

**ALASKA STATE LEGISLATURE**  
**SENATE LABOR AND COMMERCE STANDING COMMITTEE**

February 8, 2005

1:31 p.m.

**MEMBERS PRESENT**

Senator Con Bunde, Chair  
Senator Ralph Seekins, Vice Chair  
Senator Ben Stevens  
Senator Johnny Ellis  
Senator Bettye Davis

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 67

"An Act relating to claims for personal injury or wrongful death against health care providers; and providing for an effective date."

HEARD AND HELD

OVERVIEW

Greg O'Claray, Commissioner, Department of Labor and Workforce Development (DOLWD) - Update on Training Programs For Alaskans in Oil/Gas/Mining Industries

SENATE BILL NO. 52

"An Act relating to the reorganization of certain functions of the division of banking, securities, and corporations and the division of occupational licensing in the Department of Commerce, Community, and Economic Development; and providing for an effective date."

MOVED CSSB 52(L&C) OUT OF COMMITTEE

SENATE BILL NO. 25

"An Act relating to labeling and identification of genetically modified fish and fish products."

MOVED SB 25 OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

BILL: SB 67

SHORT TITLE: CLAIMS AGAINST HEALTH CARE PROVIDERS

SPONSOR(s): SENATOR(s) SEEKINS

01/21/05 (S) READ THE FIRST TIME - REFERRALS  
01/21/05 (S) L&C, JUD  
02/08/05 (S) L&C AT 1:30 PM BELTZ 211

BILL: SB 52

SHORT TITLE: OCCUPATIONS/CORPORATIONS/BANKS/SECURITIES

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/12/05 (S) READ THE FIRST TIME - REFERRALS  
01/12/05 (S) L&C  
02/01/05 (S) L&C AT 1:30 PM BELTZ 211  
02/01/05 (S) -- Meeting Rescheduled to 02/08/05 --  
02/08/05 (S) L&C AT 1:30 PM BELTZ 211

BILL: SB 25

SHORT TITLE: GENETICALLY MODIFIED FISH

SPONSOR(s): SENATOR(s) ELTON, STEVENS G

01/11/05 (S) PREFILE RELEASED 12/30/04  
01/11/05 (S) READ THE FIRST TIME - REFERRALS  
01/11/05 (S) L&C, RES  
02/01/05 (S) L&C AT 1:30 PM BELTZ 211  
02/01/05 (S) -- Meeting Rescheduled to 02/08/05 --  
02/08/05 (S) L&C AT 1:30 PM BELTZ 211

**WITNESS REGISTER**

Mr. Brian Hove  
Staff to Senator Seekins  
Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Commented on SB 67 for sponsor.

Mr. Jim Jordan, Executive Director  
Alaska State Medical Association

**POSITION STATEMENT:** Supports SB 67.

Dr. Michael Norman, Anesthesiologist  
Anchorage AK

**POSITION STATEMENT:** Supports SB 67.

Mr. Rod Betit, President

Alaska State Hospital and Nursing Home Association  
Juneau AK

**POSITION STATEMENT:** Supports SB 67.

Mr. Mike Haugen, Executive Director  
Alaska Physicians and Surgeons  
Anchorage AK

**POSITION STATEMENT:** Supports SB 67.

Dr. Paul Worrell, President  
Alaska State Medical Association

**POSITION STATEMENT:** Supports SB 67.

Ms. Kathy Dale  
Anchorage AK

**POSITION STATEMENT:** Opposes SB 67.

Mr. Les Syren  
Anchorage AK

**POSITION STATEMENT:** Opposes SB 67.

Mr. Mike Powers  
Fairbanks Memorial Hospital  
Fairbanks AK

**POSITION STATEMENT:** Supports SB 67.

Mr. Richard Cobden, Chairman  
Alaska Health Care Network  
Fairbanks Memorial Hospital  
Fairbanks AK

**POSITION STATEMENT:** Supports SB 67.

Commissioner Greg O'Claray  
Department of Labor & Workforce  
Development  
PO Box 21149  
Juneau, AK 99802-1149

**POSITION STATEMENT:** Presented department overview

Mr. Rick Urion, Director  
Division of Occupational Licensing  
Department of Labor & Workforce  
Development  
PO Box 21149  
Juneau, AK 99802-1149

**POSITION STATEMENT:** Supports SB 52.

Senator Kim Elton  
Alaska State Capitol  
Juneau, AK 99801-1182  
**POSITION STATEMENT:** Sponsor of SB 25.

Ms. Dale Kelly, Executive Director  
Alaska Trollers Association  
Juneau AK  
**POSITION STATEMENT:** Supports SB 25.

Mr. Dennis Kelso  
University of California, Santa Cruz  
Santa Cruz CA  
**POSITION STATEMENT:** Supports SB 25.

#### **ACTION NARRATIVE**

**CHAIR CON BUNDE** called the Senate Labor and Commerce Standing Committee meeting to order at [1:31:09 PM](#). All members were present.

#### **SB 67-CLAIMS AGAINST HEALTH CARE PROVIDERS**

BRIAN HOVE, staff to Senator Seekins, sponsor of SB 67, said it amends AS 09.55 by adding a new section that places a \$250,000 limit on non-economic awards for health care providers.

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It intends to alleviate a growing two-pronged crisis in Alaska's health care industry. First is the dearth of liability insurance carriers and second, the declining number of practicing, not just licensed, physicians.

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Liability coverage is necessary for health care providers. Medical malpractice insurance companies have found Alaska uneconomic and have left the market. This has created much uncertainty and opened the door to higher rates across the board. A more critical problem is Alaska's shortage of physicians. Alaska ranks near the bottom in the number of physicians per capita and over half of them exceed the age of 50. It is difficult to recruit new entries when other states have capped non-economic damages at or near \$250,000.

The bottom line is Alaska is viewed as an undesirable place for medical insurance carriers to do business and as a result there are fewer physicians to set up shop.

Mr. Hove said that SB 67 follows the national trend and doesn't affect awards for quantifiable damages such as lost wages and medial expenses and does not affect awards for gross negligence or reckless behavior.

Furthermore, it is not intended to be a silver bullet solution to an entire range of issues facing our health care industry. However, it does provide a step in the right direction in terms of stabilizing the medical insurance market here in Alaska and boosting our efforts to attract the next generation of physicians.

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CHAIR BUNDE asked what other states have passed similar legislation?

MR. HOVE replied California and others, but he would have to get the list.

SENATOR ELLIS asked what "significant losses" means on page 1, line 14.

MR. HOVE explained that referred to the losses that were substantially greater in 2003 than in prior years. It is a trend.

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Public testimony

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MR. JIM JORDAN, Executive Director, Alaska State Medical Association (ASMA), supported SB 67.

It's critical to help us turn around our acute and critical and chronic shortage of physicians.... It is entirely unfair to Alaska citizens if SB 67 is not enacted. It is needed so that we have sufficient well-trained physicians available when we need them....

Some will no doubt say that to set damages for non-economic awards at \$250,000 is unfair. I submit to you that life is unfair and if it's your loved one who is injured or who dies, there's no amount of money that can compensate you for that loss.

Society and the Legislature will never be able to determine what is fair to each person. What we have to decide as a society is not what is fair, but what is equitable. The Legislature has made similar decisions of equity. Mr. Hove mentioned driving an automobile requires \$50,000 of liability insurance - keeping in mind that \$50,000 minimum required is to cover not only economic damages, but also non-economic damages. The same holds true with the workers' compensation system where there is no specific recognition for pain and suffering. Two hundred and fifty thousand dollars is a lot of money to compensate someone for the impossible-to-quantify category of pain and suffering, even for those with small economic damages. We feel that this was an equitable solution.

Passage of SB 67 is a critical element in attracting doctors to Alaska. We need a gold standard in this state. We will not prosper unless we have the needed medical infrastructure and it will be unfair to those who die because of not having a doctor available to care for them when care is needed.

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CHAIR BUNDE asked how many doctors per hundred thousand should Alaska aspire to have.

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MR. JORDAN replied that the national average per capita is 286 per hundred thousand compared to Alaska's 72 per hundred thousand, which translates to about 470 physicians short. That leads to the question of how many we really need.

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Providence Medical System did a workforce study for their service area in 2002. It was short 200 physicians.

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Projections indicate in 2009 a shortage of 261.

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CHAIR BUNDE said he has heard discussions that Alaska is unique by not having many hospitals and would be better served by nurse practitioners and physician's assistants. He asked if the insurance problem applies to them as well.

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MR. JORDAN replied that he has heard that nurse practitioners face similar challenges.

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SENATOR SEEKINS said there are two categories of physicians that are measured - the number of licensed physicians in the State of Alaska and the number of practicing physicians. There seems to be a large disparity between those numbers.

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MR. JORDAN responded that he is talking about practicing physicians, not licensed physicians.

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SENATOR SEEKINS asked him to elaborate on why there is the disparity between the two.

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MR. JORDAN explained the disparity is created when physicians get out of medical school and get licensed in a lot of states, but don't know where they will want to practice. That is the largest category. A smaller category is part-time practitioners who are called locum tenans. They are substitute doctors who fill in for physicians who are ill or want to go on vacation.

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SENATOR SEEKINS said he called a doctor who is practicing in Montana, but is also licensed in Alaska, but had never practiced here. That is fairly common.

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MR. JORDAN added that Dr. Molly Southworth in her public health thesis did an extensive review of the physicians in the state and how many are actually practicing is one of the issues she looked at. She went through nearly all the licensing files and found a lot were licensed, but not practicing.

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SENATOR ELLIS said that AARP opposes the legislation saying its real goal is medical error reduction. He asked if Mr. Jordan had any recommendations on that matter.

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MR. JORDAN replied that depends on how the error rate is measured. According to one of the two major insurers for physicians in the state, the number of claims is constant over a long period of time. The American Medical Association (AMA) embarked on a rigorous patient safety campaign and has supported legislation at the federal level - looking at a system that looks at systemic problems as opposed to playing the blame game.

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SENATOR ELLIS asked if insurers had represented to Mr. Jordan if this bill were to become law insurance rates would be frozen or reduced for doctors in Alaska.

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MR. JORDAN replied no. All the variables keep changing. For instance, the cost of defending claims over the last five-year period was 33% higher than the previous five-year period.

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California adopted a \$250,000 cap in 1975 and premium rates increased 182% there compared to 570% in the rest of country.

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SENATOR BETTYE DAVIS asked if any other states that have passed a similar bill have had premiums lowered and more doctors practicing there.

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MR. JORDAN identified Texas is a state that experienced an increase in insurers. The first year after the law was enacted, the major carrier reduced its rates by 12% - although he couldn't say whether that was attributable to the law only.

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CHAIR BUNDE asked him to get that data.

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SENATOR SEEKINS said of the two major carriers in this state, both have said if one pulls out, they don't want to insure other half. He asked if both are for-profit insurance companies or mutual insurance companies that pay dividends back to the owners of the company if there is a savings, in effect, a reduction in premium.

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MR. JORDON replied that both are mutual insurance companies - one is a reciprocal and the other is a mutual. Essentially they are self-insured.

These are just mechanisms through the various state insurance laws that allow them to do that in a particular manner. Yes, they do pass back any savings. So, there is no profit motive...

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DR. MICHAEL NORMAN, Anchorage Anesthesiologist, opined that new physicians are being trained in mostly large metropolitan areas and feel secure being close to those centers. If you can even get them to come to Alaska for an interview, one of their concerns is the remoteness of the state.

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The only significant thing that helped recruiting in Alaska in the last 15 years was the organized HMO medical system that drove people to Alaska because it had no organized health care systems. That system is gone now.

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Young medical students' main concern is their practice environment. One of the concerns they all talk about is how much is malpractice, if it's even available, what the referral base is and things like that. The biggest problem is its availability.

The company that recently withdrew from Alaska withdrew because its losses exceeded premiums for three years in a row. California has a non-economic damage cap and at present the company from there is still able to do business in Alaska.

MR. NORMAN said he couldn't afford to practice any more if he didn't have malpractice insurance, because it would risk his whole life of work. He mentioned that Colorado has a favorable working environment - the scenery and medical centers, too.

MR. ROD BETIT, President, Alaska State Hospital and Nursing Home Association (ASHNHA), strongly supported SB 67. His concern is about access to care at a reasonable cost now and in the future. This bill is only trying to change one area of the liability laws that prevents recruiting of physicians; it does not attempt to limit attorney fees. Alaska already has significant outpatient shortages in family practice, general practice, internal medicine and pediatrics. There are also shortages in psychiatry, allergy, immunology, neurosurgery, rheumatology and gastro-endocrinology. He said in general Alaska is doing okay in ER, pulmonary, OBGYN, general surgery, hematology, oncology and cardiology.

Physicians also look at salary. Figures indicate that Alaska is losing ground in the gap it used to have in salaries compared to the West Coast for all health care professionals. It used to be in the double digits and its now in the low single digits.

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Alaska also has one of the highest uninsured rates in country - approaching 20%. But it gets exceptionally high marks in lifestyle. The cost of medical liability insurance is the biggest issue and he thought dealing with just non-economic damages was a good start.

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MR. MIKE HAUGEN, Executive Director, Alaska Physicians and Surgeons, said if the system breaks and Alaska loses a lot of doctors, it will take us years to recover. He gave the example of what happened in Medicare. Anchorage had about 30 internists two years ago who treated senior citizens and because Medicare rates were so low, a lot of the doctors could not make a living at it and 11 of them left. While Senator [Ted] Stevens got an Alaska supplemental appropriation, which helped stabilize the market, Anchorage still hasn't recovered from that loss of physicians.

My point is that doctors don't grow on trees. It takes a long time to recruit them and a long time to train them. The other point I'd like to make is that even with passage of this legislation, the uncertainty will remain for insurance companies for years into the future. If history is any indication, there will be an appeal of this law and it will take three to six years to work its way through the court system and ultimately be resolved in the Supreme Court.

He concluded saying that passage of this bill is a starting point.

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DR. PAUL WORRELL, President, Alaska State Medical Association, reiterated that 50% of Alaska doctors are over 50 years old. Our current system is chasing doctors away.

Recruitment of new physicians needs to be seriously dealt with.... I can tell you when you run out of doctors and nurses, the people just quietly die.... I can tell our problematic legal system in Alaska is making it harder for us to recruit new doctors to Alaska.

He said the problematic legal system is also making it harder to keep the existing doctors. One of the smartest doctors in the state told him he had so many lawsuits that he no longer had time to see patients. Another sees only patients with colds and runny noses.

He closed supporting SB 67.

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SENATOR ELLIS asked if he saw any positive results from the round of tort reform a couple of years ago with legislation sponsored by Representative Brian Porter.

DR. WORRELL said he helped work on passing that bill, but in the last week before it passed it was stripped of the parts that dealt with the medical profession's needs. "Basically, our needs were traded for the bill to pass.... That's partly why we're back now."

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SENATOR ELLIS thanked him for his explanation, although he hadn't heard it described that way by other people.

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MS. KATHY DALE opposed the \$250,000 cap saying this bill won't help her family. She related the story of how her husband, who passed away, was misdiagnosed until he went to the Mayo Clinic. Her point was that:

The doctors in Alaska are not willing to police their own ranks. They're not willing to speak out against the physicians that aren't qualified.... Lowering the cap protects the negligent doctors, but it harms Alaskan families and those are the ones who are most severely injured.

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At the time of his death, she was told that her husband's economic lifetime was over and, therefore, it was not an economic loss. She was only eligible for non-economic damages. She added that lowering the cap prevents low-income families from filing a suit and limits the recovery that Medicare, Medicaid and the PERS system can receive if someone is treated by a negligent doctor.

She pointed out that the California cap adjusted for CPI is really greater than \$820,000 in today's dollars and that insurance companies can adjust their risk pools based on \$400,000 just as they can on \$250,000. The big losses they sustained in 2002 were not due to claims, but to the drop in the stock market where their risk pools were invested. The only way they can make that up is to raise premiums.

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MR. LES SYREN, Alaska Action Trust, opposed SB 67. He was concerned about allegations that all the doctors are leaving the state because of insurance premiums. He noted that the state has caps in place already and suggested waiting to see if they bring down premiums first. "We don't need to subsidize insurance companies on the backs of helpless injured patients."

CHAIR BUNDE asked him to provide a list of the members of the Alaska Action Trust.

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MR. MIKE POWERS, Hospital Administrator, Fairbanks Memorial Hospital, supported SB 67 and said a cap on non-economic damages is important because it relates to access to health care. Four national studies have indicated it leads to increased access to health care services. A poll released in April by the Health Care Coalition on Liability and Access reveals Americans believe the growing crisis in health care liability is pushing costs up and forcing good doctors out of medical practice. Another study by the US Agency for Health Care Research in Quality found that states with damage caps have about 12% more physicians per capita than states without such a cap. Finally, the Center for Studying Health System Change found as a result of rapidly rising malpractice insurance premium, physicians in some areas are referring more patients to emergency departments and refusing to provide on-call and declining elective referrals. Nationwide the advantage is being seen of having a cap on non-economic damages.

In response to Ms. Dale's comment about doctors not policing themselves, he said that Fairbanks Memorial Hospital has a rigorous peer review process in place, which results in corrective actions, and suspension or denial of privileges when necessary.

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MR. RICHARD COBDEN, Chairman, Alaska Health Care Network, said he also represents the Alaska Orthopedic Association. He is a doctor at Fairbanks Memorial Hospital. They all support SB 67. He related how premiums are going up and how hard it is to recruit doctors because of it. Accessibility to health care at a reasonable cost is the key issue for patients who even now must wait to be seen.

In Alaska it's difficult, if not impossible, for some people to get immediate care when they need it.... Mr. Powers has already stated that it is increasingly difficult to get internists to come to Alaska. At Town and Valley Clinic where I work, we have been recruiting internists for two years. This year we finally got one. Unfortunately he comes from Nome. So, it doesn't change the demographic much for the State of Alaska for internists and we're still looking for three others....

He concurred that most physicians in this state are nearing or over 50 and as premiums come due, they think more and more about early retirement. "We're going to go away quietly, not with a big noisy bang.... And we're not getting new physicians in."

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Thirteen months ago Northwest Mutual and CNA pulled out of Alaska with 30 days notice. The remaining two companies don't want the entire burden.

CHAIR BUNDE thanked him for his testimony and said this bill would be held for further testimony.

#### OVERVIEW

CHAIR CON BUNDE announced that Commissioner O'Claray would present an overview of the Department of Labor and Workforce Development.

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Commissioner Greg O'Claray, Department of Labor and Workforce Development (DOLWD), said his handout summarizes his comments. A point that came up during his confirmation hearing a couple of years ago was the chair's concern over the slow death of the community college system and vocational education in Alaska. This actually has the state in a near-crisis situation today. However, he was happy to report that:

There has been movement by the current president of the University in concert with the DOLWD and Department of Education and Early Development (DEED) to focus on marshalling all of the training facilities, all of the potential vocational education facilities, all of the private sector programs that

actually train workers. We are moving in that direction.

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CHAIR BUNDE interrupted to say that the gap in demographics for non-residents working in Alaska is getting younger, but it is still bigger than lawmakers want.

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COMMISSIONER O'CLARAY said the Research and Analysis section of the department keeps close tabs on economic trends within the state and reports on a monthly basis through the Trends magazine Future. It reports that the needle has moved ever so slightly in favor of the residents and will continue to do so through several initiatives.

Governor Murkowski rolled out the Jobs for Alaska's Future Program on December 14... And the whole focus over the next two years of the Department of Labor will be to put Alaskans to work. One of the areas I know that you are interested in is what are we doing in terms of outreach with youth and what are we doing with respect to outreach for the minority community. The Legislature gave us an opportunity by creating the Office of Citizenship Assistance in a piece of legislation sponsored by a member of the other body last year. It was passed and signed into law. We opened that office up within the last three weeks here in Juneau....

COMMISSIONER O'CLARAY said the department would not be focusing on just training workers to work on the pipeline or ANWR, it would include fields in health care, public safety and all the groups that are identified by the Governor's Alaska Workforce Investment Board. A commitment of \$8 million for five years was made to the congressional delegation in August 2002 specifically for Alaskans who are displaced because of the rise of the farmed salmon industry.

The department is primarily focused on 8th grade or freshmen students who will build the gas pipeline - since construction will not begin until 2008. His reports show that about 10,600 young people are going to be age 18 and graduated from high school over the next several years. Forty percent of those are leaving Alaska and not coming back. The department along with

the Associated General Contractors (AGC) and Alaska Workers Partnership sponsored a construction summit that found 30% of craftsmen in the building trades would be retiring soon.

He noted that the federal gasline incentive legislation that was passed last year awarded \$20 million to the state of Alaska for training pipeline construction workers. It doesn't come to the state, however, until it is within two years of construction. "And most of you know I can't turn out a journeyman in two years."

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CHAIR BUNDE said construction jobs are a big concern. He has heard that AGC has difficulty recruiting young people who want that kind of work. He didn't want a program where you build it and nobody comes. He asked if there is a demand for that kind of training at this point.

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COMMISSIONER O'CLARAY replied that there is demand for that kind of training, but Alaska's educational system has not addressed real life basic skills like balancing a checkbook. Employers need to know that when the department sends an applicant to them he has been screened for basic skills and that is one of the areas the department is focusing on.

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SENATOR SEEKINS said his business has 120 employees and not one of their jobs needs a college education. He asked if there is an effort now that extends down to the junior high and grade school levels to make kids think there is value in vocational skills.

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COMMISSIONER O'CLARAY replied that the University president has said that 65% - 75% of students enrolled in college need "bonehead classes" to get some of the basic life skills. His department runs the high school equivalency exam, known as GED, and he has signed 3,800 of those diplomas.

He said the administration is committed to getting into the grade schools and that AGC already has a pilot program that is getting into elementary schools. Testing has shown that

aptitudes can be determined for certain types of occupations at an early age.

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SENATOR SEEKINS commented that President Hamilton's son works for him now, after completing a dealer-training program. He asked if more of those kinds of programs were being developed.

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COMMISSIONER O'CLARAY replied that a lot of those programs exist, but admitted that the department and educational community had been remiss in shopping for them, putting them in one stream and giving young people some incentives to access them.

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CHAIR BUNDE asked what figures are projected for jobs being created by the pipeline.

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COMMISSOINER O'CLARAY replied about 8,600 people at peak. He said pipeline construction is very labor intensive in terms of trucking and welding. Only two sections can be hauled at one time.

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SENATOR BEN STEVENS asked if the figure of 36,000 jobs would be needed for ANWR development.

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COMMISSIONER O'CLARAY explained that those numbers come from a 1990 WIFA Group study for the American Petroleum Institute. The study shows estimated job creation for every state in the union for 2005. It shows Alaska with 12,795 jobs and Texas with 60,000 jobs; a total of 700,000 jobs would be affected by ANWR development.

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CHAIR BUNDE asked him to elaborate on how the state would receive the \$20 million in federal funding for training.

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COMMISSIONER O'CLARAY explained that the governor would need to notify the secretary of the US Department of Energy that there is a viable project within two years of construction. The secretary, then, certifies that that is the case and directs the secretary of the US Department of Labor to release the \$20 million to the State of Alaska Department of Labor.

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CHAIR BUNDE asked if approval of one of the two proposed contracts would put Alaska within the two years of construction timeframe and how would the \$20 million be used.

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COMMISSIONER O'CLARAY responded that he didn't see construction beginning before 2007 and more like 2008 because of the pre-engineering that would be needed. He said that turning out trade journeymen requires four years and he has requested the Department of Labor to advance the \$20 million on that commitment. This is in addition to workforce investment funds, dislocated worker and trade act assistance. The department is also requesting that the industry put up private money, which would happen sooner.

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CHAIR BUNDE said he is concerned about how a huge influx of money would create problems with fly-by-night schools springing up.

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COMMISSIONER O'CLARAY said he has a list of training providers and grants money only to facilities that show results and placement after the training. Some existing training facilities in the building trades are privately funded. The government would grant to those facilities through the Alaska Works Partnership apprenticeship program. The University has campuses all over the state that will focus on training Alaskan resident workers. He did not see any reason to build new facilities.

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COMMISSIONER O'CLARAY said his mission is placing Alaskans and to that extent, the training and vocational education as a whole must be relevant to employers needs. He wants to make sure there is a job for them.

CHAIR BUNDE thanked him for his presentation.

[2:57:05 PM](#)

**SB 52-OCCUPATIONS/CORPORATIONS/BANKS/SECURITIES**

CHAIR BUNDE announced SB 52 to be up for consideration.

SENATOR SEEKINS moved to adopt CSSB 52(L&C), version \F, as the working document.

SENATOR ELLIS objected for an explanation.

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MR. RICK URION, Director, Division of Occupational Licensing, explained that this is a cleanup bill and has no substantive changes. "We're not changing how we do it; we're changing where it's done."

In September 2004, the governor signed Executive Order 219 that moved the function of corporations from the Division of Banking, Securities and Corporations to the Division of Occupational Licensing. This bill cleans up the statutes so the names of the divisions can be changed to reflect what they do.

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MR. URION said it would fix typos, too.

SENATOR ELLIS removed his objection and the CSSB 52(L&C), version \F, was adopted.

MR. URION explained that Amendment 1 takes care of more cleanup details.

[3:01:15 PM](#)

SENATOR SEEKINS moved to adopt Amendment 1. There were no objections and it was so ordered.

[3:01:39 PM](#)

SENATOR SEEKINS moved to pass CSSB 52(L&C) as amended, [amended version \F] from committee with individual recommendations. Senators Davis, Seekins, Ellis, Ben Stevens and Chair Bunde voted yea; and CSSB 52(L&C) moved from committee.

**SB 25-GENETICALLY MODIFIED FISH**

[3:02:49 PM](#)

CHAIR BUNDE announced SB 25 to be up for consideration.

SENATOR KIM ELTON, co-sponsor, said it provides that genetically modified organism (GMO) fish and shellfish are identified on the label. Two companies are trying to use GMO fish in fish farming, which would become available for human consumption. The only GMO fish in the market currently are designed for aquariums. Aqua Bounty, a Canadian firm, has an application in front of the FDA and is pursuing the opportunity to produce the fish in Nova Scotian salmon farms.

[3:05:11 PM](#)

Alaska has an opportunity to provide for consumer notification at the retail level by labeling. "It will allow the marketers of Alaskan seafood to draw a bright line between wild and natural and industrially produced fish and shellfish."

[3:06:01 PM](#)

CHAIR BUNDE asked if it's assumed that all GMO fish are farmed fish.

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SENATOR ELTON answered that it is possible to have a wild GMO fish due to escapement from farms. It's a question of when. He said the only GMO fish are in laboratories at present.

[3:07:10 PM](#)

MS. DALE KELLY, Executive Director, Alaska Trollers Association, supported SB 25. She read a prepared statement about how labeling food is part of a growing health trend. Farmed Atlantic salmon could become the first approved GMO animal product available for human consumption.

[3:09:19 PM](#)

She said there are over 100 million acres biotech foods under cultivation. GMO salmon convert food to energy more efficiently than wild and it could mean better profits for farmers and cheaper prices for consumers. Proponents say it is a way to feed the growing world population; but, she wondered, will it harm us and are there hidden costs. She said that antibiotics, growth hormones, coloring additives and genes that make products undesirable to nuisance pests are possible changes that could be added. Without labeling, it would be hard to tell GMO salmon from real fish at the seafood counter and people won't know to ask.

[3:12:48 PM](#)

MS. KELLY said a lack of data is often cited and the following concerns are echoed repeatedly.

1. There could be an enhanced genetic availability of transgenic fish to absorb environmental toxins, such as mercury, which causes nerve damage.
2. There is an increased risk of unsafe chemical or biological agents entering the food chain through genetically modified organisms.
3. There is an increased risk of allergic reaction due to ingestion of unknown substances.
4. GMO molecules used to enhance traits could retain bioactivity after consumption.
5. There is evidence of antibiotic resistance.
6. Potential generation of prions, disease producing proteins is feared - (mad cow disease).
7. GMO foods might violate some religious or cultural dietary rules.
8. There is a lack of regulation and enforcement of animal biotechnology due to a lack of ethical and regulatory framework.
9. The responsibilities of federal regulatory agencies for regulating animal biotechnology and data collection are unclear and there is no oversight of scientific research and the commercial application of biotechnology.

[3:15:22 PM](#)

MS. KELLY said she understands there are at least six generations of GMO salmon in the lab in Canada. She admitted that it is fair to say the GMO fish could be beneficial to nutritional attributes in some cases.

However, the National Academy of Science has stated this can only be true, 'If the changed products are labeled in order to appeal to targeted consumers and are identifiable to those who might have medical or other reasons to avoid such foods.'

She closed by urging the committee again to pass SB 25.

[3:16:48 PM](#)

DENNIS KELSO, University of California, Santa Cruz, said his research is on the impacts of salmon farming on Alaska's salmon industry and on the effects of them being introduced into commercial markets.

[3:17:24 PM](#)

He asked why this matters to Alaska and answered:

1. Informed consumers recognize quality of products.
2. Consumers expect access to information about what's in food they eat.
3. Besides the Atlantic salmon that are probably going to be the first GMO fish to be approved for human consumption, there are other GMO fish and shellfish that are in various stages of laboratory development - more than a dozen.

[3:21:45 PM](#)

He said the trade secrets exemption applies to the cases in Canada and it is not known where the transgenic Atlantic salmon are in their review, but the owner of its patent will probably market them actively. The controversy comes up in the potential increase in production of Atlantic salmon and concerns about impacts on wild salmon from escapes. This is an opportune time to consider what Alaskans value and accept in the marketplace.

[3:23:04 PM](#)

CHAIR BUNDE said this will not keep people who base their purchase on color, availability and price from buying farmed fish.

[3:23:26 PM](#)

SENATOR ELTON agreed - people make buying decisions for many different reasons, but for a growing number of people there is a question of whether or not they want to purchase GM fish.

[3:25:40 PM](#)

SENATOR SEEKINS moved to pass SB 25 from committee with individual recommendations. Senators Ellis, Davis, Ben Stevens, Seekins and Chair Bunde voted yea; and SB 25 moved from committee.

There being no further business to come before the committee, Chair Bunde adjourned the meeting at [3:26:29 PM](#).