

SENATE FINANCE COMMITTEE
April 13, 2012
9:08 a.m.

[9:08:49 AM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:08 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

Representative Bob Herron; Representative Paul Seaton; Representative Anna Fairclough; Representative Mia Costello; Yasmine Habash, Staff, Representative Craig Johnson; Darwin Peterson, Staff, Senator Bert Stedman; Terry Harvey, Staff, Representative Cathy Munoz; Rachel Kallander, Staff, Representative Bill Thomas; Brodie Anderson, Staff, Representative Reggie Joule; Nancy Manly, Staff, Representative Bob Lynn; Michael Paschall, Staff, Representative Eric Feige; Dana Owen, Staff, Senator Dennis Egan; Jim Puckett, Director, Division of Retirement and Benefits, Department of Administration; Weston Eiler, Staff, Senator Bert Stedman; Aaron Schroeder, Staff, Representative Bill Thomas; Astrid Lievano, Staff, Representative Alan Austerman.

PRESENT VIA TELECONFERENCE

Mark San-Souci, Regional State Liaison Office, U.S. Department of Defense, Washington; Tyler Arnold, CEO, Simply Social, Anchorage.

SUMMARY

CSSB 121 TEACHERS & PUB EMPLOYEE RETIREMENT PLANS

CSSB 121(STA) was REPORTED out of committee with a "do pass" recommendation and with a previously published fiscal impact note: FN2(DOR), a new fiscal impact note from the Department of Administration, and a new indeterminate fiscal note from the Department of Administration.

SB 217 PHARMACY AUDITS

SB 217 was HEARD and HELD in committee for further consideration.

CSHB 21(FIN)

SUICIDE PREVENTION COUNCIL MEMBERS

CSHB 21(FIN) was REPORTED out of committee with a "do pass" recommendation and with a new fiscal impact note from the Department of Health and Social Services.

CSHCR 23(FIN)

ALASKA ARCTIC POLICY COMMISSION

CSHCR 23(FIN) was SCHEDULED but not HEARD.

HB 60 GEODUCK AQUATIC FARMING/SEED TRANSFER

HB 60 was REPORTED out of committee with a "do pass" recommendation and with two previously published zero fiscal notes: FN3(DNR) and FN4(DFG).

CSHB 78(FIN)

INCENTIVES FOR CERTAIN MEDICAL PROVIDERS

CSHB 78(FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously

published fiscal impact note: FN4(DHSS), and a previously published zero fiscal note: FN3(DEED).

CSHB 115(TRA)

NAMING WALTER J. HICKEL EXPRESSWAY

CSHB 115(TRA) was REPORTED out of committee with a "do pass" recommendation and with previously published fiscal impact note: FN2(DOT).

CSHB 131(TRA) am

COMMUNITY AND TRANSPORTATION ADV. BOARD

CSHB 131(FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published fiscal impact note: FN3(DOT).

HB 204 STATE PROCUREMENT CODE

HB 204 was HEARD and HELD in committee for further consideration.

HB 205 PUBLIC PROCUREMENT

HB 205 was HEARD and HELD in committee for further consideration.

CSHB 246(FIN)

NAMING CERTAIN BRIDGES & AIRPORTS

CSHB 246(FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published fiscal impact note: FN3(DOT), and a previously published fiscal impact note FN4(DOT).

CSHB 252(FIN)

SMALL BUSINESS INCOME TAX EXEMPTION

CSHB 252(FIN) was HEARD and HELD in committee for further consideration.

CSHB 258(FIN)

NATURALLY OCCURRING ASBESTOS

SCS CSHB 258 was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN1(DLWD), a

previously published fiscal impact note FN3(DHSS), a previously published zero fiscal note: FN4(DOL), a previously published zero fiscal note: FN5 (DNR), a previously published fiscal impact note: FN6(DEC), and a previously published fiscal impact note: FN7(DOT).

CSHB 276(FIN)

OIL/GAS PROD. TAX CREDITS/RATES/VALUE

CSHB 276(FIN) was SCHEDULED but not HEARD.

CSHB 282(FIN)

MILITARY TRAINING CREDIT/TEMP. LICENSE

CSHB 282(FIN) was HEARD and HELD in committee for further consideration.

CSHB 286(FIN)

G.O. BONDS: TRANSPORTATION PROJECTS

CSHB 286(FIN) was HEARD and HELD in committee for further consideration.

CSHB 298(FIN)

EXEMPTIONS FROM MINING TAX

CSHB 298(FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN1(DNR), and a previously published fiscal impact note: FN3(DOR).

CSHB 301(FIN)

BOATING REGULATION: SUNSET/ENFORCEMENT

CSHB 301(FIN) was HEARD and HELD in committee for further consideration.

CSHB 302(FIN)am

CONTRIBUTIONS FROM PFD: UNIV/AUDITS

CSHB 302(FIN)am was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN1(DOR).

HB 360 INTERSTATE MINING COMPACT & COMMISSION

HB 360 was REPORTED out of committee with a "do pass" recommendation and with a previously published fiscal impact note: FN2(HFIN/DNR).

HB 366 DISASTER PLANNING AND SERVICES

HB 366 was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN1(DMVA).

#hb78

CS FOR HOUSE BILL NO. 78(FIN)

"An Act establishing a loan repayment program and employment incentive program for certain health care professionals employed in the state; and providing for an effective date."

[9:11:01 AM](#)

REPRESENTATIVE BOB HERRON, explained that HB 78 would provide financial incentives for certain health care providers that Alaska needed, in 10 different occupations.

Co-Chair Stedman discussed the fiscal notes in the packet. He noted that public testimony had been previously held.

Co-Chair Hoffman MOVED to report CSHB 78(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 78(FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published fiscal impact note: FN4(DHSS), and a previously published zero fiscal note: FN3(DEED).

#hb115

CS FOR HOUSE BILL NO. 115(TRA)

"An Act designating a portion of Minnesota Drive and a portion of O'Malley Road in Anchorage the Walter J. Hickel Expressway."

[9:12:36 AM](#)

YASMINE HABASH, STAFF, REPRESENTATIVE CRAIG JOHNSON, explained that HB 115 would concurrently name a 7.5 mile portion of Minnesota Drive and O'Malley Road the "Walter J. Hickel Expressway."

[9:13:01 AM](#)

Co-Chair Stedman discussed the fiscal note in the packet. He noted that public testimony had been previously heard.

Co-Chair Hoffman MOVED to report CSHB 115(TRA) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 115(TRA) was REPORTED out of committee with a "do pass" recommendation and with previously published fiscal impact note: FN2 (DOT&PF).

#hb131

CS FOR HOUSE BILL NO. 131(TRA) am

"An Act establishing the Alaska Community and Public Transportation Advisory Board and relating to a long-range community and public transportation plan; and providing for an effective date."

[9:13:56 AM](#)

Co-Chair Hoffman MOVED to ADOPT the proposed committee substitute for HB 131, Work Draft 27-LS0418\I (Martin, 4/10/12).

Co-Chair Stedman OBJECTED for the purpose of discussion.

[9:14:20 AM](#)

DARWIN PETERSON, STAFF, SENATOR BERT STEDMAN, explained that the only change in the bill was located on Page 4, lines 17 through 20:

(f) The board shall analyze the use of alternative fuels, including compressed natural gas, propane, and biodiesel in community and public transportation vehicle fleets and make recommendations for the use of alternative fuel vehicles where cost effective.

Mr. Peterson shared that at a previous hearing Senator McGuire had requested that the language be included in the bill.

Co-Chair Stedman REMOVED his OBJECTION. There being NO FURTHER OBJECTION, Work Draft 27-LS0418\I was ADOPTED.

Co-Chair Stedman discussed the fiscal notes in the packet.

[9:15:31 AM](#)

TERRY HARVEY, STAFF, REPRESENTATIVE CATHY MUNOZ, explained that the bill would establish the Alaska Community and Public Transportation Advisory Board, which would bring a group of Alaskans together in order to coordinate transportation in the state.

[9:15:55 AM](#)

Co-Chair Hoffman MOVED to report CSHB 131(FIN) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 131(FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published fiscal impact note: FN3(DOT).

#hb246

CS FOR HOUSE BILL NO. 246(FIN)

"An Act naming certain bridges and airports."

[9:16:39 AM](#)

Co-Chair Hoffman MOVED to ADOPT the proposed committee substitute for HB 246, Work Draft 27-LS0921\E (Wayne, 4/10/12).

[9:16:46 AM](#)

Co-Chair Stedman OBJECTED for the purpose of discussion.

[9:16:51 AM](#)

RACHEL KALLANDER, STAFF, REPRESENTATIVE BILL THOMAS, explained that the change in the bill would re-establish the Klawock Airport as the Frank Petratovich Airport.

[9:17:25 AM](#)

Co-Chair Stedman REMOVED his OBJECTION. There being NO OBJECTION, Work Draft 27-LS0921\E was ADOPTED.

[9:17:35 AM](#)

Co-Chair Stedman discussed the fiscal notes in the packet.

[9:17:48 AM](#)

Co-Chair Hoffman MOVED to report CSHB 246(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSHB 246(FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published fiscal impact note: FN3(DOT), and a previously published fiscal impact note FN4(DOT).

#hb258

CS FOR HOUSE BILL NO. 258(FIN)

"An Act directing the Department of Transportation and Public Facilities to develop and implement standards and operating procedures, to evaluate site-specific use plans, and to designate project areas concerning gravel or other aggregate material containing naturally occurring asbestos; authorizing use on an interim basis of gravel or other aggregate material containing naturally occurring asbestos for certain transportation projects and public facilities; providing immunity for the state and for landowners, extractors, suppliers, transporters, and contractors for certain actions or claims arising in connection with the use of gravel or aggregate material containing naturally occurring asbestos in certain areas; requiring contractors to report certain asbestos-related data to the Department of Transportation and Public Facilities; and providing for an effective date."

9:18:20 AM

AT EASE

9:19:26 AM

RECONVENED

9:19:41 AM

Co-Chair Hoffman MOVED to ADOPT the proposed committee substitute for HB 258, Work Draft 27-LS0400\Q (Nauman, 4/9/12).

Co-Chair Stedman OBJECTED for the purpose of discussion.

9:20:01 AM

DARWIN PETERSON, STAFF, SENATOR BERT STEDMAN, explained the changes in the new committee substitute. He stated that the legislative findings language had been removed from the bill; a letter of legislative findings and purposes would be drafted by the committee by request of the sponsor. He relayed that Page 7, lines 21 through 24 had been changed to state:

(2) the completed project will not use gravel or other aggregate material containing naturally occurring asbestos for a surface application except if the material to be used for the surface application is treated or bound with a surface compound, including chip seal or asphalt, approved by the department.

Mr. Peterson stated that dust was not created when naturally occurring asbestos was included in a chip seal.

9:21:35 AM

Co-Chair Stedman REMOVED. There being NO FURTHER OBJECTION, Work Draft 27-LS0400\Q was ADOPTED.

9:21:43 AM

BRODIE ANDERSON, STAFF, REPRESENTATIVE REGGIE JOULE, explained that the bill would allow communities to move forward using naturally occurring asbestos gravel when the aggregate material proved to be the only option. He stated that communities could request that certain land could be designated a naturally occurring delineation zone, and

within that zone aggregate material that contained more than .25 by mass volume naturally occurring asbestos would be allowed to be used a construction material. He added that in communities where no one could step forward to make the request, the state could create a zone in order to complete projects. He furthered that within the delineation zone contractors would be required to submit a site-specific plan that described how the material would be used and how public safety would be ensured. He added that the bill would define an analytical threshold where naturally occurring asbestos began in gravel; .25 by mass volume, material below that level would be considered aggregate.

[9:23:47 AM](#)

Co-Chair Stedman discussed the fiscal notes in the packet. He noted that public testimony had previously been heard.

[9:24:27 AM](#)

Co-Chair Hoffman MOVED to report SCS CSHB 258(FIN) out of committee with individual recommendations, the accompanying fiscal notes, and with a legislative findings Letter of Intent from the Senate Finance Committee. There being NO OBJECTION, it was so ordered.

[9:24:55 AM](#)

SCS CSHB 258 was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN1(DLWD), a previously published fiscal impact note FN3(DHSS), a previously published zero fiscal note: FN4(DOL), a previously published zero fiscal note: FN5 (DNR), a previously published fiscal impact note: FN6(DEC), and a previously published fiscal impact note: FN7(DOT).

#hb298

CS FOR HOUSE BILL NO. 298(FIN)

"An Act exempting quarry rock, sand and gravel, and marketable earth mining operations from the mining license tax; and providing for an effective date."

[9:25:21 AM](#)

REPRESENTATIVE PAUL SEATON, explained that the bill would exempt the mining license tax from sand and gravel operations.

[9:25:35 AM](#)

Co-Chair Stedman discussed the fiscal notes in the packet.

[9:25:45 AM](#)

Co-Chair Hoffman MOVED to report CSHB 298(FIN) out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

[9:25:54 AM](#)

CSHB 298(FIN) was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN1(DNR), and a previously published fiscal impact note: FN3(DOR).

#hb302

CS FOR HOUSE BILL NO. 302(FIN) am

"An Act requiring each campus of the University of Alaska to apply to be included on the contribution list for contributions from permanent fund dividends; requiring a university to pay an application fee for each campus separately listed on the contribution list for contributions from permanent fund dividends; and repealing certain audit requirements for entities receiving contributions from permanent fund dividends."

[9:26:13 AM](#)

REPRESENTATIVE PAUL SEATON, explained that the bill would eliminate the audit provision from the Pick, Click, Give program for Permanent Fund Dividend contributions.

[9:26:47 AM](#)

Co-Chair Stedman discussed the fiscal notes in the packet.

[9:26:55 AM](#)

Co-Chair Hoffman MOVED to report CSHB 302(FIN) am out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 302(FIN) am was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN1(DOR).

#hb60

HOUSE BILL NO. 60

"An Act relating to aquatic farm permitting involving geoducks and to geoduck seed transfers between certified hatcheries and aquatic farms."

[9:27:38 AM](#)

REPRESENTATIVE PAUL SEATON, explained that the legislation would allow for geoduck farming in and around the Gulf of Alaska.

[9:27:56 AM](#)

Co-Chair Stedman discussed the fiscal notes in the packet.

[9:28:10 AM](#)

Co-Chair Hoffman MOVED to report HB 60 out of committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

HB 60 was REPORTED out of committee with a "do pass" recommendation and with two previously published zero fiscal notes: FN3(DNR) and FN4(DFG).

#hb360

HOUSE BILL NO. 360

"An Act enacting the Interstate Mining Compact and relating to the compact; relating to the Interstate Mining Commission; and providing for an effective date."

[9:29:06 AM](#)

NANCY MANLY, STAFF, REPRESENTATIVE BOB LYNN, explained that HB 360 would authorize the state to join and participate in the Interstate Mining Compact Commission. She added that the commission was a coalition of 24 mining states.

[9:29:43 AM](#)

Co-Chair Stedman discussed the fiscal note in the packet. He noted that public testimony had been previously taken.

[9:29:56 AM](#)

Co-Chair Hoffman MOVED to report HB 360 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

[9:30:10 AM](#)

HB 360 was REPORTED out of committee with a "do pass" recommendation and with a previously published fiscal impact note: FN2 (HFIN/DNR).

#hb366

HOUSE BILL NO. 366

"An Act establishing an Alaska intrastate mutual aid system and relating to the duties of the Alaska division of homeland security and emergency management and the duties of the Alaska State Emergency Response Commission."

[9:30:50 AM](#)

MICHAEL PASCHALL, STAFF, REPRESENTATIVE ERIC FEIGE, renewed the ethics disclosures that he had established during the first hearing of the bill [April 12, 2012]. He explained that the legislation would establish an intrastate mutual aid compact between political subdivisions within the state.

[9:31:10 AM](#)

Co-Chair Hoffman MOVED to report HB 366 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

[9:31:22 AM](#)

HB 366 was REPORTED out of committee with a "do pass" recommendation and with a previously published zero fiscal note: FN1(DMVA)

#hb21

CS FOR HOUSE BILL NO. 21(FIN)

"An Act relating to the membership of the Statewide Suicide Prevention Council."

[9:32:13 AM](#)

REPRESENTATIVE ANNA FAIRCLOUGH, explained that the legislation would add one member as well as a military presence on the Alaska Suicide Prevention Council. She furthered that the bill provided the flexibility for a youth member to serve until the age of 24.

Co-Chair Stedman discussed the fiscal note in the packet.

Co-Chair Hoffman MOVED to report CSHB 21(FIN) out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION, it was so ordered.

CSHB 21(FIN) was REPORTED out of committee with a "do pass" recommendation and with a new fiscal impact note from the Department of Health and Social Services.

#sb217

SENATE BILL NO. 217

"An Act establishing procedures and guidelines for auditing pharmacy records; and providing for an effective date."

[9:33:50 AM](#)

Co-Chair Hoffman MOVED to ADOPT the proposed committee substitute for SB 217, Work Draft 27-LS1411\I (Martin, 4/10/12).

[9:33:59 AM](#)

Co-Chair Stedman OBJECTED for the purpose of discussion.

9:34:05 AM

SENATOR DENNIS EGAN, explained that SB 217 would establish procedures and guidelines for auditing pharmacy records and holding all pharmacies to equal standards. He stated that the legislation had been introduced by the request of the Alaska Pharmacists Association.

9:34:53 AM

DANA OWEN, STAFF, SENATOR DENNIS EGAN, detailed the changes in version I of the legislation.

9:35:28 AM

Mr. Owen. explained that on Page 1, line 8, the word "such" had been added in replacement of the word "those". A new paragraph had been added to Page 2, line 6:

(3) an insurer, managed care company, hospital or medical service corporation, third-party payor, or pharmacy benefits manager may not conduct an audit within 90 days after an audit in which no errors were found; in this paragraph, "error" does not mean a clerical error, record keeping error, or typographical error unless the auditor finds proof of intent to commit fraud;

Mr. Owen continued with the changes. Page 2, line 24 had been changed to the following to clarify the intent of the original bill:

(9) calculations of overpayment by an auditor may not include dispensing fees unless a prescription was not dispensed, a physician denied authorization to dispense the prescription, or the dispensing violated a term of a contract;

Mr. Owen explained that Page 2, lines 31 through Page 3, line 4 replaced a paragraph from the original bill:

(11) to the extent that an audit finds clerical or record keeping errors in a required document or record, the pharmacy may not be subject to recoupment unless there is proof of intent to commit fraud or the clerical or record keeping error results in actual financial harm to an insurer, managed care company,

hospital or medical services corporation, third-party payor, pharmacy benefits manager, or a customer;

Mr. Owen stated that Page 3, line 7 reflected the addition of the words, "from the date of completion of the audit to the delivery date of the preliminary audit report, unless an auditor finds proof of intent to commit fraud"; the language applied to the interest that accrued during the time an audit was being carried out. Paragraph 19 of the same page was a new paragraph that stated that patient information accessed in the course of an audit was confidential and could not be used for marketing purposes. He stated that the effective date of the legislation had been changed to January 1, 2013.

[9:38:16 AM](#)

Co-Chair Stedman REMOVED his OBJECTION. There being NO FURTHER OBJECTION, Work Draft 27-LS1411\I was ADOPTED.

[9:38:46 AM](#)

Mr. Owen remarked that SB 217 sought to achieve fair audit standards that allowed for adequate auditing of pharmacies; while reigning in unfair, and often abusive, audit practices. He stated that it was important to understand that Alaska's pharmacies were presented "take it or leave it" contracts by pharmacy benefit managers (PBM). Pharmacies must take the contracts if they wanted to be paid by their customer's medical plans for the prescription drugs that the pharmacies dispensed. He furthered that contract terms could, and often were, changed unilaterally by the PBM arbitrarily. He stated that it was not possible for small independent pharmacies to negotiate better audit terms. Among the most abusive practices was the use of extrapolation to determine how much a PBM may have overpaid a pharmacy; meaning that if an audit found that the prescription of a certain drug was overbilled, the PBM could assert that every similar prescription was likewise overbilled, and then calculate without examining actual dispensing records how many such prescriptions the Pharmacist was likely to have filled and use that calculated number to determine the amount that was recoverable. Mr. Owen relayed that auditors could, and did, take typographical errors as errors of fact and proof of fraud. Dispensing fees (amounts paid over and above reimbursement costs of drugs) could and were taken back, even in cases where a prescription was legitimate, the drug

dispensed as prescribed, and only the amount of the reimbursed cost was at issue.

Mr. Owen explained that the bill would also place limits on when an audit could be performed, the frequency of audits, the length of time an audit could look back, the time that elapsed between audit completion and a preliminary report was given to the pharmacy and the length of time to deliver a final report. None of the standards were yet written in statute. Finally, the bill would keep patient records required during an audit confidential. This would ensure that PBM knowledge of individual patient prescription drug usage could not be shared with the arm of the corporation that retailed the drugs, and prevented the retail arm from contacting individuals with offers that undercut local pharmacies. He noted that the bill was based on model legislation that had been adopted in 18 states, 3 of which had enacted the laws during the time-period of the current the legislative session: Utah, Kentucky, and Indiana.

[9:42:16 AM](#)

Co-Chair Stedman discussed the fiscal notes in the packet.

Co-Chair Stedman OPENED public testimony.

[9:42:31 AM](#)

JIM PUCKETT, DIRECTOR, DIVISION OF RETIREMENT AND BENEFITS, DEPARTMENT OF ADMINISTRATION, expressed concern in recognition of the department's fiduciary responsibilities. He pointed out to the committee Page 2, line 6. He expressed that the department had reservations concerning the responsibility of the burden of proof to show that there had been intent to commit fraud. He stated that the language was thought by the department to be overly broad, and that the responsibility should lie with law enforcement. He furthered that the department did not agree that the legislation should limit the timeframe specified in an existing agreement with two business parties, as written on Page 2, line 4. He suggested adding: "Unless a longer time period is specified in a contract between the pharmacist and the insurer, manager company, hospital or medical service corporation, third-party payor, or pharmacy benefit manager." He directed attention to Page 2, line 31, and expressed departmental concerns that the language was, again, overly broad. He said that the proof of intent to

commit fraud was an unreasonable burden for an audit. He continued to Page 3 line 7. He said that the department believed that there was a time value of money that was universally understood; that removing interest would unnecessarily reduce a normal consequence for errors, overcharging, stealing, or committing fraud. He stated that the department believed that the language on Page 3, line 10 was too broad because it required the department to accept any record, documented phone calls, or other written electronic record as proof that the prescription was delivered as ordered by the prescriber. He shared that computers and phone logs could be altered, or counterfeited, and did not believe it was unreasonable for the department to require specific business practices. He relayed that the department wished to add a phrase to Page 3, line 29 that would state, "or any contractor of a governmental agency." He suggested that the effective date be changed in the interest of the time it would take to review contracts.

[9:47:26 AM](#)

Co-Chair Stedman asked if Department of Administration had participated in the drafting of the bill.

[9:47:50 AM](#)

Mr. Puckett responded that the administration wanted language added to the bill in order to address the aforementioned concerns.

[9:48:01 AM](#)

AT EASE

[9:48:50 AM](#)

RECONVENED

[9:48:52 AM](#)

Senator Egan queried why the administration was proposing changes so late in the process. Mr. Puckett replied that many of the changes had been recommended during prior hearings on the bill. Senator Egan furthered that some changes had been discussed in committee, but that the ideas offered presently had not been discussed. He wondered why the department had suddenly taken issue with the effective date of the bill.

[9:49:37 AM](#)

Senator Egan queried why it took the administration so long to figure out a course of action.

[9:49:56 AM](#)

Mr. Puckett replied that the recommended changes would be better for the pharmacies and the administrators of the health plans. He said that the administration appreciated the changes that were made to the effective date, but that more changes were needed to meet recommendations of the department.

[9:50:14 AM](#)

Senator Egan commented that major and minor pharmacies throughout the state had provided testimony and ideas to improve the legislation. He was disappointed that the administration had taken so long to present the suggested changes.

[9:50:45 AM](#)

Senator McGuire wondered if the language in the bill was similar to legislation that had come out of other states.

Senator Egan replied that similar legislation from other states had been studied while crafting the bill. He noted that the legislation had been curtailed to needs that were unique to Alaska.

[9:51:31 AM](#)

Senator McGuire thought that the bill required further changes. She understood that audits could be taxing to the smaller pharmacies. She noted that the hearing was late in the legislative process, but hoped that the bill could be held for further review.

Co-Chair Stedman assured the committee that, this being the first hearing of the bill, it was unlikely that it would be moved out of committee at this time.

[9:52:11 AM](#)

AT EASE

[9:53:23 AM](#)

RECONVENED

Co-Chair Stedman stated that that Senator Egan would work with the administration on its concerns regarding SB 217.

SB 217 was HEARD and HELD in committee for further consideration.

#hb286

CS FOR HOUSE BILL NO. 286(FIN)

"An Act providing for and relating to the issuance of general obligation bonds for the purpose of paying the cost of state transportation projects; and providing for an effective date."

[9:56:35 AM](#)

Co-Chair Hoffman MOVED to ADOPT the proposed committee substitute for HB 286, Work Draft 27-GH2769\D (Kirsch, 4/12/12)

[9:56:44 AM](#)

Co-Chair Stedman OBJECTED for the purpose of discussion.

[9:56:50 AM](#)

WESTON EILER, STAFF, SENATOR BERT STEDMAN, explained that the new committee substitute reflected grammatical and formatting changes. He directed attention to Page 2, line 8, which listed the projects reordered in alphabetical order and made conforming changes to the project titles. The projects and the amounts remained the same. The second change was found on Page 3, line 5; again the projects were reordered for formatting, but no changes were made in the projects or the project amounts.

Co-Chair Stedman REMOVED his OBJECTION. There being NO FURTHER OBJECTION, Work Draft 27-GH2769\D was ADOPTED.

[9:58:05 AM](#)

Co-Chair Stedman explained that the legislation had been worked on by both bodies and had been originally

recommended by the administration. He furthered that the committee, in conjunction with the administration, was working to move the bill forward.

Co-Chair Stedman discussed the fiscal note in the packet.

CSHB 286(FIN) was HEARD and HELD in committee for further consideration.

#hb282

CS FOR HOUSE BILL NO. 282(FIN)

"An Act relating to applying military education, training, and service credit to occupational licensing and certain postsecondary education and employment training requirements; providing for a temporary occupational license for qualified military service members; and providing for an effective date."

9:59:07 AM

AARON SCHROEDER, STAFF, REPRESENTATIVE BILL THOMAS, shared that the goal of the legislation was to make separating service member transitions quick and effective. He relayed that Alaska had seen approximately 1200 separating service members in the past two years, many of which had already received quality training through the military that could transfer to licensed civilian professions. He explained that the bill requested the Division of Professional Licensing, University of Alaska, and the Department of Labor to evaluate military training and education, and assign credit where credit was appropriate without compromising current standards.

10:00:10 AM

Co-Chair Stedman discussed the fiscal notes in the packet.

Co-Chair Stedman OPENED public testimony.

10:00:44 AM

MARK SAN-SOUCI, REGIONAL STATE LIAISON OFFICE, U.S. DEPARTMENT OF DEFENSE, WASHINGTON (via teleconference), testified in support of HB 282. He noted that the legislation was the companion to SB 150, which the senate had passed on February 1, 2012. He stated that 1286 service

members retired and came back to the state in FY11, and the department believed that 1 million service members would separate and go back to the states within the next 5 years.

[10:01:54 AM](#)

Co-Chair Stedman CLOSED public testimony.

CSHB 282(FIN) was HEARD and HELD in committee for further consideration.

#hb301

CS FOR HOUSE BILL NO. 301(FIN)

"An Act relating to enforcement of boating safety statutes; amending the termination date of certain statutes relating to the use, operation, and regulation of boats, a uniform state waterway marking system, and civil liability for boat owners; providing for an effective date by amending the effective date of secs. 3, 5, 7, 9, 11, 14, 16, 18, 20, 23, 26, and 27, ch. 28, SLA 2000, as amended; and providing for an effective date."

ASTRID LIEVANO, STAFF, REPRESENTATIVE ALAN AUSTERMAN, explained that the legislation would repeal the sunset date on the Alaska Boating Safety Program. She stated that the program currently had 2 sunset dates; the first repealed the Boating Safety Act in the event that the state did not receive anticipated federal funds, the second repealed the program on July 1, 2013. She relayed that the Kids Don't Float loaner lifejacket program was part of the program.

[10:03:10 AM](#)

Co-Chair Stedman discussed the fiscal notes in the packet.

CSHB 301(FIN) was HEARD and HELD in committee for further consideration.

#hb204

HOUSE BILL NO. 204

"An Act relating to the State Procurement Code, including the use of small procurement provisions for certain amounts of leased space, the requirement of Alaska business license proof for Alaska bidder and

other procurement preferences, the registration of construction contract bidders and offerors, the establishment and maintenance of lists of persons who want to provide supplies or services to the state, state agencies, and state instrumentalities, electronic bids and proposals, small procurements, and writings; and providing for an effective date."

REPRESENTATIVE ANNA FAIRCLOUGH, explained that HB 204 would clarify the Alaska business license requirement for Alaska bidder's preferences for competitive sealed bids and proposals. It would increase the dollar threshold for small procurements for supply services and professional services from \$50 thousand to \$100 thousand, for construction; \$100 thousand to \$200 thousand, and for square lease space; 3000 to 7000 square feet. She furthered that the bill allowed for electronic bids and signatures and eliminated an outdated vendors list. She stated that he changes were necessary in order to prevent failures in the procurement process and to assist Alaskan bidders, particularly in rural areas.

[10:04:43 AM](#)

Co-Chair Stedman discussed the fiscal notes in the packet.

HB 204 was HEARD and HELD in committee for further consideration.

#hb205

HOUSE BILL NO. 205

"An Act relating to state and public entity procurement, including the State Procurement Code, procurement preferences, and contract awards; relating to the meaning of 'Alaska bidder'; and providing for an effective date."

[10:05:19 AM](#)

Representative Fairclough explained that HB 205 would streamline the procurement process, would eliminate seldom used employers with disabilities preference, consolidate all procurement preferences under one statute, and clarify which preferences were cumulative and those that may not be combined.

10:05:55 AM

Co-Chair Stedman discussed the fiscal notes in the packet.

HB 205 was HEARD and HELD in committee for further consideration.

#hb252

CS FOR HOUSE BILL NO. 252(FIN)

"An Act exempting certain small businesses from the corporate income tax; and providing for an effective date."

10:06:31 AM

REPRESENTATIVE MIA COSTELLO, testified that the legislation would exempt certain small qualifying businesses from the states corporate income tax until the business reached \$50 million in gross aggregate assets, or after 10 years. She explained that the definition of a small qualifying business could found in federal law. She stated that the hope was to attract businesses that did not currently exist in the state. The businesses would eventually become corporate tax payers.

10:07:32 AM

Co-Chair Stedman asked for a clarification about who qualified for the exemption.

Representative Costello responded that qualifying industries included:

- Software development
- Bio-tech
- Pharmaceuticals
- Tele-communications
- Super-conductors
- Business technologies and solutions
- Media storage servers
- Video games

Co-Chair Stedman understood that the legislation was aimed at a targeted group.

Representative Costello replied in the affirmative.

[10:08:09 AM](#)

Co-Chair Stedman discussed the fiscal notes in the packet.

Co-Chair Stedman OPENED public testimony.

[10:08:39 AM](#)

TYLER ARNOLD, CEO, SIMPLY SOCIAL, Anchorage (via teleconference), testified in support of HB 252. He shared that he was a 19 year-old entrepreneur raised in Anchorage. He opined that the state had one of the highest corporate tax rates in the country. He felt that the legislation would help to strengthen his business's global competitiveness.

Co-Chair Stedman CLOSED public testimony.

CSHB 252(FIN) was HEARD and HELD in committee for further consideration.

[10:10:58 AM](#)

AT EASE

[10:12:15 AM](#)

RECONVENED

#sb121

CS FOR SENATE BILL NO. 121(STA)

"An Act relating to new defined benefit tiers in the public employees' retirement system and the teachers' retirement system; providing certain employees an opportunity to choose between the defined benefit and defined contribution plans of the public employees' retirement system and the teachers' retirement system; and providing for an effective date."

Co-Chair Hoffman MOVED to report SB 121(STA) out of committee with individual recommendations and the accompanying fiscal notes.

Co-Chair Stedman read the fiscal notes in the packet.

There being NO OBJECTION, CSSB 121(STA) was REPORTED out of committee with a "do pass" recommendation and with a previously published fiscal impact note: FN2(DOR), a new fiscal impact note from the Department of Administration, and a new indeterminate fiscal note from the Department of Administration.

[10:13:23 AM](#)

AT EASE

[10:13:56 AM](#)

RECONVENED

#hcr23

CS FOR HOUSE CONCURRENT RESOLUTION NO. 23(FIN)

Establishing and relating to the Alaska Arctic Policy Commission.

CSHCR 23(FIN) was SCHEDULED but not HEARD.

#hb276

CS FOR HOUSE BILL NO. 276(FIN)

"An Act providing for a credit against the oil and gas production tax for costs incurred for conducting seismic exploration and drilling certain oil or natural gas exploration wells in certain basins; relating to the determination of the production tax value of oil and gas production; and relating to a special tax rate for new oil or gas production south of 68 degrees North latitude."

CSHB 276(FIN) was SCHEDULED but not HEARD.

#

ADJOURNMENT

[10:14:20 AM](#)

The meeting was adjourned at 10:14 AM.

