

SENATE FINANCE COMMITTEE

April 8, 2011

9:12 a.m.

[9:12:23 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:12 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lesil McGuire, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Senator Kathy Giessel; Senator Kevin Meyer, Sponsor; Thomas Obermeyer, Staff, Senator Bettye Davis; Gus Marx, Grants Coordinator, Alaska Association of Homes for Children; Joy Lyon, Executive Director, Association for the Education of Young Children; Nancy C. Davis, President, Alaska Nurses Association; Senator Bettye Davis, Sponsor; Senator Bill Wielechowski, Sponsor; Carla Hart, Staff, Senator Bill Wielechowski; Dr. Lauren Heine, Environmental Engineer; Senator Joe Paskvan, Sponsor; Don Habeger, Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development.

PRESENT VIA TELECONFERENCE

Pat Luby, Advocacy Director, American Association for Retired Persons (AARP); Elizabeth Ripley, Executive Director, Mat-Su Health Foundation; Stephanie Berglund, Chief Executive Officer, THREAD; Dr. Sarah Janson, Natural

Resources Defense Council; Dr. Andre Feliz, Medical Researcher, Doctor, University of California Davis, Department of Comparative Pathology; Pete Errigo, Self, Bird Creek; Pattie Saunders, The Arc of Anchorage.

SUMMARY

SB 5 MEDICAL ASSISTANCE ELIGIBILITY

SB 5 was HEARD and HELD in committee for further consideration.

SB 15 SEX OFFENDER/UNDERAGE ALCOHOL OFFENSE

CSSB 15(JUD) was REPORTED out of committee with a "do pass" recommendation and with a new indeterminate fiscal note by the Senate Finance Committee for the Department of Corrections and previously published fiscal note: FN2 (DOL).

SB 27 FLAME RETARDANTS AND TOXIC CHEMICALS

SB 27 was HEARD and HELD in Committee for further consideration.

SB 101 ENTITY TRANSACTIONS ACT

SB 101 was HEARD and HELD in committee for further consideration.

#sb15

SENATE BILL NO. 15

"An Act relating to penalties for certain alcohol offenses involving persons under 21 years of age committed by a sex offender or child kidnapper."

9:14:08 AM

SENATOR KEVIN MEYER, SPONSOR, explained that under SB 15, the penalty for providing alcohol to minors would be increased for sex offenders and child kidnappers.

Co-Chair Hoffman MOVED to report CSSB 15(JUD) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION it was so ordered.

CSSB 15(JUD) was REPORTED out of committee with a "do pass" recommendation and with a new indeterminate fiscal note by the Senate Finance Committee for the Department of Corrections and previously published fiscal note: FN2 (DOL).

#sb5

SENATE BILL NO. 5

"An Act relating to eligibility requirements for medical assistance for certain children and pregnant women; and providing for an effective date."

9:15:30 AM

THOMAS OBERMEYER, STAFF, SENATOR BETTYE DAVIS, read the bill title and referred to SB 5 as the "Denali KidCare bill." He quoted the sponsor statement:

Senate Bill 5 increases and restores to original levels established 14 years ago the qualifying income eligibility standard to 200 percent of the Federal Poverty Level (FPL) for the State Children's Health Insurance Program (SCHIP) called Denali KidCare (DKC) in Alaska. Alaska as one of the nation's wealthiest states is only one of four states which fund their SCHIP program below the 200 percent FPL. This bill makes health insurance accessible to an estimated 1277 more uninsured children and 224 pregnant women Alaska. Denali KidCare is an enhanced Medicaid reimbursement program receiving up to 70 percent federal matching funds.

Mr. Obermeyer noted that Denali KidCare currently received approximately 65 percent in federal matching funds. He continued to read from the sponsor statement:

Denali KidCare serves and estimated 7900 Alaska children and remains one of the least costly medical assistance programs in the state at about \$1,700 per child with full coverage, including dental care, which is about 20 percent of the cost of adult senior coverage. Early intervention and preventative care will greatly increase Alaska children's health and yield substantial savings to the state and public and private sector hospital emergency rooms which must

admit indigent and uninsured patients for non-emergency treatment. It is estimated per the Kaiser Foundation the 24,000 uninsured children in Alaska with a medical need are five times as likely not to have a regular doctor as insured children and four times more likely to use emergency rooms at a much higher cost.

A similar bill was overwhelmingly passed with bipartisan support by the legislature in 2010. Governor Parnell subsequently vetoed the bill over concern that increased eligibility to Denali KidCare would require an increase in state-funded induced termination of pregnancies. Medicaid funds 51 percent of all births in Alaska. In order to continue to receive federal funding for the state Medicaid program of which Denali KidCare is part, and in order to comply with state law, constitutional provisions, and Alaska Supreme Court rulings, the state must provide medical services for pregnant women including medically necessary terminations, as well as prenatal and postpartum care.

The Alaska Department of Health and Social Services (DHSS) estimated that no more than 10 percent or 22 more induced terminations would result with minimal expense from the increase in eligibility for Denali KidCare to 200 percent FPL. Induced terminations under Denali KidCare cost about \$384,000 annually or less than 0.18 percent of one-fifth of the 1 percent of the \$217 million of the DKC budget.

While the Governor understandably is concerned about the mushrooming cost of the state Medicaid program, Denali KidCare which is about 18 percent of the \$1.2 billion total state Medicaid budget should not be among his first cuts and expense of Alaska's most vulnerable children and pregnant women. Increasing eligibility for DKC to 200 percent FPL under Senate Bill 5 is uncomplicated, manageable, and could take effect immediately with prompt implementation by DHSS.

[9:19:29 AM](#)

Co-Chair Stedman pointed to the three fiscal notes from the Department of Health and Social Services. The first note in the amount of \$221,800 (\$77,600 in general funds and

\$144,200 in federal receipts) from the Division of Public Assistance funded two full-time positions to manage the increased eligibility workload. The second note from the Division of Health Care Services, totaled \$567,000 (\$183,400 in general funds and \$183,600 in federal receipts) and would cover the additional Medicaid costs. The third note in the amount of \$2,718,200 (\$820,400 in general funds and \$1,897,800 in federal receipts) from the Division of Health Care Services funded increased Medicaid costs.

9:21:01 AM

PAT LUBY, ADVOCACY DIRECTOR, AMERICAN ASSOCIATION FOR RETIRED PERSONS (AARP) (via teleconference), spoke in support of SB 5. The agency believed that every child in Alaska should have access to insurance coverage. The agency's members over the age of 65 enjoyed the security of Medicare that covered prevention and acute care; the agency felt that the state's children should enjoy the same coverage. He stressed the importance of Medicare coverage for newborns and their mothers. He urged the committee to pass the legislation.

9:22:25 AM

ELIZABETH RIPLEY, EXECUTIVE DIRECTOR, MAT-SU HEALTH FOUNDATION (via teleconference), voiced support for SB 5. The foundation owned part of the Mat-Su Regional Medical Center and used revenues from the local hospital to make grants to improve the health of Mat-Su residents. The foundation worked to reduce health care barriers that included lack of insurance. Access to primary, dental, and preventative health services was important for overall health. In 2007 approximately 1,499 of the 22,991 children in Mat-Su were uninsured and 650 of the children fell below 200 percent of the Federal Poverty Level (FPL). The overall rate of uninsured children was 6.5 percent; however, the rate for children at or below 200 percent of the FPL was 20.4 percent and had begun to increase between 1 percent and 2 percent annually due to the decrease in eligibility for Alaska KidCare. Alaska had seen a 31 percent decline in the number of children covered by private health insurance in the past decade. She explained that the cost of care was passed on and raised premiums and out of pocket expenses for other Alaskans and businesses. She stated that uninsured children were not as healthy as insured children

and were nine times less likely to have a regular doctor, four times more likely to be taken to the emergency room, and 25 percent more likely to miss school. In order to get a handle on the increased Medicaid costs in the state, it was important to address chronic disease and other drivers at the primary care level; uninsured children did not have access to the necessary preventative care, which increased system costs. She provided an example about a mother who had taken her asthmatic child to the emergency room 12 times one year, but only 3 times the following year, as a result of access to primary care and preventative treatment. She emphasized that increasing Denali KidCare eligibility levels to a minimum of 200 percent of the FPL would increase health care access for children and families in need and would improve public health throughout Alaska. She relayed that currently Alaska was one of four states with the lowest eligibility levels.

[9:25:28 AM](#)

STEPHANIE BERGLUND, CHIEF EXECUTIVE OFFICER, THREAD (via teleconference), testified in support of SB 5. She stated that the bill would increase access to health care for more women, children, and families. The organization worked with over 7,500 families annually and was aware of the importance of health care resources for healthy development in children. According to research, the support of children during their early years was the most critical and families with access to care were more likely to obtain early intervention to support their child.

[9:26:32 AM](#)

GUS MARX, GRANTS COORDINATOR, ALASKA ASSOCIATION OF HOMES FOR CHILDREN, spoke in support of SB 5. The association was made up of 19 behavioral and mental health providers throughout the state that served children primarily through Denali KidCare. He explained that the bill would increase Denali KidCare service and would provide children with service who had not previously had access.

[9:27:44 AM](#)

JOY LYON, EXECUTIVE DIRECTOR, ASSOCIATION FOR THE EDUCATION OF YOUNG CHILDREN, vocalized support for SB 5. She thought that the \$600 annual cost to the state represented the best financial deal to help children to become strong citizens

in the future. The bill was a priority for the coalition of early childhood associations throughout the state, including the Alaska Association for the Education of Young Children, Best Beginnings, Alaska Head Start Association, Alaska Infant Learning, and THREAD. She stressed the importance of providing at risk families with a connection to a medical home and doctor. At times a doctor was the only individual who saw a family; therefore, their role was necessary to ensure that a child was able to grow and thrive. She relayed that other states including Mississippi, Tennessee, and Alabama had higher support for young children in spite of tougher state financial conditions. She urged the committee to pass the legislation.

Senator Olson wondered what help the program offered to community health aides that saw children in rural villages. Ms. Lyon replied that she was not very familiar with the health systems in Alaska's rural communities.

[9:30:50 AM](#)

NANCY DAVIS, PRESIDENT, ALASKA NURSES ASSOCIATION, testified in support of SB 5 that would expand health care coverage to more children. She had participated in a Yukon-Kuskokwim training for community health aides that taught them how to perform early preventative screenings. She believed that under Denali KidCare, health aides could perform initial screenings and make referrals. She communicated that it was important to invest in healthy children and to make it possible for parents to take good care of their children. Denali KidCare covered pregnant women to support the health of babies and to prevent pre-term deliveries. She had led the enrollment effort when Denali KidCare had first been offered in Alaska; the state had led the nation in enrollment numbers. She believed the need for the program was great in Alaska.

[9:32:55 AM](#)

Senator Stedman CLOSED public testimony.

Senator McGuire spoke in support of SB 5. She stressed the importance of providing all children with access to health care. She wondered what communications had occurred with the governor and his staff in order to ensure that the bill would not be vetoed as it had been in the past.

SENATOR BETTYE DAVIS, SPONSOR, replied that the administration had worked on a solution to ensure the governor would not veto the bill. She believed that there were many options available that did not include cutting Denali KidCare. She expressed interest in introducing other legislation that would possibly reduce the number of abortions that would be added to the program. Additional options included adoption services and other. She felt that the bill should be passed as written in order to provide coverage to women and children who were in need of the services. She was open to other suggestions by the administration that would appease the governor.

Senator Davis discussed that the bill would increase and restore original Denali KidCare levels established 14 years earlier to the qualifying income eligibility standard to 200 percent of the FPL. The bill had passed the House and Senate the prior year, but had been vetoed by the governor. She had met with the governor who had indicated there was flexibility on some items but not on others; she had agreed. She believed that the governor did not have to veto the bill. She discussed the separation of powers between the legislative and executive branches of government and that the legislature needed to act not based on what the governor may do. She recounted that Governor Parnell had supported the bill the prior session, but he had received information prior to signing it into law that had caused him to change his mind. She believed the program was needed and efficient. Alaska was one of three states with an eligibility standard of 200 percent or less of the FPL. She emphasized that there was no need for the state to be at such a low number when it had the finances to fund the program.

[9:37:16 AM](#)

Senator McGuire reiterated her support of the legislation. She discussed that the Alaska Supreme Court had decided that abortion services should be covered if Denali KidCare offered services to pregnant women. She explained that the governor was upset about the court's decision, which was beyond the control of the legislature. She encouraged Senator Davis to consider talking with the governor before the end of the current session; she had heard that the governor had been considering a definition of medical necessity related to abortions or other. She understood the

philosophical concern, but believed it would be unfortunate if the bill was vetoed again over the item.

Senator Davis stressed that there was a medical necessity definition that could be utilized. She believed there were other options. She discussed that the governor's office had the information. She stressed that the governor's statement that he would veto the bill if he received it, was not helpful.

SB 5 was HEARD and HELD in committee for further consideration.

#sb27

SENATE BILL NO. 27

"An Act relating to flame retardants and to the manufacture, sale, and distribution of products containing flame retardants; relating to bioaccumulative toxic chemicals; and providing for an effective date."

[9:40:26 AM](#)

SENATOR BILL WIELECHOWSKI, SPONSOR, explained that SB 27 focused on healthy families and safer homes. He explained that polybrominated diphenyl ethers (PBDEs) were flame retardant chemicals found in televisions, computers, furniture, mattresses, carpets, cell phones, microwaves, etc. He stressed that Alaskans were at risk from PBDE exposure for three reasons: (1) Alaskans spent a significant amount of time indoors, which increased their exposure PBDE household dust; (2) Toxins including PBDEs, were concentrated in cold climates and carried in global air currents; and (3) Alaskans ate wild foods that concentrated PBDEs, such as marine mammals and some fish species. He informed the committee that U.S. companies had voluntarily agreed to stop manufacturing PBDEs beginning in 2012; however, foreign companies had not. He urged the support of the committee and emphasized that Alaskans needed the legislation to help protect their health and homes.

[9:41:46 AM](#)

CARLA HART, STAFF, SENATOR WIELECHOWSKI, presented the highlights of the bill. She discussed that PBDEs were

pervasive, could be released from products in the form of microscopic dust, and could be easily ingested, inhaled, and absorbed. The chemicals remained in the environment for extended periods of time, built up in fatty tissue, and became more concentrated as they moved up the food chain. She explained that PBDEs were neurotoxins, which impacted hormones that regulate how the human body functions. She relayed that couches manufactured prior to 2004 frequently contained at least one pound of the toxic chemicals. The chemicals could be ingested when a person ate food with their fingers. She stressed that the neurotoxins were transferred from mother to child during pregnancy and nursing and that small children often put items from the floor in their mouths. Exposure to small concentrations of PBDEs at critical stages of development could have permanent effects on development, and could potentially trigger cancers and other health problems decades later.

Ms. Hart remarked that Senator Donny Olson had hosted a session on Fetal Alcohol Spectrum Disorder (FASD) earlier in the session; the similarity of the impacts of FASD and PBDE exposure were notable; however, a pregnant woman could protect a child from FASD by avoiding alcohol. The Environmental Protection Agency (EPA) did not have the authority under current law to impose a ban of the toxic chemicals; therefore, individual states had begun to take action. The bill would not compromise fire safety, given that changes in product design had reduced the need for chemical flame retardants. She relayed that a safer chemical alternative had passed the scrutiny of the fire marshal for State of Washington and other alternatives were under consideration throughout the country. Supporters of the bill included the Alaska Fire Chiefs Association, Alaska Association of Professional Fire Fighters, Association of Village Council Presidents, Arc of Anchorage, Nome Eskimo Community, Alaska Inter-Tribal Council, Alaska Nurses Association, and the Native Village of Savoonga.

Ms. Hart noted that the Division of Environmental Health under the Department of Environmental Conservation (DEC) did not have a toxicologist despite the prevalence of household and industrial toxins. She discussed that the DEC fiscal note included funding for one toxicologist. The fiscal notes from the Departments of Health and Social Services (DHSS) and Public Safety (DPS) were zero. She

detailed that the annual financial impact equated to approximately \$139,000 or \$0.20 per Alaskan.

9:45:33 AM

Co-Chair Stedman delineated that there were three fiscal notes for SB 27, including two zero notes from DHSS and DPS and one fiscal note in the amount of \$139,000 in general funds from DEC for the funding of one new full-time environmental program specialist position.

9:46:51 AM

DR. SARAH JANSON, NATURAL RESOURCES DEFENSE COUNCIL (via teleconference), spoke in support of SB 27. She was a physician who specialized in occupational and environmental medicine and was a reproductive biologist with expertise in chemicals that mimicked hormones. She explained that flame retardant chemicals such as PBDEs were hormone disrupting chemicals that interfered with the body's natural hormones including those critical in brain and reproductive system development. Flame retardants like PBDEs were common components in household items and had become incorporated into human bodies. Humans were among the most highly exposed; exposure came from multiple places, but was particularly prevalent in dust that leached from consumer products in households. Pregnant and nursing mothers passed chemicals to developing fetuses and infants during critical windows of brain and reproductive system development. Small children had been found to have exposure of up to three times more than their mothers due to their propensity to put items from the floor in their mouths.

Ms. Janson explained that the chemicals had been found to disrupt the thyroid hormone and sex hormones such as estrogen and testosterone. Health outcomes associated with harm in lab animals included damage to brain development that resulted in hyperactivity and memory problems, reproductive harm such as low sperm counts and small testicles, and cancer. She was troubled that many of the outcomes, which had once only been found in animal studies, had been found in human populations. A recent study of U.S. children had found that those with high PBDE exposure in the womb performed worse on learning, memory, attention, and physical development. The use of PBDEs would continue to add to the negative impact on the environment and human bodies. She relayed that continued exposure put future

generations at risk for chronic disease and irreparable harm.

Senator Olson asked how the dangers of PBDEs compared to other neurotoxins, such as cadmium, mercury, and other.

Ms. Janson replied that it was difficult to separate the contribution of PBDEs from other heavy metals, mercury, lead, cadmium, and PCBs [polychlorinated biphenyls] that were historically used as flame retardant chemicals. The chemicals could all cause greater harm when combined together. She did not know a specific percentage that caused conditions such as attention deficit hyperactivity disorder; however, she opined that the elimination of exposure to the chemicals would have a significant impact on public and reproductive health.

Senator Olson queried the specific neoplasias that existed as a result of PBDEs. Ms. Janson responded that there was animal research data related to Deca PBDEs, which were listed by the EPA as a probable human carcinogens based on thyroid tumors and liver abnormalities.

Senator Olson asked what negative effects had been seen in Europe that had caused the European Union to ban PBDEs.

Ms. Janson answered that PBDE levels in breast milk in some European countries had declined subsequent to their removal from consumer products. She did not know whether a follow-up study on health impacts had been conducted; the body took a long time to metabolize the chemicals; therefore, it would take considerable time before health impacts could be measured as a result of the removal of PBDEs from products.

[9:53:10 AM](#)

DR. ANDRE FELIZ, MEDICAL RESEARCHER, DOCTOR, UNIVERSITY OF CALIFORNIA DAVIS, DEPARTMENT OF COMPARATIVE PATHOLOGY, CALIFORNIA CITIZENS FOR FIRE SAFETY (via teleconference), testified against SB 27. His expertise was in air particulate pollution and he explained that science had been unable to directly link health problems to PBDEs. There had been no reported literature about any adverse health impacts in humans resulting from exposure to Deca or other polybrominated fire retardants. His research focused on air particulate matter and how humans received toxins from dust and inhaled chemicals. He had found that the dust

constituted a higher environmental danger than some of the toxic chemicals that people believed were in the dust. He stressed that the danger of fire was greater than the danger of PBDE exposure. He emphasized that 3,500 children had died as a result of fire in the prior year and 90 percent of the cases were at home. He stressed the importance of fire retardants in the prevention of fires. He had worked with burn victims and relayed that scars could last a lifetime. He believed that before banning PBDEs that it was important to consider their roll in saving lives. He addressed the danger of replacing PBDEs, which had been studied for over 30 years, with newer alternatives that had only been studied for a few years.

[9:57:13 AM](#)

PETE ERRIGO, SELF, BIRD CREEK (via teleconference), testified against SB 27. He expressed concern that the removal of fire retardants would expose people to unnecessary risk. He believed there was legislation in place that would phase in new fire retardants and recommended allowing time for the bill to take effect.

[9:58:30 AM](#)

PATTIE SAUNDERS, THE ARC OF ANCHORAGE (via teleconference), testified in support of SB 27. She discussed that the organization served Alaskans with developmental disabilities and mental health issues. She emphasized that preventing a single occurrence of developmental disability would save between \$1 million and \$3 million over a child's lifetime according to national experts and the Governor's Council on Special Education and Disabilities. One out of six families was impacted by developmental disability and the savings represented by preventable disabilities were "staggering." She highlighted that the bill would work to remove PBDEs from the environment and would help to protect brain development in children. The bill would create a registry of safe fire retardants that would protect children, families, and firefighters. She detailed that monetary savings provided by the bill would be substantial; the prevention of 10 disabilities per year would save between \$10 million and \$30 million over the next ten years. She was perplexed by testimony that stated concern about burn victims but downplayed the impacts of chemicals that could cause disabilities in children, which could be replaced by equally effective safer alternatives. She

queried the relationship between the testifier and chemical manufacturers or industry representatives. She reiterated that \$139,000 per year was a small amount to pay and wondered whether committee members could face the parents of babies born with preventable diseases. She opined that critics of the bill were unwilling to take modest steps to protect children and other.

10:02:48 AM

DR. LAUREN HEINE, ENVIRONMENTAL ENGINEER, was present to discuss alternatives to PBDEs. She worked with businesses such as Hewlett-Packard, Apple, and Walmart that were interested in developing products that were beneficial for human health and the environment. She pointed out that a fire retardant must meet required fire safety performance to be considered an alternative; therefore, banning PBDEs would not restrict fire safety. She stressed that although fire safety had saved lives there was no evidence that PDBEs had done so. United States manufacturers had agreed to phase out PBDEs; however, the chemicals were still imported into the country in products. She informed the committee that Walmart had recently banned products that contained the chemicals. Mattress manufacturers did not need PBDEs and used a flame retardant barrier instead. Plastic manufacturers such as DSM, Apple, Seagate, Hewlett-Packard, and other did not use any brominated flame retardants. She thought it was odd that related bans were normally seen negatively. She believed the state would be sending an important signal that: (1) People needed to know the contents in products that they were making and selling; and (2) Manufacturers needed to make safer alternatives that were consistent with what people valued. She pointed out that DOW Chemical had just offered an alternative to a brominated flame retardant that had health benefits and would be used with EPA partnerships. She stressed that bills like SB 27 sent important signals through the supply chain and drove innovation for new products and processes in the U.S. She thought there was an opportunity to move towards safer and healthier products.

10:07:36 AM

Senator Olson asked how the cost increase due to the use of alternative flame retardant chemicals would impact young parents and other consumers.

Senator Wielechowski responded that both fire safety and health safety could be accomplished. He did not believe there was any evidence that the ban on PBDEs in Europe and up to 13 other states had caused an increase in fire related burns. He represented lower income areas in Anchorage and he was sympathetic to their needs. Bans had caused companies to become more innovative and to provide safer alternatives. He did not believe a cost increase would result from a ban on the chemicals because safer options were available and were currently used in 12 other states and throughout Europe. The ban on PBDEs by large companies such as Walmart, Apple, and Hewlett-Packard, was significant and would help to keep costs down. He emphasized that Alaska was particularly affected by the risks posed by the chemicals; studies showed large amounts of PBDEs in the breast milk of Yup'ik mothers due to their subsistence lifestyle.

SB 27 was HEARD and HELD in Committee for further consideration.

#sb101

SENATE BILL NO. 101

"An Act adopting the Alaska Entity Transactions Act; relating to changing the form of entities, including corporations, partnerships, limited liability companies, business trusts, and other organizations; amending Rule 79, Alaska Rules of Civil Procedure, and Rules 602(b)(2), 602(c), and 605.5, Alaska Rules of Appellate Procedure; and providing for an effective date."

[10:11:47 AM](#)

SENATOR JOE PASKVAN, SPONSOR, provided a synopsis of the legislation. He discussed that during the past 20 years many new types of business entities, including limited liability companies and limited liability partnerships, had been recognized under state law. Consequently, many businesses used various types of entities in their organizational structures. He detailed that the relaxation of federal tax rules that governed entity classification had led to an increase in the volume of restructuring and acquisition transactions throughout the various entity forms. The companies were required to initiate transactions

out-of-state and multiple indirect steps were required because of the lack of clear statutory structure in Alaska. The legislation conformed to the Uniform Law Commissioners' Model Entity Transaction Act (META) and would help to facilitate transactions between more than one form of business entity, improve the existing business climate, and help reduce unnecessary administrative and legal burdens that were currently imposed. The bill would provide businesses in Alaska with the opportunity to engage in cross-entity transactions in-state. The legislation was initially introduced during the prior session; due to the complexity of the bill the Departments of Commerce, Community and Economic Development (DCCED) and Law (DOL) had worked to fine tune it during the interim.

Senator Paskvan discussed the contents of members' committee packets and pointed out the zero fiscal note from DCCED. The packet included a memo drafted by an attorney that advocated for the update of the Alaska business statutes and depicted the necessary steps an Alaska corporation had to take to merge with a limited liability company: (1) A business was required to form an out of state or "foreign" limited liability company; (2) The business's Alaska limited liability company was required to merge with the foreign company; (3) The surviving entity of the merger was converted into a foreign corporation pursuant to the provisions of the other state; and (4) The corporation would then be merged with the Alaskan corporation. The intent was to establish a business-friendly statutory structure that would allow a single transaction to take place. He quoted from a META summary that had been prepared by the Uniform Law Commission, which provided "non-partisan, well-conceived, and well drafted legislation that brings clarity and stability to critical areas of state statutory law." He communicated that the bill had been vetted by the commission, which provided services that most states could not otherwise afford or duplicate. Member packets also contained the 2011 suggested state legislation by the Council of State Governments (CSG); the council "alerts state elected and appointed officials to emerging social, economic, and political trends; offers innovative state policy responses to rapidly changing conditions; and advocates multi-state problem solving to maximize resource and competitiveness." He quoted from a letter from the President and Chief Executive Officer of Doyon: "As Doyon has grown, its corporate structure has grown more complex. The passage of this

legislation will help to make some unnecessary complexity out of transactions and will avoid the need to incorporate in other jurisdictions where laws are better defined for complex transactions." He summarized that the bill would help bring Alaska into mainstream statutory business law.

Co-Chair Stedman referred to the zero fiscal note by DCCED.

[10:18:37 AM](#)

DON HABEGER, DIRECTOR, DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, relayed that the division had spent a significant amount of time comparing the bill from the prior session with existing statute. The division and DOL and had worked through their concerns and were comfortable with the current legislation. He added that the division would be able to absorb the legislation with no additional costs.

Senator Stedman asked whether DCCED supported the legislation. Mr. Habeger replied that the department was comfortable with the bill.

Senator Olson queried whether there was opposition to the bill.

Senator Paskvan was not aware of any opposition to the legislation. He noted that a significant amount of work had gone into the bill to make it acceptable to all parties.

[10:21:14 AM](#)

Senator McGuire wondered whether there were any small entities that would be negatively impacted by the legislation. She recalled that the Senate Judiciary Committee had focused on the requirement that transactions had to be approved by all interest holders to prevent items such as hostile takeovers.

Senator Paskvan detailed that no creditors, secured interests, or consumers would be harmed. The bill worked to protect the interest of all parties through a business-friendly, single transaction.

SB 101 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

10:23:18 AM

The meeting was adjourned at 10:23 AM.