

ALASKA STATE LEGISLATURE  
SENATE LABOR AND COMMERCE STANDING COMMITTEE

April 29, 2004

2:46 p.m.

TAPE(S) 04-37

**MEMBERS PRESENT**

Senator Con Bunde, Chair  
Senator Gary Stevens  
Senator Bettye Davis  
Senator Hollis French

**MEMBERS ABSENT**

Senator Ralph Seekins, Vice Chair

**COMMITTEE CALENDAR**

^OVERVIEW: BLUE CROSS/PREmera CONVERSION - Gloria Glover, Chief  
Financial Examiner, Department of Community & Economic  
Development (DCED)

CS FOR HOUSE BILL NO. 423(JUD) am

"An Act relating to accidents involving the vehicle of a person  
under the influence of an alcoholic beverage."

MOVED CSHB 423(JUD) am OUT OF COMMITTEE

CS FOR HOUSE BILL NO. 418(FIN)

"An Act extending the termination date of the Real Estate  
Commission; relating to real estate; relating to home  
inspectors; relating to real estate licensees; and providing for  
an effective date."

HEARD AND HELD

HOUSE BILL NO. 430

"An Act relating to employees under 21 years of age in the  
premises of hotels, restaurants, and eating places that are  
licensed to sell, serve, deliver, or dispense alcoholic  
beverages."

MOVED HB 430 OUT OF COMMITTEE

HOUSE BILL NO. 517(title am)

"An Act relating to the definition of certain security accounts, including certain reinvestment, investment management, and custody accounts."

MOVED HB 517(title am) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: HB 423

SHORT TITLE: TAXICAB DRIVER LIABILITY

SPONSOR(S): REPRESENTATIVE(S) ANDERSON

02/02/04	(H)	READ THE FIRST TIME - REFERRALS
02/02/04	(H)	JUD
02/02/04	(H)	STA REFERRAL ADDED AFTER JUD
02/09/04	(H)	REFERRAL ORDER CHANGED
02/09/04	(H)	STA, JUD
02/10/04	(H)	STA AT 8:00 AM CAPITOL 102
02/10/04	(H)	<Bill Hearing Postponed>
03/02/04	(H)	STA AT 8:00 AM CAPITOL 102
03/02/04	(H)	Heard & Held
03/02/04	(H)	MINUTE(STA)
03/05/04	(H)	STA AT 8:00 AM CAPITOL 102
03/05/04	(H)	Heard & Held
03/05/04	(H)	MINUTE(STA)
03/09/04	(H)	STA AT 8:00 AM CAPITOL 102
03/09/04	(H)	Moved CSHB 423(STA) Out of Committee
03/09/04	(H)	MINUTE(STA)
03/12/04	(H)	STA RPT CS(STA) NT 3DP 3NR 1AM
03/12/04	(H)	DP: SEATON, HOLM, LYNN; NR: COGHILL,
03/12/04	(H)	BERKOWITZ, WEYHRAUCH; AM: GRUENBERG
03/19/04	(H)	JUD AT 1:00 PM CAPITOL 120
03/19/04	(H)	Heard & Held
03/19/04	(H)	MINUTE(JUD)
03/26/04	(H)	JUD AT 1:00 PM CAPITOL 120
03/26/04	(H)	Moved CSHB 423(JUD) Out of Committee
03/26/04	(H)	MINUTE(JUD)
03/29/04	(H)	JUD RPT CS(JUD) NT 6DP
03/29/04	(H)	DP: HOLM, SAMUELS, GRUENBERG, OGG,
03/29/04	(H)	ANDERSON, MCGUIRE
04/19/04	(H)	TRANSMITTED TO (S)
04/19/04	(H)	VERSION: CSHB 423(JUD) AM
04/20/04	(S)	READ THE FIRST TIME - REFERRALS
04/20/04	(S)	L&C, JUD
04/29/04	(S)	L&C AT 2:45 PM BELTZ 211

BILL: HB 418

SHORT TITLE: REAL ESTATE COM'N/LICENSEE/HOME INSPECT  
SPONSOR(s): LABOR & COMMERCE

02/02/04 (H) READ THE FIRST TIME - REFERRALS  
02/02/04 (H) L&C  
02/16/04 (H) L&C AT 3:15 PM CAPITOL 17  
02/16/04 (H) Scheduled But Not Heard  
02/23/04 (H) L&C AT 3:15 PM CAPITOL 17  
02/23/04 (H) Moved CSHB 418(L&C) Out of Committee  
02/23/04 (H) MINUTE(L&C)  
02/26/04 (H) L&C RPT CS(L&C) NT 5DP 1NR  
02/26/04 (H) DP: LYNN, GATTO, ROKEBERG, DAHLSTROM,  
02/26/04 (H) ANDERSON; NR: GUTTENBERG  
02/26/04 (H) FIN REFERRAL ADDED AFTER L&C  
04/13/04 (H) FIN AT 3:00 PM HOUSE FINANCE 519  
04/13/04 (H) Moved CSHB 418(FIN) Out of Committee  
04/13/04 (H) MINUTE(FIN)  
04/14/04 (H) FIN RPT CS(FIN) NT 7DP 3NR  
04/14/04 (H) DP: MEYER, HAWKER, CHENAULT, FATE,  
04/14/04 (H) FOSTER, HARRIS, WILLIAMS; NR: STOLTZE,  
04/14/04 (H) JOULE, CROFT  
04/21/04 (H) TRANSMITTED TO (S)  
04/21/04 (H) VERSION: CSHB 418(FIN)  
04/22/04 (S) READ THE FIRST TIME - REFERRALS  
04/22/04 (S) L&C, FIN  
04/29/04 (S) L&C AT 2:45 PM BELTZ 211

BILL: HB 430

SHORT TITLE: EMPLOYEES UNDER 21 AT LICENSED PREMISES  
SPONSOR(s): REPRESENTATIVE(s) KERTTULA

02/04/04 (H) READ THE FIRST TIME - REFERRALS  
02/04/04 (H) L&C, JUD  
02/25/04 (H) L&C AT 3:15 PM CAPITOL 17  
02/25/04 (H) Moved Out of Committee  
02/25/04 (H) MINUTE(L&C)  
02/26/04 (H) L&C RPT 5DP  
02/26/04 (H) DP: CRAWFORD, LYNN, ROKEBERG,  
02/26/04 (H) GUTTENBERG, GATTO  
03/31/04 (H) JUD AT 1:00 PM CAPITOL 120  
03/31/04 (H) <Bill Hearing Postponed>  
04/06/04 (H) JUD AT 1:00 PM CAPITOL 120  
04/06/04 (H) Moved Out of Committee  
04/06/04 (H) MINUTE(JUD)  
04/07/04 (H) JUD RPT 3DP 1NR  
04/07/04 (H) DP: SAMUELS, HOLM, GARA; NR: MCGUIRE  
04/07/04 (H) GRUENBERG SIGNED JUDICIARY RPT DP

04/15/04 (H) TRANSMITTED TO (S)  
 04/15/04 (H) VERSION: HB 430  
 04/16/04 (S) READ THE FIRST TIME - REFERRALS  
 04/16/04 (S) L&C, FIN  
 04/29/04 (S) L&C AT 2:45 PM BELTZ 211

BILL: HB 517

SHORT TITLE: SECURITY ACCOUNT BENEFICIARY DESIGNATION  
 SPONSOR(s): LABOR & COMMERCE

02/23/04 (H) READ THE FIRST TIME - REFERRALS  
 02/23/04 (H) L&C, JUD  
 03/01/04 (H) L&C AT 3:15 PM CAPITOL 17  
 03/01/04 (H) Moved Out of Committee  
 03/01/04 (H) MINUTE(L&C)  
 03/03/04 (H) L&C RPT 4DP 1NR  
 03/03/04 (H) DP: LYNN, ROKEBERG, DAHLSTROM, GATTO;  
 03/03/04 (H) NR: CRAWFORD  
 03/24/04 (H) JUD AT 1:00 PM CAPITOL 120  
 03/24/04 (H) Moved Out of Committee  
 03/24/04 (H) MINUTE(JUD)  
 03/25/04 (H) JUD RPT 5DP 1NR  
 03/25/04 (H) DP: SAMUELS, GRUENBERG, OGG, HOLM,  
 03/25/04 (H) MCGUIRE; NR: GARA  
 04/23/04 (H) TRANSMITTED TO (S)  
 04/23/04 (H) VERSION: HB 517(TITLE AM)  
 04/26/04 (S) READ THE FIRST TIME - REFERRALS  
 04/26/04 (S) L&C  
 04/29/04 (S) L&C AT 2:45 PM BELTZ 211

**WITNESS REGISTER**

Mr. Nelson Page, Member  
 Premera Task Force  
 Juneau AK

**POSITION STATEMENT:** Commented on the Blue Cross/Premera conversion.

Mr. Jim Shine  
 Staff to Representative Tom Anderson  
 Alaska State Capitol  
 Juneau, AK 99801-1182

**POSITION STATEMENT:** Commented on HB 423 for sponsor.

Mr. John Pattee  
 Gaslight Lounge  
 Anchorage AK

**POSITION STATEMENT:** Supports HB 423.

Ms. Janet Sykes  
Staff to Representative Rokeberg  
Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Commented on HB 418 for sponsor.

Mr. William Bruu  
Mat-Su AK

**POSITION STATEMENT:** Supports HB 418.

Ms. Pat Davidson  
Division of Legislative Audit  
Legislative Affairs Agency  
PO Box 113300  
Juneau AK 99811-3300

**POSITION STATEMENT:** Commented on HB 418.

Mr. David Feekin, Legislative Chair  
Alaska Association of Realtors  
Anchorage AK

**POSITION STATEMENT:** Supports HB 418.

Ms. Aurora Hauke  
Staff to Representative Beth Kerttula  
Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Commented on HB 430 for sponsor.

Mr. Josh Applebee  
Staff to Representative Tom Anderson  
Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Commented on HB 517 for sponsor.

CONFIRMATION HEARINGS

BOARD OF BARBERS AND HAIRDRESSERS

Deborah Long - Fairbanks  
Joylene Mars - Anchorage  
Angela Rosa Easton - Anchorage  
Larry Alan Unrat - Anchorage

ALCOHOLIC BEVERAGE CONTROL BOARD

Dwayne Udland - Anchorage

^STATE ASSESSMENT REVIEW BOARD

Alan Black - Palmer  
Patrick Carlson - Kodiak

BOARD OF MARINE PILOTS  
Robert Arts - Anchorage

ALASKA WORKERS' COMPENSATION BOARD  
Valerie Almond - Anchorage  
Chris Johanson - Fairbanks  
David Koester - Anchorage  
James Rhodes - Ketchikan  
Patricia Voldorf - Anchorage

BOARD OF REGISTRATION FOR ARCHITECTS, ENGINEERS AND LAND  
SURVEYORS  
Craig Freedom - Eagle River

**ACTION NARRATIVE**

**TAPE 04-37, SIDE A**

**CHAIR CON BUNDE** called the Senate Labor and Commerce Standing Committee meeting to order at 2:46 p.m. Present were Senators Hollis French, Gary Stevens and Chair Con Bunde. Senator Bettye Davis arrived at 2:52. The first order of business to come before the committee was an overview of the Blue Cross/Premera conversion that is being discussed.

^OVERVIEW: BLUE CROSS/PREMER A CONVERSION

MS. GLORIA GLOVER, Chief Financial Examiner, Division of Insurance, Department of Community & Economic Development (DCED), said she is in the processing of preparing final recommendations for the June 7 hearing. The actual conversion is from a non-profit organization to a for-profit corporation. Transactions of this type require approval by the state insurance regulators, which in this case is in both Washington State and Alaska. Washington is conducting the same process as Alaska. Premera has made a Form A filing, which is required for any kind of an acquisition of an insurance company. This is considered an acquisition in the sense that Blue Cross and Premera are going from the non-profit status to a for-profit status. A stock corporation will be set up and stock will be traded in return for assets, which will result in a stock oriented group of companies. Currently, Premera has a mixture of both stock and non-profit companies. So, this will result in a totally stock-oriented corporation.

The results of the stock transfers will then be transferred to two charitable foundations - one, for Washington State public and one for Alaska state public. Those foundations are set up to provide funding for health initiatives in the respective states. The transfer, itself, would occur at the closing of the transaction, which is to be at the same time as the initial public offering (IPO) of the stock on the stock exchange. So, at that time, there would actually be value attributed to the stock that would be transferred.

The Form A filing includes all aspects of the transaction including the formation of the foundations.... These types of documents have voting trust agreements, registration rights agreements, the plan of conversion, articles of incorporation for both the charitable foundations and the new stock corporation, the equity compensation plans, economic assurances, affiliate agreements including tax sharing, management agreements, guarantees and stock restriction agreements. That's just generally the types of things that we have been looking at and reviewing in this transaction.

The Form A filing, itself, was originally submitted to the division on September 17, 2002 and was amended on September 27 and October 25. That plan was then revised after some discussions with the various regulators and their consultants and the company. There were concerns that came up and so we discussed those and that developed a revised plan that was filed on February 5, 2004.

The statute review requires that during a hearing we look at whether or not the insurer would be able to satisfy their insurance licensing requirements after the transaction, whether or not the transaction would lessen competition in the state or tend to create a monopoly in the state. We looked at the financial condition of the acquiring party and whether or not it might jeopardize the financial stability of the insurer or prejudice the interests of its policyholders. We look to see whether the terms of the agreements are fair or unfair or unreasonable for charity holders. We also look to see if the plans the

acquiring party has to liquidate - what the insurer sells after or consolidates with other changes - are unfair or unreasonable to policyholders or not in the public interest. We also look at the competence, experience and integrity of the persons who would control the operation of the insurer after the transaction. The director may also look at other types of information such as marketshare, volatility of market leaders, number of competitors, concentration, etc.

SENATOR BETTYE DAVIS arrived at 2:52 p.m.

MS. GLOVER said the hearings would be public and the director of the Division of Insurance will be the decision-maker. It is a complicated transaction and is not one the division has seen before; consultants with expertise on this issue were brought in. Those are Labosh Lamb and Green and McCray - legal firms with insurance and regulatory expertise, Signal Hill Capital Group - investment banking expertise, Navigant Consulting - economic expertise and Redman & Anders - actuarial expertise. All of the firms have been involved in these types of transactions in the past.

The consultants have issued two sets of reports on the transaction. The initial reports were filed February 2, 2004 and the supplemental reports, on February 27, 2004, which can be found on the Division of Insurance website.

CHAIR BUNDE asked what the impact of the transfer would be on current policyholders.

MS. GLOVER replied that the economic and actuarial consultants have addressed that issue in their reports. Premiums could potentially increase and Premera filed a two-year economic assurance that it would not increase premiums relating to the conversion, itself, but it doesn't restrict it from increasing premiums because of high medical costs.

CHAIR BUNDE said that currently any for-profit insurance company doing business in Alaska needs to have its rates approved by the Division of Insurance and that would apply to this conversion.

MS. GLOVER replied that a stock health company does not have its health rates approved. Other property casualty forms of insurance do need to be approved.

CHAIR BUNDE asked if she had an idea of how much the stock would be worth.

MS. GLOVER replied that she hadn't done a market valuation because the market will decide at the time the stock is offered.

CHAIR BUNDE asked who would be the recipient of this largess.

MS. GLOVER replied that the plan is to split the stock that actually is issued between the Washington foundation and the Alaska foundation. Each of those entities would operate separately with the stock they have.

CHAIR BUNDE asked who would belong to the Alaska foundation.

MS. GLOVER answered that the foundation would have a board of directors appointed by the attorney general. The board would then make the decisions about when to sell stock and at what price and how much and how that would be distributed to charities.

CHAIR BUNDE asked if it would be like the Permanent Fund Board.

MS. GLOVER replied, "Perhaps."

CHAIR BUNDE asked why the attorney general would appoint the board versus the governor.

MS. GLOVER answered that Premera used to appoint the board, but the department didn't think that was appropriate. In Washington State the attorney general made those appointments and that's what Alaska went with.

CHAIR BUNDE said that Washington State has an elected attorney general.

MS. GLOVER replied that is true.

CHAIR BUNDE asked if the appointments would be subject to legislative confirmation.

MS. GLOVER replied that the current proposal doesn't have that.

CHAIR BUNDE asked if the whole transaction would be subject to legislative confirmation.

MS. GLOVER answered that the statute does not provide for that.

SENATOR HOLLIS FRENCH said he understands that the authority to make that decision rests with Linda Hall, Director, Division of Insurance.

MS. GLOVER answered that she is the ultimate decision maker, although there is an appeal process.

SENATOR FRENCH asked where it would go.

MS. GLOVER replied to the Superior Court.

SENATOR FRENCH said Premera's plan dated March 16, 2004 says that the conversion will cause a one-time premium rate increase of 2 to 2.5 percent. He asked if that is upon conversion or at the end of the two-year period.

MS. GLOVER replied that is the estimate of the pressures that the stock company would bear that the consultants prepared. It wouldn't necessarily happen at conversion time; it would probably happen over time.

SENATOR FRENCH said he read that they would hold off on rate increases for two years.

MS. GLOVER agreed and said it had supplied the division with an economic assurance that raising of rates from a direct effect of the conversion would be held for two years.

SENATOR FRENCH wanted to make certain that the rates would not be subject to regulatory rate approval after the conversion.

MS. GLOVER said that is correct.

SENATOR FRENCH continued that the report also says that the number of medically uninsured people will increase.

MS. GLOVER replied that was the consultant's conclusion.

SENATOR FRENCH said further that Premera could withdraw in the future from less profitable business lines and asked if the division foresees that happening.

MS. GLOVER replied that the consultants concluded that was a potential.

SENATOR FRENCH said he had a hard time not jumping to the conclusion that the stockholders are going to get rich and Alaskan consumers are not.

MS. GLOVER responded that the division is still drawing its conclusions and preparing for the hearing in front of the director.

CHAIR BUNDE noted that three people were listening on line - Jack McCray, John Dominick and Barbara Branton - and that Nelson Page, member of the Conversion Task Force, was present.

MR. NELSON PAGE, member of the Conversion Task Force, said it consists of a number of organizations including the Mental Health Trust, the Rasmussen Foundation, the Denali Commission, the Alaska Native Health Board, the University of Alaska and individuals who are concerned or interested in the conversion process. Primarily, it is focused on what is left in the form of the foundation that it is worthy and helpful for the State of Alaska if the conversion takes place.

First, I will point out that this is not an unusual way for these conversions to take place. The Blue Cross corporations have always been non-profit corporations. When they convert to for-profit, it has been both a doctrine of law and a consideration of equity that the money and the assets that were created by the non-profit should continue to be used in the charitable or beneficial way for the people of the State of Alaska. Foundations are created for that purpose. We are concerned to make sure that the foundation, if the conversion goes through, if it is actually created, that it be independent - and we have some concerns that the makeup of the board of directors might be such that...wouldn't be able to be an effective advocate and an effective change agent for health care needs in the state.

We also have some concerns about some restrictions on the proposed conversion plan that might limit the foundation's ability to realize full value from the shares of stock that it would receive initially. These are restrictions such as a timetable for having to sell the stock, which might not be the best timetable to maximize their market value.

Finally, there is the issue, which I think the state is going to have to get in to, of how you allocate a percentage of the total amount from this conversion to the State of Washington versus the State of Alaska and what is a fair percentage.

MR. PAGE said this foundation may be a mitigation for some of the concerns and issues regarding a conversion. His experience with the Mental Health Trust is that these kinds of organizations can have a substantial effect far outweighing the amount of dollars that they wield.

CHAIR BUNDE asked if the Mental Health Trust would be one of the foundation members and thereby a stockholder.

MR. PAGE answered no. Presently it is envisioned that this foundation would be an independent entity and probably more akin to a private foundation like the Rasmusen Foundation rather than a semi-state corporation like the Mental Health Trust. The foundation would be the beneficiary of stock. The plan of conversion requires the foundation to sell the stock over a period of time and he didn't have a problem with that. However, he strongly felt that restrictions on when and how much has to be sold could limit the value of the stock. Also, unless the conversion has conditions, Premera might decide to create and issue new shares of stock within a short period of time, which would dilute the value of the foundation's stock.

CHAIR BUNDE said he shares his concerns about Alaska and he has heard a rumor that there is a desire to keep the legislature out of the process. He asked him what role the legislature could have in the process.

MR. PAGE replied that question could best be resolved between Premera, the Division of Insurance, the administration and the legislature.

To be candid, there is a concern that this is a lot of money and that there may be a desire to use that money in ways, which would not carry a benefit forward into the future. Beyond that, I don't think it is the feeling of anyone that I've talked to that we should keep the legislature in the dark about what's going on. To the contrary, that's one reason I'm here. I invite anyone who has questions or concerns to feel free to contact me or any member of the Premera committee to discuss those.

CHAIR BUNDE asked when he thought this process would come to a conclusion.

MR. PAGE deferred to the division for that answer. He understands that decisions would be made some time over the summer. His group has taken a firm non-position on whether the conversion should happen or not. It would not shock him to have legal challenges if the conversion goes forward.

CHAIR BUNDE observed that it is unfortunate that the legislature is getting involved at this late date in the session. One question he had is why the attorney general, as an agent of the governor, would appoint the board when the governor could make the appointments and have legislative confirmation.

SENATOR HOLLIS FRENCH asked Mr. Page to comment on an article he wrote partially about the ability of the foundation to advocate the availability of affordable health insurance.

MR. PAGE replied:

That particular concern is pretty straightforward. There are limitations on the ability of the foundation...to lobby to the extent they would want to advocate about insurance rates or the availability of insurance or the nature of insurance that is being offered or not being offered. Those restrictions, I think, are inappropriate and should not be included in any conversion plan.

CHAIR BUNDE asked if he saw any conflict in advocating for more consumer health care for a lower price.

MR. PAGE replied if the foundation is independent and, in fact, is supposed to be advocating for the unmet health needs of Alaskans, one of the things that they have to be able to talk about is the availability of health insurance. "To have limitations and restrictions on their ability to do that doesn't make any sense."

SENATOR FRENCH said Mr. Page also pointed out in the article that the initial contribution to the foundation has to be fair and that the initial proposal contains significant limitations on the ability of the foundation to receive contributions from other sources or to sell the assets it will receive from the conversion in a manner that will obtain the highest market

value. He asked what interest Blue Cross or Premera has in the assets they give over to the foundation once it has gone away.

MR. PAGE replied:

In fairness, this becomes fairly complicated and I try to look at both sides of this issue. Blue Cross will become a for-profit corporation at the beginning of the conversion to shareholders, one in Washington and one in Alaska. It seems if you look at it, it's fairly reasonable that they would have some restrictions on what those two shareholders can do with all of those shares of stock. They would be in complete control with this for-profit corporation until the shares are sold into the general market. Some of the restrictions that have been suggested, however, seem to be very, very inappropriate or at least unnecessary. Again, there is a timetable by which the shares of stock have to be sold - 20 percent within the first year, I think...and then a certain percentage more within two years and by the end of 10 years, they should have less than five percent of the shares of stock - all of which in some ways makes sense, but in other ways means that we may be forced into a timetable with the market that dictates we don't get our fair value....

The other issue again, is a fairly complicated tax issue. The foundation as is presently proposed in the conversion plan would be a 501(c)(4) organization. That is an organization that can do some lobbying and advocacy, but has the restriction that cannot accept funds or receive charitable contributions from any other source. A 501(c)(3) organization, which is sort of the one that most of us are familiar with as a non-profit, doesn't have those restrictions. Now, there are some tax implications of whether it's a 501(c)(4) or a 501(c)(3) that are fairly complicated. I won't attempt to try to explain them to you right now. But, it would seem to me that is an issue that hasn't been looked at as closely as it should in the conversion plan.

CHAIR BUNDE said it appeared that they had just scratched the surface of some of these issues. He concluded saying on behalf of the committee and the legislature that they would want to have some oversight and that needs to be explored in the next session.

CHAIR BUNDE announced confirmation hearings to be the next order of business. He declared a personal conflict of interest in that his daughter is one of the appointees to the Board of Barbers and Hairdressers.

^CONFIRMATION HEARINGS

^BOARD OF BARBERS AND HAIRDRESSERS

Deborah Long - Fairbanks  
Joylene Mars - Anchorage  
Angela Rosa Easton - Anchorage  
Larry Alan Unrat - Anchorage

^ALCOHOLIC BEVERAGE CONTROL BOARD

Dwayne Udland - Anchorage

^STATE ASSESSMENT REVIEW BOARD

Alan Black - Palmer  
Patrick Carlson - Kodiak

^BOARD OF MARINE PILOTS

Robert Arts - Anchorage

^ALASKA WORKERS' COMPENSATION BOARD

Valerie Almond - Anchorage  
Chris Johanson - Fairbanks  
David Koester - Anchorage  
James Rhodes - Ketchikan  
Patricia Voldorf - Anchorage

^BOARD OF REGISTRATION FOR ARCHITECTS, ENGINEERS AND LAND SURVEYORS

Craig Freedom - Eagle River

CHAIR BUNDE noted that the committee moved the names forward, but that didn't reflect any intent by any member to vote for or against any of these people in further sessions.

^#HB423

**HB 423-TAXICAB DRIVER LIABILITY**

CHAIR CON BUNDE announced HB 423 to be up for consideration.

MR. JIM SHINE, staff to Representative Tom Anderson, said HB 423 will allow taxicab operators to transport a motor vehicle owned

by an intoxicated person to his home or another directed residential location while another cab driver will take the intoxicated person to the same residential location.

Absent gross negligence or reckless or intentional misconduct, a person engaged in this activity would not be civilly liable for damages. There are times when Alaskans will find themselves in an end of the evening dilemma when they are over the .08 blood alcohol limit and shouldn't drive, but are worried and reluctant to leave their car unattended overnight for several reasons - fear of vandalism or having it towed or stolen. This bill will allow the intoxicated person and his or her vehicle to get home safely without the taxicab operator who drives the person's vehicle fearing liability. This bill promotes responsible behavior and encourages people to do the right thing and not drive while intoxicated.

In 2002, there were 87 traffic deaths in Alaska of which 35 were alcohol related. That created 40 percent of the traffic deaths. In 2001, 53 percent of auto deaths were alcohol related.

In order for this program to be successful, establishments would implement the following strategies and policies:

They'll be placing signs near payphones, direct lines to cab companies in other conspicuous areas in establishments such as restrooms and near exits.

CHAIR BUNDE asked who would pay for that.

MR. SHINE replied that the bar owners would do that. He continued:

Also they'll be training the staff in these establishments on the availability of the program, how to inform patrons and implement the process, making public service announcements at the end of the evening as the bar is nearing closing. The bars will be paying a portion of the cab fare agreed upon by the establishment and the program officials. They will track the program usage to assess the effectiveness to promote and/or improve the program. This service will be

free to consumers as the bar and corporate sponsors will be splitting the cost of \$40 for each cab trip in the downtown Anchorage bowl area.

CHAIR BUNDE asked if the person calls the cab himself does he pay the fare.

MR. SHINE replied no and said that the Anchorage Cabaret, Hotel, Restaurant & Retailers Association (CHARR) has been soliciting corporate sponsors to help pay for getting drunk drivers off the road and has talked with bar owners who have consented to being involved in this program and have agreed to splitting the cost of it with the corporate sponsors. He said that letters from Mothers Against Drunk Drivers (MADD) and Cabaret, Hotel, Restaurant and Retailers Association (CHARR) in support of HB 423 are in the committee's packets and noted that it passed the House unanimously by a vote of 38 - 0.

MR. JOHN PATTEE, owner, Gaslight Lounge and Avenue Bar, said he is also a board member of Anchorage CHARR, the Downtown Community Council and the Anchorage Downtown Partnership. Several years ago, he and Rod Flager, Anchorage Downtown Partnership, tried to identify why people may drink and drive. They found that some people want to take their cars home because they are expensive and might be vandalized or stolen if they are left downtown. A few years ago, insurance companies estimated it would cost \$1,000 per cab for providing this type of coverage, which was prohibitive. People don't want to leave their cars on the streets for many reasons. If they are legitimate reasons, they should be addressed. This program, which is called Off The Road, is a good start at addressing the problem and could be refined as experience dictates.

CHAIR BUNDE said he thought this was an issue worthy of being moved forward.

SENATOR BETTYE DAVIS moved to pass HB 423 from committee. Senators Hollis French, Bettye Davis and Chair Con Bunde voted yea; and HB 423 moved from committee.

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^#HB418

**CSHB 418(FIN)-REAL ESTATE COM'N/LICENSEE/HOME INSPECT**

CHAIR CON BUNDE announced CSHB 418(FIN) to be up for consideration.

MS. JANET SYKES, staff to Representative Rokeberg, said that CSHB 418(FIN) extends the life of the Real Estate Commission as recommended in the audit, clarifies procedures with regards to inactive real estate licensees, clarifies requirements for contact information and notices, and makes clarifying amendments to home inspection legislation.

MR. WILLIAM BRUU supported HB 418. "I think it's an absolute necessity that we tune up the home inspector statute." His one concern is that current regulations fail to grandfather in individuals who have been certified inspectors for as long as 15 years.

MR. DAVID FEEKIN, Legislative Chair, Alaska Association of Realtors, supported HB 418.

MS. PAT DAVIDSON, Division of Legislative Audit, said this bill addresses one of the audit's concerns relating to the notification of a determination against a license. Two other issues weren't addressed and one is to increase the award limit from \$10,000 to \$20,000. The \$10,000 cap was established in 1974 and has not been revised since then. The last five payments in the last few years have been for the full \$10,000 and the alleged losses in those claims exceeded \$10,000 - all but one was over \$20,000. Moving the cap to \$20,000 would assist the buyers who have suffered from fraud or deceit by a real estate agent.

The second item that is not addressed has to do with confusion by the Real Estate Commission on how mobile home sales are handled by licensees. She explained that the audit recommends mobile home transactions handled by real estate agents to be covered by the surety funds. She elaborated that mobile home transactions are not required to be handled by real estate agents and she is not recommending that, but rather if a person does seek the assistance of a licensed realtor, those transactions should be covered by the surety fund.

CHAIR BUNDE thanked her and put HB 418 aside until the committee had a quorum.

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**TAPE 04-37, SIDE B**

^#HB430

**HB 430-EMPLOYEES UNDER 21 AT LICENSED PREMISES**

CHAIR CON BUNDE announced HB 430 to be up for consideration.

MS. AURORA HAUKE, staff to Representative Beth Kerttula, sponsor, said this bill deals with the employment of people who are under 21 who work in hotels and restaurants that are licensed to serve alcoholic beverages. Currently, 16, 17, and 18-year olds are allowed to work in these establishments with the permission of their parents. Nineteen and 21-year olds don't need parental permission. No one under the age of 21 is allowed to work with the alcohol. This bill would allow 18-year olds to work without parental permission since they have reached the age of majority and are adults. They would still not be able to work with the alcohol. This legislation would clear up difficulties and deterrents for 18-year olds trying to find gainful employment in a restaurant and would increase the prospective labor pool for employers. This bill was brought to Representative Kerttula's attention by a constituent who was trying to hire an 18-year old young man who had been a foster child and didn't have any legal parents. Since he had not been adopted by his foster parents, they could not sign for him and eventually he was not able to work in the restaurant.

CHAIR BUNDE noted that Doug Griffin, Alcohol Beverage Control Board (ABC) was not able to testify at this time and he would hold the bill.

MS. HAUKE pointed out a letter of support from the ABC Board in the committee packets.

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^#HB517

**HB 517-SECURITY ACCOUNT BENEFICIARY DESIGNATION**

CHAIR CON BUNDE announced HB 517 to be up for consideration.

MR. JOSH APPLEBEE, staff to Representative Tom Anderson, sponsor, said HB 517 permits an investment management or custody account with a trust company or a trust division of a bank with trust powers to have a beneficiary designation take effect upon the death of the owner of the account. Under current law, securities and brokerage accounts have this beneficiary designation take effect upon the death of the owner pursuant to the Uniform Transfer On Debt Security Registration Act. However, the current definition in Alaska is not broad enough to include investment management or custody accounts, which are generally used by trust departments and banks. This problem cannot be

solved other than by statute. Several states including California, Idaho, Iowa, Minnesota and Washington have enacted similar legislation in the last three years. HB 517 will now allow these investment products to avoid probate by providing a statutory authorization to use a beneficiary designation to take effect upon death. It will also put bank trust departments on an equal footing with brokerage firms. There is wide spread support for this bill including Wells Fargo and the Alaska Banker's Association.

CHAIR BUNDE said that he now had a quorum, but wanted to give members some time to look at the bill.

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#HB430

**HB 430-EMPLOYEES UNDER 21 AT LICENSED PREMISES**

CHAIR CON BUNDE brought HB 430 back before the committee.

SENATOR BETTYE DAVIS moved to pass HB 430 from committee. Senators Bettye Davis, Gary Stevens and Chair Con Bunde voted yea; and HB 430 moved from committee.

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#HB517

**HB 517(title am)-SECURITY ACCOUNT BENEFICIARY DESIGNATION**

CHAIR CON BUNDE announced HB 517(title am) to be back before the committee.

MR. JOSH APPLEBEE recapped that HB 517(title am) allows trust custody accounts at a bank or trust company to use the time of death designation. When an owner of an account dies, the beneficiary will take over at the time of death.

SENATOR GARY STEVENS moved to pass HB 517(title am) from committee with attached fiscal note and individual recommendations. Senators Bettye Davis, Gary Stevens and Chair Con Bunde voted yea; and HB 517(title am) moved from committee.

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3:41 - 3:43 - at ease

CHAIR BUNDE adjourned the meeting at 3:43 p.m.