

MINUTES
SENATE FINANCE COMMITTEE
March 23, 2006
9:06 a.m.

CALL TO ORDER

Co-Chair Lyda Green convened the meeting at approximately [9:06:18 AM](#).

PRESENT

Senator Lyda Green, Co-Chair
Senator Gary Wilken, Co-Chair
Senator Con Bunde, Vice Chair
Senator Fred Dyson
Senator Bert Stedman
Senator Donny Olson

Also Attending: SENATOR GENE THERRIAULT; SENATOR GRETCHEN GUESS; REPRESENTATIVE MIKE HAWKER; DEAN GUANELI, Chief Assistant Attorney General, Legal Services Section, Criminal Division, Department of Law; JOHN GEORGE, American Council of Life Insurers; DIANE BARRANS, Executive Director, Commission on Postsecondary Education; ANNE CARPENETI, Assistant Attorney General, Legal Services Section, Criminal Division, Department of Law;

Attending via Teleconference: From an offnet location: ROB HEUN, Deputy Chief, Anchorage Police Department; KENTON BRINE, Northwest Region Manager, Property Casualty Insurers Association of America; From Anchorage: ED SNIFFEN, Assistant Attorney General, Commercial/Fair Business Section, Department of Law; STEVE CLEARY, Executive Director, Alaska Public Interest Research Group; PAT LUBY, Director, AARP-Alaska; From Mat-Su: DAN KENNEDY, Certified Public Accountant

SUMMARY INFORMATION

SB 206-DETENTION OF MATERIAL WITNESSES

The Committee heard from the Department of Law and a municipal law enforcement agency. A committee substitute was adopted and the bill was reported from Committee.

SB 222-PROTECTION OF PERSONAL INFORMATION

The Committee heard from the sponsors, the Department of Law, the Department of Education and Early Development, the insurance industry, and public advocates. The bill was held in Committee.

SB 284-SENTENCING FOR ALCOHOL-RELATED CRIMES

The Committee heard from the sponsor and the Department of Law. A committee substitute was adopted and the bill was held in Committee.

HB 274-PUBLIC ACCOUNTANTS

The Committee heard from the sponsor and a certified public accountant. The bill was reported from Committee.

#SB 206

[9:06:48 AM](#)

CS FOR SENATE BILL NO. 206(JUD)

"An Act relating to contempt of court and to temporary detention and identification of persons."

This was the second hearing for this bill in the Senate Finance Committee.

Co-Chair Wilken moved for adoption of CS SB 206, 24-LS1197\X, as a working document.

[9:07:34 AM](#)

Senator Bunde noted that Co-Chair Green requested this change that relates to photographing and fingerprinting of material witnesses. This change would provide that use of this information is limited to the proper identification of individuals and that the fingerprints would be destroyed once the specified purpose had been served.

[9:08:09 AM](#)

Co-Chair Green noted that this provision is akin to current procedure followed for other practices.

[9:08:23 AM](#)

Senator Bunde reminded of the question raised at the previous hearing relating to material witness statutes of other states.

[9:09:10 AM](#)

ROB HEUN, Deputy Chief, Anchorage Police Department, testified via teleconference from an offnet location that police often find that witnesses at a crime scene are influenced by fear or peer pressure. Many would provide information but were concerned about repercussions from the "people they have to live with". If required by law to provide information, these witnesses would have "cop cover" to justify their actions to others. When talking with witnesses, officers observe individuals mentally assessing the possible risks and repercussions when making their determination about whether they would cooperate.

[9:10:58 AM](#)

Senator Hoffman asked the reason both photographs and fingerprinting of material witnesses is necessary.

[9:11:19 AM](#)

Mr. Heun replied that fingerprints would allow confirmation of identification. Photographs provide an expeditious method to locate the witness to serve a subpoena.

[9:12:06 AM](#)

Senator Olson understood the purpose of obtaining either prints or a photograph; however, both could be excessive. He asked the number of other states that allow law enforcement to require both from a material witness.

[9:12:35 AM](#)

Mr. Heun did not know the number of other states. He considered the amount of time required to fingerprint and take a photograph as insignificant.

[9:13:15 AM](#)

Senator Dyson recalled that the vehicles utilized by the Anchorage Police Department have equipment that allows officers to take photographs and fingerprints. He asked the length of time necessary to secure both.

[9:13:46 AM](#)

Mr. Heun assured the person would be detained only long enough to obtain the information provided for in this bill. If events prevented officers from processing a witness immediately, that person could not be expected to remain at the scene. He noted that although possible suspects could be directed to "stand over there" to await further questioning, the burden would be placed on law enforcement to expedite processing of a material witness.

[9:14:46 AM](#)

Senator Dyson surmised such processing of material witnesses would require hours rather than days and weeks.

[9:14:53 AM](#)

Mr. Heun affirmed.

[9:14:57 AM](#)

Senator Dyson asked the process of detaining a witness for a longer period if police had reason to suspect a witness would be subjected to intimidation or harm, or would otherwise be unwilling to cooperate.

[9:15:27 AM](#)

Mr. Heun responded that an arrest warrant would be required to detain a person any longer than necessary for obtaining identification information. Such a warrant would be difficult to secure if the person was not a suspect in the crime.

[9:15:43 AM](#)

Senator Dyson asked if the process for obtaining a warrant includes presenting the situation to a judge.

9:15:56 AM

Mr. Heun affirmed, but stressed this action would not be a preferred option.

9:16:03 AM

DEAN GUANELI, Chief Assistant Attorney General, Legal Services Section, Criminal Division, Department of Law, testified to the correctness of the previous witness' assertion that the duration of detention would only be as long as required to determine what the individual witnessed. If the person had not seen anything relevant to the crime that occurred, he or she would be released soon thereafter. Mr. Guaneli expected the length of detention would be minutes rather than hours. Suspects could be held for longer periods, but witnesses could only be held long enough to gather information. Courts would require this as a constitutional matter.

Mr. Guaneli then spoke to the necessity to obtain both photographs and fingerprints of the witness. The database of known fingerprints that would be used to determine identification is limited to those arrested for crimes, certain job applicants, state license holders, etc. If a subpoena was issued and the witness failed to appear, the ability of using fingerprints to assist in locating the person would be limited. Photographs would better assist law enforcement in locating the witness.

9:18:57 AM

Senator Olson asked how this legislation would apply in situations involving a "distraught" witness in which the victim was a loved one.

9:19:36 AM

Mr. Guaneli replied that police encounter this situation frequently and consideration is given to the circumstances. The witness is allowed to accompany the victim to the hospital if necessary. This legislation would apply to those wanting to leave the scene of a crime specifically to avoid identification.

9:20:25 AM

Senator Bunde offered a motion to report CS SB 206, 24-LS1197\X, from Committee with individual recommendations and new fiscal notes.

There was no objection and CS SB 206 (FIN) was MOVED from Committee with four new zero fiscal notes: one dated 3/17/06 from the Department of Administration, Public Defender Agency; one dated 3/20/06 from the Department of Administration, Office of Public Advocacy; one dated 3/17/06 from the Department of Law; and one dated 3/19/06 from the Department of Corrections.

#SB222

[9:20:53 AM](#)

CS FOR SENATE BILL NO. 222(JUD)

"An Act relating to breaches of security involving personal information, credit report security freezes, consumer credit monitoring, credit accuracy, protection of social security numbers, disposal of records, factual declarations of innocence after identity theft, filing police reports regarding identity theft, furnishing consumer credit header information, and truncation of credit and debit card information; and amending Rule 60, Alaska Rules of Civil Procedure."

This was the first hearing for this bill in the Senate Finance Committee.

SENATOR GENE THERRIAULT, Co-Sponsor of the bill, noted the increase in instances of identity theft in Alaska and the nation. He and Senator Gretchen Guess identified model legislation in other states and each introduced bills for consideration for Alaska. They decided to combine their efforts and co-sponsor one bill.

Senator Therriault explained this bill would "put on notice" those who are "in the business" of collecting, utilizing and brokering people's personal information. These businesses would be required to undertake certain protections of the information they control. The bill outlines violations, definitions, and manners in which documents must be maintained and destroyed, to protect information from being stolen for illicit use in the "modern economy".

[9:23:22 AM](#)

SENATOR GRETCHEN GUESS detailed the bill sections. Section 1 would amend AS 45 by adding a new chapter to read: Chapter 48, Personal Information Protection Act.

Senator Guess outlined the articles of the new chapter beginning with Article 1, Breach of Security Involving Personal Information, which provides that the holder of an individual's personal information must alert that individual of any breach of security. The article also defines breach of security.

[9:24:13 AM](#)

Senator Guess stated that Article 2, Credit Report Security Freeze, allows a person to prohibit a consumer credit reporting agency from releasing information without express written authorization of the consumer.

[9:24:29 AM](#)

Senator Guess noted Article 3, Consumer Credit Monitoring; Credit Accuracy, grants Alaskans increased access to their credit reports in a "reasonable fashion" as well as the ability to correct errors.

[9:24:54 AM](#)

Senator Guess pointed out that Article 4, Protection of Social Security Number, specifies instances in which a person could be required to provide their social security number and how and when that number could be used, sold, etc.

[9:25:16 AM](#)

Senator Guess informed that Article 5, Disposal of Records, provides how personal information must be handled and disposed.

[9:25:32 AM](#)

Senator Guess explained Article 6, Factual Declaration of Innocence after Identity Theft; Right to File Police Report Regarding Identity Theft, allows a victim of identity theft to declare their innocence of accumulated debt in a court of law.

This article also allows an individual to file a police report in their resident jurisdiction even if the crime was committed elsewhere. Many federal provisions pertaining to identity theft do not go into affect without a police report.

[9:26:18 AM](#)

Senator Guess continued with Article 7, Consumer Credit Header Information, which relates to the social security number and prohibits the selling of credit header information for the sole purpose of the sale. Such transactions must first be permissible under federal law.

[9:26:45 AM](#)

Senator Guess stated that Article 8, Truncation of Card Information, provides that printed material only list the last five digits of credit cards and debit cards.

[9:27:02 AM](#)

Senator Guess noted Article 9, General Provisions, includes many definitions as they apply to this bill.

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Senator Guess commented on the extensive efforts of the co-sponsors to resolve as many issues as possible for the different stakeholders.

Senator Guess told of a policy decision she and Senator Therriault agreed upon to not provide "carve outs", or exemptions, for any specific industry or entity. Rather, issues would be resolved for all parties. It would be unfair to hold different groups to different standards. This decision resulted in fiscal notes from State agencies, as government would be held to the same liability standards.

[9:28:30 AM](#)

Senator Stedman referenced the language of subparagraph (a) (5) of Section 45.48.400. Use of social security number., in Article 4 on page 16, lines 7 through 18. This subparagraph would prohibit printing of an individual's social security number on material mailed to the individual unless provided by law or is

included on an application or necessary for verification. The social security number, if printed, could not be visible without the envelope containing the information being opened.

Senator Stedman asked if a financial institution that utilizes social security numbers embedded in account numbers would be required to change the customer's account number.

[9:29:15 AM](#)

Senator Guess replied that if the institution planned to disclose that account number or print the account number on material in a manner other than provided for in Sec. 48.48.400(a)(5), the account number would have to be changed. No stakeholder has advised the co-sponsors that it utilizes account numbers with social security numbers embedded, although that may have been a past practice. This practice is not safe.

[9:29:52 AM](#)

Co-Chair Green understood that some group health plans use social security numbers as identification numbers.

[9:29:58 AM](#)

Senator Guess agreed this had been practiced; however most carriers have changed their methods.

[9:30:19 AM](#)

Senator Stedman again asked if account numbers would have to be changed.

[9:30:26 AM](#)

Senator Guess affirmed this would be required unless a state or federal law required the use of the social security number.

[9:30:39 AM](#)

Co-Chair Green asked if this provision pertains to material enclosed or to information exposed on the outside of mailings.

[9:30:52 AM](#)

Senator Guess responded that the information could not be included unless federal law requires the social security number, or the sender could send the information in an enclosed mailing. A postcard would not be allowed.

[9:31:11 AM](#)

Senator Stedman requested clarification as account statements are mailed in enclosed envelopes, whether social security numbers were embedded in the account number or not.

[9:32:04 AM](#)

Senator Guess answered the account numbers must be changed, unless State or federal law required the social security number, or unless the party received consent of the account holder.

Senator Guess surmised that this would likely apply in the event the social security was obvious.

[9:33:37 AM](#)

Senator Stedman understood that many changes have been undertaken to eliminate the embedding of social security numbers; however many older accounts continue to contain social security numbers in the account number. He again asked if industry would be forced to review and change these older account numbers.

[9:34:14 AM](#)

Senator Guess responded that for a business that practices disclosure of social security numbers, the provisions of this bill would apply. If a social security number is contained in the business's system and linked to an account number, but the social security number were not disclosed either separately or as part of the account number, the account number would not require changing.

[9:34:52 AM](#)

Co-Chair Green asked if in discussions on this issue the point had been raised that this is "a little late". She provides her social security number frequently.

[9:35:15 AM](#)

Senator Therriault remarked that the ability to collect and transfer information electronically has expanded. People used to print social security numbers on their checks and otherwise provided their number regularly. However, he had not given his number in years. Social security numbers are no longer printed on driver's licenses.

[9:35:46 AM](#)

Co-Chair Green countered that every visit to a doctor involves the utilization of a social security number.

[9:35:52 AM](#)

Senator Therriault informed that industry is responding to threats of identity theft and social security numbers are being removed from disclosed information. This is occurring in other transactions as well. For example, entire credit card numbers are no longer always printed on receipts. Industry is "slowly correcting".

[9:36:41 AM](#)

Co-Chair Wilken referenced Sec. 45.48.850. Truncation of care information of Article 8, on page 23, lines 2 through 5. He related that federal law stipulates that entire credit card numbers could not be printed as of January 1, 2005. He asked if the inclusion of this provision in State statute is intended to reinforce the federal law, or whether it serves a different purpose.

[9:37:39 AM](#)

Senator Guess was unaware of the federal law and would research the matter. The practice is occurring currently, and therefore some vendors have received an exemption or are violating the law.

[9:38:06 AM](#)

Co-Chair Wilken did not oppose the proposed language, surmising it would "serve as a reminder". While recently traveling in Canada, he noticed that his entire credit card numbers were

printed on receipts. This has also occurred in some establishments stateside.

[9:39:07 AM](#)

Co-Chair Green admitted this provision was included in the bill at her request. A member of her staff had experienced receipts with the entire number printed and had expressed concern. She would also research the matter.

[9:40:12 AM](#)

ED SNIFFEN, Assistant Attorney General, Commercial/Fair Business Section, Department of Law, testified via teleconference from Anchorage to the extensive comments made to previous committees hearing this bill. The co-sponsors have addressed the Department's concerns about the ability of State agencies to operate. Information must be accessed and disclosed in the course of State business, including student loans and collections. Instances exist in which information must be shared with non-governmental entities for reasons not covered in law, but are essential nonetheless.

[9:42:35 AM](#)

Mr. Sniffen also spoke to the State's binding liability for damages to third parties in the event of noncompliance to this law. While the Department does not oppose the compliance requirements, the liability provision would not encourage compliance but would require the State to defend against frivolous lawsuits. If methods were provided for individuals to sue the State, such suits would be made.

Mr. Sniffen pointed out that the State does not generate revenue from the sale of private information. The information is only utilized for conducting government business.

[9:43:44 AM](#)

STEVE CLEARY, Executive Director, Alaska Public Interest Research Group, testified via teleconference from Anchorage about the organization, which supported this bill. He told of an incident involving Choice Point, Inc. alerting many Americans of a potential leak of personal information. Many similar incidences have occurred since involving other businesses. The

notification process is very important. The Group also supports the credit report freeze provision that would prevent a thief from receiving credit using stolen identity. He related an instance in which a person inadvertently provided personal information to a possible "fisher" and subsequently made an immediate freeze on her credit report until the issue was resolved. This practice is beneficial to business, as billions of dollars are lost each year from this sort of fraudulent actions.

[9:47:08 AM](#)

Co-Chair Green asked the name of the company involved in the first major security breach.

Mr. Cleary answered Choice Point, Inc. is a company operating in the state of Georgia that inadvertently released private information.

[9:47:31 AM](#)

PAT LUBY, Director, AARP-Alaska, testified via teleconference from Anchorage in support of this bill. The organization has multiple consumer affairs records from its members relating to identity theft. He encouraged passage of the bill.

[9:48:26 AM](#)

KENTON BRINE, Northwest Region Manager, Property Casualty Insurers Association of America, testified via teleconference from an offnet location that the trade association represents more than 1,000 insurance companies that write nearly 41 percent of the property casualty policies in the country. The Association had expressed concerns with this legislation in other committees. Approximately 40 other states have considered or were considering measures intended to protect consumer information from unauthorized access or exposure, or to allow consumers to freeze access to their credit information. Also, legislation is under consideration in the US Congress to create a national standard.

Mr. Brine informed of the federal Fair and Accurate Credit Transaction Act, or FACT ACT of 2003, which includes provisions intended to help consumers fight identity theft, to assure the credit history items identified as fraudulent would not be

considered against the consumer during the course of legitimate business transactions, and to ensure that victims of identity theft would continue to qualify for goods and services dependant on credit information.

Mr. Brine explained that the FACT ACT allows any consumer with reason to believe he or she is a victim of identity theft to request that a fraud alert be placed on their credit file. This would inform users of the report that the information on the credit file could be inaccurate and that further investigation could be warranted. These consumers could also request that items identified as fraudulent be blocked from appearing on their credit report. The advantage of blocking certain information over freezing an entire report would allow the consumer to continue to qualify for credit based on their true history.

Mr. Brine stressed that a lack of uniformity between states could cause difficulties for financial services companies, including insurers' efforts to effectively serve customers.

Mr. Brine relayed that insurance companies have successfully sought exemptions in several other states considering similar legislation to allow credit freezes.

Mr. Brine indicated he would submit suggested amendments for consideration.

[9:54:49 AM](#)

JOHN GEORGE, American Council of Life Insurers, testified in Juneau that life insurers are financial institutions carefully controlled by the Division of Insurance and through federal regulations. The State has adopted regulations that are more restrictive than federal law. The companies do not sell or purchase personal identification information, but rather share the information internally with financial partners. This information is utilized to insure against fraud.

Mr. George gave an example of a person who purchased a life insurance policy while residing in the state of Florida, relocating several times in the course of his life to other states before passing away many years later in Alaska. The identity of this policyholder must be verified so the claim could be paid. He gave another example of a husband purchasing

multiple policies from different carriers on his wife, who then disappears or dies unexpectedly. In such an instance, the policies must be complied to assist in an investigation of possible crimes.

Mr. George relayed that an exemption for the insurance industry would be appropriate because it is already controlled and does not buy or sell personal information.

[9:58:16 AM](#)

Senator Olson asked if the witness did not support the bill.

[9:58:24 AM](#)

Mr. George responded that the life insurance industry strongly supports identification protection and the use of account numbers different from social security numbers. However, the adoption of alternative numbers could result in their wide usage and subsequent theft. Aside from DNA, fingerprinting or retinal scanning, accurate identification is not guaranteed.

[9:59:44 AM](#)

Senator Bunde thought the issue had been addressed in the Senate Labor and Commerce Committee.

[9:59:58 AM](#)

Mr. George replied that provisions are included in the bill to allow access to a social security number in instances legally required by State and federal law. However, he was unsure that existing statutes would apply to every instance in which the insurance industry would need the information. Often the social security numbers are required to report payments to the Internal Revenue Service.

[10:00:43 AM](#)

DIANE BARRANS, Executive Director, Alaska Commission on Postsecondary Education (ACPE), testified in Juneau, reading a statement into the record as follows.

While the Commission is already in compliance with a number of the information security elements of the bill, we do

have significant concerns about the provisions relating to the collection and use of social security numbers. The current provisions constitute a potential major impairment of ACPE's ability to efficiently and effectively carry out its administrative responsibilities for state financial aid programs. Specifically, (page 6, lines 25 to 27) AS 45.48.400(b) Unless expressly required by federal or state law, a person may not sell, lease, loan, trade, rent, or otherwise disclose an individual's social security number to a third party for any purpose without the individual's written consent.

Currently, ACPE uses the SSN as one of several key identifiers in a multi-point ID protocol when performing statutorily required servicing processes which include: insuring the identity of the applicant, review of applicant credit history, review for relevant selective service status, review for child support delinquency, garnishment of wages and/or PFDs, skip tracing, credit reporting, etc. These matches are made with both federal and state entities as well as with private postsecondary institutions and other non-governmental third parties critical to the process.

Collection of SSNs is absolutely critical to these processes and yet, the act of collecting the SSN is not expressly required by law, it is performing the processes that is required.

Current language contained in the state education loan Master Promissory Note (MPN) includes an important notices section, which advises applicants that submission of the SSN is required to participate in the loan program. It further advises them, generally, how the SSN will be used as an identifier, when needed and appropriate, throughout the life of the loan. While the promissory note does state: "Information Sharing I authorize the release of information pertinent to my loans...etc.", it does not contain an explicit statement relating to release of the SSN. Should this phrasing issue be subject to litigation and the language deemed to be deficient, I cannot estimate what costs could come from a class action. The current MPN has been in use for the past four years.

For the Commission to have to require new MPNs of all current borrowers is estimated to cost in excess of \$50,000 in printing, distribution and staff time explaining to borrowers and participating institutions why the existing MPN must be replaced. There would also be the intangible cost to the organization, of putting our customers' confidence in the organization at risk. Since we also operate as a lender under the federal program, should we be able to comply with federal credit reporting requirements the financial losses to the Alaska Student Loan Corporation could be in the millions. Federal loan volume for the current loan year is estimated to be approximately \$27 million and represents slightly less than 40% of our total loan volume.

The other two sections of related concern are 45.48.410 and 45.48.415. While 45.48.410 appears to provide agencies with the ability to create SSN-related "law" through regulation, as it currently reads, that ability is limited to this single section. Should we attempt to provide all of the requisite authority to support critical administrative processes, I am very concerned that, if subjected to litigation by a disgruntled borrower, the courts would take a strict reading of the statute and disallow any such regulation that was not supported by clear statutory authority.

It is also relevant to note that the legislature has expressly charged ACPE with acting as an enterprise agency, using a business model to generate revenue for the state. However, by prohibiting a state agency from asking for a SSN, but not extending that prohibition to other entities, the proposed language in 45.48.410 not only results in significantly increased cost for ACPE - and associated decreases in ACPE's ability to generate revenue for the state - but also results in ACPE not being able to compete with out-of-state organizations that actively market their loans to Alaska's students, costing those students more, decreasing state revenues, and resulting in an outflow of education loan repayment dollars to other states.

Finally, ACPE's business process is already subject to a variety of federal consumer protection laws including: Fair Debt Collection Practices Act (FDCPA); Telephone Consumer Protection Act (TCPA); Fair Credit Reporting Act (FCRA);

Patriot Act (for OFAC compliance); Gramm Leach Bliley (GLB); Fair and Accurate Credit Act (FACT ACT); Alaska Privacy Act; Alaska statutes and regulations governing the education loan programs; Truth in Lending Act as well as a variety of federal and state laws relative to consumer information protection, identity theft, payment processing, debt collection, and related financial information. The additional requirements placed on the agency by this legislation certainly adds complexity to compliance, due to possible conflicts, without adding meaningfully to the protection of our customers.

If it is not possible to altogether exempt ACPE from these referenced requirements, then appropriate amendments are necessary to avoid devastating consequences to our operations, our ability to operate as an enterprise agency, and - most important - our ability to support Alaska's students and institutions of higher education.

10:05:53 AM

Senator Therriault informed that in the course of the committee hearing process, 26 formal changes have been adopted to address stakeholder concerns. A new committee substitute was being drafted to further address issues and would be submitted for consideration. He invited Committee members to participate in this process.

Senator Therriault pointed out however that a decision was made by the Senate Labor and Commerce Committee as well as the Senate Judiciary Committee to not treat State agencies differently than businesses.

10:07:24 AM

Senator Guess referenced testimony from the Alaska Commission on Postsecondary Education and Department of Law testimony regarding social security numbers. The co-sponsors had prepared amendments intended to address the concerns but had decided to delay their introduction to allow the changes to be combined with other planned changes currently being drafted.

Senator Guess disclosed that the co-sponsors were continuing communications with life insurance carriers to accommodate the specific needs of that industry. She disagreed that it should

receive a special exemption and instead supported efforts to draft language to clarify how the provisions of the bill would apply unless otherwise provided in law.

[10:08:54 AM](#)

Co-Chair Green directed members to submit any concerns or recommendations to her office to be transmitted to the co-sponsors.

Co-Chair Green ordered the bill HELD in Committee.

#SB284

[10:09:11 AM](#)

CS FOR SENATE BILL NO. 284(JUD)

"An Act relating to sentencing for the commission of a felony while under the influence of alcohol."

This was the first hearing for this bill in the Senate Finance Committee.

[10:09:44 AM](#)

Senator Therriault, sponsor of the bill, stated this legislation would provide aide for law enforcement and courts in addressing a societal problem. He read the sponsor statement into the record as follows.

In the interest of public safety and reducing the rate of recidivism among certain violent offenders, I have introduced Senate Bill 284 giving judges a new option when sentencing felons who commit crimes against persons. (AS 11.41)

In instances that clear and convincing evidence shows a long-term pattern of alcohol abuse as a major contributing factor in the commission of a violent crime against a person, or in the case of extreme DUI convictions, a judge may impose as a condition of sentencing, up to a lifetime prohibition on the use of alcohol.

This legislation is intended to accomplish three main objectives. The first is to allow courts to remove a controlled substance from those who have a long track record of being dangerous when they use it. The second is to prevent future acts of violence by establishing a different threshold for re-arrest before actual violence may occur. The third goal is to establish a lifelong deterrent to offenders who might be tempted to use a substance that unleashes their violent nature.

[10:11:35 AM](#)

Senator Therriault informed that he has collaborated with the Department of Law to shorten the bill. The Division of Legal and Research Services drafter agrees the new language structure would be sensible and prepared a new committee substitute.

[10:12:13 AM](#)

Co-Chair Green suggested the proposed committee substitute could be distributed at this time to allow members to review the changes. She agreed the current version was repetitive.

[10:13:30 AM](#)

Senator Therriault explained that the proposed committee substitute summarizes the references to other statutes.

[10:13:52 AM](#)

Co-Chair Wilken offered a motion to adopt CS SB 284, 24-LS0581\L, as a working document.

There was no objection and CS SB 284, Version "L", was ADOPTED as a working document.

[10:14:14 AM](#)

ANNE CARPENETI, Assistant Attorney General, Legal Services Section, Criminal Division, Department of Law, explained the shortened committee substitute. Judges need the guidelines provided in this legislation. The Department supports this bill.

[10:15:38 AM](#)

Co-Chair Green indicated she would review the committee substitute. When she first learned of this effort, she was skeptical it could be successful. She has since concluded the guidelines could be helpful.

The bill was HELD in Committee.

#HB274

[10:16:05 AM](#)

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 274(FIN)
"An Act relating to the practice of accounting; and providing for an effective date."

This was the first hearing for this bill in the Senate Finance Committee.

[10:16:13 AM](#)

REPRESENTATIVE MIKE HAWKER, sponsor of the bill, testified that Alaska's accounting statues were written in 1960 through 1962. Many accounting practices have changed since that time. Efforts are underway nationally to standardize accounting practices including education and licensing requirements. The Alaska Board of Public Accountants has been collaborating with the American Institute of Certified Public Accountants to implement changes to comply with the Uniform Accountancy Act, written by the Institute. This bill represents the first portion of those efforts.

Representative Hawker stated that most of the language in this lengthy legislation is technical, conforming to current standards.

Representative Hawker informed of the shortage of qualified Certified Public Accountants (CPA) in Alaska. This bill would grant practice privileges to out of state accountants under the Standard of Substantial Equivalency. The reciprocity requirements are designed to encourage accountants to work in Alaska by not requiring them to redo any professional credentials.

Representative Hawker told of the current requirement that all communications to the accounting community must be conducted through certified mail. At the request of the Board of Accountancy this provision would be repealed and would reduce operating costs of the Board by \$6,000 to \$8,000 a year.

Representative Hawker emphasized the public reliance on audits attesting to the correctness of financial statements. The national trend has been to increase regulation and management of CPAs performing attest functions. This bill would mandate that professional accountants undergo peer reviews, a practice currently in regulation. However, regulations do not include a definition of attesting, nor do they provide for a process of writing regulations to address attesting. This bill would require the Board of Accountancy to develop regulations defining attest functions and providing special oversight of accountants who perform those functions.

[10:21:40 AM](#)

Representative Hawker relayed attempts within the accounting community in Alaska to change practices to conform to the national Uniform Accountancy Act. Some have been eager to fully conform, while others were reluctant to make changes. The Board held internal and public hearings on the issue and this legislation represents compromises made to the various concerns. Those accountants who had opposed making any changes were satisfied with the proposal and expressed willingness to see the results.

Representative Hawker explained that the delayed effective date of the statutory changes is January 1, 2008. Regulations could be written in the meantime and, if deemed necessary, statutory changes could be offered in the next legislative session.

Representative Hawker described the support for this bill from different factions of industry.

[10:23:59 AM](#)

Senator Olson remarked that businesses are dependant on accountants. He asked if any negative criticism to this bill has been voiced from business representatives.

[10:24:19 AM](#)

Representative Hawker had heard of no negative comments with the exception of comments raised by independent accountants, those who are not certified. Those concerns have been addressed.

[10:24:34 AM](#)

Senator Olson asked if his accountant would therefore support this legislation.

[10:24:41 AM](#)

Representative Hawker responded this would depend on who his accountant is. Those who have been actively involved in the process have reached agreement on the provisions in the bill.

[10:25:12 AM](#)

Representative Hawker noted that the oldest member of the association supports this bill. This person represented the anchor of the "old school" approach. Through the process, he became supportive of allowing regulations to be adopted, and if those regulations proved effective, he would support their being codified.

Representative Hawker predicted this bill would likely not be the last legislation addressing changes to the accounting statutes.

[10:26:18 AM](#)

Co-Chair Green recalled the dissent when these changes were originally proposed.

[10:26:26 AM](#)

DAN KENNEDY, Certified Public Accountant, testified via teleconference from Mat-Su, acknowledging that this issue is relatively insignificant in comparison to other issues before the legislature. He supported this bill, a modernization of Alaska's accounting procedures that would align with 40 other states. This legislation represents a compromise within the accounting profession. He had advocated for more aggressive changes, including a reduction of the activity requirements for becoming a CPA. Currently an accountant must work under the

supervision of a CPA for two years. Alaska is the only state with this requirement. He had recommended one year of supervised practice.

Mr. Kennedy defined the peer review process as an audit of the auditors, which would strengthen the profession. Therefore, only one year of supervised practice is necessary. However, he was willing to compromise on this item in the interest of passage of this legislation.

[10:30:18 AM](#)

Senator Bunde offered a motion to report the bill from Committee with individual recommendations and accompanying fiscal note.

Without objection HB 274 was MOVED from Committee with zero fiscal note #1 from the Department of Commerce, Community and Economic Development.

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ADJOURNMENT

Co-Chair Lyda Green adjourned the meeting at [10:31:09 AM](#)