

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

February 28, 2011

3:28 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Craig Johnson, Vice Chair
Representative Mike Chenault
Representative Dan Saddler
Representative Steve Thompson
Representative Bob Miller

MEMBERS ABSENT

Representative Lindsey Holmes

COMMITTEE CALENDAR

HOUSE BILL NO. 122

"An Act relating to naturopaths and to the practice of naturopathy; establishing an Alaska Naturopathic Medical Board; authorizing medical assistance program coverage of naturopathic services; amending the definition of 'practice of medicine'; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 155

"An Act relating to public construction contracts."

- HEARD & HELD

HOUSE BILL NO. 125

"An Act moving the Alcoholic Beverage Control Board to the Department of Commerce, Community, and Economic Development and relating to duties of that department; and providing for an effective date."

- HEARING CANCELED

HOUSE BILL NO. 87

"An Act relating to penalties for antitrust violations."

- SCHEDULED BUT NOT HEARD

HOUSE BILL NO. 164

"An Act relating to insurance; relating to health care insurance, exemption of certain insurers, reporting, notice, and record-keeping requirements for insurers, biographical affidavits, qualifications of alien insurers assuming ceded insurance, risk-based capital for insurers, insurance holding companies, licensing, federal requirements for nonadmitted insurers, surplus lines insurance, insurance fraud, life insurance policies and annuity contracts, rate filings by health care insurers, long-term care insurance, automobile service corporations, guaranty fund deposits of a title insurer, joint title plants, delinquency proceedings, fraternal benefit societies, multiple employer welfare arrangements, hospital and medical service corporations, and health maintenance organizations; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 122

SHORT TITLE: NATUROPATHS

SPONSOR(S): REPRESENTATIVE(S) MUNOZ

01/26/11	(H)	READ THE FIRST TIME - REFERRALS
01/26/11	(H)	L&C, HSS, FIN
02/28/11	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 155

SHORT TITLE: PUBLIC CONSTRUCTION CONTRACTS

SPONSOR(S): LABOR & COMMERCE

02/11/11	(H)	READ THE FIRST TIME - REFERRALS
02/11/11	(H)	L&C
02/25/11	(H)	L&C AT 3:15 PM BARNES 124
02/25/11	(H)	Heard & Held
02/25/11	(H)	MINUTE(L&C)
02/28/11	(H)	L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

KENDRA KLOSTER Staff
Representative Cathy Munoz
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 122 on behalf of the prime sponsor, Representative Cathy Munoz.

EMILY KANE, Naturopathic Doctor
Juneau, Alaska

POSITION STATEMENT: Testified during the discussion of HB 122.

JON SHERWOOD, Medicaid Special Projects
Office of the Commissioner
Department of Health and Social Services (DHSS)
Juneau, Alaska

POSITION STATEMENT: Answered questions during the discussion of HB 122.

DON HABEGER, Director
Division of Business & Professional Licensing
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Testified during the discussion of HB 122.

MARY MINER, Naturopathic Doctor (ND)
Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 122.

DR. KRISTEN COX, Naturopathic Doctor (ND)
Juneau, Alaska

POSITION STATEMENT: Testified during the discussion of HB 122.

COREY BAXTER, District Representative
Operating Engineers Local 302
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 155.

JONATHAN SMITH, Member
Carpenters Local 227
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 155.

PAUL GROSSI, Lobbyist
Alaska State Pipe Trades UA Local 375
Juneau, Alaska

POSITION STATEMENT: Testified during the discussion of HB 155.

ROCKY DIPPLE, Member
International Brotherhood of Electrical Workers (IBEW)
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 155.

DALE MILLER, Member

Teamsters Local 959
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 155.

SERGIO ACUNA
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 155.

BERNIE LOOMIS, Member
Alaska Regional Council of Carpenters
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 155.

VINCE BELTRAMI, President
Alaska AFL-CIO
Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 155.

KIRK JACKSON, Member
United Association Plumbers & Pipefitters Local 375
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 155.

JAY QUACKENBUSH, Assistant Business Manager
International Brotherhood of Electrical Workers (IBEW);
President; Fairbanks Building Trades
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 155.

DENNIS TRAILER, Member
International Brotherhood of Electrical Workers (IBEW)
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 155.

JOHN BROWN
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 155.

ACTION NARRATIVE

[3:28:14 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:28 p.m. Representatives Olson, Chenault, Thompson, Johnson, and Miller were present at the call to order. Representative Saddler arrived as the meeting was in progress.

HB 122-NATUROPATHS

[3:28:26 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 122, "An Act relating to naturopaths and to the practice of naturopathy; establishing an Alaska Naturopathic Medical Board; authorizing medical assistance program coverage of naturopathic services; amending the definition of 'practice of medicine'; and providing for an effective date."

[3:29:08 PM](#)

KENDRA KLOSTER, Staff, Representative Cathy Munoz, Alaska State Legislature, on behalf of the prime sponsor, explained that HB 122 would establish a Naturopathic Medical Board consisting of three naturopaths, one pharmacist, and one public member, who may also be a licensed physician. This bill would authorize a prescription endorsement for naturopaths (ND) who have five years of experience as an ND, 60 hours of pharmacology education, and who have met the criteria relating to the administration of prescription drugs. This bill would also provide NDs with a limited prescription authority for non-controlled substances. These drugs would include drugs such as blood pressure medication or antibiotics, but not controlled substances which are addictive in nature. This bill would update the definition for Naturopathic Doctor (ND) to align with the current federal definition and would add NDs to the Medicaid roster. This bill would allow NDs to treat patients under the Denali Kid Care and for those NDs who want to be able to provide service to Medicaid patients.

[3:30:53 PM](#)

MS. KLOSTER related that about 40 Naturopathic Doctors (NDs) currently practice in Alaska. The prescription authority would give the NDs the flexibility to provide necessary medical treatment. In order for NDs to practice in Alaska they must attend a graduate program with doctorate level training from a U.S. Department of Education accredited school of Naturopathic medicine, possess a four-year undergraduate degree in current basic science, and complete the minimum prerequisites. The NDs must pass 14 national licensing exams, which includes five basic sciences and nine diagnostic therapeutic exams. Additionally, NDs must obtain state licensure and be of good moral standing. She stated that NDs have been licensed in Alaska since 1986.

3:31:45 PM

MS. KLOSTER related that NDs' primary focus is on preventative care through traditional healing, which is holistic, and comprehensive in nature. Dr. Emily Kane and Dr. Kristin Cox are available for questions.

3:32:19 PM

REPRESENTATIVE MILLER asked anyone who could describe an ND's current training and experience. He related his understanding that HB 122 would create an ND board and provide for limited prescription authority, but that the ND's duties would remain the same.

MS. KLOSTER recapped the changes she previously mentioned, plus she added that the definition would allow NDs to use the title of Naturopathic Doctor and Naturopathic Physician. These terms are ones used by the U.S. Department of Labor, she said. She added that the NDs would also need to submit to continuing education (CE) requirements, which the proposed board would monitor. The NDs would also specifically be required to meet CE in pharmaceuticals, as well.

3:34:06 PM

EMILY KANE, Naturopathic Doctor, stated that she is also the President of the Alaska Association of Naturopathic Physicians. She related that NDs are interested in bringing their scope of practice into alignment with their training. The NDs have comprehensive medical training. She explained that the naturopathic law in Alaska has not been modified since 1986 so it has fallen behind most other states that license NDs. Thus, as a Naturopath (ND) she feels underutilized as a resource for wellness, prevention, and disease management. She pointed out that the NDs focus is on disease prevention and to promote patient wellness. Additionally, NDs diagnose illnesses in their practices. She recalled a press release issued by Commissioner Streur, Department of Health and Social Services (DHSS), that indicated by 2014, 32,000 more Alaska will be Medicaid eligible. She asked who would provide the care since currently many Medicaid patients wait months to see physicians. Some diseases can be prevented through preventive care and nutritional guidance, such as preventing obesity, alcoholism, and diabetes. She offered her belief that NDs are well positioned to help reduce the burden of these diseases. The bill addresses the

formation of a board. All other health care professionals in Alaska have boards and it is time for NDs to also have a board, she said.

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DR. KANE offered that while the Department of Commerce, Community & Economic Development (DCCED) has been helpful the NDs and will continue to manage NDs, the agency's staff is not qualified to handle the NDs once they receive prescription ability. She assured members that NDs simply want to practice their profession per their training. Historically, objection to the proposed changes in Alaska's statutes governing NDs have come from the NDs professional allies, which is disappointing to her since "in real life" she works closely with the medical community. She provided an example, such as if she has a patient with a complicated tonsil or abscess ailment that she would refer the patient to Dr. Raster, the local Ear, Nose, and Throat specialist. She has no interest in going beyond the scope of her own skill set, she said. Often other health care professionals will allege that NDS are untrained and pose a danger to the public. However, there has never been a malpractice suit against an ND during the 26 years NDs have practiced in Alaska since NDs know their training and skills and do not go beyond the scope of their ability. The NDs inherently practice safe natural remedies and never use pharmaceuticals first. One of the main reasons she wants access to pharmaceuticals is that many of her patients are on drugs and are unwell. She assists her patients by assisting them to get well. This may include incorporating a regimen to reduce their drugs and to review drug incompatibilities that have created adverse drug interaction cross effects. Often, her patients use natural drugs or herbs they have purchased from the natural food store, which can create side effects. She stressed that NDs are the only health care providers who are trained in drug nutrient, drug herbal medicine interaction.

[3:39:15 PM](#)

DR. KANE related a scenario in which one of her patients suffered from a urinary tract infection that needed immediate attention so she referred her patient to the local Urgent Care. However, this meant her patient had to incur the additional medical costs just to obtain an antibiotic that Dr. Kane could have provided if only she had the authority to write prescriptions. She related that pharmacists are very familiar with NDs. She suggested several options she could have taken,

including that she could have called a pharmacist in Oregon and had the medication sent to Alaska. Another option would have been to call one of her colleagues in the Lower 48, and a local pharmacist could have filled the prescription, she said. In fact, local pharmacists can fill prescriptions written by other NDs who possess the same training she has, yet she cannot have local pharmacists fill her prescriptions since she does not have the authority to prescribe.

[3:40:26 PM](#)

DR. KANE reiterated her training is the same as her colleagues in Washington, Oregon, and California. She related that she attended a four-year undergraduate college, obtained a degree in an unrelated subject, and then attended graduate school in Naturopathic medicine. She related she spent six years in school with a one year residency. She carries malpractice insurance, has hospital privileges, and uses the full set of diagnostic tools available to any health care professional, such as lab work and radiology. She explained that how she differs from medical doctors is that she spends more time with her patients to educate them and help them modify their wellness with good food choices and exercise. She said it may not sound "all that jazzy" but it is hugely important. She suggested that curing someone by modifying his/her food and exercise is a better place to start than prescribing drugs. She stressed that she needs access to drugs because she sometimes helps diabetics and as these patients begin to lose weight, they need to have their insulin reduced. She has had several patients who have been able to completely stop using insulin. However, she cannot help them "dial down" their medication since she cannot prescribe.

[3:42:32 PM](#)

REPRESENTATIVE MILLER related his understanding that HB 122 would provide limited prescription ability.

DR. KANE agreed. She explained that drugs are listed by schedule and some drugs have the potential for addiction, such as narcotics used for pain medication. Schedule 1 drugs are highly addictive drugs. The other drugs are legend drugs, which include antibiotics, and antihypertensive drugs such as beta blockers. Drugs used to treat urinary tract infections and anti-viral medications fall under legend drugs and do not have a great potential for harm or addiction, she said.

DR. KANE advised members when she has patients with intractable pain that she refers them to a pain specialist or a neurologist. Additionally, she indicated that the likeliness of these patients becoming addicted is fairly high so the pain specialist must develop a skill set to wean the patient off the scheduled drugs. She stressed that all 40 of the NDs in Alaska would be comfortable having restrictions and limits on prescription drugs they could prescribe. The NDs would continue to refer patients who need Schedule I drugs to medical doctors, she said.

3:46:00 PM

REPRESENTATIVE MILLER asked whether NDs currently have a requirement for ongoing pharmacological training.

DR. KANE responded that currently NDs are not required to have mandated CE. She asserted that the first thing she would do as after establishing the ND board would be to require mandatory CE. She related that every ND undergoes CE just to maintain their standing with the national and state professional organizations. However, the state does not have any requirement to do so. She reiterated pharmacological training would be necessary, especially since new drugs are developed that require continual knowledge and education.

3:47:27 PM

REPRESENTATIVE JOHNSON asked whether the NDs' insurance costs are the same as medical physicians and if NDs are concerned that medical malpractice costs will increase if NDs assume the liability of prescribing drugs.

DR. KANE responded that she pays \$1,600 per year for malpractice insurance since NDs are a good risk. Nationwide, very few lawsuits happen even though NDs have been licensed since 1940s. She reported that there have not been any malpractice lawsuits in Alaska against NDs since their initial licensure in 1986. NDs practice safe medicine. "That's our mandate. That's our shtick, if you will. We do safe medicine. We do prevention," she said. Insurers are a good assessor of risk, she added. She highlighted that she contacted her insurer, who is the largest insurer nationwide, who related that her insurance rates will not go up if HB 122 were to pass. The cost of the risk has been amortized across all NDs. She pointed out only 5,000 NDs practice nationwide so it is a small profession, but the demand is growing. Most NDs practicing have access to legend drugs and some also prescribe scheduled drugs, she said.

REPRESENTATIVE CHENAULT pointed out that 40 naturopaths practice in Alaska and the proposed board is a five person board. He said he did not see a fiscal note in members' packets. He asked for clarification on the costs to administer the proposed board.

[3:50:35 PM](#)

The committee took an at-ease from 3:50 p.m. to 3:53 p.m.

[3:53:07 PM](#)

REPRESENTATIVE CHENAULT referred to the fiscal note and related that one Department of Commerce, Community & Economic Development (DCCED) would require receipt support services of \$48,000, which is nearly \$50,000. He related his understanding that the cost would be passed on to the NDs.

DR. KANE agreed that NDs' fees would increase.

REPRESENTATIVE CHENAULT offered that the fees would increase by about \$1,000.

DR. KANE agreed the fees would increase substantially.

REPRESENTATIVE CHENAULT referred to the Department of Health and Social Services (DHSS) fiscal note identifies the cost as \$150,000 in services, \$75,000 for federal funds, and \$75,000 general fund (GF) matching funds for the Medicaid program. He asked for clarification from the department on the fiscal note.

[3:54:35 PM](#)

JON SHERWOOD, Medicaid Special Projects, Office of the Commissioner, Department of Health and Social Services (DHSS), stated that the department submitted a fiscal note for a onetime cost \$150,000. The DHSS estimates half would be federal funds, and half would be state general funds to make changes to the data system to add another provider type in order to pay claims for Medicaid services. The department does not expect an ongoing cost, but it would incur costs to change the system to add a new provider.

[3:56:06 PM](#)

REPRESENTATIVE CHENAULT asked whether NDs are not currently accepted by Medicaid.

MR. SHERWOOD answered no, that currently NDs are not listed as an optional service for Medicaid.

REPRESENTATIVE CHENAULT related his understanding that HB 122 would allow NDs to seek compensations for services they render on behalf of Alaskans.

MR. SHERWOOD answered yes, that under the bill NDs would be able to seek payment for Medicaid eligible individuals.

[3:57:12 PM](#)

CHAIR OLSON asked for another example of optional services for Medicaid services.

MR. SHERWOOD answered that the basic services covered by Medicaid include physician, hospital, and lab services, and nursing facilities. Additionally, many other types of services are optional, including services performed by advanced nurse practitioners, direct-entry midwives, and mental health providers. Medicaid does not cover family and marital counselors or podiatrists, he said.

CHAIR OLSON recalled Alaska has a board for Certified Direct-Entry Midwives.

[3:58:28 PM](#)

REPRESENTATIVE CHENAULT asked for an explanation of the \$150,000 cost in order to change the system to allow NDs to participate in Medicaid.

MR. SHERWOOD stated that the claims processing system is an old Medicaid Management Information System (MMIS) legacy system from the 80s. It is not a modern system with relational structure so programming is required for reporting. Although he acknowledged that he is not a computer expert, he related his understanding that the basic logic in the system would require substantial programming to make the system recognize the new provider type, to report, process, adjudicate claims and report the claims into the state's accounting system and into the right formats for the federal partners. He said he hoped the new system would be in place by the spring 2012 to make it easier and less costly to make these changes. The changes would be necessary to implement the bill timely.

4:00:28 PM

REPRESENTATIVE CHENAULT asked whether the funding has been allocated for the new system.

MR. SHERWOOD offered his belief that most of the money has been appropriated. He said he was unaware of any outstanding request for funding.

REPRESENTATIVE CHENAULT how long the process has taken.

MR. SHERWOOD recalled the current attempt was initiated in 2007, but the department has worked since 1995 to replace the system. He related that in once instance the bid was unsuccessful and in another the department had to wait for Y2K changes to occur, as well as changes to the federal electronic claims transmission. Additionally, the department had an unsuccessful vendor in the mid 90s.

4:01:46 PM

CHAIR OLSON has heard legacy brought up several times in the budget subcommittee meetings. He asked whether that meant it was no longer the "state of the art" system.

MR. SHERWOOD responded that would be an understatement.

REPRESENTATIVE MILLER referred to the narrative description in the DCCED's fiscal note that indicates NDs would be allowed prescriptive authority and could perform minor surgery. He asked for the definition of minor surgery.

MR. SHERWOOD deferred to the DCCED.

4:03:06 PM

DON HABEGER, Director, Division of Business & Professional Licensing, Department of Commerce, Community & Economic Development (DCCED), stated that the reference to medical procedures in the fiscal note were in error. He explained that the fiscal note referred to an older version of a naturopathic bill and should be stricken.

4:04:04 PM

MARY MINER, Naturopathic Doctor (ND), stated that she has been interested in changes to the naturopathic statutes since 1994.

The crux of the issue for her relates to patient care. Patients come to see her for routine naturopathic care, but the need arises for patient referral, that would not be necessary if NDs had prescription authority. She expressed concern that costs are prohibitive, especially if patients do not have health insurance and must pay costs out of pocket. In those instances, the patient may not make the appointment and may not get adequate care. This issue arises more frequently as people become careful about health care dollars. She offered her belief that this is not novel legislation, that many states have enacted legislation, such as Oregon, Washington, and Arizona with little consequence and no harm to the public.

[4:06:56 PM](#)

DR. KRISTEN COX, Naturopathic Doctor (ND), offered to speak to the Medicaid portion of the bill. She related that adding NDs to the Medicaid roster would save the state money. She said she often receives calls from patients who want to bring their children to see her, but Alaska's Denali Kid Care does not cover her services. She stressed that NDs are willing, able, and available to see patients. Most of the Medicaid patients are children, who could benefit from naturopathic medicine since it preventative medicine that focuses on diet, nutrition and lifestyle counseling. She and other NDs could potentially save hundreds of thousands of dollars by educating children. She stated that by treating children the physician also has access to the family and have an opportunity to educate their parents and the benefits get spread. The ND spends significantly more time, an hour or longer, with each patient gaining trust and educating patients, which many patients need.

DR. COX asked to speak to prescriptive authority. Many of her patients want to feel better and when they come to see her they are often tired, overweight, depressed, with high cholesterol and high blood pressure. Some patients are interested in hormone balancing but she cannot prescribe natural hormone replacement therapy even though she is well trained and could do so. She screens patients for thyroid problems and encounters many thyroid problems, which are easy to treat, yet she cannot prescribe thyroid treatment. If all thyroid problems were adequately treated it could save money over time. She related that many NDs are attracted to rural areas and rural areas have a shortage of doctors. However, an ND cannot practice in rural Alaska without the ability to prescribe nor can they act as primary care physicians without the ability to prescribe

antibiotics or other medications. She noted that she practiced naturopathic medicine in Fairbanks for a year.

DR. COX related a scenario in which a man had been bitten by a cat and had red streaks running up his arm from the bite. He needed an antibiotic and she referred him to a medical doctor, but refused to go. She explained that some patients have an abnormal fear of traditional medical care. She also referred him to the emergency room. She later found out he lied to his veterinarian in order to obtain an antibiotic and took medicine prescribed for a dog. She offered her belief that she should have been able to prescribe an antibiotic for her patient, but could not. She characterized this as an example of routine situations NDs encounter in their practices as primary care physicians, which they are licensed to do, but must do with "one hand tied behind their backs."

[4:12:16 PM](#)

REPRESENTATIVE MILLER acknowledged the difficulty to quantify future cost savings with respect to health care costs, but related his understanding that the main goal of NDs is disease prevention. He offered his belief, based on earlier testimony, that as many as 14,000 new Medicaid patients are anticipated. The system has already been constrained and putting 40 more physicians into the system could help reduce the strain on the system.

DR. COX advised members that it is difficult for patients to get doctor appointments, particularly since many doctors in Juneau are not accepting new patients. She asserted the need for more practitioners, especially those who are skilled in nutrition, prevention, and lifestyle counseling. She offered her belief that the NDs are those practitioners. The NDs have been licensed in the state and are an under-utilized resource.

[4:14:11 PM](#)

REPRESENTATIVE SADDLER asked why she pursued this branch of medicine.

DR. COX answered that she was not interested in prescribing, conventional medicine. She acknowledged that traditional medicine has its place, particularly for emergency medical care. The biggest problem she sees in the U.S. is chronic illness, which responds to low-tech cheap therapies that have been neglected. It doesn't cost a lot for people to eat well or to

treat people with herbs as compared to pharmaceuticals. She said she is fascinated with plants and likes the natural world and was drawn to that type of practice.

4:16:18 PM

REPRESENTATIVE SADDLER asked her to describe her background.

DR. COX explained her education. She related that she first obtained a Bachelor of Science degree in pre-medicine. She originally thought she wanted to become a physical therapist. However, she learned about ND medicine while in Portland, which has one of the oldest ND schools. She appreciated the philosophy of the medicine which focuses on the natural cure, the healing power of the body and its innate powers to heal. The goal of the physician is to remove the obstacles to the cure. She remarked at the simple and beautiful process. She related that NDs tend to use the gentle therapies first. She said that NDs also encourage patient responsibility and self healing, which is a lot of work, much more so than taking a pill. Patients become empowered and change their lives. She pointed out there is a great demand for this type of medicine. Clearly no one would argue that nutrition or exercise is important. She offered her belief that diet and nutrition could solve 90 percent of the health problems.

4:18:53 PM

REPRESENTATIVE SADDLER asked how she could reconcile having prescription authority with her philosophy of naturopathic holistic care.

DR. COX agreed to the conflict. She asserted that she would not use prescriptions as the primary treatment, but would reserve writing prescriptions for emergency situations. She related that NDs know when people need help, such as when patients have sky high blood pressure, it needs to be treated to come down. She explained that naturopathic medicine takes time to work such as to lose weight, but in the meantime the patient's blood pressure must be treated or they risk having a stroke. It is difficult to tell a patient who has chosen ND medicine that they need to go to the emergency room to obtain medicine. For many, it represents an added expense. She agreed that sometimes prescriptions are necessary. Her biggest interest in naturopathic medicine lies in hormone therapy. She has treated many thyroid patients, who have ailments that can be prevented. She offered an example of the type of problem she treats. She

related a scenario in which a 50 year carpenter, without medical insurance, had severe knee pain and his orthopedic surgeon recommended a double knee replacement. She screened him for a thyroid problem, treated him with thyroid medicine and his pain decreased by 90 percent. She said that treating the inflammation helped reduce his pain. Low thyroid function can cause carpal tunnel and pain due to the inflammation. She related her understanding that she saved her patient thousands of dollars in surgery with about \$7 worth of thyroid medicine and her patient is now back at work.

[4:21:46 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, kept public testimony open on HB 122.

[HB 122 was held over.]

[4:22:11 PM](#)

The committee took an at-ease from 4:22 p.m. to 4:23 p.m.

HB 155-PUBLIC CONSTRUCTION CONTRACTS

[4:22:11 PM](#)

CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 155, "An Act relating to public construction contracts."

[4:24:05 PM](#)

COREY BAXTER, District Representative, Operating Engineers Local 302, stated he is a fourth generation Alaskan. He related that he takes great pride in supporting his state and family by working in Alaska. He asked to testify against HB 155. He said, "You don't have to look hard to constantly be reminded at how much harder it is for people to make ends meet." At a time when families are struggling to pay for basic living, to put Alaskans first by buying and working locally, this bill would take more money out of employees' pockets any time they perform state construction projects under \$75,000. He did not understand the logic, especially given the state's surplus. He stated that this bill sends a message that quality workmanship, quality of life, and potential public safety does not have a priority. He said, "This law should not be changed."

[4:25:28 PM](#)

JONATHAN SMITH, Member, Carpenters Local 227, stated that he is a lifelong Alaskan. He spoke in opposition to this bill. He offered his belief that this bill lowers wages for working people, but particularly for Alaskans. He stated that when a contractor bids on projects, Alaskans have a level playing field. Under this bill, employees would work for half the wages. He offered his belief that nonresidents would "lowball" the wages without Alaska hire provisions. In Southeast Alaska, workers rely on small projects to keep busy. He supported higher wages for Alaskans, especially given the high cost of fuel prices and heating oil. Initially, some money may be saved, but in the long run, people will be unemployed.

REPRESENTATIVE MILLER said he seems to be opposing this bill since outside contractors would have a leg up over local Alaskan hire.

MR. SMITH offered his belief the prevailing wage is \$55 for a carpenter and under the bill the Alaskan worker would lose out.

[4:28:22 PM](#)

REPRESENTATIVE THOMPSON commented in rural areas some employers cannot comply with reporting under the Little Davis-Bacon Act (LDBA). That affects many rural contractors, who cannot bid on projects. The contracts are awarded to larger contractors, who must fly in, and it adds a whole lot of money on a small project such as repairs to a school. He related that certain aspects of the bill could help in rural areas with respect to rural areas.

MR. SMITH related that in his experience in Dillingham that the LDBA leveled the playing field. He knew he would be paid the same wage as those coming in from Anchorage. He offered his belief that without the provision in law, that the employer could pay any wage. He supported the LDBA wages.

[4:29:54 PM](#)

PAUL GROSSI, Lobbyist, Alaska State Pipe Trades UA Local 375, stated that his organization is concerned with the bill for many of the same reasons that other testifiers have raised. He offered his belief that the \$75,000 minimum threshold is too high. He related it would put a lot of jobs outside of LDBA work. Additionally, he expressed concern about the exemption

from the LDBA for school districts, and the new definition of maintenance.

CHAIR OLSON explained the school district would have the same cap, that he anticipated the language being cleared up. He offered his belief that the national average is \$108,000 for LDBA. He explained that the minimum will not be above the national average and school district will be included in the final number. He related that schools would not be built outside of the LDBA. He pointed out that the language would be cleaned up. In further response to Mr. Grossi, he clarified the definition for maintenance would also be reconsidered as part of the work on the bill.

MR. GROSSI pointed out that LDBA comes with resident hire law. He expressed concern that exempting any portion of title 36 may also exempt the requirement for local hire. Currently, the LDBA requires 90 percent resident hire. In response to Representative Chenault, he clarified that Little Davis-Bacon requires 90 percent local hire.

MR. GROSSI related that an argument could be made that this bill won't affect local hire, but currently the department does not have any way to track the jobs. In response to Chair Olson, he advised the department tracks resident hire through the certified payroll. Thus, whatever portion is exempted would not filing certified payroll so by law or by de facto resident hire would not be covered.

[4:34:42 PM](#)

MR. GROSSI said he is speaking for the pipe trades, but pointed out that all construction workers and contractors could lose a significant amount of work, not just because of a reduction in pay but due to the resident hire provision. He offered his belief that hiring local people, also helps the state and local economy. He pointed out that when hiring outside Alaska, the people will do their job and leave. They spend little money in Alaska. If you hire a resident plumber, that person will spend his/her money locally. He also said he realizes the provision probably created an unintended consequence but it is a serious one.

[4:35:58 PM](#)

REPRESENTATIVE JOHNSON asked if \$75,000 is too high of a threshold whether the current threshold of \$2,000 is too low.

MR. GROSSI said he'd like to keep it at \$2,000 but that choice is the prerogative of the committee. He asserted that \$75,000 is too high. He said he realizes that the threshold has been set at \$2,000 for some time but he did "not have a number for you."

[4:36:57 PM](#)

ROCKY DIPPLE, Member, International Brotherhood of Electrical Workers (IBEW), expressed concern about raising the threshold to \$75,000. He stated that rural Alaska is expensive. He said he does not want to take wage cut at a time when all other costs are increasing. He thought the bill would allow contractors to "low ball" bids and "fly by night" not established shops would bid on projects. He offered his belief that new companies would come in, do the jobs cheaply, but ultimately the new shop would end up going broke. He expressed concern about who would pick up the costs. He said, "Creating a race for the bottom is never a good idea because in the end if you 'pay peanuts all you catch is squirrels.'"

[4:39:01 PM](#)

DALE MILLER, Member, Teamsters Local 959, stated this bill would harm families, benefit employers, but will not guarantee lower bids. The state is not experiencing financial difficulties yet this will cause problems for working men and women. He did not think lowering wages would spur economic growth. He suggested if the process is a cumbersome filing process to try to change the filing process and not raise the threshold limit. He acknowledged the bill was a bill in progress. Still, he said he does not believe maintenance definition is a good idea, as it would make the LDBA even more confusing. The LDBA covers construction projects, which is already defined. He also did not think it was a good idea to exempt school districts. Construction projects on these buildings are not less important than those of other buildings. He urged member to not pass this bill in its current form. He recalled that even the Alaska Municipal League resolution did not recommend this high of a threshold limit.

[4:41:58 PM](#)

SERGIO ACUNA stated that he is a laborer. He asked to testify in opposition to the bill. He said it difficult to provide for his family. He is a construction worker and he works seasonal

work. He suggested Alaska does not need anti-worker bill. He thought the bill would protect the big and the powerful. He said he speaks not only for himself but also for his fellow workers who were not able to testify today. He said, "Please leave the bill alone. Thank you."

[4:43:10 PM](#)

BERNIE LOOMIS, Member, Alaska Regional Council of Carpenters, stated that the previous bill on NDS also plays into this bill. There are pluses and minuses to the bill. He related that everyone is affected when the standards are removed and people cannot make a decent living in rural communities or major communities. Everyone is impacted, especially seniors, when the value of the working force is diminished. He said it seems that people do not mind paying \$80 or \$90 to fix a car that depreciates daily, yet some people want to pay the lowest wages instead of paying workers a decent wage to work on projects with a huge equity growth in gain and value. He predicted that could ruin the economy. He suggested the value of hiring a professional instead of an amateur could result in cost savings. He asked members to consider taking away the negatives that impact the working class.

[4:44:53 PM](#)

REPRESENTATIVE SADDLER asked whether he could identify the pluses of HB 155.

MR. LOOMIS acknowledged that the \$2,000 threshold has been in place for some time and it probably needs to change a little bit. One problem he has experienced is the antiquated system the state uses on Little Davis-Bacon projects that make it difficult for contractors. He said he deals with certified payroll issues every day. He offered his belief that the state is experiencing a huge influx of out of state workers and the money they earn does not stay in Alaska. This drains the Alaskan economy. "The more you open the door, the more you allow it to negate the economy for the rest of us who live here and have grown up here," he said.

[4:46:33 PM](#)

REPRESENTATIVE CHENAULT asked whether the underhanded dealing he has noticed happens on both sides of the aisle.

MR. LOOMIS answered that he did not think it happens as much with Alaskan residents. He stated that the lions of the industry have proven themselves and have track records. Some issues arise but not to the same degree. He offered his belief that smaller companies would come in for a smaller piece of the pie. He said they don't care, but would just "take their money and run."

[4:47:38 PM](#)

VINCE BELTRAMI, President, Alaska AFL-CIO, asked to clarify a few points. He referred to the sponsor statement, which lists the average threshold nationwide at \$108,000. He pointed out after reviewing 32 other states that he thought the threshold seemed to be \$40,000 less than that figure. Some states skew the average since their threshold is extremely high, in the \$400,000 - \$500,000 range. He recalled earlier testimony that raising the threshold by \$50,000 would simply adjust the threshold for inflation. He offered his belief that would increase inflation by about two-thirds. He suggested that proposed Section 8, of HB 155 should be removed. He stated that the changing the terminology and definitions may have unintended implications and are a bad idea. He also thought that modifying the threshold invites "low ball" low-quality construction on the state's public infrastructure, which could compromise safety, particularly in public buildings such as schools.

MR. BELTRAMI recalled earlier testimony on the language that would eliminate the local hire provision. Approximately 1,400 projects fell under \$75,000 last year, not taking into consideration the schools. He recalled Representative Chenault's has a construction background. Adjusting the threshold won't necessarily translate to reduced bid costs. Instead, it would invite contractors to lower the bid, and pocket more of the money and pay workers less. The federal Davis-Bacon Act sets a standard of living. He pointed out the state may potentially have a \$12 billion surplus this year so he did not understand the economic driver that makes it necessary to lower the standard of living for construction workers. He referred to the fiscal note of \$400,000 per year which means it will cost our state general fund monies. He reported that of the 25 or 30 people at the Fairbanks Legislative Information Office (LIO), a strong majority are in their 20s. These folks want to work in construction industry and earn a decent wage. Under this bill contractors could slice their pay by whatever amount they deemed as appropriate. The bottom line is that the state has a \$12 billion surplus and a law has worked well since

statehood. He did not see "pushing this" bill. He said, "Good paying jobs serve to improve a stagnant economy. It just seems like an unnecessary bill that helps employers, small employers, at the expense of the workers they'd be hiring." He spoke in opposition to HB 155.

[4:53:08 PM](#)

KIRK JACKSON, Member, United Association Plumbers & Pipefitters Local 375, also serves on the Supplemental Unemployment Committee for the UA Plumbers and Pipefitters. He stated that he is speaking on behalf of its member today. He stated that raising the threshold to \$75,000 is too high. He did not think cutting hourly wages is the answer to save money on public construction projects. Contractors can best serve their communities by paying workers a decent wage so they can support their families. The cost of living in Alaska, especially in rural communities is high. Fuel costs are significantly higher and cutting a "working man's wages" is not appropriate in today's economy. He spoke in opposition to HB 155, as written.

[4:54:17 PM](#)

JAY QUACKENBUSH, Assistant Business Manager, International Brotherhood of Electrical Workers (IBEW); President, Fairbanks Building Trades, stressed his opposition to HB 155. He related his understanding that change takes place in the process. However, this is not the time to make a change to LDBA, which protects the prevailing wage. He said, "It doesn't matter to me or the people I represent, or the people who put their blood and sweat into the jobs. It doesn't matter what your skill is, if you are a construction worker you have a skill and there is a prevailed wage for that skill." The wages may vary for sheet metal worker, operating engineers, or bricklayers. However, the skills are valuable and wages are based on the economy, the skill, and the training. He expressed concern that the proposed changes would bring in workers from the Lower 48. He pointed out that the out of state workers have a lower cost of living, but will come to Alaska and undercut the market and Alaskan workers' ability to make a good living. He hoped this bill would not go any farther in the process.

[4:56:17 PM](#)

DENNIS TRAILER, Member, International Brotherhood of Electrical Workers (IBEW), stated he is a member of the IBEW and is speaking on behalf of himself. This issue is not a union or

non-union issue. This is about Alaskans who would lose out. The prevailing wage was set in place to prevent other states' workers from coming in and undercutting Alaska's contractors. He said, "This is going to be a Pandora's Box. If we open this up, we're going to get contractors coming from the Lower 48. They're going to bring low paid workers into our area. They're going to undercut all of our contractors. It's going to give economic harm to a lot of our workers, both union and non-union." He spoke in opposition to HB 155. He hoped the committee would see that this bill would damage Alaskans.

REPRESENTATIVE CHENAULT commended the gentlemen who just spoke. He agreed this is not union or non-union issue. He said, "It's a dollar issue."

[4:58:23 PM](#)

JOHN BROWN stated that he is retired. Many of the issues have already been raised so he asked to provide a brief history. The LDBA is based on the federal Davis-Bacon Act, which was initiated in the 1920s and was passed in 1935. He related that the Davis-Bacon Act was initiated because two Republican Congressmen from Illinois were tired of Mississippi contractors bidding on Illinois projects, bringing in Mississippi workers, and taking their earnings out of the state of Illinois. He agreed this issue is not a union or non-union issue. Instead, the issue is about our economy and keeping our economy strong. The only way that can happen is for contractors to obtain as fair a chance as possible to keep the dollars spent in Alaska. He spoke in opposition to HB 155. He urged members to "leave it alone."

[HB 155 was held over.]

[5:00:14 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:00 p.m.