

HOUSE FINANCE COMMITTEE
April 11, 2009
9:09 a.m.

9:09:53 AM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 9:09 a.m.

MEMBERS PRESENT

Representative Mike Hawker, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Bill Thomas Jr., Vice-Chair
Representative Allan Austerman
Representative Harry Crawford
Representative Anna Fairclough
Representative Les Gara
Representative Reggie Joule
Representative Mike Kelly
Representative Woodie Salmon

MEMBERS ABSENT

Representative Richard Foster

ALSO PRESENT

Jennifer Senette, Staff, Representative Kurt Olson; Linda Hall, Director, Division of Insurance, Department of Commerce, Community and Economic Development; Derek Miller, Staff, Representative Mike Kelly, Sponsor; Amanda Mortensen, Staff, Representative John Coghill, Sponsor; Anthony Newman, Program Officer, Division of Juvenile Justice, Department of Health and Social Services; Representative Mike Chenault, Sponsor; Tom Wright, Staff, Representative Mike Chenault, Sponsor; Rynnieva Moss, Staff, Representative John Coghill, Sponsor; David Stone, Deputy Commissioner, Department of Labor and Workforce Development, Member, Alaska Taskforce Investment Board, and Co-Chair, STEP Taskforce; Guy Bell, Assistant Commissioner and Director, Division of Administrative Services, Department of Labor and Workforce Development; Don Ethridge, Alaska Works Partnership and Alaska AFL-CIO.

PRESENT VIA TELECONFERENCE

Carol Brenckle, Chair, Alaska Juvenile Justice Advisory Committee, Kenai; Doug Ward, Director, Shipyard Development, Alaska Ship and Drydock, Ketchikan, and Member, Workforce Investment Board and STEP Taskforce; Linda Hulbert, Member, Alaska Workforce Board, Fairbanks.

SUMMARY

HB 44 ENERGY BONDS/INVESTMENTS/ANGDA

CS HB 44(FIN) was REPORTED out of Committee with no recommendation and attached zero note 1 by the Department of Revenue and two new zero notes by the Department of Revenue.

HB 105 STEP PROGRAM

CSSS HB 105(L&C) was REPORTED out of Committee with a "do pass" recommendation and with attached fiscal note 1 by Department of Labor and Workforce Development and fiscal note 2 by Department of Labor and Workforce Development.

HB 141 COMPACT FOR JUVENILES; INTERSTATE COUNCIL

HB 141 was REPORTED out of Committee with a "do pass" recommendation and attached fiscal note 1 by Department of Health and Social Services and zero note 2 by the Department of Corrections.

HB 175 INSURANCE

CS HB 175 (L&C) was REPORTED out of Committee with a "do pass" recommendation and with attached fiscal note 1 by the Department of Commerce, Community and Economic Development.

HB 186 AK FIREARMS EXEMPT FROM FED. REGULATION

CS HB 186(FIN) was REPORTED out of Committee with no recommendation and attached new indeterminate fiscal note by the Department of Law.

HB 212 UNEMPLOYMENT AMENDMENTS: FED STIMULUS

HB 212 was HEARD and HELD in Committee for further consideration.

#hb175

HOUSE BILL NO. 175

"An Act relating to insurance, including treating as confidential certain information submitted to the director of insurance by the National Association of Insurance Commissioners; clarifying conditions for the release of insurer deposits; defining travel insurance that may be sold under a travel insurance limited producer license; establishing criteria for licensing of nonresident independent adjusters as resident

adjusters; exempting rewards under a wellness program from treatment as insurance discrimination or rebating; making certain insurance required of the Comprehensive Health Insurance Association permissive rather than mandatory; providing for the administration of loss reimbursement policies and payments to guaranty associations during insolvency proceedings; making certain provisions relating to statements on applications and guaranteed renewability for individual health insurance applicable to hospital and medical service corporations; making public certain forms and related documents filed for approval by a hospital or medical service corporation after the filing becomes effective; relating to deposits of self-funded multiple employer welfare arrangements; repealing reasons that the director of insurance may use to deny or revoke a license; and providing for an effective date."

[9:10:55 AM](#)

JENNIFER SENETTE, STAFF, REPRESENTATIVE KURT OLSON, SPONSOR, explained that the bill was offered at the request of the director of the Division of Insurance.

LINDA HALL, DIRECTOR, DIVISION OF INSURANCE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, provided an overview of the legislation using a sectional analysis (copy on file). She explained that the changes are needed by the Department of Commerce, Community and Economic Development (DCCED) in order to effectively regulate the insurance industry. The division's overall goals are solvency, oversight, consumer protection, and making sure there is a healthy and competitive marketplace.

Ms. Hall pointed out several sections in the bill that streamline the division's processes:

- Section 10: Allows the division to issue a license to a non-resident adjuster whose own state does not license adjusters.
- Section 12: Provides for third-party administrators.
- Section 18: Allows acceptance of another regulator's evaluation of a nonresident with a felony conviction.

[9:14:53 AM](#)

Ms. Hall informed the committee that the division's agent licensing processing is done electronically, which has greatly streamlined the process.

Ms. Hall turned to sections with clarifying language:

- Sections 5 and 6: Tighten language and clarify how deposits of both domestic and other state insurers are treated and when the deposits are given to guarantee funds.
- Section 29: Defines "working day" uniformly throughout.

Ms. Hall pointed out sections of the bill that provide uniformity with national standards. She explained that state regulators have been concerned with a major push for federal regulation of insurance; the more uniform state regulations are, the less likely that is to happen.

- Section 1: Allows for analysis ratios and examinations submitted to the director from the National Association of Insurance Commissioners (NAIC) to be confidential.
- Section 8: A uniformity standard saying that a compliance officer for an insurance agency does not have to be licensed in all the lines of business that the agency does.
- Section 9: Updates products that can be sold under a limited travel licensee.

[9:17:15 AM](#)

Ms. Hall approached new issues covered by Section 11. She believed the section was a policy call the legislature needed to make. The section permits a director to order a summary suspension of a producer license if there is a finding that suspension is necessary for the protection of the public in an emergency action. She described two instances of agent behavior that needed to be immediately stopped. In normal circumstances, the department would issue a letter of accusation and get a request for a hearing and begin a process that has taken up to a year and a half. She reported the worst instance of agent behavior as an individual who took premium money from 72 victims; the case is pending with 32 felony counts.

Ms. Hall emphasized the importance of immediate action. In the example, the adjuster voluntarily surrendered his license. Had he not, the department would have been forced to allow him to continue his business practices until the hearing. The department does not believe that waiting in certain circumstances would be in the best interest of consumers.

[9:20:07 AM](#)

Ms. Hall described another incident in which premium trust money had been taken from an employer. The employer brought the employee to the division offices to surrender the license. She noted that other states had the provision.

Representative Fairclough stated that she was comfortable with the first component of page 8, section 11, lines 3 through 17. She was not comfortable with the second component requiring the appeal to go to the same director. She had questions about due process. Ms. Hall replied that other sections provide for due process in hearings. In addition, anything a director does is subject to overview in superior court. She emphasized the need to use the authority in special circumstances, especially urgent ones.

Representative Fairclough commended the department and acknowledged the difficulty. She stated concerns that a director could be unduly burdened or could use the measure to punish individuals.

[9:23:27 AM](#)

Ms. Hall thought there were adequate protections built into the system. She noted that discussion about the process had taken place in the Labor and Commerce Committee.

Representative Crawford pointed to Section 10 regarding licensing of out-of-state adjustors and queried the level and circumstances of need. Ms. Hall opined that there was a shortage of adjusters. She cited an emergency provision for disasters and described independent agencies whose trained adjustors have left Alaska but still work long-distance. The department wants the adjusters to have a resident license.

Representative Crawford stated concerns about adjustors moving from Alaska. He thought it was important for them to stay in the state. Ms. Hall replied that there were a number of non-resident adjustors and a large number of non-resident licensees; out of approximately 38,000 insurance adjusters, 34,000 are non-residents.

Ms. Hall agreed with Representative Crawford that the numbers were overwhelming. She explained that insurance company call centers license all their people on the off-chance that they might take a call from an Alaskan consumer. She did not think there was enough insurance business in the state to warrant 38,000 licensees.

[9:27:57 AM](#)

Ms. Hall turned to Section 17, which would allow an insurance company to offer an incentive for a wellness program without considering the incentive a rebate. The department feels built-in incentives that meet Health Insurance Portability and Accountability Act (HIPAA) requirements are a good idea.

Ms. Hall explained Section 23, which changes the definition of "resident" to mirror the permanent fund eligibility definition for a high-risk pool.

Ms. Hall continued that Section 28 would add deposit administration for self-funded healthcare entities, which are small employer, single-industry groups called multiple employer welfare arrangements. The division had an entity in the recent past that was insolvent and worked with them to make sure claims were paid.

Ms. Hall discussed Section 26, which makes statutes dealing with hospital medical service corporations have the same requirements as other companies with regard to applications and the guaranteed renewability of individual healthcare plans.

Representative Gara asked whether out-of-state adjusters were charged a fee so that the state did not lose money. Ms. Hall responded that out-of-state adjusters were charged double.

Representative Gara asked if money was lost through the regulatory process related to out-of-state adjusters. Ms. Hall did not think there were a significant number of out-of-state residents; the numbers used previously were not licensees who adjust claims.

Representative Gara asked for clarification. Ms. Hall responded that the 38,000 agents sell insurance. She did not have the number of adjusters.

[9:31:36 AM](#)

Representative Fairclough referred to the state's wellness survey with a \$100 incentive. She wondered how the survey information was kept confidential. Ms. Hall replied that the state select benefits plan does not come under the oversight of Title XXI, so the division does not have regulatory oversight of the plan. She referred to identity theft legislation. She informed the committee that insurance entities have very specific confidentiality and personal information protection provisions in both statute and regulation; the provisions do not apply to the state benefit plan.

Representative Fairclough asked whether state was exempt or if the \$100 was considered a rebate. Ms. Hall answered that the state was exempt.

[9:33:32 AM](#)

Representative Kelly referred to a constituent complaint and asked whether the state had implemented a survey of people

who had complaints. Ms. Hall responded that the survey was implemented in 2007 and was still being used. The summary result of the surveys was available.

Co-Chair Stoltze referred to a zero note with a narrative.

Representative Fairclough asked whether "foreign insurer" was defined in statute. Ms. Hall answered that "foreign insurer" meant anything in another state, "domestic insurer" meant domiciled in the state, and "alien insurer" meant domiciled in another country.

[9:36:07 AM](#)

Co-Chair Hawker MOVED to report CS HB 175(L&C) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS HB 175(L&C) was REPORTED out of Committee with a "do pass" recommendation and with attached fiscal note 1 by the Department of Commerce, Community and Economic Development.

#hb186

HOUSE BILL NO. 186

"An Act declaring that certain firearms and accessories are exempt from federal regulation."

[9:37:17 AM](#)

Representative Mike Kelly, Sponsor, described support for the legislation in Alaska because of concerns about increased federal regulation of firearms. He explained that the bill would separate firearms manufactured in Alaska from federal regulation.

DEREK MILLER, STAFF, REPRESENTATIVE MIKE KELLY, SPONSOR, provided an overview of the legislation:

- Section 1: Finds the authority of the bill in the Second Amendment, the right to bear arms; the Ninth Amendment, guaranteeing rights to people not listed in the Constitution; and the Tenth Amendment, protecting states' rights. The section also finds that Congress has not expressly pre-empted state regulation of interstate commerce pertaining to the manufacture on an interstate basis of firearms and accessories.
- Section 2: States that a personal firearm or accessory manufactured in the state and remaining within the borders of the state is not subject to federal law or regulation. The firearm must have "Made in Alaska"

clearly stamped on a central metallic part. The section also includes definitions of all parts of firearms and accessories.

- Section 3: Applies the legislation to firearms built and retained in Alaska after October 1, 2009.

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Representative Gara pointed to page 2, line 23, saying that a firearm manufactured in the state is not subject to federal regulation. He did not think the state could determine the reach of federal legislation. He queried the point of the provision. Representative Kelly replied that the federal government increasingly impinges on the rights of individual states. He thought Alaska was particularly targeted and listed examples.

Representative Kelly understood that the measure would challenge the federal government. He gave some history of the evolution of the legislation. He acknowledged that the citizen manufacturing firearms may be challenged in the future by the federal government and would not be protected by the state's attorney general. He did not think the risk could be avoided.

[9:44:13 AM](#)

Representative Gara did not think a state statute could say federal rules do not apply. The federal rules apply or they do not in Alaska regardless of what the state may argue. He questioned the point of the legislation.

Representative Kelly emphasized that the legislation could send a message that the federal government is overreaching. He stressed the need to make a strong statement.

Representative Gara understood the argument. The U.S. Supreme Court says the federal government has a certain amount of authority to regulate firearms in states; he thought the issue should be argued in court and not the legislature. Representative Kelly thought the issue could be argued in court. He pointed out other areas where Alaska is "talking back" to the federal government.

Co-Chair Hawker stated his support for the bill. He stated that he liked the original version and asked whether the committee should return to it. Representative Kelly acknowledged concerns about the original version.

[9:48:22 AM](#)

Representative Gara clarified that he is not nervous about standing up to the federal government. He opined that the language in the bill was meaningless. He thought the language belonged in a resolution.

Representative Gara asked whether violating federal rules was a crime. Representative Kelly responded in the affirmative.

Representative Gara asked what would happen if the state encouraged individuals to violate federal laws. Representative Kelly understood that the concern was constitutional. He acknowledged that an Alaskan could be sued by the federal government while following Alaskan law.

[9:52:00 AM](#)

Co-Chair Hawker pointed to precedent in the state related to the private use of marijuana.

Representative Gara reiterated his concerns with allowing Alaskans to violate federal law through state law. Representative Kelly emphasized how frequently Alaskans came up against the issue. He acknowledged that the bill is contentious.

Representative Gara referred to an April 8, 2009 memo from Legislative Legal Services saying that violating federal law can lead to prosecution, and that the bill will not change federal law (copy on file). He emphasized that passage of the bill would set Alaskans up for prosecution. Representative Kelly replied that he had studied the memo and agreed with it: Someone following state law could get in trouble with the federal government. He stated he is leaning towards putting the attorney general out there to defend the rights of Alaskans where the federal government is infringing.

HB 186 was set aside until later in the meeting.

[9:56:27 AM](#) AT EASE
[9:57:25 AM](#) RECONVENED

#hb141
HOUSE BILL NO. 141

"An Act relating to the Interstate Compact for Juveniles; relating to the State Council for Interstate Adult and Juvenile Offender Supervision; amending Rules 4 and 24(b), Alaska Rules of Civil Procedure; and providing for an effective date."

[9:57:50 AM](#)

AMANDA MORTENSEN, STAFF, REPRESENTATIVE JOHN COGHILL, SPONSOR, explained the legislation (Sponsor Statement, copy on file). The bill would enact the new interstate compact for juveniles into law and replace the old compact created in 1955. The compact provides the procedural means to regulate the movement of juveniles under court supervision across state lines. The Association of Compact Administrators estimates that the Interstate Compact on Juveniles is used in 20,000 to 30,000 transfer and supervision cases annually.

Ms. Mortensen stressed that the compact improves communication between states by making language consistent. The bill also provides for the collection of standardized information and information-sharing systems. She informed the committee that 36 states had already passed the compact; without it, Alaska would have to deal with each state on a case-by-case basis.

ANTHONY NEWMAN, PROGRAM OFFICER, DIVISION OF JUVENILE JUSTICE, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, spoke in support of the legislation. The department would be responsible for administering the interstate compact on juveniles. He reported that about 160 juveniles enter or leave Alaska each year and the interstate compact has helped oversee their travel. The division had agreed that the compact needed to be updated and that Alaska needed to join other states that have the compact.

Mr. Newman detailed that the compact changes apply at the national and state level. Under the new compact, Alaska would support establishment of an independent and national operating authority to help administer compact activities. The authority would establish uniform procedures and coordinate standardized training. Alaskan representatives would be appointed by the governor's office and be expected to serve on a national commission. Alaska would agree to abide by the rules of the compact, be subject to interventions to correct non-compliance, and would collect data as needed. Alaska would agree to pay dues and would be expected to set up a state council to oversee compact operations in the state.

[10:01:43 AM](#)

CAROL BRENCKLE, CHAIR, ALASKA JUVENILE JUSTICE ADVISORY COMMITTEE, KENAI (via teleconference) testified in support of the legislation. She described experience representing juveniles for 25 years as a criminal defense attorney and noted that the compact would provide uniform standards. She stated concerns about expense to the state, especially in staff time, if the bill is not promptly passed. Her other concern was that other states were already setting up

regulations and Alaska should be part of the process to best protect its interests.

[10:05:26 AM](#)

Co-Chair Stoltze referred to the \$45,000 fiscal note.

Mr. Newman clarified that the department would not create a new council but would share efforts with an existing state council that oversees the adult offender compact.

Co-Chair Hawker MOVED to report HB 141 out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HB 141 was REPORTED out of Committee with a "do pass" recommendation and attached fiscal note 1 by Department of Health and Social Services and zero note 2 by the Department of Corrections.

[10:07:59 AM](#)

AT EASE

[10:17:16 AM](#)

RECONVENED

#hb44

HOUSE BILL NO. 44

"An Act relating to investments applicable to energy; authorizing the Alaska Permanent Fund Corporation to make in-state energy project investments; and authorizing certain public corporations to issue bonds for energy projects."

[10:17:30 AM](#)

REPRESENTATIVE MIKE CHENAULT, SPONSOR, testified in support of HB 44.

Co-Chair Stoltze provided some history and called for amendments.

Representative Gara MOVED Amendment 3:

Page 3, line 9, following "gas shortfalls":

Insert ", the impact on consumers and the economy of high cost energy,"

Co-Chair Stoltze OBJECTED for DISCUSSION.

Representative Gara explained the amendment. He thought it was in the state's best interest to move ahead with an in-state gas pipeline, but was concerned that a company building a gas pipeline might not prioritize consumer costs. The amendment would ensure that the Alaska Natural Gas

Development Authority (ANGDA) retains the authority to evaluate a project to make sure it is in the best interest of consumers.

Representative Chenault stated that he did not have a problem with the amendment. His intent was cheap gas.

[10:21:13 AM](#)

Co-Chair Stoltze removed his OBJECTION. There being no further objection, Amendment 3 was ADOPTED.

Co-Chair Stoltze discussed the fiscal notes.

TOM WRIGHT, STAFF, REPRESENTATIVE MIKE CHENAULT, SPONSOR, noted concerns about ANGDA going out to bond, but assured the committee that Representative Chenault would keep an eye on the situation.

Vice-Chair Thomas commented that he wanted an audit of ANGDA to see what they have done with the money given them in the past.

Representative Fairclough pointed out the possibility that the legislation could allow a small number of legislators to take away or improperly delegate power. She stated that she wanted a clear record reflecting the desire for a stopgap measure. She referred to an opinion from Legislative Legal Services on April 2, 2009.

[10:25:03 AM](#)

Mr. Wright noted that HB 152 also gave authority to the Legislative Budget and Audit Committee to approve projects.

Representative Fairclough stated that she wanted it clear for the record that a small group of legislators could make a decision that changes the action of the full body. She highlighted the issue because of a recent supreme court ruling against a legislative action related to the university; the issue of the transfer of legislative powers on appropriations was challenged and won.

Co-Chair Hawker MOVED to report CS HB 44(FIN) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CS HB 44(FIN) was REPORTED out of Committee with no recommendation and attached zero note 1 by the Department of Revenue and two new zero notes by the Department of Revenue.

[10:27:26 AM](#)

AT EASE

[10:27:56 AM](#)

RECONVENED

#hb186

HOUSE BILL NO. 186

"An Act declaring that certain firearms and accessories are exempt from federal regulation."

10:28:05 AM

Representative Kelly MOVED to return to the original version of HB 168, 26-LS0627\R. There being no OBJECTION, it was so ordered.

Representative Kelly MOVED to ADOPT Amendment 1:

Page 1 line 10:
Delete: "understood"
Insert: "intended"

Page 2 line 2:
Delete: "understood"
Insert: "intended"

Page 2 line 12:
Delete: "understood"
Insert: "intended"

Co-Chair Stoltze OBJECTED for DISCUSSION.

Representative Kelly explained that the Judiciary Committee (JUD) had one amendment to replace the word "understood" with "intended" in three places.

Representative Fairclough queried the discussion that had taken place in JUD regarding the word change. Representative Kelly replied that he agreed with JUD's statement that "intended" was a better way to describe what HB 186 is attempting to do. "Understood" meant that everyone had to be on the same page.

Co-Chair Stoltze removed his OBJECTION. There being no further OBJECTION, Amendment 1 was ADOPTED.

10:29:55 AM

Co-Chair Hawker pointed to two provisions on page 3(d). He liked the first provision saying that the state attorney general shall defend citizens if they are prosecuted through acting in compliance with HB 186. He had concerns about the second provision regarding the attorney general seeking declaratory judgment from the courts that the section is consistent with the U.S. Constitution. He requested further explanation. Representative Kelly responded that the

provision had come from Montana. The sponsors were concerned that intent did not carry enough weight.

Co-Chair Hawker thought that intent to manufacture a firearm was a lot different than an accessory. He did not want to inadvertently trap someone. He asked whether the sponsor would accept leaving in the first sentence and taking out the notice and intent sentence.

[10:32:47 AM](#)

AT EASE

[10:37:07 AM](#)

RECONVENED

Co-Chair Hawker proposed conceptual Amendment 2:

Page 3, commencing on line 22, remove the sentence beginning with "On receipt of" and ending with "the Constitution of the United States."

Representative Gara OBJECTED for discussion. He agreed with the amendment and guessed it could save the state \$200,000 each year. With the sentence, the state would have to pay costs for anyone wanting to file civil litigation challenging the federal regulation. He anticipated that lots of people would want to litigate and the state would have to respond each time.

Co-Chair Stoltze stated his concerns.

Co-Chair Hawker maintained the amendment.

Representative Gara removed his OBJECTION. There being no further OBJECTION, conceptual Amendment 2 was ADOPTED.

[10:39:27 AM](#)

Co-Chair Hawker clarified for the record that the committee was moving HB 186 as amended, not the JUD version.

Representative Crawford commented that the bill was about manufacturing, not just about firearms. He wondered what would happen to a person who wanted to manufacture something else, such as a pesticide to use in state that was against federal law. He thought equal protection issues could be opened up. Representative Kelly responded that the focus of the bill is strictly on the Second Amendment. He agreed that similar arguments could be made for other federally regulated materials that the state believes it should be regulating.

Representative Crawford asked if the legislation could then have far-reaching ramifications. Representative Kelly thought the concept of arguing state sovereignty could carry over, but he did not believe the legislation would necessarily trigger the response.

Representative Crawford reiterated his question regarding the manufacture of federally regulated goods in the state. He thought others would want similar protection. Representative Kelly agreed that other areas could be discovered where the federal government was overreaching, but thought the focus of the bill was more on state's rights.

Representative Crawford returned to the example of the pesticide. The federal government had strong concerns, but he could foresee someone in the state wanting to manufacture the pesticide because it would be profitable. Representative Kelly agreed, but reiterated his belief that the bill would not trigger the response.

[10:44:30 AM](#)

Representative Fairclough asked whether the "Made in Alaska" reference was tied to Alaska's procurement code or defined elsewhere. Representative Kelly replied that the stamp was simply stating where the product was made. The provision was not attempting to connect to any other definition.

DEREK MILLER, STAFF, REPRESENTATIVE MIKE KELLY, SPONSOR, added that the provision was modeled after Montana legislation. He offered to check the procurement code.

Representative Fairclough pointed out that inserting the code would strengthen the legislation. She explained anyone could stamp "Made in Alaska" on a product and trigger the interstate commerce clause. Specific criteria must be met by a manufacturer if the defined procurement code is used. Mr. Miller offered to find the "Made in Alaska" statute.

Representative Gara turned to page 3, lines 15 to 17. He wondered whether there were rules in Alaska regarding the proper and safe manufacturing of firearms. Representative Kelly thought there were rules governing the manufacture of products, although not specifically firearms.

Representative Gara noted that under federal law there may be regulations that some view as abusive, but there are also rules that are good, such as prohibiting the production of guns that blow up and safety rules that protect hunters. He cautioned against putting a "Made in Alaska" stamp on a gun that does not follow those rules.

[10:49:12 AM](#)

Co-Chair Hawker requested the citation for the applicable federal statute. Representative Gara thought it would be helpful to go through the federal statutes. He believed certain kind of dangerous firearms were regulated.

Representative Kelly emphasized that HB 186 would trigger Alaska regulation. He believed the issue would be addressed through the regulatory process.

Co-Chair Hawker pointed out that the paragraph (c) does not deal with the manufacturing process but only provides for an Alaskan identifier. Representative Kelly added that the bill does not purport to be the only thing governing the manufacture process.

Representative Gara pointed to page 2, line 23, which says that a personal firearm manufactured in the state is not subject to federal law, and maintained that a firearm could be manufactured in the state without following federal rules about safety. He cautioned that an unintended consequence could be advertising to the public the possibility of unsafe weapons, which could have a damaging effect on the sale of Alaska products. Co-Chair Hawker did not agree that the provision was saying that the product was inferior.

[10:53:03 AM](#)

Representative Gara suggested protecting Alaska manufacturers from possible unintended consequences by not exempting firearms from federal rules related to consumer safety. He stressed that the law as written would not require regulation that included safe manufacture.

Representative Kelly stated that the law intended to get away from federal regulation. He emphasized that it did not preclude state regulation, particularly related to safety. He added that general rules regarding safety would apply.

Representative Gara wondered if the sponsors would consider a provision saying manufacturers are not exempted from the safety portions of federal law. Representative Kelly replied that he would object because that would gut the bill. He thought that federal safety regulations adopted by the state would then be state regulations.

Representative Gara reiterated concerns: first, the bill communicates approval of committing a federal crime; second, the state will pay for legal fees when someone commits the crime; and three, safety issues.

Representative Kelly thought the safety issues would be addressed in regulation. Regarding the second concern, he believed the state had been mistaken in failing to defend rights to manage fish and game and regulate navigable waters. He wanted the state to defend individual Alaskans from the federal government.

[10:57:54 AM](#)

Co-Chair Hawker MOVED to report CS HB 186(FIN) out of Committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CS HB 186(FIN) was REPORTED out of Committee with no recommendation and attached new indeterminate fiscal note by the Department of Law.

#hb105

HOUSE BILL NO. 105

"An Act relating to the state training and employment program; and providing for an effective date."

10:59:51 AM

RYNNIEVA MOSS, STAFF, REPRESENTATIVE JOHN COGHILL, SPONSOR, explained that the State Training Employment Program (STEP) was established in 1989 and had been re-authorized by the legislature seven times. The seventh time, the legislature asked the Department of Labor and Workforce Development (DLWD) to improve the program, especially addressing concerns about training given to non-residents and a lack of participation with private enterprise. A task force was formed to study the program and make recommendations.

Ms. Moss noted that the taskforce recommended taking the politics out of the program by empowering the Alaska Workforce Investment Board to become an active partner in the STEP process, including annual supervision over the scoring of projects and who would obtain the training grants, and oversight of regulations adopted by DLWD. Provisions were also added requiring Alaskan residency to participate, strengthening partnership with private business, and limiting how much money could be spent on administration costs. Finally, the bill requires the adoption of regulations to implement an appeal process for applicants who have been denied a grant.

DAVID STONE, DEPUTY COMMISSIONER, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, MEMBER, ALASKA WORKFORCE INVESTMENT BOARD, and CO-CHAIR, STEP TASKFORCE, reported the bill was a result of recommendations from the STEP taskforce. He detailed that the taskforce was composed of ten people representing employers, employees, the U.S. Department of Labor, the University of Alaska, and Alaska Workforce Investment Board. Taskforce recommendations include:

- Offering services to an expanded pool of workers who may be displaced;

- Clarifying the Workforce Investment Board's oversight and accountability;
- Supporting resident hire through targeted projects and services;
- Increasing input from local businesses and regional advisory councils;
- Streamlining the grantee application reporting process; and
- Making STEP a permanent program.

[11:03:58 AM](#)

Mr. Stone added that STEP has been the most successful job-training program in Alaska. The program is funded by unemployment insurance (UI) employee contributions at the rate of 1/10 of 1 percent. The program has worked for Alaskans seeking training, and unemployed or underemployed workers; by reducing the amount of time workers are unemployed, the program has reduced the amount of UI benefits paid out.

Vice-Chair Thomas pointed to page 7, line 20 referring to residency and queried adding language such as being eligible for the permanent fund dividend. Ms. Moss did not think the language would be a problem but did not know what the ramifications would be.

Co-Chair Stoltze cautioned that the criteria for the two programs are different.

Vice-Chair Thomas noted that people are allowed to vote as residents of Alaska when living out-of-state or moving back and forth. He opined that people should receive a permanent fund check or be eligible for one before spending money on them through STEP. Ms. Moss suggested conferring with Legislative Legal Services and offering an amendment on the floor if applicable.

Representative Joule referred to life-long residents who do not apply for the permanent fund dividend for various reasons, but may want to participate in STEP. He stated concerns about citizens who would be cut off.

[11:07:11 AM](#)

Vice-Chair Thomas clarified that he meant the person may either be eligible or receive the dividend; he did not mean the person had to receive the dividend.

Representative Kelly queried the balance between union and non-union and rural and non-rural access to the program as

per earlier concerns. Ms. Moss responded that the sponsor was confident that the concerns had been addressed.

Representative Gara pointed to page 4, line 12 of the bill, and wondered if it unintentionally excluded people from STEP. The provision protects people who have had a job and who run out of UI benefits or are receiving UI benefits, but may not allow people without a job history to participate. Ms. Moss did not think the status would change with the legislation. Section 4 removes language setting a six-month limit on employees liable to be displaced under existing statute; however, because the funds come from UI benefits, STEP participants must have contributed to UI.

Representative Gara queried expanding the program to people who were new to the work force. Ms. Moss thought the issue was a policy question.

[11:10:15 AM](#)

GUY BELL, ASSISTANT COMMISSIONER AND DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, agreed with Ms. Moss's answer.

Representative Gara offered language for a third category of people: "or are seeking employment." Mr. Bell thought that would be a policy call for the legislature, since the funding is derived from employee contributions to UI. He noted that the policy in the past has been to limit the program to those who have contributed to UI.

Co-Chair Stoltze pointed out that the legislature has made policy calls in the past with direction from the department. He asked if the department had an opinion. Mr. Guy responded that the department has funds for youth training that are separate from STEP, providing other options for youth.

Representative Gara asked whether STEP had training not provided in other programs that would be beneficial to youth. Mr. Stone replied that STEP is a funding mechanism for funding training specifically for underemployed or unemployed workers who have contributed through the UI fund; there are other funds that can be used for youth.

Representative Gara queried STEP job training services that would be beneficial to youth. Mr. Bell answered that there were services, and added that the STEP demographic includes youth as young Alaskans have contributed to UI.

[11:14:08 AM](#)

Representative Gara wondered the downside of allowing youth without a job history accessing STEP training. Ms. Moss thought the downside was that STEP is designed for people

who have worked and are about to lose work or are unemployed or underemployed. She stressed that the program is unique for an existing workforce; there are many other programs for youth.

Representative Gara gave the example of another program with limited funds and spoke of young people who cannot get jobs. Ms. Moss emphasized that STEP was a limited pool of money that the sponsors wanted to protect.

Representative Joule reported experience related to youth vocational education and financial aid through the Bureau of Indian Affairs. He stated that there are funds for many rural young people coming out of high school, as well as local scholarships. He noted that people in rural areas are supportive of vocational and technical training for youth. He recalled deciding to use the UI funds for the program and thought the bill accomplished what it meant to.

[11:19:27 AM](#)

DOUG WARD, DIRECTOR, SHIPYARD DEVELOPMENT, ALASKA SHIP AND DRYDOCK, and MEMBER, WORKFORCE INVESTMENT BOARD and STEP TASKFORCE, KETCHIKAN (via teleconference), testified in support of the legislation. He listed membership in several groups working to employ and train people. He stated that Alaska Ship and Drydock participates in STEP. He reminded the committee that in 2007 the commissioner directed the board to provide for oversight. He reported that the board has successfully done the job, as has the STEP taskforce. He urged passage of the legislation.

Mr. Ward spoke to programs for youth. He noted individual training accounts at job centers that can be accessed by youth seeking employment.

[11:23:14 AM](#)

LINDA HULBERT, MEMBER, ALASKA WORKFORCE BOARD, FAIRBANKS (via teleconference), testified in support of the legislation. She listed extensive involvement with employment and training programs in Alaska. She echoed the comments of those supporting the provision. She emphasized that the fund is for a specific group of people not normally funded by other federal employment training funds. Research and analysis by DLWD has consistently shown the effectiveness of the program in getting people back into the workforce. She noted the importance of Alaskans being able to control the funds and urged passage of the unique program.

DON ETHRIDGE, ALASKA WORKS PARTNERSHIP AND ALASKA AFL-CIO, spoke in support of the bill. He pointed out that rural

areas were targeted by Alaska Works. He addressed youth training and stated he preferred not to use STEP funds.

Co-Chair Stoltze referred to the fiscal note.

Co-Chair Hawker asked how funding levels shown on the fiscal note compared with the current funding level for the program. Mr. Bell responded that the levels were equivalent.

Vice-Chair Thomas asked whether there was a GED or high school requirement to participate in STEP. Mr. Bell did not think there was the requirement.

[11:28:10 AM](#)

Vice-Chair Thomas noted GED or high school graduation requirement for the apprenticeship program. Mr. Bell replied that there were entrance criteria set by various training programs; the criteria are not set by STEP. He added that often a training component is added for persons who need to get to a certificate level.

Vice-Chair Thomas stated concerns that with the high rate of dropout, there might be more incentive to quit school. He suggested a side bar requiring a GED or high school equivalency.

Co-Chair Stoltze read the legislation another way.

Ms. Moss noted that a GED is not required for the program. She stated concerns that the requirement could be a problem for someone who has been working for years without a GED.

Vice-Chair Thomas reiterated concerns regarding drop-out rates. Ms. Moss thought the point should be brought up with Department of Education and Early Development, as part of the problem could be youth who do not get vocational training in high school. She gave an example of a North Pole school with a program that kept youth from dropping out.

[11:31:10 AM](#)

Representative Gara queried DLWD involvement with Education and Training Voucher (ETV) funds provided to youth at the Office of Child Services (OCS) and wondered if there was a way to ensure the funds are not cut off. Mr. Bell promised to get more information.

Co-Chair Hawker MOVED to report CCSS HB 105(L&C) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSSS HB 105(L&C) was REPORTED out of Committee with a "do pass" recommendation and with attached fiscal note 1 by Department of Labor and Workforce Development and fiscal note 2 by Department of Labor and Workforce Development.

#hb212

HOUSE BILL NO. 212

"An Act modifying the Alaska unemployment insurance statutes to comply with the requirements of the federal economic stimulus bill by redefining the base period for determining eligibility for unemployment benefits; and providing for an effective date."

[11:33:11 AM](#)

REPRESENTATIVE HARRY CRAWFORD, SPONSOR, explained that the legislation would allow the state to put \$15.6 million stimulus money into the UI trust fund. He addressed concerns that the provision would cost Alaskan employers and assured the committee that the rates employers would have to pay would be lowered.

Representative Crawford added that the base period would be calculated differently with the stimulus money, but the state could return to present operations at a later date.

GUY BELL, ASSISTANT COMMISSIONER AND DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF LABOR AND WORKFORCE DEVELOPMENT, referred to past testimony regarding the alternate base period.

Representative Gara asked whether funds would be left over that could be used without negatively impacting employers. Mr. Bell explained that the provision would make the state eligible to receive the \$15.6 million. The amount would be deposited into Alaska's unemployment insurance (UI) trust, which would then be available to pay UI benefits. The legislature would be able to appropriate some or all of the excess money for other purposes identified in the stimulus bill for re-employment services or UI administration for quality enhancements.

[11:37:20 AM](#)

Co-Chair Hawker queried the administration's position on the legislation. Mr. Bell replied that the administration is neutral.

Representative Crawford MOVED conceptual Amendment 1 to change the effective date from "immediately" to "January 1, 2010."

Co-Chair Stoltze OBJECTED for DISCUSSION.

Mr. Bell supported the amendment and explained how the department's program worked using the calendar year in calculating benefits.

11:40:02 AM

Representative Crawford WITHDREW conceptual Amendment 1. He MOVED conceptual Amendment 2 to change the effective date to "the benefit year starting on January 1, 2010."

Co-Chair Hawker OBJECTED for DISCUSSION. He asked that the bill be held to get the amendment into writing. He also wanted the second DLWD issue related to tribal language to be sorted out.

HB 212 was HEARD and HELD in Committee for further consideration.

ADJOURNMENT

The meeting was adjourned at 11:42 AM.