

SENATE FINANCE COMMITTEE
April 15, 2009
9:08 a.m.

9:08:54 AM

CALL TO ORDER

Co-Chair Hoffman called the Senate Finance Committee meeting to order at 9:08 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Charlie Huggins, Vice-Chair
Senator Johnny Ellis
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

David Teal, Director, Legislative Finance Division; Jesse Kiehl, Staff, Senate District B; Karen Rehfeld, Director, Office of Management and Budget, Office of the Governor; Representative John Harris; Larry Hartig, Commissioner, Department of Environmental Conservation; Chip Thoma, President, Responsible Cruising in Alaska; Joe Geldhof, Law Office of J.W. Geldhof; John Bitney, Director, Legislative Office, Office of the Governor; Juli, Lucky, Staff to Representative Hawker; Brad Whistler, Dental Officer, Department of Health and Social Services.

PRESENT VIA TELECONFERENCE

Bruce Bustamante, Vice President, Princess Tours; Jennifer Gibbens, Executive Director, Prince William Soundkeeper, Cordova.

SUMMARY

HB 26 "An Act repealing the repeal of preventative and restorative adult dental services reimbursement under Medicaid; providing for an effective date by repealing the effective date of sec. 3, ch. 52, SLA 2006; and providing for an effective date."

HB 26 was HEARD and HELD in Committee for further consideration.

CSHB 113(FIN) am(brf sup maj fld)

"An Act making supplemental appropriations, capital appropriations, and other appropriations; amending appropriations; making appropriations to capitalize funds; and providing for an effective date."

HB 113 was HEARD and HELD in Committee for further consideration.

CSHB 134(RES) "An Act relating to the terms and conditions of commercial passenger vessel permits for the discharge of graywater, treated sewage, and other wastewater; establishing a science advisory panel on wastewater treatment and effluent quality in the Department of Environmental Conservation; and providing for an effective date."

CSHB134 was HEARD and HELD in Committee for further consideration.

CSHB NO. 199(FIN) am

"An Act making appropriations, including supplemental appropriations and capital appropriations; amending appropriations; and providing for an effective date."

CSHB NO. 199.(FIN) am was REPORTED out of Committee with a "do pass" recommendation.

#hb113

CS FOR HOUSE BILL NO. 113(FIN) am(brf sup maj fld)

"An Act making supplemental appropriations, capital appropriations, and other appropriations; amending appropriations; making appropriations to capitalize funds; and providing for an effective date."

[9:09:11 AM](#)

DAVID TEAL, DIRECTOR, LEGISLATIVE FINANCE DIVISION, presented the supplemental budget via spreadsheet dated April 9, 2009, titled "FY2009 Supplemental Requests" (Copy on File). He offered to review the spreadsheet with the committee. He noted that legislative items were absent in the bill, as every item was submitted by the governor. The cost of the bill is noted on Page 1 with the operating portion of the supplemental budget illustrating general funds down \$59 million and federal funds up \$53.6 million reflecting the substitution of federal Medicaid match for general funds in the Health and Social Services budget. He noted a net reduction of \$12 million in the "other funds" category.

[9:11:51 AM](#)

Mr. Teal addressed the capital items in the legislation illustrated on Page 1. He explained the \$59 million in operating reductions with \$11.6 million in unallocated reductions viewed as savings although excluded from the bill. The total reduction is \$70.7 million including capital of \$3.2 million creating a net reduction of \$67.5 million. He explained that the process employed to create the bill included meetings between House and Senate staff with agency review when necessary. Changes were made by the four co-chairs leading to the color coded spread sheet presented to the committee. He explained that items coded green are included in the bill, while items coded orange are absent from the legislation.

[9:14:05 AM](#)

Mr. Teal discussed unallocated operating reductions, which were all rejected because there was no reason to take legislative action for something that the executive branch had accomplished. He noted that the reductions were categorized as savings in the legislation allowing expectations that the allocated reductions will be achieved by the executive branch because they are included in the savings category of the fiscal summary.

[9:15:36 AM](#)

Mr. Teal addressed operating lapse extensions, which were temporarily removed from the supplemental bill and put in front of the House Finance Committee. Lapse extensions typically evade the scrutiny that other extensions receive. Some lapse extensions were accepted and others rejected. Some extensions went back into the bill on Page 4, and color coded orange. Some extensions were incorporated in the operating budget.

Mr. Teal addressed Page 6 and specific operating reductions. He explained the items not included in the bill. He noted page 11, item 61, illustrating five items excluded from the bill.

Mr. Teal informed about operating requests, which are generally requests for additional funding including substitution of federal funds for general funds.

[9:17:56 AM](#)

Mr. Teal noted capital items beginning on Page 34. He explained that most capital items were reappropriations. Rather than view a reappropriation as a single item, the

choice was split and dead capital projects no longer in need of money are taken.

[9:18:28 AM](#)

Mr. Teal explained that the funds were placed in the capital income fund, rather than directed immediately to another project. In some cases the capital income fund was used to fund supplemental requests. One project included in the dead projects, Number 218, Page 35, takes money from the capital project that was a legislative add on. He noted that an amendment will address this number in the upcoming committee substitute (CS). All capital projects identified as finished had money removed from them except for the projects where the Office of Management and Budget (OMB) submitted amendments reversing the original request, examples of which begin on Page 43-45.

[9:20:41 AM](#)

Mr. Teal referred to Page 34 and the new capital projects with a number of items included as supplemental projects extending through Page 43 at which point a few projects are included that were unaccepted in the legislation. Many supplemental projects were later included in the capital budget. He stated that he did not know how many items were added from the governor's original request.

Senator Huggins asked about Page 4, Item 26, and the federal requirement for Department of Transportation and Public Facilities (DOT). He opined that both the in-state gas pipeline and a larger pipeline are included in this appropriation language.

Mr. Teal answered that the mentioned item is a lapse extension applying to gas line right of way applications. He explained that funds will lapse on June 30, 2009 without the lapse extension and the Department of Natural Resources (DNR) states that a need for the money exists. Either the lapse is extended or a new 2010 appropriation can be made.

[9:23:28 AM](#)

HB 113 was HEARD and HELD in Committee for further consideration.

[9:23:40 AM](#) AT EASE

[9:54:01 AM](#) RECONVENED

#hb199

CS FOR HOUSE BILL NO. 199(FIN) am

"An Act making appropriations, including supplemental appropriations and capital appropriations; amending appropriations; and providing for an effective date."

[9:54:12 AM](#)

JESSE KIEHL, STAFF, SENATE DISTRICT B addressed HB 199, which appropriates the non transportation stimulus funds made available by the American Recovery and Reinvestment Act. He provided a sectional analysis. Section 1 makes appropriations for operating expenses of government and operating grants made to a number of school districts. These items initially required answers from the governor. Section 1 totals approximately \$118 million in federal funds with an additional \$40 thousand of general funds matching federal funds for health information technology. He introduced Section 4 containing items that the governor accepted without reservation. The committee as well as its counterpart in the other body agreed on capital projects and grants.

[9:57:21 AM](#)

Mr. Kiehl stated that Section 4 addresses clean water and storage tanks as well as forestry, emergency shelter grants, and low income housing. He mentioned capital appropriations for the University of Alaska's research vessel through the stimulus act. Section 4 totals approximately \$231 million in federal authority.

[9:58:30 AM](#)

Mr. Kiehl reviewed Section 7 containing capital items and grants including the community development block grants for diesel emission reduction programs. He noted that one item in Section 7 from the Department of Environmental Conservation (DEC) requires an additional form of legislation.

[9:59:23 AM](#)

Mr. Kiehl addressed Section 10 of the bill, which states the legislature's belief that the money is available one time only and general funds will not be forthcoming. He noted the legislative addition of Section 11, Page 17 adding \$200 thousand of general funds appropriated to the Department of Administration (DOA) for oversight accounting. The federal stimulus law requires a great deal of accountability for the appropriated funds. The federal government is working closely with the legislature's audit division.

[10:00:48 AM](#)

Mr. Kiehl reviewed Section 12, and the receipt of federal Medicaid funds should the match rate increase. Section 13 addresses additional federal funds available to the Department of Revenue (DOR) for child support collection. The program is a highly efficient way to use federal money. The program was set to end, yet will continue with the stimulus act.

Mr. Kiehl addressed Section 14 as the largest single appropriation. Section 14 appropriates the fiscal stabilization funds existing in two categories. This bill appropriates \$20.7 million to Alaska municipalities for revenue sharing.

[10:02:05 AM](#)

Mr. Kiehl introduced Line 8, Page 19, which appropriates the fiscal stabilization Part A funds, \$93 million for education. He concluded that the administration advocates for the spending of stimulus money only on items without ongoing obligations. He stated that the governor will take great care with these funds.

[10:03:43 AM](#)

Co-Chair Hoffman asked about the education funds of \$93 million and the specific language required for the school districts agreeing that the funding is available one time only.

Mr. Kiehl answered that the federal stimulus law does not grant power to require such a signed document. He noted the legislative intent sections, which give Department of Education and Early Development (DEED) the instruction as seen on Page 16, Line 27. The legislature's intent is for DEED to ensure that the individual school districts understand the nature of the funding.

Co-Chair Stedman MOVED to ADOPT Amendment 1, 26-GH1260\PA.1, Kane, 4/11/09: Co-Chair Stedman OBJECTED for the purpose of discussion.

Page 19, line11:

Delete "sec. 144002(a)"
Insert "sec. 14002(a)(3)"

[10:05:35 AM](#)

Mr. Kiehl explained Amendment 1. He opined that the amendment settles a large question. He noted that the amendment takes effect on Page 19, Line 11 and simply tightens the reference to the federal stimulus law under which the \$93 million is distributed. He noted that

Amendment 1 sets the policy call preferring the state distributes the funds to school districts as additional funds using the same proportions as Title 1. Title 1 refers to the elementary and secondary education act, which is a reasonable method of statewide fund distribution. He mentioned the lack of provision in Alaska's education funding formula to offset Title 1 money. With the adoption of Amendment 1, the \$93 million will be distributed to school districts as additional monies.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO OBJECTION, Amendment 1 was ADOPTED.

Co-Chair Stedman MOVED to ADOPT Amendment 2, 26-GH1260\PA.3, Kane, 4/14/09: Co-Chair Stedman OBJECTED for discussion.

Page 7, line 26, following "2009":

Insert "Entitlement Fund and"

Mr. Kiehl described Amendment 2. He noted Page 7, Line 26 and a \$1 million appropriation of federal receipt authority placed in the office of the governor reading "American Recovery and Reinvestment Act."

[10:09:13 AM](#)

Mr. Kiehl addressed the category of entitlement funds applying most importantly to transportation funding. In the event that the state receives additional money in the form of an entitlement, this amendment allows the state to take it. Co-Chair Stedman informed that the amendment is a technical amendment to this amendment by adding an "s" to the end of "fund."

Co-Chair Stedman MOVED to AMEND Amendment 2 by making entitlement fund plural.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO OBJECTION, Amendment 2 was ADOPTED.

[10:10:29 AM](#)

Co-Chair Stedman MOVED to ADOPT Amendment 3, 26-GH1260\PA.2, Kane, 4/14/09: Co-Chair Stedman OBJECTED for discussion.

Page 12, line 10:

Delete "679,900"
Insert "679,936"

Page 12, line 13:

Delete "3,960,000" in both places

Insert "3,962,565" in both places

Page 14, line 5:

Delete "4,639,900:
Insert "4,642,501:

Page 14, line 13:

Delete "\$63,262,600"
Insert "\$63,265,201"

Page 15, line 7:

Delete "63,262,600"
Insert "63,265,201"

Mr. Kiehl described Amendment 3 as a housekeeping effort, which simply updates dollar amounts.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO OBJECTION, Amendment 3 was ADOPTED.

[10:12:57 AM](#) AT EASE
[10:14:26 AM](#) RECONVENED

KAREN REHFELD, DIRECTOR, OFFICE OF MANAGEMENT AND BUDGET, OFFICE OF THE GOVERNOR, expressed appreciation for the efforts of both bodies in reviewing the federal stimulus bill. She agreed that the policy questions were important. She noted that it is allowable to make use of the stabilization funds for the school funding formula increases based on the timing and statutory language of the American Recovery and Reinvestment Act. Given the current revenue shortfall, which was not the case when the school funding bill was passed, it is appropriate to bring the policy questions forward. She felt the recommendations were appropriate for consideration. Another policy decision was chosen as indicated by the amendment proposed.

[10:16:20 AM](#)

Co-Chair Stedman clarified that the previous finance meeting included recommended administrative amendments that were not brought forward. (Copy on File) He apologized to Ms. Rehfeld for falling out of order yesterday. He acknowledged Ms. Rehfeld for the amount of effort she contributes. He commended Ms. Rehfeld's staff for their work on the stimulus bill policy discussions.

Co-Chair Hoffman MOVED to report HB 199 out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB NO. 199.(FIN) am was REPORTED out of Committee with a "do pass" recommendation.

[10:18:13 AM](#) AT EASE
[10:21:42 AM](#) REONVENED

#hb134
CS FOR HOUSE BILL NO. 134(RES)

"An Act relating to the terms and conditions of commercial passenger vessel permits for the discharge of graywater, treated sewage, and other wastewater; establishing a science advisory panel on wastewater treatment and effluent quality in the Department of Environmental Conservation; and providing for an effective date."

[10:22:00 AM](#)

Co-Chair Hoffman MOVED to ADOPT work draft 26-LS0570\D, Bullard, 4/14/09. There being NO OBJECTION, it was so ordered.

REPRESENTATIVE JOHN HARRIS, spoke about the legislation and the Committee Substitute (CS). He explained that the CS eliminates five words. He revealed that the last modification addresses the quality of water discharged from the ships into Alaska waters. He informed that the CS includes a six year sunset and allows a scientific panel to meet every three years in a six year period rather than every two.

[10:24:17 AM](#)

LARRY HARTIG, COMMISSIONER, DEPARTMENT OF ENVIRONMENTAL CONSERVATION, testified on SCSCSHB 134 (FIN). He informed that the goal is to maintain Alaska's clean water. He expressed appreciation from the Department of Environmental Conservation (DEC) over the last few weeks to work with Representative Harris on the bill. With the bill's passage, DEC will be able to protect Alaska waters while providing temporary relief to the cruise ship industry. One important decision requires the cruise ships to reduce the amount of pollutants in their waste before they discharge it so that they meet state water quality criteria at the point of discharge or as soon as it leaves the vessel. He mentioned a technology conference several months ago sponsored by DEC to review the potential technologies available to treat cruise ship waste. He explained that the conference confirmed that technologies are unavailable at this time to allow cruise ships to consistently meet the point of discharge requirement. He noted that the quality of the ship's effluent is high relative to other dischargers, but they have not yet achieved the goal of the initiative. He

explained that the legislation allows the cruise ships additional time (six years) to achieve the goal with interim steps. The steps include a science advisory panel of eleven experts who would work with DEC to review the records that the cruise ship companies present. A report will be presented to the legislature following the conferences. The six year sunset date will be readdressed through the process to assess the necessary time span.

[10:28:02 AM](#)

Mr. Hartig provided a sectional analysis of the bill. The intent section (Section 1) states the initiative to achieve the at the point of discharge requirements. Section 2 allows "the waiver provision" from the point of discharge requirement stating that cruise ships must meet the requirement except as provided in Section E below the waiver provision. Section 3 eliminates the waiver provision with the idea that Section 2 becomes effective on passage of this act after the six year sunset allowing Section 3 to remove the waiver.

[10:29:29 AM](#)

Mr. Hartig revealed that Section 4 describes the waiver and how the cruise ship companies comply. The conditions state that the companies must employ the treatment measures that are technologically effective and economically achievable in waste reduction. The waiver can only be granted for three years at a time. With the six year sunset, DEC would issue a new permit in the spring of 2010 followed by the technology conference to review the information from the last three years.

[10:33:21 AM](#)

Mr. Hardig informed that Section 5 addresses the science advisory panel described earlier. He shared a story about a dilution study assisted by a science panel. Representatives from various interested groups comprise the panel, particularly from coastal groups with interest in water quality matters.

Subsection B under Section 5 described the reports presented to the legislature from DEC with input from the science panel. The reports allow the legislature to assess the science panel's findings prior to issuing the new three year permit. He noted the final report due 2015 allowing the sunset provision to "kick in" or to take other action if necessary.

[10:35:05 AM](#)

Mr. Hartig noted that the sunset provisions are contained in Section 7 and 8. Section 8 provides that Sections 3 and 7 take effect December 31, 2015.

Senator Ellis MOVED to ADOPT Amendment 1:

Page 3, line 11

Insert after "using" "economically feasible"

Page 3, line 13

Delete "and economically feasible"

Page 3, line 18

Insert after "use of" "economically feasible"

Page 3, lines 19-20

Delete "and economically feasible"

Page 4, line 29

Insert after "additional" "economically feasible"

Page 4, lines 30-31

Delete "and economically feasible"

Co-Chair Stedman OBJECTED for the purpose of discussion.

Senator Ellis explained the amendment. He clarified that the amendment does technically comport and is accurate for the finance CS. This amendment makes small but important language changes to the bill. He explained that the current language requires DEC to impose cruise ship waste water technologies that are both technologically effective and economically feasible.

Co-Chair Stedman WITHDREW his OBJECTION. There being NO OBJECTION, it was so ordered. Amendment 1 was ADOPTED.

[10:37:50 AM](#)

Senator Olson asked about infective particles in the discharge such as living viruses. Representative Harris asked for clarification of the question. Senator Olson asked if particles such as living viruses and bacteria are neutralized. His question was whether these bacteria and viruses are discharged into the water from the cruise ship.

Mr. Hartig stated that when a cruise ship company applies for a permit, they must disclose the content of their waste. The DEC then reviews the application and compares the data with state water quality standards including provisions to protect human health. If some portion of the data does not meet the standard, DEC sets a permit limit or other conditions that preclude or limit the discharge of that

particular pollutant. A cruise ship's permit includes a list of prohibitions.

Senator Olson asked about ballast water. Mr. Hartig stated that ballast water is not addressed in this legislation, which only concerns water discharged from the ships.

[10:40:47 AM](#)

Co-Chair Stedman opened public testimony.

CHIP THOMA, PRESIDENT, RESPONSIBLE CRUISING IN ALASKA, testified in support of HB 134. He maintained that discharge from the cruise ships is caustic. He noted that the soap and other products discharged are the reason for the caustic discharge. He addressed the six year sunset based on the year 2009. He compared the difference between the federal standards and the sunset. He announced that Princess and Holland America cruise lines have serious problems with the piping on board the ships. The other cruise ship lines operating in Alaska are close to achieving full water quality standards as defined by the 2010 limits. Only Princess and Holland America have refused to exchange their pipes, which is the stem root of the problem. He opined that the sunset could be shorter while remaining effective.

[10:44:23 AM](#)

JOE GELDOHOF, LAW OFFICE OF J.W. GELDHOF, testified in support of HB 134. He noted that he was one of the principle authors of the initiative that became law in 2006. He complimented the compromises in this legislation. He opined that the bill was acceptable to industry and environmentalists alike.

BRUCE BUSTAMANTE, VICE PRESIDENT, PRINCESS TOURS (testified via teleconference) in support of HB 134. He commended the process and the time given to work on the issue with the science panel. He stated that the point of discharge component is unfair to the cruise industry. He stated that the allegations regarding the replacement of copper piping are not true. The allegations result from accusations that Princess Cruise Line has older ships and he stated that this is not true. He stated that the piping on the Princess cruise ships is comprised of stainless steel and not copper.

[10:49:08 AM](#)

JENNIFER GIBBENS, EXECUTIVE DIRECTOR, PRINCE WILLIAM SOUNDKEEPER, CORDOVA (testified via teleconference), in support of the legislation. She opined that the sunset granted was generous. She encounters many citizens concerned about the clean water issue. She stated that she can view the issue from both environmental and tourism standpoints.

She opined that the legislation was crafted in a fair and generous fashion including an important deadline.

[10:51:12 AM](#)

SCSCSHB134 was HEARD and HELD in Committee for further consideration.

#hb26

HOUSE BILL NO. 26

"An Act repealing the repeal of preventative and restorative adult dental services reimbursement under Medicaid; providing for an effective date by repealing the effective date of sec. 3, ch. 52, SLA 2006; and providing for an effective date."

[10:52:01 AM](#)

JULI, LUCKY, STAFF TO REPRESENTATIVE HAWKER, reviewed the bill. She noted that the bill presented a preventive approach to dental care. She explained that the current legislation allows coverage of incidence including pain and infection and preventive care was not included. Restorative care such as fillings or root canals was also exempt from coverage. The proposed legislation covers preventive care, root canals, fillings and dentures.

[10:54:52 AM](#)

BRAD WHISTLER DDS, DENTAL OFFICER, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, explained the coverage allowed by the bill. He agreed that the legislation allows coverage of routine dental visits, routine fillings, denture services, periodontal maintenance, and root canal therapy.

Co-Chair Hoffman asked if Alaska natives are eligible for dental care through Medicaid. Mr. Whistler answered yes as long as the individuals are enrolled in Medicaid.

Senator Ellis requested more information regarding Medicaid and dentures. Mr. Whistler explained that an annual limit per recipient was set at \$1,150, which is enough to cover either an upper or a lower denture.

[10:57:26 AM](#)

Senator Olson asked what happens during an abscess or detrimental problem that might prove fatal. Mr. Whistler stated that these situations are not subject to the annual limit.

Senator Thomas noted that missed appointments with Medicaid patients are a common complaint from dentists. He asked if there was an attempt to ameliorate this issue. Mr. Whistler responded that the department addressed a variety of issues with the Medicaid program. The issue of missed appointments can be addressed by tracking those patients who repeatedly miss appointments. Senator Thomas opined that a proper provision might deter a patient from missing appointments.

[11:00:09 AM](#)

Ms. Lucky noted that the caps were not altered in this legislation. She explained that the prior committees were in agreement about a policy call regarding the annual limit. She explained that one set of dentures was decided upon as the other body was concerned that costs may balloon out of control. She acknowledged those people who believed that the program is new and should proceed for a couple of years prior to changing the cap.

Co-Chair Stedman mentioned the fiscal note from the Department of Health and Social Services reflecting \$2,529,700 general fund to secure \$5,755,800 in federal receipts as funding for the general fund match. The fiscal note is included in the FY10 operating budget.

HB 26 was HEARD and HELD in Committee for further consideration.

[11:02:29 AM](#)

ADJOURNMENT

The meeting was adjourned at 11:02 AM.