

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

March 11, 2011

3:18 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. 118

"An Act relating to a tax credit for corporate income taxes paid for qualified research and development expenditures; and providing for an effective date."

- Moved CSHB 118(L&C) OUT OF COMMITTEE

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

PREVIOUS COMMITTEE ACTION

BILL: HB 118

SHORT TITLE: RESEARCH AND DEVELOPMENT TAX CREDIT

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/24/11 (H) READ THE FIRST TIME - REFERRALS
01/24/11 (H) L&C, FIN
02/18/11 (H) L&C AT 3:15 PM CAPITOL 106
02/18/11 (H) Heard & Held
02/18/11 (H) MINUTE(L&C)
02/25/11 (H) L&C AT 3:15 PM BARNES 124
02/25/11 (H) Scheduled But Not Heard
03/11/11 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 122

SHORT TITLE: NATUROPATHS

SPONSOR(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
02/28/11 (H) Heard & Held
02/28/11 (H) MINUTE(L&C)
03/09/11 (H) L&C AT 3:15 PM BARNES 124
03/09/11 (H) Heard & Held
03/09/11 (H) MINUTE(L&C)
03/11/11 (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
02/28/11 (H) Heard & Held
02/28/11 (H) MINUTE(L&C)
03/07/11 (H) L&C AT 3:15 PM BARNES 124
03/07/11 (H) Heard & Held
03/07/11 (H) MINUTE(L&C)
03/09/11 (H) L&C AT 3:15 PM BARNES 124
03/09/11 (H) Heard & Held
03/09/11 (H) MINUTE(L&C)
03/11/11 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

CURTIS THAYER, Deputy Commissioner
Department of Commerce, Community & Economic Development (DCCED)

Juneau, Alaska

POSITION STATEMENT: Testified and answered questions during the discussion of HB 118.

JOHANNA BALES, Deputy Director
Tax Division, Anchorage Office
Department of Revenue (DOR)
Anchorage, Alaska

POSITION STATEMENT: Testified and answered questions during the discussion of HB 118.

BILL POPP, President; Chief Executive Officer
Anchorage Economic Development Corporation (AEDC)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 118.

DAN WHITE

Associate Vice Chancellor of Research
University of Alaska Fairbanks (UAF)
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 118.

ALLAN JOHNSTON, Vice-President
Wedbush Morgan Securities
Co-President/Chief Encouragement Officer;
The Entrepreneurs and Mentors Network, Inc.
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 118.

TOM GOODE

Homer, Alaska

POSITION STATEMENT: Testified in support of HB 122.

KATY SHERIDAN, Physician; Member
Alaska Academy of Family Physicians (AKAFP)
Soldotna, Alaska

POSITION STATEMENT: Testified in opposition to HB 122.

MARION GRANDHOME, Physician
Family Practice Physician
Bethel, Alaska

POSITION STATEMENT: Testified in opposition to HB 122.

DON ETHERIDGE

Lobbyist

Alaska State AFL-CIO
Juneau, Alaska

POSITION STATEMENT: Testified in opposition to HB 155.

BRETT ALLIO, Manager
International Brotherhood of Electrical Workers (IBEW) 1547
Juneau, Alaska

POSITION STATEMENT: Testified during the discussion of HB 155.

BENJAMIN STEWART
Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 155.

SHAWN TUFFORD
Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 155.

LINDSEY HILL, Member
Carpenters Local 1243
Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 155.

ROBIN KELLY, Member
International Brotherhood of Electrical Workers (IBEW) 1547
Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 155.

PHILIP ROBERTSON
Wasilla, Alaska

POSITION STATEMENT: Testified during the discussion of HB 155.

DAVID RUIZ
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 155.

DIANA RUHL, Member
International Brotherhood of Electrical Workers (IBEW) 1547
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 155.

LARRY TALBERT, Member
Plumbers & Pipefitters
Palmer, Alaska

POSITION STATEMENT: Testified in opposition to HB 155.

PAT FALON, Member
Laborers Local 341
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 155.

DAVID MCALLEN, Member
International Brotherhood of Electrical Workers (IBEW) 1547;
Statewide Training Coordinator; Alaska Joint Electrical
Apprenticeship & Training Trust (AJEATT)
Anchorage, Alaska
POSITION STATEMENT: Testified in opposition to HB 155.

JOHN SWORTFIGUER, Member
Laborers Local 942
Fairbanks, Alaska
POSITION STATEMENT: Testified in opposition to HB 155.

ERIC SLAY
Fairbanks, Alaska
POSITION STATEMENT: Testified during the discussion of HB 155.

JUSTIN JACKSON, Member
Carpenters Local 1281
Anchorage, Alaska
POSITION STATEMENT: Testified in opposition to HB 155.

RAYMOND DELL, Member
Carpenters Local 2247
Anchorage, Alaska
POSITION STATEMENT: Testified during the discussion of HB 155.

ACTION NARRATIVE

[3:18:42 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:18 p.m. Representatives Olson, Thompson, Miller, and Saddler were present at the call to order. Representatives Chenault and Johnson arrived as the meeting was in progress.

[3:19:00 PM](#)

The committee took an at-ease from 3:19 p.m. to 3:25 p.m.

[3:25:50 PM](#)

CHAIR OLSON restarted the meeting after experiencing technical difficulties.

[3:26:09 PM](#)

HB 118-RESEARCH AND DEVELOPMENT TAX CREDIT

3:26:25 PM

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 118, "An Act relating to a tax credit for corporate income taxes paid for qualified research and development expenditures; and providing for an effective date."

3:27:00 PM

CURTIS THAYER, Deputy Commissioner, Department of Commerce, Community & Economic Development (DCCED), stated that innovation can be expensive and time consuming. It can also spark a chain reaction of investments and capital that spills over into every sector of our economy. Forty other states have recognized that by establishing a tax credit for research and development in addition to demonstrating economic benefits, gives them a competitive advantage over Alaska. This bill, HB 118, would address this issue by establishing a 20 percent tax credit for qualified research and development conducted by corporate taxpayers in Alaska. In effect, the research and development tax credit would stimulate private sector investment, entrepreneurial activity, and business expansion in Alaska. It would bring opportunity and sustain long-term benefits to Alaska's economy. This bill would allow Alaska corporations to receive a 20 percent tax credit, not to exceed \$10 million per taxpayer, per tax year. The research and development activities or the employee payroll must take place in Alaska. In a recent column in the Juneau Empire, University of Alaska Fairbanks Chancellor Brian Rogers recognized tangible benefits to incentivize homegrown research and development. He paraphrased Mr. Roger's comments that the Governor's proposal on research and development tax credit has the potential to significantly boost Alaska's economic development in Alaska. Chancellor Rogers has long recognized the value of partnering the knowledge and expertise of university researchers with the needs of communities and private businesses across the state. The University of Alaska has a robust research program that has led to technology development in areas directly relating to the needs of the state's economy including energy, engineering, geophysics, petroleum, mining, health sciences, and agriculture. Mr. Rogers explained how UAF's newly created office of intellectual property and commercialization could augment these efforts and facilitate new partnerships that will work to

commercialize intellectual property technology created by UAF's efforts.

[3:29:38 PM](#)

MR. THAYER continued. The UAF's efforts will offer a strong complement to the Governor's proposal. In most states a healthy private research and development sector work in tandem with university research. This has not been the case in Alaska since very little research and development has occurred in Alaska. The research and development tax credit could change this dynamic. Independent research and development could create a ripple effect that benefits more than just the businesses involved. He referred to a 2005 Federal Reserve Bank of Cleveland study which examined economic drivers for state per capita income. The study indicated the greatest factors related states' innovation and workforce development. A research and development tax credit would incentivize innovation and contribute to specialized work forces. In turn this would lead to an entrepreneurial activity business expansion in the state that would bring jobs and economic opportunity to Alaskans.

MR. THAYER related that the bill's details indentify the kind of research which would qualify for the research and development tax credits. He said it is more important to look at other states to review how investing research and development has enhanced their "business friendly" environment and helped them maintain a competitive edge. He stated that Virginia has been at the top of Forbes ten best states for business ranking since it has recognized that promoting science and technology research and development has had a positive effect on its economy. He pointed out that North Caroline has also been honored by the site selection committee in nine of the past 10 years. Over the years, North Carolina has provided tax incentives to encourage research and development and increase technology investments. The state has remained consistent with its support of research and development tax credits. He said that North Dakota was the only state which showed growth through the recent recession and has been high ranked in business climate polls. Research and development tax credits are of the tools in its tool box. He concluded that it is time to place Alaska on equal footing with other states. This bill, HB 118, has the capacity to create job opportunities for Alaskans, and spur growth for Alaska's businesses. It's good for the economy. It's good for Alaska's families and it needs to be part of Alaska's economic toolbox when Alaska is trying to recruit businesses to Alaska.

[3:31:57 PM](#)

MR. THAYER referred to a PowerPoint presentation in members' packets.

[3:32:40 PM](#)

REPRESENTATIVE SADDLER asked whether the oil and gas industry sector would benefit or to identify which industry would most benefit from the research and development tax credits.

MR. THAYER related that the bill was modeled after a federal research and development program.

[3:33:14 PM](#)

JOHANNA BALES, Deputy Director, Tax Division, Anchorage Office, Department of Revenue (DOR), answered that could this bill is targeted for corporations. Oil and gas companies are corporations and corporate income taxpayers. In some instances the oil and gas corporations could receive oil and gas production tax credits as well as a corporate income tax credits for the same expenditures, but only in very limited circumstances. She reiterated that the oil and gas credit on the production tax side are very limited.

[3:33:59 PM](#)

REPRESENTATIVE SADDLER related his understanding that the oil and gas corporation income tax credit and research and development tax credits could overlap, but it is not likely or would happen infrequently.

MS. BALES answered yes. She said that oil and gas would not be allowed any exploration credit or the research and development tax credits on exploration activities. However, another oil and gas credit pertains to capital improvements which may allow for depreciation on the capital improvements if the equipment being depreciated is used for research and development. Thus, the research and development tax credits could apply but only in very limited circumstances.

REPRESENTATIVE SADDLER asked which industry sector would most likely take advantage of the program.

MS. BALES related that the oil and gas corporations could avail themselves of the program to offset their corporate income

taxes, but the governor's intent and focus is to bring in new industries, such as the mid to larger size multi-state corporations who could use the research and development tax credits. She reported that 34 other states offer research and development tax credits. The state hopes to bring in new industry to Alaska and this is the first step to incentivize.

REPRESENTATIVE SADDLER pointed out that she identified the size of the industry that may benefit from the program. He asked for further clarification on the type of industry.

MS. BALES answered the program would likely target the technology-based industries since that is the focus on the federal side.

MS. BALES commented that one area the state has had some success in the past is cold region research. She related that Alaska is ideally situated and suited for this type of research.

[3:36:31 PM](#)

REPRESENTATIVE MILLER asked whether a single company would qualify for four or six tax credits for the same work.

MR. THAYER answered no. This bill would apply to new research and development and would reach beyond what has been budgeted. He pointed out HB 118 contains a "look back" provision for three years on the records to identify new research and development for a company.

REPRESENTATIVE MILLER related his understanding that there would not be any possibility for tax credit or rebate to develop an existing oil field. In the meantime the oil corporation would be conducting research to remove heavier oil. He asked whether both credits would apply.

MS. BALES referred to page 2, line 8 of HB 118. This provision provides that a person may not claim a credit under this section for qualified research and development expenditures which were either deducted in the calculation of tax liability or utilized for any other credits. Thus, if the corporation was allowed another corporation income tax, noting that credit is for corporate income tax, the tax credit could not be utilized anywhere else. The expenditures are not allowed to also be deducted and used in the calculation of any other credit against corporate income tax, she said.

3:38:53 PM

REPRESENTATIVE SADDLER asked for an estimate of how well this investment tax credit has worked federally.

MR. THAYER responded that the federal research and development tax credits have been in place for over 20 years. The federal program keeps getting extended. He reported that a bill is currently pending. He pointed to other states, such as North Carolina, have successfully used this to bring in Caterpillar, Inc. which provided 1,250 new jobs in North Carolina. He suggested that the state should also review Virginia's aerospace industry since Alaska is trying to expand its Kodiak Launch facility and Ft. Greeley with respect to potential missile defense.

3:39:58 PM

REPRESENTATIVE THOMPSON moved Amendment 1 labeled 27-GH1951\A.1, Bullock, 2/17/11, which read as follows:

Page 2, line 12:

Following "year,":

Insert "if three or more taxpayers claim the credit authorized under this section during the immediately preceding year,"

Delete "names"

Insert "number"

Page 2, lines 16 - 25:

Delete "Notwithstanding AS 40.25.100 and AS 43.05.230, a taxpayer claiming the credit under this section consents to

(1) the public disclosure of its name and status as a beneficiary of the credit;

(2) inclusion of the amount of the credits granted to it under this section and the number of employees conducting the research and development for which it claims the credit in the cumulative total calculated by the department for reporting purposes; and

(3) report on the impact of the credit on research and development for each year that the credit is claimed."

CHAIR OLSON objected.

3:40:27 PM

MR. THAYER explained the purpose of Amendment 1 is to protect confidentiality of the taxpayer. In response to Chair Olson, he related that the amendment was necessary due to a drafting error, which was discovered by the Department of Revenue (DOR).

CHAIR OLSON removed his objection. There being no objection, Amendment 1 was adopted.

3:42:36 PM

BILL POPP, President; Chief Executive Officer, Anchorage Economic Development Corporation (AEDC), stated that Alaska is in significant competition with other communities and other states. He pointed out that the AEDC competes daily with over 4,000 economic development organizations. In the "world of incentives" a targeted incentive can be powerful to attract homegrown investments. He explained the AEDC has worked on research and development projects for industries, including the cool supply chain, automotive, renewable energy, military technical, aviation, life science, biotech, and medical industries. This type of tax credit can be beneficial for projects often caught in the "valley of death" or in the early start-up phases in which companies attempt to go beyond the initial concept phase and move to the prototype phase. Another important part of the research and development tax credit is that the credits can help attract research and development venture capital. This is a very difficult proposition in Alaska and the tax credit can not only leverage the money the credit will be applied against, but could generate additional funds which go beyond that by reducing the risk for the venture capitalists to become involved in the research and development startup. He urged support for HB 118.

3:45:05 PM

DAN WHITE, Associate Vice Chancellor of Research, University of Alaska Fairbanks (UAF), stated that he has been charged to lead the Office of Intellectual Property and Commercialization at the University of Alaska Fairbanks. The UAF's goal is to move technology from the university to the private sector. Applied research and development used in the private sector gives businesses a competitive advantage in the global market. The critical link in economic development is enhanced when businesses can invest in the research and development itself. This bill would allow the state to provide a significant

incentive to businesses to take advantage of emerging opportunities. This bill would contribute to the university's mission to conduct research and development as well as to help move research and development forward in the private sector for long-term economic development. He offered his belief that this would be particularly true if this bill results in businesses and industry funded research at the UAF since this could bridge the two and lead to economic diversification for the state.

ALLAN JOHNSTON, Vice President, Wedbush Morgan Securities, stated that he is a very strong supporter of the tax credit. He offered his belief that the tax credits will not be the solution but represents another tool. Currently, the biggest hurdle in Alaska is how to build a culture of empowerment. This bill represents an investment for tomorrow. He said it seems like just yesterday when Ken Thompson who was President of ARCO Alaska, Inc. ran television advertisements depicting a female engineer with a tubular water separator. She indicated that the technology saved the industry over \$100 million dollars. He described the pride that comes from changing things within the community instead of waiting for things to happen. Currently, Alaska seems to be waiting for things to happen. He highlighted the collective importance of research and development tax credits to help empower people to make changes. He characterized this bill as a good start. He stated that he will also work to support other tools like the ones this bill offers, as well.

[3:48:55 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 118.

REPRESENTATIVE JOHNSON remarked that it is about time. Alaska has been lacking in research and development. He offered his belief that Alaska has lost intellectual property due to a lack of opportunities for research. He reiterated that it is about time.

REPRESENTATIVE JOHNSON moved to report HB 118, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, the CSHB 118(L&C) was reported from the House Labor and Commerce Standing Committee.

[3:49:32 PM](#)

The committee took an at-ease from 3:49 p.m. to 3:53 p.m.

HB 122-NATUROPATHS

[3:53:13 PM](#)

CHAIR OLSON announced that the next 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."

[3:53:34 PM](#)

TOM GOODE stated he has been treated by a Naturopathic Doctor (ND) for the past eight years and expressed his preference for the naturopathic approach to medicine. He related that scientific research has been discovering the role nutritional deficiencies plays in disease. The ND is one who has extensively studied nutrition whereas 50 percent of medical schools do not require any nutritional courses to graduate as a medical doctor (MD). The other 50 percent of medical schools only require one semester in nutrition, he said. The ND uses prescription drugs as a last resort, but if all else fails and they are necessary he would prefer the drugs were prescribed by his ND. He related a scenario in which he went to the doctor but was treated by a physician's assistant. He finds it ironic that physician assistants can treat and prescribe drugs whereas NDs cannot. He suggested an independent board consisting of skilled NDs should govern the practice of Naturopathic profession in Alaska.

[3:55:17 PM](#)

KATY SHERIDAN, Physician; Member, Alaska Academy of Family Physicians (AKAFP), stated she is a lifelong Alaskan who has practiced family practice medicine in Soldotna for 15 years and also represents the AKAFP today. She identified three areas she would address, including patient safety, issues raised during the prior hearing, and the future of health care in Alaska. She advised that the AKAFP opposes HB 122, primarily due to concerns for patient safety and quality of care in Alaska. She recalled in medical school the saying, "You won't make the diagnosis if you don't think of the disease." He expressed concern with the limited training that Naturopaths receive especially in disease process and treatment of chronic disease. She said it is one

thing to optimize health with nutrition and exercise but it is another to be ruling out serious disease and planning treatment for chronic problems. While she would be the first to admit that allopathic medicine does not have all the answers and complementary and alternative medicine also have a place, she thought this bill goes too far to empower naturopaths to practice beyond their training. She referred to a graph in members' packets that shows the different in training between family physicians and naturopaths. She pointed out that family physician's training is similar to pediatricians and internists, who also practice primary care medicine. She expressed significant concern since the bill would allow naturopaths to prescribe medications, perform preventative and screening physicals, all of which are opportunities to identify diseases and develop protocols for preventive care for patients. She related that the lack of hours of education in disease process and chronic disease management limits the naturopaths' ability to provide comprehensive care.

[3:58:08 PM](#)

DR. SHERIDAN offered her belief that HB 122 would compromise health care in Alaska. She recalled earlier testimony on the bill suggesting that other states have similar bills pending to allow for NDs to prescribe medicine. She clarified that only eight states have policies for prescribing and only for natural substances pursuant to a physician's protocol. Several states do allow NDs with "birth privileges" to administer some that deliver can prescribe pitocin and antihemorrhagic drug drugs pursuant to protocols. In fact, only a few states allow prescription ability for NDs and then only with limited guidelines. She recalled testimony that naturopaths focus on preventive care. As a family physician, she spent considerable hours of training and continues to provide many hours providing preventive care counseling and education for her patients. She recalled testimony that some patients did not have good experiences with allopathic medicine, but she did not think this is the norm. The future of health care and the concept of health care homes necessitate the care that must be given when considering dispensing rights. She stressed the importance of considering what constitutes a quality provider to provide full spectrum health care home needs. She emphasized that empowering health who are only qualified to care for a portion of a person's health and not necessarily all aspects could set ourselves up for reduced levels of health care homes for the future. She urged members to examine who they would want caring for their families.

DR. SHERIDAN summarized that the AKAFP strongly oppose the bill as written primarily on the basis of patient safety and quality care issues and for the future of health care systems that will be established for the health care delivery system in Alaska.

[4:01:43 PM](#)

REPRESENTATIVE MILLER asked how much training a medical doctor has in pharmacology or prescribing drugs in the market.

DR. SHERIDAN answered that the number of classes in medical school addressing pharmacology and medications varies but medical school also addresses diseases and medications. Physicians frequently address medical management during their residency, experience, and continuing education. She related that medications continually change in health care so MDs must keep current on the latest medications and potential side effects. She reported that medical doctors must have 50 hours of continuing education each year to keep their medical license current and spend a large portion of their time reviewing medications.

[4:03:15 PM](#)

REPRESENTATIVE MILLER asked for clarification on the source of information that MDs use to keep current on medications.

DR. SHERIDAN related that the sources of information physicians use varies but many physicians use electronic sources and pocket information with the latest downloads. Many physicians confer with pharmacies and keep current on medications through ongoing continuing education. She also performs research at the bedside using technology since medications continually change. She concluded that the reality is that physicians spend a lot of time addressing medications.

[4:04:47 PM](#)

REPRESENTATIVE MILLER asked where the "body of information resides" and whether that information would also be available to all MDs or NDs.

DR. SHERIDAN answered probably much of the information is available to the public. Many MDs subscribe to UpToDate, which is an electronic scientific information resource. However, she stressed the importance that the person reading the information

must have some understanding of how a medication works on the body or on a particular disease process. Some of this information can be pretty difficult and challenging to understand, she said.

REPRESENTATIVE MILLER asked for clarification on the source of information.

DR. SHERIDAN answered that some scientific forum called "UpToDate" collects and compiles it.

[4:06:28 PM](#)

REPRESENTATIVE SADDLER asked for clarification on the current standard of care for MDs and NDs in society. He asked how this would change under the bill.

DR. SHERIDAN answered that would happen through peer pressure. She related a scenario in which in which someone has a stroke in Soldotna and ends up in the hospital. The standard of care would be that the physician would perform an appropriate stroke work up, including disease modifying treatment for that patient, depending on the findings. If the patient resides in a more remote place in Alaska it may be that the standard of care may also be different. She explained that some communities may have certain tests readily available or not available, such as a CAT scans. Thus, the standard of care depends on the resources available in a community and the other physicians available.

DR. SHERIDAN elaborated that if someone did not provide the standard of care, mechanisms are available in the hospital to review and address the matter. She stated that NDs are not lay midwives. In Soldotna, some people practice midwifery and their standards may be different from physicians delivering babies in hospital settings. She highlighted her concern that if NDs are empowered to prescribe and provide preventive screening the standard may be lowered since the NDs may provide a different level of care. She said she has observed this happen with lay midwives since treatment is given that would not be considered medically appropriate by MDs, but the physicians have limited recourse over midwifery practice. She said, "That's a very serious concern of those of us practicing medicine, especially in smaller communities in Alaska."

[4:09:20 PM](#)

REPRESENTATIVE SADDLER related his understanding that the standard of care is a community-based descriptive rather than an objective standard.

DR. SHERIDAN agreed. She stated that Americans have developed a level of care based on television and the Internet so they have expectations for a higher level of care. However, it can be community dependent, she said.

REPRESENTATIVE SADDLER asked whether the standard of care as practiced by NDs would be factored in to the overall standard of care and would possibly tend to dilute the level of the standard of care.

DR. SHERIDAN agreed that would be the AKAFP's concern.

4:10:23 PM

MARION GRANDHOME, Physician, Family Practice Physician, related that she wanted to echo Dr. Sheridan's comments. She stated that she is speaking in opposition to HB 122. She expressed concern about patient safety. She said, "We support supervision. We support naturopaths but we also strongly believe in aligning medical providers' scope of practice appropriately to their training." She indicated that naturopaths and family physician's training are different in volume and substance. The average family physician has completed approximately 21,000 hours of training prior to practice whereas naturopaths have only completed approximately 6,000 hours. The typical family physician has had five years of clinical practice in the clinic, hospital, and emergency room ordering, interpreting labs and X-rays, performing procedures, and prescribing medication. The typical naturopath spends a year or less in clinical training, which is necessarily focused on naturopathic treatments. She questioned whether they have experience to safely order intravenous therapy or IV therapy or X-rays. This bill would leave the door open to prescribing medications which she also questioned. She related that her specific concerns surround pre-employment school and workplace physicals, since someone without adequate training could miss risks. She highlighted that bus drivers and pilots may have deficits in vision or hearing or low-blood sugar caused by diabetes or seizures from an uncontrolled seizure disorder. She pointed out that school sports physicals must evaluate students for heart disease before sports participation. She remarked on the tuberculosis outbreak in Southwest Alaska and questioned

whether NDs could identify these risks for personal and public safety.

[4:12:42 PM](#)

DR. GRANDHOME stated that she received five years of training in IV therapy. She related that starting IVs, prescribing IV therapy, has serious potential and could easily kill a person by giving IV saline solution at too high a concentration or too fast a rate. She referred to a letter from the Osteopaths in members' packets that indicated 93 percent of the public prefer the term physician to be limited to licensed medical doctors. She indicated that it is critical patients know the qualifications of the person treating them. She concluded by stating that traditional and naturopathic practices can be complementary can coexist. However, it is critical for public safety that all providers are appropriately limited to the scope of practice consistent with their training.

[4:13:35 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 122.
[HB 122 was held over.]

[4:13:55 PM](#)

The committee took an at-ease from 4:13 p.m. to 4:15 p.m.

HB 155-PUBLIC CONSTRUCTION CONTRACTS

[4:15:52 PM](#)

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

[4:16:13 PM](#)

DON ETHERIDGE, Lobbyist, Alaska State AFL-CIO, stated that the AFL-CIO is opposed to HB 155 in its current form. He related that he has been working with the sponsor's office for solutions. The topic of the threshold has been "hammered on" so he will cover another aspect. He also related that the AFL-CIO's major concern is the definition of "maintenance" since it could be expanded to cover from Fairbanks to anywhere in the

country. The rate could be zero but could circumvent the Little Davis-Bacon rates by defining the work as "maintenance."

4:18:10 PM

MR. ETHERIDGE recalled Representative Tammie Wilson's testimony with respect to the road service areas (RSAs). He explained he serves on the Juneau Docks and Harbor Board and the process they use to issue a "time and materials" contract is similar to the ones the RSAs use since the contractor may perform some electrical work today and need plumbing tomorrow. He offered his belief that the issue that has caused the RSA's concern is that the project costs are added together and put it under one contract instead of issuing separate contracts.

4:18:55 PM

MR. ETHERIDGE related that he has held conversations with many nonunion contractor friends who are not testifying today because they don't want to lose their jobs. He indicated his friends have related that they are able to work due to the small residential remodels between construction seasons but nonunion workers also count on Little Davis-Bacon (LDB) wages to keep "their heads above water." He also recalled earlier testimony on prevailing wages. He reported the first prevailing wages in Alaska were established in 1960 based on the 1959 changes to law and at the time the average wage was \$5 per hour. Currently the prevailing wages average \$50 per hour, which is a ten-fold jump. Using those figures, he extrapolated the threshold would be \$20,000, based solely on the wage changes.

4:20:40 PM

CHAIR OLSON recalled reviewing research on the prevailing wages for 1935 which indicated a range for the prevailing wages from \$.50-\$1.50 per hour. He reiterated the last time the threshold was changed was in 1935.

MR. ETHERIDGE pointed out 1960 was the year when the Alaska prevailing wage went into effect.

CHAIR OLSON agreed that his office has been working with a number of the stakeholders, including unions, municipal organization, and sever municipalities. He reported progress is being made. He agreed the crux of the issue is the definition of maintenance.

MR. ETHERIDGE agreed. He hoped for a reasonable solution that would work for everyone.

4:22:35 PM

REPRESENTATIVE SADDLER inquired as to whether he could give him a rough idea, a "gut feeling" of the amount of construction in Alaska is subject to the LDBA and for the amount performed outside the act.

MR. ETHERIDGE offered his belief that the LDBA projects would include a minimum of 65-70 percent of the public construction contracts, but the figure would not include homebuilding or home remodels.

4:23:39 PM

REPRESENTATIVE MILLER recalled working construction year round on the East Coast. He asked for an estimate of a long construction season in Alaska.

MR. ETHERIDGE pointed out that he worked as the business agent for the laborers union. He indicated the construction period ran from mid-April to the beginning of September. He offered that some work such as high-rise construction could be done year round. He offered his belief that most of the crews were back in the hall by the mid to the end of September and by end of April.

REPRESENTATIVE MILLER related his understanding that the construction season lasts about seven months and workers are working to make a year's worth of wages during that time.

MR. ETHERIDGE answered yes.

4:25:16 PM

BRETT ALLIO, Manager, International Brotherhood of Electrical Workers (IBEW) 1547, agreed it is not a union versus nonunion issue but the issue relates to all of Alaska's workers. He did not think the issue of contractors coming in from Lower 48 would be based on a set dollar amount. He pointed out that contractors come to Alaska to work on big chain stores and since they are already mobilized would be more likely to bid on other jobs. He indicated that the cities, state, and municipalities currently employ maintenance people to perform snow removal, brushing, and street cleaning. He recalled that in Juneau the

docks & harbors maintenance work is contracted out. He suggested that the definition of construction includes maintenance it may not be necessary to have a separate definition for maintenance.

[4:29:07 PM](#)

BENJAMIN STEWART stated that as a retired union employee he feels like he is in the shadow of death among friends. He said that he has been a Teamster, an operator, a laborer, but currently is a road service area (RSA) chairman. He pointed out that his RCA has 92 lots in his service area which collect \$24,000 in taxes. The road service area (RSA) saved money to get the road paved, but only one contractor bid under LDBA wages. He would like to see the threshold raised. He did not see many larger local construction companies bidding on the borough service area jobs. He recalled that approximately 107 different service areas exist in Fairbanks. He pointed out that not all are taxed as high as his service area. He offered that he cannot obtain a bid for asphalt or diesel since prices have substantially increased in the past three or four weeks. He recalled that a load of gravel used to run \$150 for D-1 gravel, but under LDBA provisions it is costing nearly \$500 per load so many service areas do not tax themselves enough to cover maintenance. He said, "We're one of the luckier service areas. At the same time, I don't like to see my brothers here out of work, but when you've got a service area and you need service work done it's not always some new construction, it's maintenance. I think that's where a lot of the problems come in hand." He added he plans to travel to Juneau to personally discuss this issue.

[4:32:30 PM](#)

SHAWN TUFFORD stated that he is an Alaskan resident and construction worker. He related he researched what happens when LDBA laws are basically "repealed." He cited his source for prevailing wages and government contracting costs from the Institute of Social and Economic Research (ISER) 2008. The report concluded that an overwhelming preponderance of the literature shows that prevailing wage regulations have no effect on the cost to government on contracted public works projects. Workers on prevailing wage contracts tend to be higher skilled, better trained, and are less prone to serious and fatal injuries on the job site. Prevailing wage regulations contribute to enhanced tax revenues and higher wages support consumer spending. Prevailing wage regulations discourage unscrupulous

contractors who typically cheat on payroll taxes, employ a low-skilled workers and skirt health and safety requirements on the job site. Prevailing wage regulations also help expand apprenticeship training programs which enrich the community by offering avenues for residents to secure good paying middle class jobs. Removing prevailing regulations and thereby lowering wage and benefit standards shifts substantial costs onto taxpayers by pushing workers into requiring more subsidies in health care, housing, and other social services. It also displaces or diminishes middle class jobs that have traditionally supported local consumer spending which hurts local business. In response to Chair Olson, he stated he would forward copies of the reports to the committee.

[4:36:02 PM](#)

LINDSEY HILL, Member, Carpenters Local 1243, testified in opposition.

[4:36:56 PM](#)

ROBIN KELLY, Member, International Brotherhood of Electrical Workers (IBEW) 1547, stated that he is representing himself, his family, and his future. He joined the construction industry since he saw a future in it but that future is unclear with the proposed adjustment to the LDBA's threshold. He thought the effect would be to allow the lowest bidding contractor to bring a labor force from the Lower 48 and pay them a non-competitive wage. He thought to do so would jeopardize not only his future but the future of every hard-working Alaskan.

[4:37:35 PM](#)

PHILIP ROBERTSON stated he has been employed in the construction industry for over twenty years as a project supervisor. Many of the projects he has overseen under \$75,000 have been under LDBA wages. He predicted that lowering the threshold would have the effect of lowering the standard of living, and reducing workers wages would also reduce the amount of taxes they pay. He pointed out that with the short construction season in Alaska that workers need to make as much money in Alaska during the summer. He asked the committee who would benefit from the bill.

CHAIR OLSON answered that the municipalities and boroughs have requested the bill. He pointed out that the threshold has been amended down to \$50,000, which has not been changed since 1935.

The prevailing wage in 1935 was \$.50 to \$1.50 and the threshold has not been reviewed in 71 years.

[4:39:31 PM](#)

MR. ROBERTSON was still unsure who would benefit. He asked whether committee members are willing to take a pay cut of 30-40 percent if he is going to be expected to do so if he cannot earn prevailing wages.

CHAIR OLSON related that the committee is not in the position to debate but most members took a pay cut when they decided to run for office.

[4:40:08 PM](#)

DAVID RUIZ related that he has been a construction worker for 29 years. He stated he is here to testify in opposition to HB 155 and the effect it will have on Alaska Statutes, Title 36. He asked members to leave this law alone and do not amend it.

[4:41:01 PM](#)

DIANA RUHL, Member, International Brotherhood of Electrical Workers (IBEW) 1547, stated that she believes this bill will have a negative effect on working families in Alaska whether they are union or nonunion. She offered her belief that this would have a negative effect in communities. She indicated with a lower threshold on the LDBA wages, the state will lose the mechanism that encourages and enforces local hire. She predicted Alaskans will see more money leaving the state for out of state workers. The residents of Alaska would also have less ability to provide for families. This proposed change to the threshold could potentially cost more if lower skilled workers are used to perform the work and the work ends up needing to be redone. She expressed her concern about public safety with the maintenance language changes as part of this bill.

[4:42:20 PM](#)

LARRY TALBERT, Member, Plumbers & Pipefitters, urged members to oppose this bill. He expressed concerns that this house bill as currently written would have a drastic effect on Alaska's workers. He related a scenario in which the Atwood Building in Anchorage had to undergo a domestic water replacement project. The project would be exempt from the LDBA requirements under the definition of maintenance even though the overall estimate would

be in excess of \$1 million since it would be considered to bring the structure up to its original condition. He also thought this bill would open the floodgates for out of state contractors to the detriment of Alaskan contractors and workers. He concluded by urging members to oppose the bill.

[4:43:59 PM](#)

PAT FALON, Member, Laborers Local 341, stated that he is a concerned citizen who has worked in the construction industry for 21 years. He said he has raised his family in Alaska by working in construction. He also felt blessed that wage and safety was important to his employers. He urged members to vote against this bill. He offered his belief that this bill would only invite out of state more out of state contractors who are not familiar with Alaska's construction environment. He suggested that the out of state contractors would have unskilled work force working on projects which could endanger the public, including school children. He urged members not to change the threshold. He stated that this is not a union or nonunion issue. There is not any reason to "reinvent the wheel." He concluded by asking members to leave the bill alone.

[4:45:16 PM](#)

DAVID MCALLEN Member, International Brotherhood of Electrical Workers (IBEW) 1547; Statewide Training Coordinator; Alaska Joint Electrical Apprenticeship & Training Trust (AJEATT), stated that he is testifying first and foremost as a lifelong Alaskan. He offered that he is the statewide training director for the AJEATT, which is the largest apprenticeship in Alaska. He said, "We hear a lot about fiscal responsibility and we hear about wise use of state resources." He offered his belief that paying a fair prevailed wage is a good use of our resource. He related the 125 employers he represents provide their workers with a decent wage. He pointed out that these employers dedicate \$.65 of their prevailing wage rates to training and safety training. In Alaska he represents 400 workers in the electrical trades who receive an education from a self-funded self-reliant program. He indicated his bargaining unit has decided providing this training is an appropriate use of the money. Collectively journeymen and apprenticeship employees have elected to pay for cross training and safety training. He said he thought this was a wise use of our human resources. He summarized testimony earlier in the week from small communities concerned about paying \$22 per hour of their finite resources. He emphasized his belief that \$22 per hour does not represent a

livable wage and workers are also consumers who buy cars and groceries in communities. He highlighted that cheaper is not always better. He did not think the state would be doing the right thing to seek cheaper labor when it is the public entities that should pay a livable wage and reinvest in our communities. He spoke in opposition to HB 155.

[4:48:28 PM](#)

JOHN SWORTFIGUER, Member, Laborers Local 942, stated his adamant opposition to HB 155. He related the LDBA is a Depression Era piece of legislation, which provided a tool to ensure that workers a fair wage and provide contractors an opportunity to bid competitively on local government projects. He did not understand the motivation to strip wages worker's wages are barely keeping up. He thought that to "tinker" with this in the surplus economy is an affront to workers in Alaska. In response to Representative Miller, he acknowledged the bill originated in the 1930s to prevent outside workers from taking opportunities away from local workers. In further response to Representative Miller, he agreed the current economy does feel depressed. He pointed out the numerous foreclosures. He characterized the times as fairly perilous. Worker invests in their communities and the social integrity of communities should not be toyed with nor should the livelihood of workers.

[4:51:01 PM](#)

ERIC SLAY stated that he is a second generation Alaska Native. His parents moved to Fairbanks in 1955. He predicted that if this bill passes wages will plummet for union and nonunion workers and he may not be able to afford the high cost of living in this state. He did not think nonunion bids would drop significantly, just enough to win the bid. He offered his belief that workers will receive half the pay. The extra money would be kept by the contractor. He thought out of state contractors would win bids. He questioned whether some would even be American citizens. He emphasized that the funds should stay in Alaska, noting Alaska has resisted the effects of the recession since the money stays in the state. He said, "Our state is strong because of our labor and our state is strong because we keep our money in our state." He asked if anyone in the legislature is against hiring Alaskan workers or having a strong economy and if so voiced that if anyone does they do not belong in this position.

[4:52:45 PM](#)

JUSTIN JACKSON, Member, Carpenters Local 1281, spoke in opposition to HB 155. He stated that opponents have developed many arguments against the Davis-Bacon Act including increasing the dollar threshold claiming it is harder to administer, expensive, and unnecessary. He offered his belief that these arguments are false. He said that paying workers a prevailing wage is not expensive but paying workers a low wage is expensive. He stated that low-wage low-skilled workers often take longer to perform work and are not as skilled because they usually have not been trained as well as higher paid workers whose work often may need to be redone. Low-wage workers must sometimes rely on government assistance to provide for their families. They also contribute less to the economy since they purchase less and pay less in taxes to local and state government. He asked how a law could be unnecessary when it requires contractors to pay their workers that are prevailing in the local area. He quoted U.S. Senator Robert L. Bacon, Republican, New York, when he proposed his first prevailing wage bill in 1927 as saying: "It is highly desirable, of course, that the federal and state building program should not tend to have the effect of upsetting labor wages and labor conditions in any community." He related his understanding that this is what HB 155 would do. The LDBA fulfills the intent to protect local labor standards by helping to ensure the preservation of a community's general welfare. He related these are the reasons for his opposition to HB 155. In response to Representative Saddler, he answered that he researched U.S. Senator Bacon on the Internet.

[4:55:09 PM](#)

RAYMOND DELL, Member, Carpenters Local 2247, stated that the effects of HB 155 would adversely affect the quality of life for all Alaskans and their families actively involved in the construction trade. He predicted that this bill would allow cheap outsourced labor to be earned in Alaska and spent elsewhere. He offered his belief that Alaskan carpenters are skilled whether they are union or nonunion workers and demand a high wage to offset the higher cost of living in Alaska. It also provides the basis for providing the wage scale for nonunion workers. The prevailing wage laws are a testament to those who provide the knowledge and skill that built the state's infrastructure, including schools, government, and highways. Additionally, the LDBA wages offset the lack of insurance and retirement for nonunion workers. He also stated that the LDBA encourages hiring skilled laborers and encourages youth to

become skilled-trades workers. He further stated that construction workers average wages are \$578 week, \$30,058 per year. He pointed out that people claim the Davis-Bacon results in discriminatory hiring practices and lower wages. The University of Utah studied nine states that repealed its LDBA laws, which showed a major decrease in minority enrollment for apprenticeship programs from 20 to 12.5 percent. The same study showed a 15 percent increase in serious injuries after the LDBA was repealed. Additionally, the study showed a 12 percent increase in "lost work" days which is magnified in Alaska due to its shorter construction season. Higher wages translates to higher production and lower costs. He concluded by saying that higher wage states with LDBA built highways for 18 percent less than low-wage states.

[4:58:48 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 155.

[HB 155 was held over.]

[4:59:24 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:59 p.m.