchikan averaged \$900,000 a year. He recalled that the committee asked the fiscal policy group about the problem with the cruise ship industry. The response was saturation, correction, economy, and cessation of turmoil in the Mediterranean. The head tax was never mentioned as a potential problem.

[6:02:53 PM](#)

Representative Doogan how many passengers are expected this year. Mr. Binkley replied approximately 850,000 from the large cruise ships that are charged the head tax.

Representative Doogan asked if some percentage of those would be paying \$61, while others pay \$46. The current proposal charges a flat \$34.50. He asked for an estimate of the total savings to the passengers if the proposal was in place. Mr. Binkley approximated \$22 million in annual savings to the passengers.

[6:04:15 PM](#)

Representative Gara asked about the average cruise cost. Mr. Binkley responded that the cost was lower last year. The goal for the cruise ship companies is always to fill the ship. A cruise might cost \$499 to \$2500 for a seven night tour. The time of year also dictates the cost.

Representative Gara requested statistics of average passenger spending in Alaska. Mr. Binkley responded approximately \$900 per visitor.

Representative Gara asked if most passengers cruise one way then fly back home. Mr. Binkley answered yes, but some cruises are round trip.

Representative Gara realized that Alaska wants more travelers. He discussed the various costs incurred by cruise ship travelers.

Mr. Binkley agreed. He stated that 142,000 less people will visit Alaska as a result of the head tax. The ships must reduce the price to in order to fill the ship, leading to less revenue. If the costs are fixed, they make less money. If the ships return, the volumes will too.

[6:09:13 PM](#)

Representative Austerman thought that the passengers would come back whether the tax is reduced or not following the global recession. He asked if cruise association discusses saturation point.

Mr. Binkley stated that the cruise industry was growing by 6.5 percent. Other destination points are experiencing growth, while Alaska is not. He mentioned the baby boomers and their penetration into the cruise market over next 10-20 years. The anticipation is for continued growth for the cruise industry.

Representative Austerman chose not to debate the issue.

[6:11:57 PM](#)

Representative Kelly believed that a series of events including taxes and regulations have impacted the cruise ship situation. He asked to know other concerns the cruise industry might have.

Mr. Binkley noted that the cruise industry is not bothered or concerned, the economics are simply the bottom line. The industry works their asset for the best return on their investment as publicly held corporations. Alaska is a high cost environment as the only state that has a corporate income tax, gaming tax, ocean ranger tax, regional impact fund tax, in addition to the head tax.

Representative Kelly asked about the issue of separating the marketing assistance from state. He understood that the association sought funding in the \$20 million range. Mr. Binkley agreed that the additional funding will help as a 50 percent increase in the state's marketing budget.

[6:15:11 PM](#)

Representative Foster wished the tax could be tied to the number of visitors coming back to Alaska. The cruise ship industry affects the entire state. He wondered how many passengers travel beyond Southeast Alaska and Anchorage. Mr. Binkley responded that DCCED has statistics. He stated that the impacts of the cruise ship industry are ubiquitous. Cruising is often an initial way to see Alaska, and cruisers sometimes return as independent travelers. He spoke of his family business in the visitor industry. Many

businesses are struggling. The cruise ship industry will be fine because they can take their assets and go to where they can make the most money, but when they go Alaskans are affected.

Representative Austerman referenced the settlement conditions as presented to the committee. The agreement discusses the \$34.50 tax and further reducing the excise tax on any passenger by the total amount of taxes imposed on the passenger by municipalities that did not elect to receive funds. He wondered if he perceived the agreement correctly regarding Juneau and Ketchikan. Mr. Binkley answered that he believed that the agreement included Juneau and Ketchikan.

[6:20:27 PM](#)

Vice-Chair Thomas recalled that the bill was initiated as an initiative to repeal the cruise ship head tax. He wondered why Juneau and Ketchikan were coupled with the initiative. Mr. Binkley responded that the association never proposed that the head tax be repealed. The governor proposed the reduction of the head tax. He added that the Alaska Cruise Association does not have contracts with Juneau or Ketchikan.

Vice-Chair Thomas contended that agreements with Ketchikan and Juneau exist regarding head tax and port fees. Mr. Binkley argued that the head tax is elected by people of Juneau and Ketchikan.

[6:22:42 PM](#)

Representative Fairclough understood that a lawsuit was filed against the state. A settlement has been reached with the Attorney General to resolve the lawsuit if this bill passes. She expressed interest in the resolution of the litigation issue. She opined that the bill encompassed greater issues than the reduction of the head tax.

[6:24:23 PM](#)

Representative Salmon commented that the bill has the public's support.

Representative Gara added that if the case is settled in exchange for reduction of the cruise ship tax, the state

might still be sued. He opined that passing the bill might lead to a one way settlement.

Mr. Binkley agreed with Representative Gara. The risk of a class action suit exists despite the passage of the bill. He speculated that if the legal ground is plowed by the cruise lines through the litigation, there could be a class of people who may want to sue. The legislation may reduce that risk.

[6:27:20 PM](#)

JENNIFER GIBBINS, EXECUTIVE DIRECTOR, PRINCE WILLIAM SOUNDKEEPER CORDOVA (via teleconference) opposed SB 312. She observed that the legislators' points were good. She understood the importance of the cruise industry to Alaska's economy. She opined that the bill served the cruise industry. The cruise ship's decisions regarding ship deployment happen years in advance. Alaskan citizens voted to approve the voter initiative initiating the head tax. The voter initiative was passed to protect and preserve the environment of Alaska in partnership with the cruise ship industry.

STEVE HITES, SKAGWAY, STREETCAR COMPANY (via teleconference), discussed his company and the loss of revenue because of the head tax. He stressed that the loss of revenue and jobs was not the intent of the cruise ship initiative. He commended Governor Parnell for carrying a message to the cruise ship industry that Alaska is open for business. He urged the committee to follow the governor's lead and pass the legislation out of committee.

KARL AMYLON, SELF, KETCHIKAN (via teleconference) offered to respond to questions.

[6:36:46 PM](#)

TANJA CADIGAN, OWNER, CARIBOU CROSSINGS, spoke in support of the legislation. She spoke of the many employment opportunities available as a result of the cruise industry. She expressed frustration about the pressure placed on small businesses as a result of the head tax.

[6:41:45 PM](#)

GREG PILCHER, OWNER, WHALE TALES, testified in support of the legislation. He stressed the impact that industry has on his business.

[6:43:40 PM](#)

CHRIS WILSON, JUNEAU (via teleconference), suggested dividing the head tax into a port fee similar to the management of the airport tax. He wondered about the impact that the cruise ships have on Alaska's waters. The impact is tied to the fishermen. He suggested a new avenue of 1 percent tax appropriated to the state for the improvement of water and sanitation issues.

Representative Fairclough asked Mr. Wilson if he supported or opposed the bill.

Mr. Wilson stated that he did not support the bill.

[6:48:03 PM](#)

STAN STEVENS, WILDLIFE TOURS BUSINESS, chair of Alaska Travel Industry Association (ATIA) informed that 70 percent of ATIA's members are small businesses. He commented on the downturn for these small businesses credited to lack of marketing, poor economy, and the head tax. The loss of 140,000 people by the industry will affect small businesses in the interior, Anchorage, and Southeast. He stressed the value of the cruise industry to the whole economic system.

Representative Gara relayed a message to the members of ATIA. He pointed out that Alaska levies no income or business tax on the members.

Mr. Stevens mentioned that ATIA brought forth a proposal to tax the industry in 2004. The members have suggested taxes as a method of generating additional marketing dollars. He shared stories about his experience as a business owner.

[6:54:56 PM](#)

Co-Chair Stoltze closed public testimony.

Representative Austerman requested opinion about the settlement agreement from Department of Law (DOL).

CHRISS POAG, DEPARTMENT OF LAW, explained that when the initiative went into effect, those communities had to choose whether to keep their tax in effect and elect not to receive port of call revenue sharing or their tax expired as a matter of law. The presented offset provision for Juneau and Ketchikan shows that the communities chose not to receive port of call funds.

Representative Austerman asked if the communities received the \$5 prior to the law going into effect.

Mr. Poag replied that the communities can apply to the legislature for appropriations but they do not receive revenue sharing.

Representative Austerman asked if the communities would receive revenue sharing under the new law. Mr. Poag replied yes.

Representative Fairclough wanted to assure that her office was not flooded with cruise ship lobbyists.

[6:57:56 PM](#)

Representative Doogan commented that his office received many emails regarding the bill.

Vice-Chair Thomas commented that Juneau and Ketchikan received \$80 million in regional funds in addition to the collection of port fees.

Representative Austerman announced that he planned to submit an amendment during the next hearing of the bill.

Representative Gara spoke to the passion generated by the bill.

SB 312 was HEARD and HELD in Committee for further consideration.

[7:01:03 PM](#)

AT EASE

[7:11:55 PM](#)

RECONVENED

Co-Chair Stoltze

#sb83

CS FOR SENATE BILL NO. 83(L&C)

"An Act repealing the Governor's Committee on Employment of People with Disabilities; creating the State Vocational Rehabilitation Committee and relating to the committee; and providing for an effective date."

[7:12:31 PM](#)

PAULA SCAVERA, SPECIAL ASSISTANT, DEPARTMENT OF LABOR and WORKFORCE DEVELOPMENT explained that the department's purpose is to bring the state statute in compliance with federal laws. She informed that the combination of two federally required committees with similar memberships. The bill allows for telephonic meetings which may result in cost savings. Any additional cost incurred by the changes in the membership is absorbed by the agency administering the federal programs requiring the committees. The difference between the original bill and the CS was to fix a typographical error. She mentioned the numerous letters of support in the committee packets.

Ms. Scavera explained that the fiscal note included a zero appropriation with the expenses absorbed by the department. Co-Chair Hawker added that FN2 shows a federal receipt authority to expend on travel for \$7,500.

Vice-Chair Thomas MOVED to report CSSB 83(L&C) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSSB 83(L&C) was REPORTED out of Committee with a "do pass" recommendation and with attached previously published fiscal note: FN2 (LWF).

#sb172

CS FOR SENATE BILL NO. 172(FIN) am

"An Act establishing the Alaska Health Care Commission in the Department of Health and Social Services; and providing for an effective date."

[7:16:24 PM](#)

DENISE LICCIOLI, STAFF, SENATOR DONALD OLSON, stated that Alaska is facing a health care shortage with access and

quality issues. Health care costs tripled from 1991 to 2005. She noted that the cost is expected to double again by 2013 to over \$10 billion. The purpose of the commission is to provide recommendations for a statewide plan to assess the quality, accessibility, and availability of health care for all Alaskans. The duties are outlined in the bill and in the sponsor statement. The CS has 13 members, 10 of which are voting and the others are ex officio members. The commission would be tasked with holding public hearings and submitting an annual report to the governor and legislature regarding its recommendations and activities. The cost alone justifies the changes on the national level. The national changes allow for a planning body that provides for the policy information that will make meaningful change. She highlighted Line 8, Page 3 ending on Page 4, line 12, which lists the members.

[7:19:35 PM](#)

Representative Gara asked if the intention of the legislation was to replace the new standing body for health care recommendations. Ms. Liccioli explained that our previous governor had an administrative order that established the health care commission. The order has since expired. Without the legislation, there would be no body.

Representative Gara understood that there were additional costs.

Ms. Liccioli stated that the cost of the previous commission was not funded by the state, but instead funded out of the existing budget. She noted that Senator Olson appreciated the hearing.

[7:21:47 PM](#)

DR. WARD HURLBURT, CHIEF HEALTH CARE COMMISSION, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, informed that the administration is in support of the legislation and the health care commission. He explained that the challenge with health care reform is great. The funding is designated to pay for the position of the executive director, an administrative support person, and outside consultation. He furthered that much work with the impact of national analysis will occur for health care reform. He noted that each bill comes representing a constituency. He noted that

the cost of health care is approximately \$6 billion per year.

[7:25:55 PM](#)

Co-Chair Hawker Moved Conceptual Amendment 1.

Co-Chair Stoltze OBJECTED.

Co-Chair Hawker explained the amendment. He wished the membership to reflect the critical cohorts of healthcare in Alaska. He preferred 11 voting members. He opined that the missing cohort was one involved in the U.S. Department of Veterans Affairs (VA). He stated that a representative of the VA was critical to the commission.

Co-Chair Stoltze asked if the member would be a consumer or a provider. Co-Chair Hawker stated a provider.

Representative Doogan asked if the voting membership will change from 10 to 11. Ms. Liccioli responded that Senator Olson was willing to go with the will of the committee.

Co-Chair Stoltze removed his objection. Conceptual amendment 1 was adopted.

[7:29:33 PM](#)

WILLIAM HOGAN, COMMISSIONER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES discussed the fiscal note, \$500 thousand. He commented that the federal Medicaid claiming required \$165 thousand. He noted that the money will fund an executive director, support staff and allow for analysis needed to implement certain aspects of health care reform.

Co-Chair Hawker recalled that the first proposed fiscal note was substantially larger. Commissioner Hogan responded that the department analyzed various methods of cost savings.

Co-Chair Hawker MOVED to report HCS CSSB 172(FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HCS CSSB 172(FIN) was REPORTED out of Committee with a "do pass" recommendation and with attached new fiscal note by the Department of Health and Social Services.

Co-Chair Hawker thanked the aides of the department.

#sb234

CS FOR SENATE BILL NO. 234(FIN)

"An Act relating to the voting procedures of the Alcoholic Beverage Control Board; allowing the Alcoholic Beverage Control Board to release information contained in the statewide database of alcohol purchases and shipments to the person who purchased the alcohol or to whom the alcohol was shipped; relating to the access of persons under 21 to premises where alcoholic beverages are sold, served, or consumed; extending the termination date of the Alcoholic Beverage Control Board; and providing for an effective date."

[7:33:14 PM](#)

JOSH APPLEBEE, STAFF, KEVIN MEYER, explained that SB 234 provided a one year extension of the Alcoholic Beverage Control Board. He pointed out that the board had a new executive director who requires additional time to address certain problems. The Legislative Budget and Audit Committee will use the interim to review the issues and return next year with a more extensive board extension bill. He mentioned a House Committee Substitute (CS) where the Labor and Commerce Committee made two changes to the bill. One change removes the executive director's voting ability in the event of a tie. The other change alters access to the statewide alcohol data base.

[7:34:32 PM](#)

PAT DAVIDSON, LEGISLATIVE AUDITOR, LEGISLATIVE AUDIT DIVISION, LEGISLATIVE AFFAIRS AGENCY, explained that the results of the audit indicated that existing administrative issues persist. The board did not establish quantifiable and objective enforcement goals. The recommendation was for strategic placement of enforcement activity. Most other recommendations were administrative in nature. She noted improvements made in the last six months under the new executive director.

[7:35:31 PM](#)

SB 234 Was HEARD and HELD in Committee for further consideration.

#sb279

CS FOR SENATE BILL NO. 279(FIN)

"An Act relating to regulation of residential mortgage lending, including the licensing of mortgage lenders, mortgage brokers, and mortgage loan originators, and compliance with certain federal laws relating to residential mortgage lending; and providing for an effective date."

[7:37:28 PM](#)

SENATOR JOE PASKVAN explained that SB 279 brings Alaska's mortgage lending regulation act into compliance with the federal public law called the Secure and Fair Enforcement for Mortgage Licensing Act otherwise referred to as the SAFE act. Each state must issue the license through a national process. He noted that the Alaska licensing is performed through the nationwide mortgage licensing system and registry beginning August 1, 2009. The second component of the safe act mandates that the United States Department of Housing and Urban Development begins enforcing the licensing aspect in addition to the registry components if the state does not align with federal standards. He mentioned Page 5, Line 22, and Section 8, which changes that the reference to "originator" to "mortgage loan originator." He noted Page 6 exhibits renewals changed from biannual to annual. He noted that Page 7, Line 5, Section 12 established that the permit fees will be set in regulation. He added that Page 7, Line 10, Section 13 required 20 hours of pre-licensing education. Page 11, Line 1, Section 19 authorized the division to issue a provisional license. Page 13, Line 2, Section 23 omitted references to paper licenses. He noted Page 14, Line 21, Section 30 permits branch office registration. Page 16, Line 7, Section 36 modified the educational requirements from 24 hours every two years to 8 hours annually. Page 41, Line 28, Section 85 allowed that finger print cards of the mortgage loan originator would be sent to the registry rather than to the Department of Public Safety (DPS). He

finished with Page 42, Line 2, Section 86 eliminated small mortgage lender or originator exemption.

[7:41:56 PM](#)

Senator Paskvan addressed the fiscal note, which includes funding for one additional occupational licensing position at \$65 thousand per year. An additional \$3000 for cost and supplies is associated with the contractual position. Increased travel costs are anticipated due to the increased use of the internet. An annual membership fee for the American Association of residential mortgage regulators for \$750 is due annually. Lastly a state background check fee for the sum of \$5,250, which the division must advance until the fee is collected from the licensee. Revenue is expected to increase due to the expansion of the licensee definition to include loan modification and servicing companies. An increase in revenues is anticipated with this system.

Co-Chair Hawker asked if national prototype language was followed in the bill. He noted that the Department of Law has been in contact through the process.

[7:43:49 PM](#)

Representative Fairclough stated that the realtors requested assistance of the legislature in regulating mortgage licensing. She commended Senator Paskvan on the legislation. She requested more information regarding the exemptions. She asked about Page 4, Section 06.60.015 exemptions.

[7:45:02 PM](#)

PATRICE WALSH, CHIEF EXAMINER, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT responded to Representative Fairclough's queries. She commented that the amendments and exemptions have changed due to the mandates in the SAFE ACT. Many exemptions in the current law are thus eliminated. She noted that the banks and the credit unions do not pertain as they are already regulated.

Co-Chair Hawker asked the professional opinion on the bill. Ms. Walsh stated that the division supports the legislation. She stated that Alaska will be the only state that does not meet the SAFE requirements, if the bill does

not pass. The bill places all loan originators on a level playing ground.

[7:47:37 PM](#)

LORI HOVANEK, DIVISION BANKING AND SECURITIES (via teleconference), appreciated the legislature's efforts. She stated that the administration is in favor of the bill and the amendment.

JOHN CARMAN, PRESIDENT, HOME STATE MORTGAGES (via teleconference), testified in support of the legislation. He expressed appreciation for the division of banking.

Co-Chair Hawker asked if the support is contingent on the amendment. Mr. Carman stated that his personal support is contingent on the amendment.

[7:50:33 PM](#)

Co-Chair Hawker asked if there was opposition to the bill from the mortgage industry. Mr. Carman replied that others who do not typically originate loans are concerned about the licensing requirement.

Co-Chair Hawker asked about the real estate brokerage industry. Mr. Carman stated that the industry was in support of the bill and the amendment.

[7:51:57 PM](#)

Co-Chair Hawker asked Ms. Walsh if she knew about any objection from any other industry. Ms. Walsh answered no.

[7:52:43 PM](#)

Co-Chair Hawker Moved Amendment 1.

Vice-Chair Thomas Objected.

Senator Paskvan described the amendment. He noted the concern that a licensing issue might trigger an unfair trade practices act, which could include treble damages. The exclusion of those regulatory licensing issues was requested. The amendment maintains the Alaska consumer protection scheme. He supports the amendment and felt that the industry's request was appropriate and reasonable.

Ms. Walsh stated that the division is in favor of the amendment.

[7:55:31 PM](#)

Vice-Chair Thomas withdrew the objection.

Co-Chair Hawker pointed out that the fiscal note is funded by receipt services. Ms. Walsh added that the \$5000 fee allows for the background check prior to licensing of the mortgage brokers. She noted that application of licensure.

Co-Chair Hawker asked how the information relates to the fiscal note. Ms. Walsh responded that the division must up front the cost to the DPS. Co-Chair Hawker asked if the item is included in the change of revenues line. Ms. Walsh stated that the item was found in other receipts.

Co-Chair Hawker asked what drives the additional \$500 thousand in state revenues. Ms. Walsh responded that the division is anticipating additional licensees with the new bill.

Ms. Hovanec explained that the \$60 thousand in funding source for other receipt services indicate that the expenditures will be covered by other the receipt services. She noted that the move from a biannual to an annual fee increases revenue. The addition of licensing for loan modification and servicing companies as well as additional internet business required increases.

Co-Chair Hawker understood that enough revenues exist to meet the increased cost shown as other receipt services. Greater revenues are anticipated shown in the change of revenues line.

LUANNE WEYRAUCH, DIVISION OF BANKING SECURITIES, stated that the Department of Law supports the legislation.

Vice-Chair Thomas MOVED to report HCS CSSB 279(FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

HCS CSSB 279(FIN) was REPORTED out of Committee with a "do pass" recommendation and with attached previously published fiscal note: FN1 (CED).

#sb220

CS FOR SENATE BILL NO. 220(FIN)

"An Act relating to energy efficiency, energy conservation, and alternative energy, to an emerging energy technology fund, to the lease of state land to a public electric utility, to the Alaska heating assistance program, to state energy use data, to the Southeast energy fund, to nuclear energy production and facilities, to the definition of 'power project' or 'project' as it relates to rural and statewide energy programs and the Alaska Energy Authority, and to the definition of 'alternative energy system'; establishing an Alaska energy efficiency revolving loan fund; directing the Department of Transportation and Public Facilities to prepare a report on the feasibility of using compressed natural gas to power vehicles in the state, including vehicles owned or operated by the state, and including in that study, if warranted, a pilot program proposal for powering some vehicles owned or operated by the state with compressed natural gas; authorizing and relating to the issuance of bonds by the Alaska Housing Finance Corporation; relating to a report regarding a municipal energy improvements financing program and to an energy report by the Office of the Governor; and providing for an effective date."

[8:03:54 PM](#)

SENATOR BILL WIELECHOWSKI explained the bill, which he saw as a prime example of bipartisan workmanship with a modest fiscal note of \$624 thousand. He pointed out that the bill will save the state money over the long term. The bill provides an example of lowering energy costs by making simple investments. Businesses will benefit from a new interest loan program that will increase profitability.

SENATOR LESIL MCGUIRE complemented Representative Fairclough for her work on the legislation. She highlighted the policy passed from the house including the adoption of Alaska Housing Finance Corporation's (AHFC) energy efficiency revolving loan fund. The veto on the stimulus

money was converted to \$250 million in bonds for capitalization of the fund. She mentioned changes in the area of nuclear energy. Old references to nuclear energy created a second layer of bureaucracy leading to reflection of statutes to allow nuclear projects to go forward through the federal process. The emerging energy technology grant is one aspect of the bill capitalized at \$2.3 million. She mentioned the Low Income Energy Assistance Program (LIHEAP) whose benefits are linked to the price of oil. When the price of oil soars, costs increase for Alaskans. She explained the need for a list of regulations from the governor, directing the legislature about the coordination of the current plans, to avoid duplication. She discussed the feasibility study on the use of compressed natural gas. The old alternative energy loan program is revised in the legislation.

[8:15:11 PM](#)

Vice-Chair Thomas expressed appreciation for the help from Senator McGuire and the other legislators for visiting Haines. He asked if there was allowance for general fund to be used as a match in the emerging technology fund. Senator McGuire answered no. She explained that the fund will be capitalized with the initial \$2.3 million. The grants will be awarded based on criteria.

MICHAEL POWLOWSKI, STAFF, LESIL MCGUIRE stated that there is no prohibition against using general funds as matching funds. He mentioned that the criterion for the awarding of the grants was listed on Lines 4 through 15.

Vice-Chair Thomas stated that the community in Yakutat would be supportive of the language.

Co-Chair Stoltze recalled similar past efforts.

Representative Gara commended the bipartisan nature of the bill.

Co-Chair Hawker asked Mr. Pawlowski to walk through the fiscal notes.

STEPHAN HAAGENSON, EXECUTIVE DIRECTOR, ALASKA ENERGY AUTHORITY, stated that the implementation is to support the renewable energy fund. He noted that the emerging

technology fund allows production of areas like Yakutat with untapped resources.

[8:21:22 PM](#)

SARA FISHER-GOAD, DEPUTY DIRECTOR, ALASKA ENERGY AUTHORITY commented on the double counting of the fiscal note. She noted that the Alaska Energy Authority (AEA) fiscal note has the cost for the program while the AIDA fiscal note includes interagency receipts.

Co-Chair Hawker stated that the duplicate appropriation is noted in the fiscal note.

[8:22:39 PM](#)

MARY SOROKY, LEGISLATIVE LIASON, DEPARTMENT OF TRANSPORTATION AND PUBLIC FACILITIES, testified that the Department of Transportation and Public Facilities (DOT/PF) is asking for funding for one engineer architect who will lead the retrofit program for state buildings. The request is for \$90 thousand for the feasibility study for compressed natural gas for state vehicles. Co-Chair Hawker asked if the outcomes were desirable. Ms. Soroky replied that the department believed that the revolving loan program will be beneficial to the municipalities and state government agencies that choose to access it.

Co-Chair Hawker asked that all agencies look through the amendments and the fiscal impact.

Representative Gara asked if Ms. Soroky would be available for future discussions. Ms. Soroky responded yes.

Co-Chair Hawker closed public testimony.

[8:25:42 PM](#)

SB 220 Was HEARD and HELD in Committee for further consideration.

#sb32

CS FOR SENATE BILL NO. 32(FIN)

"An Act relating to medical assistance payments for home and community-based services and provision of

personal care services in a recipient's home; and providing for an effective date."

[8:26:33 PM](#)

SENATOR ELLIS, stated that the current rate system for the home and community based Medicaid services is broken. He noted that Department of Health and Social Services (DHSS) released new regulations that mimic this bill. He opined that the passage of SB 32 was necessary to fund the changes and ensure that they will be maintained over time. Home and community based Medicaid services are the key to improving the quality of life for seniors and children with developmental disabilities. He added that SB 32 creates an equitable and predictable process for all long term care providers. States with long established high proportions of home and community based services showed an overall decrease in spending of 3 percent between 1995 and 2005. While home and community based services are optional, nursing homes are not.

[8:29:41 PM](#)

Senator Ellis pointed out that long term care is the fastest growing segment of the Medicaid budget. Growth is controlled by supporting home and community based services.

MAX HENSLEY, STAFF, SENATOR ELLIS, detailed a sectional analysis. He noted that Section 1, Page 1 details the rate review process. He pointed out that the rate clauses must be approved by the commissioner within the current cost containment statutes. The cost surveys are preformed every four years. He mentioned that Section 2 creates a report to the legislature on the trends of those rates. He continued that Section 3 repeals that report after 2014. He finished with Section 4 including a delayed effective date of July 1, 2011 to allow the department to create methodology for the cost surveys.

[8:31:33 PM](#)

Representative Gara noted that a person must be nursing home eligible in order to receive the community based services. Senator Ellis responded that hospitals and nursing homes already receive rate review and cost increases under current statute. Home and community based services are the most humane, cost effective, and least

restrictive form of care. The legislation seeks to address the defective piece of the system.

Mr. Hensley stated not all persons who receive home and community based services would be eligible for nursing homes. The vast difference in cost between institutional care and home based services greatly outweighs the larger number of people receiving waiver services.

Representative Fairclough asked about Page 2, Lines 9 and 10 and the reference to market basket data. Mr. Hensley responded that market basket data was the standard home health inflation rate. Last year's projection was 2.8 percent and this year's is 2.1 percent.

Representative Fairclough noted that Page 2, Line 1 and the reference to payment established, the word "of" requires deletion.

Vice-Chair Thomas asked if the bill addresses personal care attendants. He wondered if a convicted felon would be eligible as a personal care attendant.

[8:35:14 PM](#)

GWEN LEE, ALASKA ASSOCIATION ON DEVELOPMENTAL DISABILITIES (via teleconference), stated that she is a provider who offers care to children and adults with disabilities. She testified in support of the legislation. She noted the inequities in the system where the nursing homes and hospitals receive the regular rate review, however, the providers in the home and community based system are critical to the system.

[8:38:11 PM](#)

EMILY ENNIS, ALASKA ASSOCIATION ON DEVELOPMENTAL DISABILITIES (via teleconference), echoed the testimony of Gwen Lee. She noted that the support is critical to the long term care system in Alaska. She urged support.

Co-Chair Stoltze closed public testimony.

Senator Ellis thanked the committee for the help.

SB 32 Was HEARD and HELD in Committee for further consideration.

#sb139

CS FOR SENATE BILL NO. 139(FIN)

"An Act establishing an employment incentive program for certain health care professionals employed in the state; and providing for an effective date."

SB 139 was SCHEDULED but not HEARD.

#sb174

CS FOR SENATE BILL NO. 174(FIN)

"An Act relating to the Alaska scholars program administered by the Board of Regents of the University of Alaska and to scholarship information; repealing provisions related to University of Alaska scholarships; relating to the AlaskAdvantage Education Grant Program; and relating to professional student exchange program availability; and relating to exemptions from the conditions for loan repayment under the medical education program."

SB 174 was SCHEDULED but not HEARD.

#sb258

CS FOR SENATE BILL NO. 258(L&C)

"An Act prohibiting health care insurers that provide dental care coverage from setting fees that a dentist may charge under a preferred provider contract for dental services not covered under the insurer's policy, and relating to preferred provider contracts between insurers and dentists."

SB 258 was SCHEDULED but not HEARD.

#

ADJOURNMENT

The meeting was adjourned at 8:40 PM.

