

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

March 16, 2010

1:36 p.m.

MEMBERS PRESENT

Senator Joe Paskvan, Chair
Senator Bettye Davis
Senator Kevin Meyer
Senator Con Bunde

MEMBERS ABSENT

Senator Joe Thomas, Vice Chair

COMMITTEE CALENDAR

SENATE BILL NO. 264

"An Act relating to the board, investigations, and examinations of the Alaska Commercial Fishing and Agriculture Bank; and providing for an effective date."

- MOVED SB 264 OUT OF COMMITTEE

SENATE BILL NO. 261

"An Act relating to the membership of the Alcoholic Beverage Control Board; and providing for an effective date."

- MOVED CSSB 261(L&C) OUT OF COMMITTEE

SENATE BILL NO. 11

"An Act relating to health care insurance coverage of a dependent child who is less than 26 years of age and making a conforming age amendment in the statute describing health insurance policies that may be delivered or issued in this state."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 264

SHORT TITLE: COMMERCIAL FISHING & AGRICULTURE BANK

SPONSOR(S): SENATOR(S) COGHILL

02/08/10 (S) READ THE FIRST TIME - REFERRALS
02/08/10 (S) L&C, FIN
03/16/10 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 261

SHORT TITLE: ALCOHOLIC BEVERAGE CONTROL BD MEMBERS
SPONSOR(s): SENATOR(s) OLSON

02/05/10 (S) READ THE FIRST TIME - REFERRALS
02/05/10 (S) STA, L&C
02/18/10 (S) STA RPT 4DP
02/18/10 (S) DP: MENARD, FRENCH, MEYER, KOOKESH
02/18/10 (S) STA AT 9:00 AM BELTZ 105 (TSBldg)
02/18/10 (S) Moved SB 261 Out of Committee
02/18/10 (S) MINUTE(STA)
03/16/10 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 11

SHORT TITLE: DEPENDENT HEALTH INSURANCE; AGE LIMIT
SPONSOR(s): SENATOR(s) DAVIS

01/21/09 (S) PREFILE RELEASED 1/9/09
01/21/09 (S) READ THE FIRST TIME - REFERRALS
01/21/09 (S) HSS, L&C, FIN
03/11/09 (S) HSS AT 1:30 PM BUTROVICH 205
03/11/09 (S) Heard & Held
03/11/09 (S) MINUTE(HSS)
03/18/09 (S) HSS AT 1:30 PM BUTROVICH 205
03/18/09 (S) Moved SB 11 Out of Committee
03/18/09 (S) MINUTE(HSS)
03/20/09 (S) HSS RPT 2DP 1NR
03/20/09 (S) DP: DAVIS, PASKVAN
03/20/09 (S) NR: DYSON
03/16/10 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

SENATOR COGHILL
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Sponsor of SB 264.

LEA KLINGERT, CEO
Commercial Fishing and Agriculture Bank (CFAB)

POSITION STATEMENT: Supported SB 264.

TIM BENINTENDI

Staff to Senator Olson
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Presented SB 261 for the sponsor.

BERDA WILLSON, Chairperson
Kawerak Regional Wellness Forum
Nome, AK

POSITION STATEMENT: Supported SB 261.

SHIRLEY GIFFORD, Director
Alcoholic Beverage Control Board
Alaska Department of Public Safety (DPS)
POSITION STATEMENT: Neutral position on SB 261.

ACTION NARRATIVE

[1:36:26 PM](#)

CHAIR JOE PASKVAN called the Senate Labor and Commerce Standing Committee meeting to order at 1:35 p.m. Present at the call to order were Senators Davis, Meyer and Paskvan.

SB 264-COMMERCIAL FISHING & AGRICULTURE BANK

[1:37:41 PM](#)

CHAIR PASKVAN announced SB 264 to be the first order of business.

SENATOR COGHILL, sponsor of SB 264, explained that this measure does two things; it changes the makeup of the Board of the Commercial Fishing and Agriculture Bank by taking the resident farming seat out because of Alaska's dwindling pool of farmers. It also puts back in statute the requirement for the Division of Banking and Securities, Department of Commerce, Community and Economic Development (DCCED), to audit the bank no less than every 36 months.

SENATOR COGHILL explained that Section 1, page 1, adds the Commercial Fishing and Agriculture Bank to the definition of financial institutions under Title 6.

He said that Title 44, Sections 2-7, on pages 2-3, deals with the Board and lines 13-14 delete the resident-farmer requirement. Section 3 gives the Board of Banking and Securities the requisite access to records of the CFAB so they can disclose that information for auditing purposes. Presently, they get

audited annually. He explained that there are two ways to get audited; one is through the Legislative Auditor and the other is through an independent auditing firm and line 22 adds AS 44.81.275, which is the new auditing requirement for the Board of Banking and Securities. Section 4 is a new section that gives the Division of Banking and Securities the authority to do the audit no less than 36 months apart. Definitions in that section reflect that requirement. Section 5 on page 3, line 27, repeals the resident farmer language in the definition section. He said that sections 2 and 5 have an immediate effective date, and the audits would begin by July 1, 2011.

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SENATOR BUNDE joined the committee.

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LEA KLINGERT, CEO, Commercial Fishing and Agriculture Bank (CFAB), explained that CFAB was created by the legislature in 1980 at a time when there was considerable emphasis on the development of agriculture in Alaska. There was hope that CFAB would be a significant factor in the financing agricultural loans in Alaska, and while it has made many agricultural loans over its life, she said few have been made in the past few years. She explained that since CFAB's elected directors are drawn from and elected by its membership and since its membership is essentially a function of a borrowing relationship, the number of persons eligible to serve as a formal director has dwindled.

She said in recent years the matter had been resolved through persuasive pressure on competent and cooperative individuals, but the welcome had been worn out with them. CFAB is a private co-op owned by Alaska residents. She explained that it is a relatively small institution governed by an active and committed board of directors and is now entering its 30th year of service. Now despite the logical and well-intended requirement of the past, it has become critical for CFAB's members to reach into the broad pool of its total membership - consisting not only of fishers and theoretically farmers, but tourism operators, and other resource based businesses as well - in order to maintain the highest level of competence within its governing body.

Since the idea of removing the farmers' seat has been introduced, Ms. Klingert said she had heard concerns or comments to the effect that if this should happen, CFAB would cease making loans to farmers, but that is not so. CFAB is open and

actively looking for any type of loans that are viable for them to make.

With regards to the examination part of this legislation, Ms. Klingert said, it might seem odd that a financial institution would actively seek some new level of oversight especially where it would involve new and uncontrollable financial cost, but CFAB is different. Established and guided by AS 44.81, it is a private institution; however, despite the private status there are no proprietary interests in CFAB and there are no mechanisms by which a party can invest in CFAB for profit as an objective.

She said that CFAB represents a collection of diverse but nevertheless related fiduciary responsibilities; it borrows money and lends that money to resident participants in the commercial fishing community and other resource-based industries. CFAB's board of directors, management and staff has always been sensitive to those diverse fiduciary responsibilities.

She said that it is true the CFAB welcomes an annual audit by a professional firm and that the results of that audit are widely disseminated, but such audits are focused primarily on quantitative values and accounting protocols. Only peripherally do they touch upon the quantitative aspects of lending policies, practices and results. The state's bank examiners, however, are trained in analytical and evaluative procedures and they are prepared to express a judgment in each case as to the likelihood of a loan's repayment in full. In addition, the examiners have access to the results and experiences of numerous financial institutions and can establish norms or guidelines by which CFAB's effectiveness can be measured.

So in total, Ms. Klingert said, CFAB's board of directors and management are enthusiastically in support of SB 264, and they look forward both to the internal confidence and the external credibility which will be engendered by the examiners' reports.

SENATOR BUNDE said he received a report about CFAB's net return to the state and he asked if she had any numbers for agriculture.

MS. KLINGERT replied that she didn't have that information.

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CHAIR PASKVAN closed public testimony.

SENATOR COGHILL noted a pending fiscal note of \$10,000 for the state to go through the auditing process, but CFAB would be billed for that so it would zero out. He also remembered a date of 2010, but the effective date doesn't happen until 2011; so that should be corrected.

CHAIR PASKVAN said they have a fiscal noted dated March 15 that indicates \$10,600.

[1:49:37 PM](#)

SENATOR MEYER moved to report SB 264 from committee with individual recommendations and attached fiscal note(s). There were no objections and it was so ordered.

[1:50:08 PM](#)

CHAIR PASKVAN announced an at ease from 1:50 p.m. to 1:51 p.m.

[1:51:59 PM](#)

CHAIR PASKVAN called the meeting back to order.

SB 261-ALCOHOLIC BEVERAGE CONTROL BD MEMBERS

[1:52:11 PM](#)

CHAIR PASKVAN announced SB 261 to be up for consideration. He moved to bring the committee substitute (CS) for SB 261 (), 26-LS1406\E, before the committee. There were no objections and it was so ordered.

[1:53:24 PM](#)

TIM BENINTENDI, staff to Senator Olson, sponsor of SB 261, said this measure would respond to an array of alcohol related problems particular to small communities in rural Alaska. Such problems are well known, but wellness services cannot keep up with, let alone contain, the adverse impacts of small town alcohol consumption.

He said they feel the need is at hand to raise the profile of this particular dimension to the problem of alcohol in Alaska by bringing it into a public forum where more specific attention and action could be brought to address the issue.

He said the state's Alcoholic Beverage Control (ABC) Board is composed of five members, two of whom must be actively engaged in the alcoholic beverage industry and three who must represent the general public. Currently, SB 261 would refine one of the public member seats to be a resident of a rural area. This is

where the CS diverges from the original bill that established a population figure of 4500 in defining rural areas and further said that applicants must be from communities that are not accessible by road or rail system to Anchorage or Fairbanks.

MR. BENINTENDI explained that in the State Affairs Committee a couple of questions came up about that definition. Someone asked about a resident of Auke Bay. The short answer was that Auke Bay is within a borough that has resources as well as being a place name in the Juneau area. The CS modifies the definition of rural area by deleting the population criteria and adding that the applicants' community would have had to have participated in a local option election under AS 04.11.491. It was felt that was a stronger way to identify communities with these acute alcohol problems.

In short, he said, the tightened definition of community now includes the small municipalities and adds the provision that the applicants' community could be an established village under AS 04.21.080, which would bring in communities in the unorganized borough. It includes all so-called hub communities, which was Representative Herron's intention when he recommended the provision. Mr. Benintendi said the sponsor was comfortable with the definition. It suits the purpose of the bill, doesn't put anybody out and passes legal muster.

SENATOR BUNDE said the fiscal note is zero because the board currently has a rural resident, and asked if that member would meet the criteria of the CS.

MR. BENINTENDI answered that member happened to be a gentleman from Cordova, but he was a Governor's appointment and not a designated seat. Right now, the three general public seats are not further defined.

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SENATOR BUNDE remarked that would make two-thirds of the seats urban Alaskan and one-third rural, and he asked if that somehow follows the general populations of these areas.

MR. BENINTENDI replied that he didn't think the intent was to follow a population dynamic but to provide for the small communities. However, he said he didn't know what portion of their populations would be represented in the overall state population.

SENATOR BUNDE stated that he would hate to think one seat would be designated to a relatively small population and would feel more comfortable if Mr. Benintendi could look at those numbers and find some balance.

CHAIR PASKVAN said there is a rural seat was being filled informally now and he thought the intent, appropriately, was to reflect that informal nature.

SENATOR BUNDE said his concern was that they would carve out a small enough niche that 100 people would have one seat and that 600,070 would have two seats; then fairness would become an issue.

[2:01:23 PM](#)

BERDA WILLSON, Chairperson, Kawerak Regional Wellness Forum, Nome, AK, said she had seen the ravages of alcohol and other substance abuse in rural Alaska. She said the Forum works closely with all other agencies on wellness and safety issues. She mentioned the high rates of suicide in her area are possibly the highest in the nation and according to the police, alcohol is involved in 90 percent of the cases. It is accompanied by child abuse and domestic violence. Ms. Willson said they want a voice on the ABC board that understands the real problems of rural Alaska where most of the villages are dry, but alcohol is still sold.

SENATOR BUNDE said the ABC board currently has a rural resident and asked if she wanted a northwestern resident specifically.

MS. WILLSON answered yes, and pointed out that he was looking at the whole population, but she was looking at the lives that are lost or damaged, accidents and violence.

[2:08:42 PM](#)

SENATOR BUNDE thanked her for her work on the safety patrol and said that he understood that safe patrol and bootlegging problems were local implementation issues. He wanted a better grasp of what she thought the ABC Board could and would do to help with this problem if this bill passed.

MS. WILLSON answered that they could do more stings, for instance, and at times like 5 a.m. in the morning or provide more undercover agents. For instance she was talking to some of the patrolmen who were on patrol last night who said they had to go into the bars and escort overly intoxicated people out, but she thought that was the role of the bars.

SENATOR BUNDE said it is currently against the law to serve someone who is intoxicated. He was wondering what new laws they might come up with if this bill passes.

MS. WILLSON answered that she would be happy if the current laws were complied with. She said the Board conducted a sting up in Nome and cited one establishment, but she heard that instead of closing the establishment immediately they let it stay open through Iditarod so it wouldn't lose money, and then closed it.

2:11:26 PM

SHIRLEY GIFFORD, Director, Alcoholic Beverage Control Board, Alaska Department of Public Safety (DPS), said she had every intention of going to Nome and talking with Ms. Willson's group. She said that she had spent some time in Nome as interim chief and it was the eye opener for her in terms of experience in rural Alaska as she had served most of her career in Anchorage where she finished her career as captain of detectives. She mentioned that she had also spent time in Soldotna as the Chief of Police.

MS. GIFFORD said as director of the ABC Board that she was neutral on SB 261, only because the board already had a rural member, Belen Cook, who does a tremendous job. Ms. Cook took her place when she left the board to become the director.

CHAIR PASKVAN asked if it was fair to say that while she is neutral as the director that it is a good thing that a rural member sits on the board.

MS. GIFFORD answered yes. Life is very different in the Bush than it is in the urban communities, but she also agreed that this is not the last or the greatest tool for the problems that are occurring in rural Alaska. She said that Nome is a focus for the Board, and they will continue to do compliance checks there and listen to what the needs are using the four investigators that she has. She added that she depends on local and state police to assist them in enforcing Title 4 and 13 AAC regulations.

SENATOR BUNDE thanked her for her past service and the courage she displayed in taking on alcohol problems in Alaska and asked what the board would do differently if this bill passed.

MS. GIFFORD answered that the board wouldn't do anything differently, because it already has rural representation, and

her voice is getting stronger the more experience she gets and they will continue doing compliance checks.

She said mandating a rural member would not be a fix-all, but it might make people feel a little bit better knowing they are represented. She said the bootlegging issues are dealt with by the State Troopers and the Board's focus is on how the licensees follow the laws and 90 percent of them are doing the right thing.

MR. BENINTENDI responded to Senator Bunde's earlier concern about delegating one seat to a small population by explaining that in modifying the definition of a rural area for the CS, they did ensure that all of the so-called regional hubs would be hooked in. For example, in the original version a resident from Bethel would not be eligible to apply for that seat, but once the definition was changed a Bethel person would be eligible. He estimated that it might broaden the base of applicants to about 20 percent of the state's population, not just a couple hundred. He also remarked that while there has been a history of rural residents sitting on the board, this measure would ensure that at least one seat would be for a rural resident.

[2:21:14 PM](#)

CHAIR PASKVAN closed public testimony and found no discussion.

SENATOR MEYER moved to report CSSB 261 (), version E, from committee with individual recommendations and attached zero fiscal note(s).

SENATOR BUNDE objected. He explained that he was not against having more enforcement of alcohol problems throughout the state particularly in rural areas, but the state already has laws on the books that would solve these problems if they had the people to do the enforcement. He thought that maybe the focus for them should be on enforcement and not on what he thought was an illusionary effort. He didn't see anything being done differently, and he harbored a great concern for a possible downside that they would pass a law that really has minimal or no impact and the public becomes discouraged because they thought something would get better.

[2:23:49 PM](#)

A roll call vote was taken. Senators Davis, Meyer and Paskvan voted yea; Senator Bunde voted nay; so therefore, CSSB 261 (L&C) moved from committee.

2:24:26 PM

CHAIR PASKVAN took an at ease from 2:24 p.m. to 2:28 p.m.

2:28:49 PM

CHAIR PASKVAN called the meeting back to order at 2:28 and said that Senator Davis asked to withdraw SB 11 from today's agenda.

2:30:02 PM

Finding no further business to come before the committee, Chair Paskvan adjourned the meeting at 2:30 p.m.