

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

February 8, 2008

3:04 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Mark Neuman, Vice Chair
Representative Carl Gatto
Representative Gabrielle LeDoux
Representative Jay Ramras
Representative Robert L. "Bob" Buch
Representative Berta Gardner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 297

"An Act relating to the practice of veterinary medicine."

- MOVED CSHB 297(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 340

"An Act establishing the Alaska capstone avionics revolving loan fund and relating to the fund; and providing for an effective date."

- MOVED HB 340 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 297

SHORT TITLE: PRACTICE OF VETERINARY MEDICINE

SPONSOR(S): REPRESENTATIVE(S) NEUMAN

01/11/08	(H)	PREFILE RELEASED 1/11/08
01/15/08	(H)	READ THE FIRST TIME - REFERRALS
01/15/08	(H)	L&C
02/08/08	(H)	L&C AT 3:00 PM CAPITOL 17

BILL: HB 340

SHORT TITLE: CAPSTONE AVIONICS FUND/LOANS

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/25/08 (H) READ THE FIRST TIME - REFERRALS
01/25/08 (H) L&C, FIN
02/08/08 (H) L&C AT 3:00 PM CAPITOL 17

WITNESS REGISTER

DR. STEVEN TORRENCE, DVM, Chair
Board of Veterinary Examiners
Division of Corporations, Business, and Professional Licensing
Department of Commerce, Community, & Economic Development
(DCCED)
Juneau, Alaska
POSITION STATEMENT: Testified and answered questions on HB 297.

JENNIFER STRICKLER, Chief
Professional Licensing
Division of Corporations, Business, and Professional Licensing
Juneau Office
Department of Commerce, Community, & Economic Development
(DCCED)
Juneau, Alaska
POSITION STATEMENT: Testified in support of HB 297.

DR. PAM TUOMI, DVM
Alaska Sealife Center
Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 297.

DR. ROBERT GERLACH, State Veterinarian
Office of the State Veterinarian
Division of Environmental Health
Department of Environmental Conservation (DEC)
Anchorage, Alaska
POSITION STATEMENT: Testified on HB 297.

FRANK RICHARDS
Deputy Commissioner
Office of the Commissioner
Department of Transportation & Public Facilities (DOT&PF)
Juneau, Alaska
POSITION STATEMENT: Testified and answered questions on HB 340.

GREG WINEGAR, Director
Division of Investments
Department of Commerce, Community, & Economic Development
(DCCED)

Juneau, Alaska

POSITION STATEMENT: Testified and answered questions on HB 340.

LEONARD KIRK, Assistant Director; Capstone Coordinator
University of Alaska Anchorage(UAA)
Aviation Technology Division
Anchorage, Alaska

POSITION STATEMENT: Testified and answered questions on HB 340.

PATRICK THURSTON, Director of Operations
Hageland Aviation
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 340.

WILFRED RYAN, President
Alaska Air Carriers Association (ACCA);
Alaska Airmen's Association, Inc.
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 340

ACTION NARRATIVE

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at [3:04:59 PM](#). Representatives Buch, Gardner, Neuman, and Olson were present at the call to order. Representatives Gatto, LeDoux, and Ramras arrived as the meeting was in progress.

HB 297-PRACTICE OF VETERINARY MEDICINE

[3:05:37 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 297, "An Act relating to the practice of veterinary medicine."

REPRESENTATIVE NEUMAN, testifying as prime sponsor of HB 297, said that the Board of Veterinary Examiners (BVE) statutes were last updated in 1998. This bill, he explained, will would allow fourth year veterinary students to work in Alaska under the supervision of a licensed veterinarian. This internship would allow the student, including Alaska residents, to experience the practice of veterinary medicine in Alaska. This bill would also provide exemptions for veterinary medical officers from governmental agencies and veterinarians licensed in another state or country to work as consultants in Alaska, coordinated

by the Department of Commerce, Community, & Economic Development (DCCED) and the Board of Veterinary Examiners (BVE).

[3:07:19 PM](#)

DR. STEVEN TORRENCE, DVM, Chair, Board of Veterinary Examiners (BVE), said that the board is requesting several changes to its statutes, which have not been updated since 1998. Currently fourth year students cannot work as technicians in the state since they do not have the training or licensure required to do so. Although students can observe, they can do little more than that, he opined. Veterinary students must leave the state to attend a four-year veterinary program. Allowing students the opportunity to work in an established hospital will help them segue to potential jobs in Alaska. At the same time, HB 297 provides licensed veterinarians an opportunity to exchange ideas such as new practices in veterinary medicine with a potential employee in a professional setting. Safeguards, such as limiting a veterinary practice to host a maximum of two interns and limiting a single veterinarian to one intern under his/her supervision helps ensure a quality experience for student interns. In fact, monitoring and supervising of an intern is a significant time commitment for the practicing veterinarian. However, the commitment is worthwhile for veterinary medicine in Alaska due to the opportunities it presents to bring fourth year students to Alaska.

[3:11:00 PM](#)

DR. TORRENCE said that proposed AS 08.98.250(5) would amend the definition of "practice of veterinary medicine" by deleting "for compensation" to curb unlicensed activity such as veterinary hospitals operating without licensure. Currently, the DCCED's investigator must issue a cease and desist order in order to halt the illegal practice. When someone claims a certain level of expertise in veterinary medicine, it can be harmful or disastrous. Under HB 297, the board could take action against the person claiming expertise who did the harm. Dr. Torrence pointed out that nothing in HB 297 would prevent a person from acting in a "Good Samaritan" situation, such as a neighbor helping a neighbor or a person treating his/her own animals.

[3:15:49 PM](#)

REPRESENTATIVE GARDNER inquired as to the difference between a veterinary program and a veterinary school.

DR. TORRENCE answered that he was not sure. He pointed out that most veterinary colleges are referred to as schools, whereas programs might be offered outside a college by organizations.

REPRESENTATIVE GARDNER surmised then that the University of California would be the school offering the veterinary program at the Davis campus location.

3:18:49 PM

DR. TORRENCE, in response to Representative LeDoux, answered that a lay vaccinator program administered by the Section of Epidemiology, Department of Health and Social Services (DHSS), provides for administration of the rabies vaccine for lay people in rural areas.

3:19:20 PM

REPRESENTATIVE LEDOUX made a motion to adopt Amendment 1 for purposes of discussion, labeled 25-LS0357\E.1, Bullard, 3/11/08, which read:

Page 3, line 13:
Delete "and"

Page 3, line 14, following "(9)":
Insert "a person approved by the Department of Health and Social Services to administer rabies vaccine to animals;
(10)"

REPRESENTATIVE NEUMAN noted that the rabies vaccine has to be handled properly and so the Section of Epidemiology, DHSS, currently certifies individuals to administer rabies vaccine. He pointed out that nothing in HB 279 prohibits people from administering other vaccines.

REPRESENTATIVE LEDOUX recalled that until this past summer people in rural areas administered vaccines. She asked whether Amendment 1 would reinstate that practice.

DR. TORRENCE offered that the Section of Epidemiology, DHSS, developed a course to train and certify lay vaccinators to administer rabies vaccine to dogs and cats throughout Alaska. Last year, due to an incidence of 12 cases of rabies in dogs in Bethel, the DHSS temporarily dismantled the program to investigate what had happened.

REPRESENTATIVE LEDOUX inquired as to the effect of Amendment 1 on the lay vaccinator program, if it is currently "alive and well."

DR. TORRENCE answered that rabies vaccine has to be in possession of or be administered by a veterinarian. Since some areas of the state do not have a veterinarian, the state certifies lay vaccinators to administer rabies vaccine to dogs or cats in these regions. Under the program, rabies vaccine is purchased by the state and distributed free of charge along with tags and the standard certificates to all lay vaccinators and to all private veterinarians.

[3:24:22 PM](#)

JENNIFER STRICKLER, Chief, Professional Licensing, Division of Corporations, Business, and Professional Licensing, Juneau Office, Department of Commerce, Community, & Economic Development (DCCED), in response Representative LeDoux, said that the statute currently lists the acts of veterinary practice, but requires that veterinary practice must be "for compensation." Removing "for compensation" from HB 297 allows the lay vaccinator program to continue. The effect of HB 297 is to exempt lay vaccinators from the practice of veterinary medicine, she said.

MS. STRICKLER clarified that a different statute allows village police officers or public health officers to euthanize animals and is not affected by HB 297. In response to an earlier question, she said that the change in HB 297 from "school" to "program" was made to address how foreign programs are accredited by the American Veterinary Association. The Board of Veterinary Examiners identified some foreign programs that are not equivalent to doctorate programs in the United States. The Board of Veterinary Examiners would like to review programs for equivalency to programs in the United States. She related that the DCCED fully supports HB 297.

[3:27:35 PM](#)

REPRESENTATIVE GARDNER inquired as to the reason for removing language on page 4, line 14, proposed AS 08.98.250(1), which reads: "[AND CONFORMS TO THE STANDARDS REQUIRED FOR ACCREDITATION BY THE AMERICAN VETERINARY MEDICAL ASSOCIATION]".

MS. STRICKLER answered that while the American Veterinarian Association sets the standards for the program, the division supports giving the BVE authority to determine which programs should be accepted.

[3:28:32 PM](#)

REPRESENTATIVE GARDNER inquired as to why compensation is being removed on page 5, line 9.

MS. STRICKLER answered that "for compensation" is being removed because under current statute a person practices veterinary medicine only if the individual is paid. The Board of Veterinary Examiners maintains that when a person treats an animal that the person is practicing veterinary medicine whether or not it is for compensation.

[3:29:34 PM](#)

REPRESENTATIVE GARDNER referred to page 5, lines 10-27, proposed AS 08.98.250(5)(D), which is being deleted in HB 297. She inquired as to why artificial insemination is being removed from the practice of veterinary medicine.

MS. STRICKLER answered that the artificial insemination exemption is now addressed on page 3, lines 11-12, in proposed AS 08.98.125(7).

[3:30:41 PM](#)

CHAIR OLSON asked if there were any further questions on Amendment 1. There being no further questions and no objection, Amendment 1 was adopted.

[3:31:06 PM](#)

DR. TORRENCE noted that most veterinarians in the state do not have expertise on artificial insemination. Since expertise is available in the Lower 48 by those who routinely perform the procedures, some changes were made in HB 297 to allow Alaskans to utilize that expertise.

[3:32:08 PM](#)

DR. PAM TUOMI, DVM, Alaska Sealife Center, said that about three years ago she began to notice deficiencies in the definition of veterinary medicine, in particular, for agencies involved in

wildlife research projects. The current statutes hindered veterinarians from using out-of-state experts. The Board of Veterinary Examiners interpreted that experts would need to obtain temporary licenses. However, the time, cost, and paperwork involved in obtaining a temporary license meant expending research funds to do so. Since qualified veterinarians in the state could not cover all of the project needs, in 2005 the veterinarians petitioned the board for relief. Thus, the definition of the practice of veterinary medicine was broadened to allow the use of consultants by practicing veterinarians. She expressed support for the change to HB 297 that will allow the lay vaccinator program to continue. She said she supports passage of HB 297.

[3:34:59 PM](#)

DR. ROBERT GERLACH, State Veterinarian, Office of the State Veterinarian, Division of Environmental Health, Department of Environmental Conservation, noted that the practice of veterinary medicine is growing and expanding into new specialties and avenues of research. He stressed the importance of educational resources to veterinarians in the state. Veterinarians are not just involved with health and protection of animals, but also with the development of health and food safety, he said. Veterinarians who practice in specialized areas of veterinary medicine can benefit from access to other specialists in the Lower 48, he opined. He stressed that updating standards of practice of veterinary medicine helps to ensure the performance of quality veterinary medicine for wild and domestic animal resources for Alaska's public health and food safety.

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CHAIR OLSON, after first determining no one else to wished testify, closed public testimony on HB 297.

[3:36:41 PM](#)

REPRESENTATIVE LEDOUX expressed concern about removing the language "for compensation". She posed a scenario in which an owner with a sick dog consults his/her neighbor who offers advice and asked if the neighbor would be practicing veterinary medicine without a license under HB 297.

DR. TORRENCE replied that it would not be the practice of veterinary medicine because it would fall under the Good

Samaritan provisions, which veterinarians encourage. He related that a person can have someone act as an agent so long as their actions do not go against the intent of statute, such as mushers who routinely use other people to perform tasks to care for their sick or injured dogs.

DR. TORRENCE, in response to Representative LeDoux, answered that the Board of Veterinary Examiners would not have an interest in neighbor-to-neighbor consultations which are considered expressing opinions.

REPRESENTATIVE LEDOUX asked for a specific cite for the exemption to allow that activity.

[3:39:29 PM](#)

DR. TORRENCE referred to page 2, line 25-27, proposed AS 08.98.125(2), which read: "a person who provides emergency care without remuneration to an injured or ill animal that reasonably appears to the person to be in immediate need of emergency aid to avoid serious harm or death;". He further referred to page 3, line 14, under proposed AS 08.98.125(9), which read: "a person or employee of a person who, without compensation, treats only animals belonging to that person ..."

REPRESENTATIVE LEDOUX specified that the exemptions mentioned would not apply to the scenario posed since the owner is not treating his/her own animal and the neighbor is not an employee of the person.

DR. TORRENCE offered that a diagnosis is a medical opinion based on fact, training, and experience rather than a lay opinion.

REPRESENTATIVE NEUMAN reiterated that HB 297 refers to the practice of veterinary medicine and not neighbors helping neighbors.

REPRESENTATIVE LEDOUX noted her agreement with the intent of HB 297, but maintained her concern.

[3:41:48 PM](#)

MS. STRICKLER referred to page 5, line 8, proposed AS 08.98.250(5)(C) which read: "...is qualified or licensed to do any act in (A) of this paragraph ...". She pointed out if the neighbor is offering an opinion, the person is not practicing

veterinary medicine unless that person is qualified or licensed to do so.

REPRESENTATIVE NEUMAN drew attention to the title of HB 297: "An Act relating to the practice of veterinary medicine."

REPRESENTATIVE LEDOUX noted that proposed AS 08.98.250(5)(A)-(C) does not have any "ands" or "ors." She opined that a person would have to do all three - diagnose, represent, and be qualified - in order to be practicing veterinary medicine.

MS. STRICKLER noted her agreement.

[3:44:20 PM](#)

REPRESENTATIVE NEUMAN moved to report HB 297, as amended, out of committee with individual recommendations and the accompanying fiscal notes.

[3:44:42 PM](#)

REPRESENTATIVE GATTO objected. He referred to page 5, lines 3-5, in proposed AS 08.98.250(5)(B) which read: "[MEANS] to represent, directly or indirectly, publicly or privately, an ability or willingness to do an act in (A) of this paragraph [FOR COMPENSATION];" He expressed concern that under this provision someone with an ability to suture or administer pills could be construed as practicing veterinary medicine.

MS. STRICKLER specified that the language under question in proposed AS 08.98.250(5)(B) is current statute.

REPRESENTATIVE LEDOUX expressed agreement, but pointed out that the current statute also includes, "for compensation."

REPRESENTATIVE GATTO offered his concern that removing "for compensation" language has changed the meaning of practicing veterinary medicine.

REPRESENTATIVE BUCH inquired as to whether [proposed AS 08.98.250(5)(B)] should read, "is inclusive."

REPRESENTATIVE NEUMAN offered that HB 297 has been reviewed by many professionals including BVE board members. He reiterated that the intent of HB 297 is to update the practice of veterinary medicine.

3:50:06 PM

The committee took an at-ease from 3:50 p.m. to 3:51 p.m.

3:51:02 PM

REPRESENTATIVE GATTO removed his objection.

REPRESENTATIVE LEDOUX referring to page 5, line 5, pointed out that adding an "and" would connect the three subparagraphs.

DR. TORRENCE suggested the committee consider an "or" instead of the "and". He recalled that someone could start a veterinary practice without ever furnishing a copy of his/her diploma or license.

REPRESENTATIVE LEDOUX noted her agreement. She maintained concern that an owner and neighbor could inadvertently practice veterinary medicine.

DR. TORRENCE explained that the practice of veterinary medicine extends beyond providing care to animals. He related aspects of the practice of veterinary medicine that go beyond experience.

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REPRESENTATIVE GATTO maintained his concern. Under HB 297, those in rural areas without access to veterinary care might be prohibited from caring for their dog, he said.

CHAIR OLSON inquired as to whether Representative Gatto's concern would fall under the Good Samaritan provisions of statute.

MS. STRICKLER replied yes. She said that DCCED's intent is not to criminalize the owner of an animal or to prevent someone from helping that person care for a sick or injured animal. She referred to page 2, line 25, proposed AS 08.98.125 (2) which reads: "a person who provides emergency care without remuneration to an injured or ill animal that reasonably appears to the person to be in immediate need of emergency aid to avoid serious harm or death;".

4:00:36 PM

REPRESENTATIVE BUCH mentioned that some of the discussion has been in regard to animal husbandry. He asked for clarification

between those licensed to provide veterinary practice versus those engaged in animal husbandry and whether the current definitions in statute address their differences.

MS. STRICKLER answered that the term animal husbandry was defined in statute, but was replaced with an exemption on page 3, line 14, of proposed AS 08.98.125(9), which read: "a person or employee of a person, who, without compensation, treats only animals belonging to that person, unless ownership is transferred for the purpose of avoiding this chapter ...".

REPRESENTATIVE LEDOUX referred to the example of an emergency situation which she opined would be exempted under HB 297. She posed a scenario of an owner taking a sick animal to a neighbor, but your mother-in-law, who is a village health aide, for advice. She expressed a concern that under the bill that person would be in violation of the statute. She opined that person would not be exempt under the bill.

DR. TORRENCE said he frequently receives calls of this nature. One often cannot define what constitutes an emergency. When an animal is sick in a rural area without veterinary care basically constitutes an emergency, he said. He further noted his agreement that people will seek the most qualified help when veterinary care is not available and in doing so, without remuneration, does not present a problem.

REPRESENTATIVE LEDOUX maintained her concern that people living in rural areas would be precluded from consulting neighbors about their sick or injured animals without specific language in the bill.

REPRESENTATIVE GARDNER noted her agreement. She related that someone might help a neighbor and pull out quills from a dog that had encountered a porcupine. That person would not be exempted from the practice of veterinary medicine since the situation does not constitute an emergency.

REPRESENTATIVE NEUMAN, as sponsor of bill, explained that HB 297 adopts recommendations that Dr. Torrence and the Board of Veterinary Examiners requested. He pointed out Dr. Torrence and the board have the expertise and ability to discern what constitutes an emergency situation, or a Good Samaritan situation with respect to veterinary practice. He stressed his full support HB 297.

[4:10:04 PM](#)

DR. TORRENCE suggested that the committee might consider deleting "emergency" from proposed AS 08.98.125(2).

REPRESENTATIVE NEUMAN made a motion to adopt Conceptual Amendment 2, as follows:

Page 2, line 25, following, "a person who provides":
Delete, "emergency"

[4:11:36 PM](#)

REPRESENTATIVE LEDOUX objected.

REPRESENTATIVE LEDOUX made a motion to amend Conceptual Amendment 2, as follows:

Page 2, line 26:
Delete "immediate"

Page 2, line 27:
Delete "emergency"

REPRESENTATIVE GARDNER suggested a second amendment to Conceptual Amendment 2, as follows:

Page 2, line 27"
Delete "to avoid serious harm or death".

REPRESENTATIVE GARDNER explained people frequently offer help to treat someone else's animal, and often there is not risk of serious harm or death and the situations are not emergency situations.

CHAIR OLSON referred to page 2, line 27, and suggested that the committee consider deleting "serious".

REPRESENTATIVE GATTO reminded the committee that [Conceptual] Amendment 2 and an amendment to [Conceptual] Amendment 2 are pending.

REPRESENTATIVE LEDOUX asked if the adoption of Conceptual Amendment 2 would result in proposed AS 08.98.125(2) reading, as follows: "a person who provides care without remuneration to an injured or ill animal that reasonably appears to the person to be in need of aid"

REPRESENTATIVE GARDNER noted her agreement.

CHAIR OLSON reiterated his suggestion to amend Conceptual Amendment 2, such that the term "serious" on page 2, line 27, is deleted.

[4:14:26 PM](#)

REPRESENTATIVE NEUMAN made a motion to withdraw Conceptual Amendment 2. There being no objection, Conceptual Amendment 2 was withdrawn.

REPRESENTATIVE NEUMAN made a motion to adopt a new Conceptual Amendment 2"

Page 2, line 25:

Delete "emergency"

Page 2, line 26:

Delete "immediate"

Page 2, line 27:

Delete "emergency" and "to avoid serious harm or death".

[4:15:50 PM](#)

REPRESENTATIVE GARDNER made a motion to amend new Conceptual Amendment 2:

Page 2, line 27:

Replace the "." with a ";"

[The committee treated the amendment to new Conceptual Amendment 2 as adopted].

There being no objection, new Conceptual Amendment 2, as amended, was adopted.

[4:16:04 PM](#)

REPRESENTATIVE NEUMAN moved to report HB 297, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, the CSHB 297(L&C) was reported from the House Labor and Commerce Standing Committee.

[4:16:13 PM](#)

The committee took an at-ease from 4:16 p.m. to 4:18 p.m.

HB 340-CAPSTONE AVIONICS FUND/LOANS

4:18:36 PM

CHAIR OLSON announced that the next order of business would be to take up HOUSE BILL NO. 340, "An Act establishing the Alaska capstone avionics revolving loan fund and relating to the fund; and providing for an effective date."

4:18:48 PM

FRANK RICHARDS, Deputy Commissioner, Office of the Commissioner, Department of Transportation & Public Facilities (DOT&PF), explained that the purpose of HB 340 is to increase aviation safety in Alaska by offering low interest loans for the purchase and installation of capstone avionics equipment. He explained capstone avionics is the next generation of technology to improve flight safety and community access in Alaska. The technology, called automatic dependent surveillance broadcast (ADS-B), allows aircraft equipped with avionics to interact with ground infrastructure and satellite stations to provide pilots with their exact location: latitude, longitude, altitude, air speed, rate of ascent and descent, surrounding terrain information, and location of other aircraft equipped with capstone avionics in real time weather. The Federal Aviation Administration (FAA) sponsored this technology and tested capstone avionics initially in the lower Yukon Kuskokwim Delta (YK) near Bethel and later in Southeast Alaska. The results for aircraft equipped with capstone avionics are a 47 percent reduction in accidents and a 33 percent reduction in fatalities. The FAA would like to expand capstone avionics technology throughout the state with a goal of equipping 4,000 of the 6,500 aircraft in Alaska with capstone avionics.

4:21:01 PM

MR. RICHARDS further explained that HB 340 would create a low interest loan program within the DCCED to provide aircraft owners a low interest loan for the initial purchase cost of capstone avionics rather than incur out-of-pocket expenses. He said DOT&PF supports HB 340.

GREG WINEGAR, Director, Division of Investments, Department of Commerce, Community, & Economic Development (DCCED), said that capstone avionics has shown the potential to save lives and reduce accidents. He offered that the division has administered

loan programs since the early 70s. The division offers experience, expertise, and the infrastructure to administer the capstone avionics program proposed in HB 340. In fact, the capstone avionics program in HB 340 is patterned after other loan programs administered by the division. The loan program is structured for aircraft owners to purchase avionics through a revolving fund and as repayments are received, the Division of Investments can make additional loans to other aircraft owners. This bill would stipulate loans for up to 80 percent of the cost and installation of the capstone avionics. The interest rate is set at 4 percent for loans for up to 10 years. Terms for repayment of an average \$12,000 loan would be \$122 per month or \$1,480 per year annually, he opined. The division's goals for the capstone avionics terms were to provide aircraft owners a manageable repayment schedule, cover the expenses of the program, allow future loans, and return the initial capital to the general fund. The fiscal note requires a \$4.8 million general fund appropriation, which would allow the division to make 400 loans in the first year and 60 loans each year thereafter. The program would sunset in 2020, at which time any unexpended funds and earnings would revert to the general fund. The division is requesting two new positions for the program, a loan officer, and a loan closer. The positions would only be filled if sufficient loan activity warranted the positions and current staff could not absorb the additional workload. He noted the division recently upgraded its computer software, which he anticipated will gain efficiencies and allow the division to absorb the accounting necessary for the capstone avionics program. He related that the Division of Insurance strongly supports HB 340.

[4:24:31 PM](#)

CHAIR OLSON inquired as to whether the capstone avionics program would be structured similar to the Commercial Fishing and Agriculture Bank (CFAB) loan program.

MR. WINEGAR answered that the capstone avionics loans would be different in that CFAB is a cooperative that handles fishing related loans, whereas the capstone avionics loans would be similar to the division's other revolving loan funds.

[4:24:48 PM](#)

REPRESENTATIVE RAMRAS expressed his support for HB 340. He related his understanding that HB 340 would incrementally equip 4,000 Alaska-based aircraft with capstone avionics in order to

qualify for federal funding and improve aircraft safety. He inquired as to whether the capstone avionics technology is subject to improve or if it is static. He further inquired whether the aircraft initially equipped will require updates as the state moves towards the target of equipping 4,000 aircraft.

MR. RICHARDS answered that those who initially purchase capstone avionics or any technology-based product are purchasing what is currently available in the market. He offered his understanding that the prototypes for capstone avionics tested in Bethel saved lives. By the time the testing began in Southeast Alaska, the technology evolved to what is probably the second generation of capstone avionics. While the "shelf life" for any technology is short, it does not mean that the initial generation of the technology is obsolete, he opined. He offered that any capstone avionics captures and presents information to the pilot. He also noted that some aircraft the division hopes to equip date from 1940 to 1960, yet the aircraft is still operating. The ultimate goal is to help provide pilots with information on weather conditions and terrain, he opined.

REPRESENTATIVE RAMRAS asked what level of federal funding is available for the capstone avionics project.

MR. RICHARDS answered that the actual FAA capital infrastructure investment will be approximately \$125 million of which \$25 million is budgeted this year for the corridors between Anchorage and Fairbanks and from Nome to Kotzebue. The remaining [\$100] million will provide the infrastructure for the rest of the state. The FAA anticipates that the ongoing operational cost will be in the hundreds of millions of dollars, he said.

[4:29:45 PM](#)

MR. RICHARDS, in response to Representative Ramras, specified that in order to access the federal funding, the FAA would require certain benchmarks. Still about 800 commercial aircraft will be the first aircraft equipped.

REPRESENTATIVE RAMRAS highlighted the importance of air safety. He inquired as to whether the state should offer partial grants to encourage early adoption of capstone avionics to ensure enough aircraft owners participate in the program so that the state will qualify for the federal funding.

MR. RICHARDS answered that the administration believes that the low interest loan program will encourage participation in the capstone avionics program. He suggested that the legislature could decide whether or not to offer grants as further incentives to equip aircraft with capstone avionics.

MR. WINEGAR, in further response to Representative Ramras, said that the interest rate had been developed to ensure a low rate and, at same time, cover program expenses, provide the ability for future loans, and return the initial capitalization of the program.

[4:31:36 PM](#)

REPRESENTATIVE GATTO related that he previously inquired as to whether a [Bellanca] Citabria would qualify for the capstone avionics. He further inquired as to whether an ultralight, glider, or home-built plane would also qualify.

MR. RICHARDS said he was not certain whether experimental kit planes, gliders, and ultralights would qualify for the program. He offered that the FAA is currently targeting fixed-wing and rotary-type airplanes.

REPRESENTATIVE BUCH surmised that the FAA part 135 would cover some of the types of planes that had been mentioned, although ultralights would not likely fit.

[4:34:13 PM](#)

MR. RICHARDS, in response to Representative Gardner, answered that capstone is the term that was used during the pilot project, and the term remained so that the technology is now referred to as "capstone avionics." In further response to Representative Gardner, Mr. Richards said that more than one manufacturer offers the technology and more than one private-sector installer is knowledgeable about capstone avionics technology.

[4:35:34 PM](#)

REPRESENTATIVE NEUMAN acknowledged the value and importance of the capstone avionics. He expressed concern that the operating costs for two employees are set at \$117,000, which will continue to rise. He inquired as to whether some mechanism could be built into the loan program to ensure that the capstone avionics program is self-sustaining.

MR. RICHARDS noted his agreement conceptually with Representative Neuman. He explained the program costs would be paid out of revolving-loan fund. The capstone avionics program is based on projections of 400 loans in the first year with an additional 60 loans in subsequent years. The variable trigger in whether to fill the two positions requested in the fiscal note is loan demand. Unless there is enough loan demand to warrant hiring, the division will absorb the program tasks with its existing staff. In 2020, the earnings will revert back to the general fund. If demand fell off prior to that date, the division and the legislature could revisit the matter.

[4:39:05 PM](#)

REPRESENTATIVE GATTO inquired as to whether the capstone avionics program staff are required to be state employees.

MR. WINEGAR said the Division of Investments already has the infrastructure in place so it would be difficult to provide for such a small program in the private sector for the same administrative costs. The private sector would pay a much higher interest rate than the state does, he noted.

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REPRESENTATIVE RAMRAS offered his understanding that 4 percent of \$4.8 million would generate about \$170,000 per year, such that the receipts would appear to offset the administrative costs. He noted the economic multiplier since installations of capstone avionics will be performed by the private sector. The intent of HB 340 is to qualify for \$99 or \$125 million initially and for several hundred million in federal funds, with the aggregated purpose to make aviation safer in the state.

MR. RICHARDS noted his agreement.

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LEONARD KIRK, Assistant Director; Capstone Coordinator, University of Alaska Anchorage (UAA), Aviation Technology Division, University of Alaska informed the committee that UAA developed and delivered training for phase one and two of the capstone avionics pilot program. He said that UAA has been involved in performing safety and access studies and has found a 48 percent reduction in aviation accidents due to capstone avionics. Additionally, capstone avionics affords pilots

extended flying hours for more days of the year and during hours of darkness. Therefore, the overall effect has been a 50 percent reduction in accidents in the rural communities served by aircraft equipped with capstone avionics. The capstone avionics equipment is well accepted and also performs well, he opined. The University of Alaska has campuses throughout the state and would like to participate in training to accrue access and safety benefits for all Alaskans, he noted.

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MR. KIRK, in response to Representative Gardner, said that he cannot provide specific numbers for the percentage of accidents reduced. However, prior to capstone avionics the state averaged a fatal accident every 29 days, but since the advent of capstone avionics the state has experienced no aviation fatalities for 26 consecutive months. He further noted that prior to initiating capstone avionics, the accident rate in the Yukon-Kuskokwim Delta was four times higher than the rest of the state. By 2003, the Yukon-Kuskokwim Delta had the lowest accident rate in the state. He recalled statistics that revealed approximately 124 lives were saved during phases one and two of the pilot program.

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PATRICK THURSTON, Director of Operations, Hageland Aviation, said that his company is the largest user of capstone avionics equipment in Alaska. He offered that Hageland Aviation has used the capstone avionics technology since its first experimental stage and the results show unequivocally that this technology is here to stay. The state needs the capstone avionics program so the rest of the state can enjoy the benefits of increased aviation safety, he opined. At the level where the "rubber meets the road" his pilots find capstone avionics technology is as fundamental as the gas in the tanks, he opined. He recalled positive feedback from passengers traveling with Hageland Aviation, who often must fly in harsh conditions. He noted that their passengers are aware of the technology employed and appreciate the increased safety. He noted that Hageland Aviation has 42 planes, but only 2 do not yet have the technology. He expressed strong support for [the proposed capstone avionics program] in HB 340 for his company's use and for the safety benefits it provides for passengers in the state.

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REPRESENTATIVE NEUMAN inquired as to how the Division of Investments would prioritize applications if more than 400 applicants applied for the program and how the division would prioritize between commercial and private pilot requests for capstone avionics.

MR. WINEGAR answered that in other division programs applications are typically processed on a first-come basis. He said it depends on how fast loans are processed and how quickly payments revolve back to the fund. He surmised that the division will assess demand for the program after the first year. If there is a greater demand than anticipated, the division may need to seek additional funding from the legislature or find another funding source, he opined. He noted that one unknown factor is how many applications the division will receive and whether companies and pilots will choose to install capstone avionics in their planes without using the capstone avionics program.

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WILFRED RYAN, President, Alaska Air Carriers Association (ACCA); Alaska Airmen's Association, Inc., noted the presence of several aviation personnel. He explained that his remarks are consolidated remarks from Jim Cieplak, a representative from the Alaskan Aviation Safety Foundation, and Mike Stedman, Wings of Alaska, who also serves as the Vice-President of the Alaska Air Carriers Association to save time for the committee. However, they are both present today to answer any questions that may arise. In response to an earlier question, he noted that Alaska has approximately 10,000 total aircraft, of which 6,500 are active aircraft that would be eligible to be equipped with capstone avionics. While the current equipment [for capstone avionics] is expensive, over time the cost will subside, he opined.

MR. RYAN said that without an incentive program such as the one proposed in HB 340, owners would likely wait until the price of the equipment went down. Thus, the state could lose out on federal dollars. The FAA is poised to distribute roughly \$306 million to Southeast Alaska, Anchorage, Fairbanks, Nome, and Kotzebue. Alaska could potentially lose a \$187 million federal investment if it does not meet the threshold outlined by the Memorandum of Agreement with the FAA, he said. The organizations that are represented here today support Governor Palin's announcement concerning the aviation safety initiative to help Alaska's pilots obtain state of the art capstone

avionics. He echoed earlier testimony that capstone is a trademark name that was coined during the research and development phases of the program, which represents a joint effort between the industry and the FAA to improve Alaska Aviation safety. He offered statistics such as that more than 90 percent of Alaska is accessible only by air and that Alaska has the highest aviation accident rate in the nation. Thus, an expedited statewide capstone avionics is essential for future air travel in Alaska, he opined.

MR. RYAN said that the aviation industry is currently working to ensure that HB 340 meets the accelerated installation of capstone avionics needed to secure substantial benefits for Alaska. The FAA has forecasted a public benefit of \$824 million over the next 27 years, with a 33 percent reduction in aircraft fatalities, improved search and rescue operations, improved medical evacuations, reduced aircraft accidents, and enhanced access to rural communities, he said. If 4,000 aircraft are equipped with capstone avionics, it would provide safety for 90 percent of the flight hours and 90 percent of the area in the state, he opined. He offered support for HB 340 from the ACCA, which represents more than 150 air carriers and suppliers of aviation products and services. He also offered support from the Alaska Airmen's Association, Inc., which represents more than 2,000 private pilots and mechanics, and individuals interested in flight safety. Finally, the Alaskan Aviation Safety Foundation, an organization dedicated to improving aviation safety in Alaska, supports HB 340, he related.

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REPRESENTATIVE GARDNER inquired as to the timeline in the Memorandum of Agreement with the FAA. She further asked Mr. Ryan to elaborate on the projected result to equip 4,000 aircraft with capstone avionics.

MR. RYAN answered that the Memorandum of Agreement with the FAA covers a five-year timeline. During that time, the FAA will expend \$100 million in ground-based infrastructure and simultaneously 4,000 aircraft would be equipped with the capstone avionics. He clarified that the 90 percent of the flight hours mentioned are based on a projection of the hours flown by 4,000 aircraft, whereas the 90 percent of the area represents the current areas where accidents have occurred.

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MR. RYAN, in response to Representative Gatto, said that there has been little or no opposition to HB 340.

REPRESENTATIVE RAMRAS expressed interest in early adoption of the capstone avionics in aircraft so that the state would qualify for the federal funding. He inquired as to how many of the 4,000 planes that are targeted for capstone avionics equipment are commercial, and therefore would also be eligible for depreciation and federal benefits to reduce cost. He further inquired as to whether the cost is scaled depending on whether the plane is small or large.

MR. RYAN speculated that there will be a tremendous cost for early adoption due to the overall cost of the technology. He related that to equip a Piper PA-18 "supercub" or a Cessna 180 is projected at \$12,000, but that it could cost \$70,000 to equip a commercial Instrument Flight Rules (IFR) equipped aircraft such as single turbine Otter or the twin-engine turboprop Beech 1900. Currently, there are 600 commercial aircraft statewide, and of those 375 are equipped with capstone avionics and most of the planes are located in the Yukon Kuskokwim Delta area and Southeast Alaska. The remaining commercial aircraft probably will use the capstone avionics program offered in HB 340, he opined. He noted that his company has five twin-turbine aircraft equipped with phase one capstone avionics and with the passage of HB 340, he said he hopes to use the revolving-loan program to update the equipment.

MR. RYAN, in response Representative Ramras, stated that about 20 percent of the aircraft in the state are commercial aircraft.

REPRESENTATIVE RAMRAS suggested that the committee move HB 340 to the next committee. He suggested that the sponsor and industry work with the Department of Transportation & Public Facilities (DOT&PF) to reduce the rate of interest for private aircraft to offer an inducement of 4 percent. He surmised that the capstone avionics would lower premiums. He maintained his interest in providing an additional inducement for private aircraft early adopters of capstone avionics, such as to reduce the rate to 1 per cent or less. He noted that commercial carriers have the advantage to deduct the interest rate and depreciate the cost of the capstone avionics products. Thus, increasing the number of private pilots that could use the capstone avionics program could help the industry reach the goal of equipping 4,000 aircraft with the capstone avionics technology.

MR. RYAN said industry has an outstanding relationship with DOT&PF. He clarified that only one company currently manufactures the universal access transceiver, multiple companies produce the multi-function display, and by contract there is only one provider for the ground based infrastructure.

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MR. RYAN, in response to Representative Gatto, answered that the presence of capstone avionics alone does not impact insurance rates. However, because the aviation industry has created an Alaska-based insurance pool and because the accident rate has been reduced in the past 8 years the industry enjoys a 25 percent reduction in aircraft hull and liability premiums.

MR. RYAN, in response to Representative Gatto, answered that the 25 percent represents a combined total reduction for hull and liability insurance. In response to Representative Gardner, Mr. Ryan answered that all of the 375 commercial aircraft equipped with capstone avionics counts toward the FAA requirement of 4,000 planes, but only a handful of private pilots have capstone avionics installed due to the high cost of installation.

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CHAIR OLSON closed public testimony on HB 340.

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REPRESENTATIVE NEUMAN moved to report HB 340 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 340 was reported from the House Labor and Commerce Standing Committee.

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ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:07 p.m.