

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

February 5, 2008

1:32 p.m.

MEMBERS PRESENT

Senator Johnny Ellis, Chair
Senator Gary Stevens, Vice Chair
Senator Bettye Davis
Senator Con Bunde
Senator Lyman Hoffman

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 117

"An Act relating to the presumption of coverage for a workers' compensation claim for disability as a result of certain diseases for certain occupations."

MOVED CSSB 117(L&C) OUT OF COMMITTEE

SENATE BILL NO. 196

"An Act relating to establishing a controlled substance prescription database."

MOVED CSSB 196(L&C) OUT OF COMMITTEE

SPONSOR SUBSTITUTE FOR SENATE BILL NO. 230

"An Act establishing the film office in the Department of Commerce, Community, and Economic Development; and creating a transferable tax credit applicable to certain film production expenditures incurred in the state."

HEARD AND HELD

SENATE BILL NO. 120

"An Act relating to the calculation and payment of unemployment compensation benefits; and providing for an effective date."

SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 117

SHORT TITLE: WORKERS' COMP: DISEASE PRESUMPTION

SPONSOR(s): SENATOR(s) FRENCH

03/14/07 (S) READ THE FIRST TIME - REFERRALS
03/14/07 (S) L&C, HES, FIN
04/12/07 (S) L&C AT 1:30 PM BELTZ 211
04/12/07 (S) Heard & Held
04/12/07 (S) MINUTE(L&C)
05/03/07 (S) L&C AT 1:30 PM BELTZ 211
05/03/07 (S) Heard & Held
05/03/07 (S) MINUTE(L&C)
02/05/08 (S) L&C AT 1:30 PM BELTZ 211

BILL: SB 196

SHORT TITLE: PRESCRIPTION DATABASE

SPONSOR(s): SENATOR(s) GREEN

01/16/08 (S) PREFILE RELEASED 1/4/08
01/16/08 (S) READ THE FIRST TIME - REFERRALS
01/16/08 (S) L&C, FIN
01/29/08 (S) L&C AT 1:30 PM BELTZ 211
01/29/08 (S) Heard & Held
01/29/08 (S) MINUTE(L&C)
02/05/08 (S) L&C AT 1:30 PM BELTZ 211

BILL: SB 230

SHORT TITLE: FILM OFFICE/ FILM PRODUCTION TAX CREDIT

SPONSOR(s): SENATOR(s) ELLIS

01/16/08 (S) READ THE FIRST TIME - REFERRALS
01/16/08 (S) L&C, FIN
01/25/08 (S) SPONSOR SUBSTITUTE INTRODUCED-REFERRALS
01/25/08 (S) L&C, FIN
02/05/08 (S) L&C AT 1:30 PM BELTZ 211

WITNESS REGISTER

ANDY MODEROW

Staff for Senator French

Alaska State Capitol

Juneau, AK 99801-1182

POSITION STATEMENT: Commented on SB 117 for the sponsor.

JEFF BRIGGS

Alaska Professional Firefighters Association,

Anchorage, AK

POSITION STATEMENT: Supported CSSB 117(L&C).

MARK JONES, representing himself

Anchorage, AK

POSITION STATEMENT: Supported CSSB 117(L&C).

GINGER BLAISDELL

Staff to Senator Green

Alaska State Capitol

Juneau, AK 99801-1182

POSITION STATEMENT: Commented on SB 196 for the sponsor.

RON MILLER, Regional Manager

Safeway

No address provided

POSITION STATEMENT: Supported SB 196 and the National Association of Drug Store revisions to make it compliant with a national standard.

BARRY CHRISTENSEN, Pharmacist

Anchorage, AK

POSITION STATEMENT: Had concerns about funding the program in SB 196.

PATRICIA SENNER

Alaska Nurses Association

Anchorage, AK

POSITION STATEMENT: Had concerns about CSSB 196(L&C).

MAX HENSLEY

Staff to Senator Ellis

Alaska State Capitol

Juneau, AK

POSITION STATEMENT: Commented on SB 230 for the sponsor.

CAROLYN MUEGGE-VAUGHAN, President

Alaska Film Group (AFG)

Juneau, AK

POSITION STATEMENT: Supported SB 230.

BOB CROCKET

Alaska Film Group

Juneau, AK

POSITION STATEMENT: Supported SB 230.

DAMA CHASLE, Partner

The Incentives Office

Los Angeles, CA

POSITION STATEMENT: Supported SB 230.

PROFESSOR MIYA SALGANEK
University of Alaska Fairbanks
Fairbanks, AK
POSITION STATEMENT: Supported SB 230.

GORDON CARLSON, Vice President
CLI Construction
Cantwell, AK
POSITION STATEMENT: Supported SB 230.

JERRY LAVINE, representing himself
Anchorage, AK
POSITION STATEMENT: Supported SB 230.

ANGELA MIELE, Vice President
State Tax Policy
Motion Picture Association
Washington, D.C.
POSITION STATEMENT: Supported SB 230.

BARBARA HUFF-TUCKNESS, Director
Teamsters Local 959
Juneau, AK
POSITION STATEMENT: Supported SB 230.

KATE TESAR, pro-bono lobbyist
Alaska Film Group
Juneau, AK
POSITION STATEMENT: Supported SB 230.

ACTION NARRATIVE

CHAIR JOHNNY ELLIS called the Senate Labor and Commerce Standing Committee meeting to order at [1:32:27 PM](#). Present at the call to order were Senators Bunde, Davis, Stevens and Ellis.

SB 117-WORKERS' COMP: DISEASE PRESUMPTION

[1:32:27 PM](#)

CHAIR ELLIS announced SB 117 to be up for consideration.

ANDY MODEROW, staff for Senator French, sponsor of SB 117, explained the new CS as follows:

This legislation will create a workers' compensation presumption that certain cardiovascular events, respiratory diseases and cancers are work related when

contracted by firefighters during a limited timeframe and within specific parameters. The list of ailments is limited to diseases that firefighters contract more often than members of the general public. This list can be found on page 2, lines 2-13, of the bill. Certain contagious diseases, such as meningitis and tuberculosis, are covered under a presumption for firefighters and other first responders.

In all instances a preponderance of the evidence can negate this presumption. As an example, someone with a history of tobacco use is specifically prevented from the workers' compensation presumption for respiratory and heart conditions under the legislation. Other factors including physical fitness, work history and non-employment activities can be considered when a claim is filed. A qualifying medical examination will ensure that the ailment was not present before the claim is filed.

The presumption for firefighters is restricted to only those who have served seven years or more, and coverage for qualifying medical events extends to a maximum of 60 months after employment ends. I should also note that exposure to a known carcinogen during the course of employment must be established for a cancer claim presumption under the legislation.

Alaska is only one of nine states that haven't established a workers' compensation presumption for firefighters, and the 41 states that have similar laws have found negligible, if any, effects on actuarial assumptions for claim payouts. CALPERS (the California retirement system) found no noticeable impact as a result of the presumption, and workers' compensation claims actually fell in Illinois during the six years after a presumption was placed into law.

The new CS before you responds to a concern that the qualifying medical examination would place an unfunded obligation on employers across the state. Page 3, lines 24-30, make it clear that an employer will not have an obligation to cover the costs of a qualifying exam. It does provide that an individual has the option to pay for their own exam if an employer doesn't provide one. Without an exam, a workers'

compensation claim can still be made, just as current law allows, but the presumption would not apply.

In short, when our houses are on fire, we run out and firefighters run in. This legislation gives firefighters the backup they need when their life-saving work produces adverse effects to their own personal health.

[1:37:02 PM](#)

SENATOR BUNDE asked if this would cover volunteer fire departments as well as full-time fire departments.

MR. MODEROW replied yes.

[1:37:24 PM](#)

JEFF BRIGGS, Alaska Professional Firefighters Association, supported SB 117 and the CS. He said all firefighters across the state appreciate the work they have done on this bill.

MARK JONES, Anchorage Firefighters, supported SB 117 and said he developed bladder cancer three years ago. This bill provides important safeguards for firefighters and emergency service workers.

[1:39:52 PM](#)

SENATOR BUNDE noted that he received a letter from Dr. Brown, an Anchorage physician, stating concerns that some diseases listed seemed to be focused on men - for instance prostate versus ovarian cancer.

CHAIR ELLIS said that was a good point and asked Mr. Moderow if he received that letter.

MR. MODEROW replied no.

SENATOR BUNDE followed up by asking him to take that under consideration.

[1:40:51 PM](#)

CHAIR ELLIS asked Mr. Moderow to go through the CS.

MR. MODEROW said the only change in the CS from the last draft is on page 3, lines 24-30, where the obligation to pay for the qualifying medical exam is not placed on the employer. It provides that the employee can purchase the qualifying medical

examination, but removes the obligation for him to do so giving the employer the option to provide it.

[1:41:33 PM](#)

SENATOR STEVENS moved to adopt CSSB 117(L&C), version E. There were no objections and it was so ordered.

[1:42:04 PM](#)

SENATOR HOFFMAN joined the committee.

SENATOR BUNDE said he would object to moving the bill and explained that Alaska has a unique workers' compensation system already in place; it's a very small market with few providers. He thought passing this bill would put undue stress on that system. He also thought the cost of premiums would go up with increased coverage which would be burdensome to municipalities.

CHAIR ELLIS said he didn't expect anything more than a negligible impact and it could be revisited if their experience is otherwise.

[1:43:51 PM](#)

SENATOR STEVENS moved to pass CSSB 117(L&C) from committee with individual recommendations and attached fiscal notes. SENATOR BUNDE objected. A roll call vote was taken. Senators Hoffman, Davis, Stevens and Ellis voted yea; Senator Bunde voted nay; and the bill moved from committee.

[1:44:43 PM](#)

SB 196-PRESCRIPTION DATABASE

CHAIR ELLIS announced SB 196 to be up for consideration [CSSB 196 (L&C), version K, was before the committee].

[1:46:00 PM](#)

GINGER BLAISDELL, staff to Senator Green, sponsor of SB 196 compared the original bill and the proposed CS. The first item on page 2 was not a change, but she explained, revisiting the requirement for Schedule 1 through V controlled substances to be reported had been recommended. She found little differences between the federal schedules and Alaska State statute schedules - one being that Schedule I in Alaska includes OxyContin and codeine; so Schedule I needed to be included in this statute.

Schedule V controlled substances remains because although they are the low-dose drugs, it is known if they are taken with other drugs they do create a harmful effect. In Alaska statute,

Schedule V includes certain cough syrups that contain codeines and steroids, both narcotics, so those need to be tracked.

On page 3, line 12, subsection 4 was rewritten to include only the name of the person the prescription was written for and not who is actually picking up the prescription. This saves the pharmacist data entry time and it's not a standard field to be collected.

MS. BLAISDELL said subsection 7, in version C on page 3, line 17, was eliminated because it duplicated the same information that was collected under subsection 6. The following subsections were renumbered. On page 4, lines 3-5, a sentence was added: "The board shall undertake to ensure the security and confidentiality of the database and the information contained within the database." She explained this means that specific data requirements will be at the discretion of the Board of Pharmacy through regulation or operating procedures. The board will be more aware of data security issues with this type of program and more restrictive language would not provide it the flexibility it needs.

[1:48:36 PM](#)

The bill also recommends following the 2005 federal National All-schedules Prescription Electronic Reporting (NASPER) standards. These allow states to communicate with each other and to have a similar standard of data. The Board of Pharmacy could put specific security requirements in its vendor contract, she added.

[1:49:21 PM](#)

On page 4, line 20, (line 21 of the new bill), subsection 5, was changed slightly to better represent law enforcement's access to the data. Last week, she said, they heard that Medicaid and potentially other government agencies would like to have direct access to the database, but legislative legal, dispensers and practitioners around the state pointed out concerns with that because the database could be used to for "fishing expeditions" to look for any anomalies.

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On page 5, line 5, subsection (f), had been replaced with: "The board may enter into agreements with tribal and military dispensers and practitioners in this state to submit information to and access information in the database subject to this section and the regulations of the board." Currently tribal and military health care entities do not have to report to a state

mandated program because they follow federal jurisdiction. More and more states are volunteering to participate in prescription drug monitoring programs because they find it is in their clients' best interests.

[1:51:10 PM](#)

MS. BLAISDELL said subsection (g) on page 5, line 8, of version C had been moved into (i); subsection (g) now reads: "The board shall notify the president and speaker of the house of representatives if, at any time after the effective date of the act, the federal government fails to pay the costs of the controlled substance prescription database."

MS. BLAISDELL noted that this change allows the legislature to plan for other means of funding without assuming the board would automatically increase license fees to database users. It is the intent of the legislature that this database be implemented as a tool for improving public service and that the cost should not be assessed to prescribers and dispensers.

[1:52:01 PM](#)

Language on page 5, line 11, replaces subsection (f) with: "An individual who has submitted information to the database in accordance with this section may not be held civilly liable for having submitted the information. Nothing in this section requires or obligates a dispenser or practitioner to access or check the database before dispensing, prescribing or administering a medication or providing medical care to a person. Dispensers or practitioners may not be held civilly liable for damages for accessing or failing to access the information in the database."

She explained that computers aren't always available, especially in Alaska. One instance happened last year in the Iditarod when someone broke his leg and the doctor had to phone for some pain medication to be flown out. The person wasn't flown out until a few days later.

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Last, Ms. Blaisdell said, they were asked to include drugs other than those in the controlled drug list. In response to this, Senator Therriault introduced SB 38 that asks to include another drug to the controlled drug list; this is where other drugs should be added, not in SB 196.

[1:53:56 PM](#)

SENATOR BUNDE asked if she had seen the January 21 letter from the Pharmacy Association and if she felt the CS adequately addressed its concerns.

MS. BLAISDELL replied yes.

CHAIR ELLIS asked if it was safe to say that version K addressed all the labor and commerce issues brought up at the last meeting.

MS. BLAISDELL replied yes.

1:55:29 PM

RON MILLER, Pharmacist and Regional Manager, Safeway, supported the National Association of Drug Store Chain's revisions to use a national standard so that multi-state companies could easily deal with the database entries and reporting periods. He was concerned with who will pay for the program when all the grants are gone.

MS. BLAISDELL answered that the general intent of the bill is to provide a tool to prescribers and dispensers so they can make a better choice in allowing client access to prescription narcotics. Prescription abuse is a national trend, and in Alaska it is a genuine concern because it rolls into a lot of other criminal activities. This is a positive approach to curbing some illegal activities in this state.

CHAIR ELLIS asked what happens when the money runs out.

MS. BLAISDELL answered the fiscal note indicates \$400,000 for the first year of start-up costs. Other states have on-going costs of about \$100,000 - \$125,000 per year. Savings will be seen in insurance fraud and over-prescribing and these savings will make up the difference in the cost of the ongoing program.

CHAIR ELLIS commented that those savings could show up in different components of the budget, which would have to be recognized in future budgets.

MS. BLAISDELL agreed.

1:59:24 PM

BARRY CHRISTENSEN, Anchorage Pharmacist, said he was still a little concerned that the funding for this program would fall on the backs of the pharmacists. He saw a potential for the need to double the Board's current budget of \$80,000 - \$90,000.

SENATOR BUNDE suggested a letter of intent stating that the cost of this program is not to be borne by private businesses or the consumers.

MR. CHRISTENSEN said he agreed and added that this is the number one concern he is hearing from pharmacists.

[2:02:18 PM](#)

CHAIR ELLIS commented that a letter of intent wouldn't hold the bill up.

[2:03:06 PM](#)

PATRICIA SENNER, Alaska Nurses Association, had some specific questions about language in version K. Subsection (b) is unclear whether the data is to be entered by the prescribing health care provider, the pharmacists or both. She suggested that using both would provide quality control. The data collected should also include whether the patient has a signed pain management contract and if so, with whom that is.

Subsections (c)(2) and (3) state that the Board of Pharmacy is collecting data on the health care providers prescribing patterns and the patients acquiring practices, but doesn't state what the board is supposed to do with the data. She suggested adding a line saying the board should alert the appropriate licensing board if abnormalities are suspected. She also agreed with a letter of intent stating that the cost of this program is not to be borne by the license fees.

MS. BLAISDELL responded about the language in subsection (b) on page 2 is a little confusing because Alaska has a number of prescribers who also dispense from their practice like veterinarians and medical doctors. Regarding Ms. Senner's second concern, she said other language already exists in statute on the board alerting others of certain types of activities. The language in SB 230 clarifies that the data this bill collects looks at "practices or trends" that are determined by the Board of Pharmacy, not a single event.

CHAIR ELLIS asked Ms. Blaisdell to work with Ms. Senner on intent language.

[2:07:17 PM](#)

SENATOR STEVENS moved to adopt CSSB 117(L&C), version K. There were no objections and it was so ordered.

SENATOR BUNDE commented that he would be more comfortable with the letter of intent.

CHAIR ELLIS gave his word that acceptable language on the financial commitment/impact would be written and that it would follow the bill.

[2:08:39 PM](#)

SENATOR STEVENS moved to pass CSSB 196(L&C) from committee with individual recommendations, attached fiscal notes and the future letter of intent. There were no objections and it was so ordered.

SB 230-FILM OFFICE/ FILM PRODUCTION TAX CREDIT

[2:10:45 PM](#)

CHAIR ELLIS announced SB 230 to be up for consideration. He said he was very excited about this legislation, because it's an important step towards diversifying Alaska's economy. Forty-five states have active film offices and it is a very competitive business for big bucks, lots of jobs and lots of business impact. Almost all of those states have some kind of incentive program; 12 states offer transferable tax credits and many others do direct grants.

He said this bill proposes transferable tax credits. He reminisced when oil dropped from \$29 to \$8/barrel and the very successful film office in Alaska got dropped. He thought that was a shortsighted decision, but now they have a chance to rectify that shortcoming. Films that Alaska lost include "The Guardian" with a production budget of \$80 million was set in Kodiak, but filmed in Louisiana, and "Insomnia," production budget of \$46 million, set in Nightmute but was filmed in British Columbia. He noted that an upcoming production is set in Sitka, but is being filmed in Massachusetts.

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MAX HENSLEY, staff to Senator Ellis, sponsor of SB 230, explained that section 1 on page 1 established the ability for the Department of Revenue (DOR) and the Department of Commerce, Community & Economic Development (DCCED) to give tax credits to film producers for a certain percentage of their qualified spending on projects that qualify. This credit is transferable and fully divisible and functions much like the tax credits for capital projects and oil exploration.

Page 2, line 5, section 2, outlines the duties of the film office and requirements for the film incentive program. He said the current film office is staffed by a one-quarter time position in the DCCED and this expands the roll of the position to be more of what it was previously - to promote the State of Alaska as a filming location and to assist producers who wish to take advantage of the Alaska scenery.

Page 3, lines 1-19, determine a production's eligibility. A producer must spend at least \$50,000 in the state on qualified expenditures to be eligible; they must employ interns from the Film Internship Training Program (which will be certified at the University of Alaska through this bill), and the production must be approved by the Film Office. It won't allow news, sports, weather, political ads, programs that are distributed for internal corporate use, nor any sort of pornographic or obscene production.

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Language on line 20 sets up the application process; producers must submit a script or synopsis of what they plan to film to the Film Office, some of the key personnel involved, estimated dates and distribution plan for the final project. The tax credit process starts on page 4, line 3. After the filming is complete the production will submit an audited report to the Film Office which will set out the amount and type of spending that was done in the state. The tax credit will be awarded equal to 25 percent of that spending with an additional 10 percent bonus on qualified expenditures that are wages paid to Alaska residents. An additional 1 percent goes for any expenditures made in a rural area or any expenditures made between October 1 and March 30 during the traditional slower season for this industry.

Finally, on page 4, lines 26 - page 5, line 29, defines qualified expenditures, which are things directly related to the film's production. It does not include indirect costs, marketing and advertising - anything that is reimbursed at a later date.

SENATOR BUNDE asked what the profit margin is on a \$30, \$60 or \$80 million film and what the potential tax liability would have been if one of those films been produced in Alaska. He was also concerned with how "obscene" is defined since he would consider many recent films to be obscene.

CHAIR ELLIS said the state would probably go by the existing film rating system that is well established.

MR. HENSLEY said that producers have told him they would want a better definition and suggested adopting the U.S. Code definition, which very clearly states what is pornographic and obscene.

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SENATOR STEVENS wanted to know about the Film Production Internship Training Program and to make sure the University is a willing participant in establishing it.

SENATOR BUNDE asked for an explanation of the fiscal note that starts out at \$290,000, drops to \$33,000 and then jumps up to \$323,000.

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CAROLYN MUEGGE-VAUGHAN, President, Alaska Film Group (AFG), and BOB CROCKETT, Board Member, Alaska Film Group, introduced themselves.

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MS. VAUGHAN said AFG is a non-profit trade association whose goal is the same as Alaska's - progress from activity in putting Alaskans to work. She called SB 230 "our next gold rush." She said it creates diversification of our economy, new private sector jobs, new training programs, jobs for interns, crew and Native Alaskans, infusion of construction dollars, millions of dollars worth of PR, opportunities in rural Alaska and tax credits for corporations.

SB 230 uses similar components of other successful incentive programs from states like Louisiana and New Mexico. She said a plethora of people will be used and hired; money will be spent in Alaskan communities.

MR. CROCKETT added that Alaska isn't competitive and it is one of a few states without an incentive program. The first thing a production company asks is if you have an incentive program; if you don't they walk away. With no incentive program these communities are losing out on opportunities. As an added benefit, many companies will leave infrastructure behind for future and local productions to use. He recognized the economic impacts of "Northern Exposure" that allotted \$839,000 to each episode in its beginning, but ended up costing \$92 million to produce in its four years. An estimated "ground-spend" of 75 percent put over \$69 million into Washington's economy. Each year a moose fest is still held in Rosalyn, Washington, where

the series was shot and it continues to attract loyal fans and their money.

"Men in Trees," another recent show, is being shot in Vancouver, Canada, but it is about Alaska, he said. They spend \$1 million/day, but the only Alaskan put to work is a cinematographer who spends a few days shooting the backdrops and Alaskan product placements.

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A reality-based TV show called "Deadliest Catch" is now in its third season with a ground-spend of \$3.7 million. It has a crew of about 30 people and only 2 are Alaskans. He said features bring in the most; a recent feature, "30 Days of Night," was all about Barrow but was shot in New Zealand for an estimated ground-spend of \$37.5 million. He said, "These are the projects SB 230 will target."

MR. CROCKETT said the average cost to produce and market a feature film is \$100.3 million. In 2006 there were 607 features, an increase of 72 films, which translates into \$722 million.

MS. VAUGHAN said their competition is global. She took the crew around who thought the perfect setting for "Insomnia" was Seward, but it was shot in British Columbia because of the money. The estimated ground-spend for that production was \$37.7 million.

She said Canada has created infrastructure around its film industry. They are so booked now they don't have enough crew to meet their demands. The U.S. is also Alaska's competition. She said "The Guardian" was set in Alaska, but only one week was shot in Kodiak; the rest was shot in Louisiana and South Carolina. After Louisiana created its incentive program, the film production went from \$7 million to \$343 million in just two years. In 2003 the film spending supported 5,437 jobs and in 2005 it went to 13,445 jobs and after five years the industry there had ground spend of \$500 million. In 2007, Louisiana had three TV series and 343 features. They did it through their tax credit program.

MS. VAUGHAN related that Louisiana has a 25 percent investor tax credit, a 10 percent credit on Louisiana payroll and a 40 percent credit on infrastructure and development. Since 2001, Louisiana and New Mexico have experienced a compound annual employment growth of 23 percent.

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MR. CROCKETT said an upcoming Disney film, "The Proposal," starring Sandra Bullock is set in Sitka, but it is actually being shot in Massachusetts. The producers have told AFG they would love to shoot in Alaska. He said Alaska has long been a popular setting for films and TV; just look at the ones that got away.

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MS. VAUGHAN and Mr. CROCKETT showed a display done by the Association of Film Commissioners International on the daily economic ground spends of different kinds of film projects saying that high-end budget films, full crew, union scale spends about \$100,000/day. "Deadliest Catch" which is very popular is at the bottom of the chart at about \$15,000/day.

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MR. CROCKETT said that wages compare to the North Slope and feature films use union scale rates; commercials are even higher. He emphasized that Alaska has a lot to offer - our beautiful scenery, the mystique, professional crews - but one item missing is the incentive program. It would bring growth and development.

MS. VAUGHAN recapped that SB 230 creates jobs, diversifies the community, stimulates tourism, builds infrastructure and support services and provides opportunities for rural Alaska. It develops educational and internship programs and it provides transferable tax credits for Alaskan corporations.

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DAMA CHASLE, Partner, The Incentives Office, Los Angeles, said she is a former Fox and Warner executive and that many shows they discussed today would have been filmed in Alaska but for the cost. She said the U.S. dollar is at an all-time low and it's time to compete and have a film incentive that can really stimulate a diversified economy and allow Alaskans to be part of craft services. In addition to the benefits mentioned, she said there is the pride in working in an industry that is state-of-the art. Film is moving from 35 mm standard film into high definition. Even the low cost project, "Deadliest Catch," a non-scripted, non-starring reality show, but even that is an expensive endeavor. It starts with someone making the food and catering clear up to the stars. She was part of the Louisiana endeavor. She watched jobs in Louisiana increase from a ground spend of \$20 million/year in November 2002 when they passed

their first bill to over \$350 million two years later. Currently it is over \$500 million/year.

She has been part of the U.S. Incentive Planning Team with the Motion Picture Association of America, and she encouraged them to think very positively about this industry saying, "We're lean; we're mean; we're green; and...we typically don't pollute." Many producers will select Alaska with financial incentives, and it will grow Alaska business and enhance the cultural economy.

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PROFESSOR MIYA SALGANEK, University of Alaska Fairbanks (UAF), said she teaches theatre and film directing and production classes. She related that she went to the Sundance Film Festival as a co-producer of a Fairbanks film that was selected for Sundance in its spectrum category. It was written by a UAF graduate student and was produced by people in Los Angeles who called her. She had a group of students participate, all of whom became production assistants and transferred away from UAF because its film program is inadequate. She said students all the way from high school up have a desperate interest and need to be involved in dramatic arts. For those students that isn't the world of the stage; it is the world of theatre, of YouTube, of cinema, of production. SB 230 provides a unique opportunity to help encourage that growth and development to the next level.

PROFESSOR SALGANAK said she is working with two productions now - one as director at Sundance and with another group the AFG has been involved with. Both productions are looking to shoot this summer and they are both waiting to find out what will happen with SB 230. She added that the film community is excited about not having to represent Alaska from an outsider's point of view. The incentive program would help hone the skills of Alaskans so they would meet the needs of the workforce. Alaska has more than enough people to fill these jobs, and she didn't see why we should have to import people from L.A. to do them.

SENATOR STEVENS asked if the University would establish an internship program if this bill passed.

PROFESSOR SALGANEK replied "Most definitely." She explained that her students started out as interns and they were quickly promoted to production assistants for one film. She is taking a class to Barrow this summer and some students are being trained to do scientific documentary work. The University is working now to create an interdisciplinary film program using students and

faculty from journalism, art, history and English as well as theatre and film studies.

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GORDON CARLSON, Vice President, CLI Construction, said he is located in Cantwell AK and supported SB 230. He said he worked on "Into the Wild" and it brought \$3-\$4 million to the community. It affected local restaurants, motels, hotels, carpenters, and laborers; it was a huge shot in the arm when they stated filming in April. Now he is getting phone calls from different people who want to visit his area as tourists.

2:42:20 PM

JERRY LAVINE said he has a production and equipment support company in Anchorage that caters to the film and video industry. A majority of business comes from outside Alaska, and he would like to see the industry grow; SB 230 would help it go in the right direction. He explained that his business and other local companies could invest in more equipment that would meet the needs of producers coming to Alaska who would then not have to ship equipment up here. Also, if this bill passes and more movies get produced here, companies like his don't even have enough equipment and this would make it possible for them to get more faster. He advised that tax credits work better than rebates, because it provides an incentive to earn the credits rather than just receiving the money.

He also advised that they should also consider the duties of the office being created. It would provide assistance in permitting, location scouting, and serve as a liaison between other local groups and organizations. They should ask themselves if the state should be involved with location scouting; maybe the production should pay for it up front and get it as a qualified expenditure. The same for permitting on state land. He also thought the title of the office could be named so that it would favorably affect marketing. Some states offer no caps or minimum expenditure on the qualified expenditures, but that could be figured out.

He urged them to consider that the 25 percent base credit didn't go to enough Alaskans first. Instead, he suggested offering a 5 percent base amount to the production coming up here, and 25 percent more if they hire Alaskans, and maybe add another 5 percent for going to a rural area - and another 5 percent for working between October 1 and April 30. He exhorted them to make the production earn the qualified expenditures. He thought the Internship program at the University was a great idea and

suggested including certification of any private training programs that may be created through the industry as it grows.

2:50:12 PM

ANGELA MIELE, Vice President, State Tax Policy, Motion Picture Association (MPA), said the MPA is a trade association representing the nation's leading producers and distributors of motion pictures and television programs. In her roll she oversees the tax issues affecting member company business practices around the country. She has seen a dramatic surge of states adding film production incentives or increasing their existing ones. This is due to a lot of increased competitiveness, and a lot of states are realizing the economic impact of these productions. They want to attract permanent infrastructure and capital investment; it has really paid off.

2:51:59 PM

MS. MIELE cautioned them against using the MPA rating system, which has been found to be unconstitutional; so she would go with the federal provisions. The elements of the bill are very competitive; it seems unencumbered with caps and limitations which is key to a successful program. It is easy to access with clear eligibility. She said countless studies have been done on how much economic activity comes from film productions, which they have heard about.

2:53:43 PM

BARBARA HUFF-TUCKNESS, Director, Governmental and Legislative Affairs, Teamsters Local 959, supported SB 230. They are excited about the job opportunities it will create in the state.

2:54:46 PM

KATE TESAR, pro-bono lobbyist, Alaska Film Group, said SB 230 has been developed in close association with people in the industry and incorporates what has worked best in other states. She said it has benefits for Alaskans through the transferable tax credits for corporate Alaskans.

SENATOR STEVENS said it's a fascinating topic, but they need more information about the history of Alaska's Film Office. He asked Commissioner Notti, Department of Commerce, Community & Economic Development, to give them a report on what the state did wrong at that time.

SENATOR BUNDE said he wanted to see a potential net gain for the \$300,000 it will cost each year to run the office.

[2:57:38 PM](#)

CHAIR ELLIS said all the work on this legislation needs to happen in this committee, because it only goes to the Finance Committee afterwards.

SB 230 was held in committee.

SB 196-PRESCRIPTION DATABASE

[2:58:38 PM](#)

CHAIR ELLIS said the letter of intent had been delivered on CSSB 196(L&C).

SENATOR BUNDE moved to adopt the letter of intent and to send it on with the bill. There were no objections and it was so ordered.

There being no further business to come before the committee, Chair Ellis adjourned the meeting at [2:59:07 PM](#).