ALASKA STATE LEGISLATURE
HOUSE HEALTH AND SOCIAL SERVICES STANDING COMMITTEE
February 26, 2015
3:02 p.m.

MEMBERS PRESENT

Representative Paul Seaton, Chair
Representative Liz Vazquez, Vice Chair
Representative David Talerico
Representative Neal Foster
Representative Louise Stutes
Representative Adam Wool
Representative Geran Tarr

MEMBERS ABSENT

COMMITTEE CALENDAR

PRESENTATION: DEPARTMENT OF HEALTH AND SOCIAL SERVICES DIVISION OF PUBLIC ASSISTANCE

- HEARD

HOUSE BILL NO. 59
"An Act relating to marijuana concentrates; and providing for an effective date."

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 59
SHORT TITLE: MARIJUANA CONCENTRATES; LICENSES
SPONSOR(s): REPRESENTATIVE(s) SEATON

01/21/15	(H)	PREFILE RELEASED 1/16/15
01/21/15	(H)	READ THE FIRST TIME - REFERRALS
01/21/15	(H)	HSS, JUD
02/03/15	(H)	HSS AT 3:00 PM CAPITOL 106
02/03/15	(H)	Heard & Held
02/03/15	(H)	MINUTE(HSS)
02/26/15	(H)	HSS AT 3:00 PM CAPITOL 106

WITNESS REGISTER

RON KREHER, Acting Director

Director's Office
Division of Public Assistance
Department of Health and Social Services (DHSS)
Juneau, Alaska
POSITION STATEMENT: Presented an overview of the Division of Public Assistance.

SHAWNDA O'BRIEN, Administrative Operations Manager
Director's Office
Division of Public Assistance
Department of Health and Social Services
Juneau, Alaska
POSITION STATEMENT: Answered questions during the presentation by the Division of Public Assistance.

MARCEY BISH, Program Manager
Child Care Program Office
Division of Public Assistance
Department of Health and Social Services
Anchorage, Alaska
POSITION STATEMENT: Answered questions during the presentation by the Division of Public Assistance.

ELAINE RICH, Chief
Program Integrity & Analysis
Division of Public Assistance
Department of Health and Social Services
Juneau, Alaska
POSITION STATEMENT: Answered questions during the presentation by the Division of Public Assistance.

TANEEKA HANSEN, Staff
Representative Paul Seaton
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Presented the changes to HB 59 for the sponsor of the bill, Representative Seaton.

TIM HINTERBERGER, Ph.D., Chair
Campaign to Regulate Marijuana Like Alcohol in Alaska
Anchorage, Alaska
POSITION STATEMENT: Testified via teleconference in opposition to HB 59.

RACHELLE YEUNG, Legislative Analyst
Marijuana Policy Project
Washington, D.C.

POSITION STATEMENT: Testified via teleconference in opposition to HB 59.

ALLISON KULAS, Program Manager
Tobacco Prevention and Control
Division of Public Health
Department of Health and Social Services
Juneau, Alaska
POSITION STATEMENT: Testified during the discussion of HB 59.

CYNTHIA FRANKLIN, Director
Alcoholic Beverage Control (ABC) Board
Anchorage, Alaska
POSITION STATEMENT: Testified during the discussion of HB 59.

ACTION NARRATIVE

3:03:16 PM

CHAIR SEATON called the House Health and Social Services Standing Committee meeting to order at 3:02 p.m. Representatives Seaton, Talerico, Stutes, Tarr, and Wool were present at the call to order. Representatives Vazquez and Foster arrived as the meeting was in progress.

PRESENTATION: DEPARTMENT OF HEALTH AND SOCIAL SERVICES DIVISION OF PUBLIC ASSISTANCE

3:03:41 PM

CHAIR SEATON announced that the first order of business would be a presentation by the Department of Health and Social Services, Division of Public Assistance.

3:04:02 PM

RON KREHER, Acting Director, Director's Office, Division of Public Assistance, Department of Health and Social Services (DHSS), provided a PowerPoint overview of the programs, budget, core services, and service population titled "FY2016 Division Overview." He stated that he would also discuss poverty in Alaska and the role of the division and its services. He commented that the current budget deficit with its corresponding environment were "a big test of state priorities, and certainly the funding that goes with those priorities." He mentioned HB 30 which asked for priorities to services and programs while requesting a cut to some of these, as well as the proposed budget by the governor. He noted that the Alaska State Legislature was also interested in the projected reduction of general fund spending. He asked that the committee ponder the question of identifying Alaska's most vulnerable citizens, and what standards should be used to prioritize safety net services. He declared the importance of ways that the department, the division, and the legislature could ensure that the constitutional mandate for the welfare of Alaskans was met. He directed attention to an eight page overview of the division programs, as well as the Women, Infants, and Children (WIC) program and the child care program [Included in members' packets]. He declared that these two programs could make a difference for Alaskans.

3:07:36 PM

MR. KREHER reviewed the "Division Organization Chart", slide 2, which showed the distribution of the 589 staff, including the 23 positions requested to support Medicaid Expansion. He reported that 75 percent of the workforce was dedicated to eligibility determinations and benefit issuance throughout the 18 statewide field offices. He stated that there were also grantees and contractors providing support for families primarily through work services, WIC, and child care. He shared that the mission of the division, slide 3, "Division Overview," was to promote self-sufficiency and safety net benefits for families, as well as administrative management for prudent stewardship of the state's resources through the program integrity and quality assurance sections. He noted that more than 155,000 Alaskans were served by the Division of Public Assistance in November, 2014, which he declared to be a normal service population size, as it included child care, food stamps, and adult public assistance. He said that, although it could be surprising to consider that so many Alaskans were low income, in poverty, and met the criteria for the programs, Alaska was "in the middle of pack nationally," as the national average was about 18 percent and Alaska was at the 20 percent level.

3:10:02 PM

REPRESENTATIVE TARR asked whether a recipient of more than one program was counted once or twice.

MR. KREHER replied that this was the total number of recipients, not duplicated.

REPRESENTATIVE TARR asked if that also included the children.

MR. KREHER replied that this included everyone, adults and children.

3:10:40 PM

CHAIR SEATON asked how many personnel were related to Medicaid Expansion.

MR. KREHER replied that there were 23 people, primarily eligibility technicians, as well as some policy and research analysts.

3:11:05 PM

REPRESENTATIVE WOOL asked if the hirings were in anticipation of Medicaid Expansion.

MR. KREHER replied that the department anticipated that Medicaid Expansion would occur in July, and this would include those individuals in "the gap group."

REPRESENTATIVE WOOL asked if these were recent hires.

MR. KREHER clarified that these positions had not yet been hired, but would start after the beginning of the new fiscal year.

3:12:10 PM

MR. KREHER returned attention to the percentage of the population receiving aid and said that low income Alaskans were the first people to be effected in an economic downturn, and they were the last ones to recover. He reflected on the recession which began in 2008, and pointed out that this effected a lot of low income families in Alaska. He stated that this could lead to an increased demand for the division's services.

3:13:22 PM

MR. KREHER moved to slide 4, a graph titled "DPA Caseload History FY2007-2014," and reviewed the growth in recent years of the seven largest programs in the division. He pointed out the parallel growth between the Medicaid population and the food stamp caseloads over the last few years.

3:13:54 PM

MR. KREHER addressed slide 5, a program graph, "DPA Benefit History FY2007-20014," that indicated the drops and peaks of services related to seasonal needs, such as heating assistance, which had received a lot of supplemental funding from the Alaska Affordable Heating program. He pointed out that the big dips in the food stamp program (SNAP) reflected the months that recipients received the permanent dividend fund, and the issuance of cash benefits to replace the loss of federal funds.

3:14:38 PM

MR. KREHER, in response to Representative Vazquez, helped to establish the order of the graph lines.

3:16:01 PM

MR. KREHER, slide 6, used a state map of census districts to indicate where public assistance was distributed by percentage of population. He noted that the rings reflected the unemployment rates in those same areas, and he acknowledged that there was a connection between areas of low employment and reliance on public assistance, even in the urban areas.

3:17:01 PM

MR. KREHER directed attention to slide 7, "DPA Service Population," which listed the priorities under the results based accountability model. He said that the Division of Public Assistance touched individuals in every stage of life, and protected and promoted the health of Alaskans by making eligibility determinations for Medicaid, noting the life cycle chart at the bottom of the slide. The WIC program addressed nutritional needs for pregnant women and young children who were at nutritional risk, Medicaid provided health care access and delivery, and Alaska families were assured of their basic needs and supports to keep the family together. He reported that the adult public assistance program ensured that seniors and individuals with disabilities were able to live as independently as possible in their communities. He declared that personal responsibility was a key aspect of many public assistance programs, noting that the temporary assistance program had major work requirements. He opined that the chart provided percentages for services and ages served, from pre-natal to death. It also indicated that almost 60 percent of the service population were children under the age of 18 or seniors over the age of 65.

3:19:30 PM

MR. KREHER addressed slide 8, "Individual Recipients - November 2014," which reflected that many Alaskans received multiple benefits from multiple programs. He pointed out that 36 percent [55,194 people] of the total service population of about 155,000 people, only received Medicaid; whereas, food stamps "touches many, many more Alaskans." The nature of the earnings for the working poor changed dramatically in the last few years, and it was now estimated that [indisc.] million Americans had incomes below 200 percent of the federal poverty rate. He stated that the vast majority of these people were working. Overall, in Alaska, 26 percent of people who receive food stamps had earned income, and were working while living at a poverty level.

MR. KREHER said that slide 9, "Race, All Programs - November 2014," provided additional demographic information, reporting that 40 percent of the division's service population was White, while 39 percent was Alaska Native.

3:21:21 PM

REPRESENTATIVE TARR returned to slide 8, and asked about the income guidelines for eligibility to food stamps and Medicaid. She opined that everyone who qualified for food stamps should be qualified for Medicaid.

MR. KREHER explained that the food stamp program income limits were lower than the income limits for most Medicaid programs. The reality was that the majority of those who only qualified for food stamps would not, until Medicaid Expansion, qualify for Medicaid. He noted that other individuals opted to only apply for services and programs that they felt "they truly need."

REPRESENTATIVE TARR mused that these people were eligible, but did not apply.

MR. KREHER acknowledged "there may be some folks who are, in fact, eligible for Medicaid and haven't applied."

3:22:50 PM

MR. KREHER addressed slide 10, and reiterated that the high percentages of children, when combined with adults, was the majority of the service population. He declared that it was important to note that many of those in the adult category had disabilities and were also receiving adult public assistance.

3:23:32 PM

MR. KREHER spoke about slide 11, "Public Assistance Core Services," and shared that the core services in the division were narrowly defined, as a "big chunk of it is actually doing the eligibility determination." He reported that 75 percent of the workforce were office assistants, eligibility technicians, and supervisory staff who were handling the intake, doing the renewal applications, and ensuring that benefits were distributed in a timely manner. He reported that the slide depicted the average monthly recipients, and noted that some of the services were seasonal.

CHAIR SEATON asked if those not listed as annual were monthly averages.

MR. KREHER stated his agreement. He moved on to slide 12, "Public Assistance Core Services," which listed the annual expenditures for these same programs. He pointed out that the SNAP program (food stamps) was not included as the division only handled its administration, and not the funding.

REPRESENTATIVE STUTES asked for clarification on slide 11, which listed 4,706 children receiving child care assistance.

MR. KREHER explained that this was the number of children who were authorized for the benefit.

REPRESENTATIVE STUTES asked about slide 12, which listed a childcare cost of $1.7 million per month.

MR. KREHER replied that this was correct, that childcare was an extraordinarily expensive option for parents. He relayed that the cost of housing for low income families was enormous, and that child care for multiple children could be even more. He said that eligibility determination and distribution of the benefits was the second part of the division's core service.

3:27:30 PM

REPRESENTATIVE STUTES relayed that the childcare cost was $369 per month per child.

CHAIR SEATON stated that $369 per month was "quite a deal."

3:28:13 PM

MR. KREHER declared that there were three child care programs, PASS (Parents Achieving Self Sufficiency) programs, which included one for people on welfare, the Alaska Temporary Assistance program; one for people in transition from welfare; and the third was for people off welfare, working, or in education related to employment. He said that the subsidies increased as a person advanced through the programs.

3:28:52 PM

MR. KREHER moved on to slide 13, "Public Assistance Core Services," which listed the monitor beneficiary and provider compliance, the areas that ensured that Alaskans receiving the benefits, as well as the vendors, were being as responsible as possible. He stated that there had been a lot of outreach to educate the public about high quality. He shared that the quality assurance group met federal reporting requirements, and another group reviewed and monitored vendor compliance. He declared that all the groups were related to ensuring the most effective stewardship of the state's resources, stating that the fraud team was "a crack unit" and had recovered almost $8 million in the past year.

3:30:15 PM

MR. KREHER spoke about the individual and family support services, which worked in concert with child care to provide basic services for families, as a safety net to help keep their homes and supplement their food. He said that all of these programs can have a positive impact by assisting with job search and work activities, employment and self-sufficiency planning, supportive services, skills development, job training, and families first and self-sufficiency activities. He expounded on the WIC program and the impact on people without adequate nutrition. He declared the importance for adequate and proper nutrition for children, noting that research tied poor nutrition to "all sorts of behavioral challenges." He relayed that the work services programs had work requirements intended to help people get off the assistance roles. He acknowledged that there were a significant number of people with special needs who cannot achieve self-sufficiency in the expected two year period.

3:32:48 PM

MR. KREHER reviewed the WIC program, slide 15, and lauded the national award winning breastfeeding promotion and support program, as well as the health and nutrition education program. He directed attention to the additional committee information [Included in members' packets].

3:33:27 PM

MR. KREHER offered a brief budget overview, slide 16, "DPA Budget Overview," declaring that this did not include the SNAP benefits. He pointed out that the division budget was just under 12 percent of the department budget, and that the vast amount of the money, 76 percent of the funding, was paid to the clients or the vendors serving the clients in the communities. He added that about $15 million each month were paid in SNAP benefits in Alaska. He reported that the administrative costs, which included the personal services to the employees, was about 24 percent of the budget. He addressed slides 17 and 18, "Division Overall Funding Detail," and stated that a lot of this expenditure was from the general fund and went to the clients and vendors.

3:34:49 PM

REPRESENTATIVE VAZQUEZ asked about the "other" category that showed 5 percent.

MR. KREHER deferred.

3:35:14 PM

MR. KREHER addressed slide 19, "Breakdown of General Funds," which depicted the funds by program. The general fund breakout was used to identify areas for efficiencies as requested by the governor, which resulted in a $12 million total reduction, slide 20. He listed the cuts identified for programs, which included: the Alaska Temporary Assistance Program, the Adult Public Assistance Program, the Tribal Assistance Programs, and the Energy Assistance Program because there were lapsed balances in each of these, and there were some declining caseloads. He offered his belief that, although this could work, the big risk was if the economy did not get moving, as the people on the margins would begin to feel even more pressure. At that point, he asked, would there be the funds necessary to provide benefits for a growing caseload in the future. He stated that the only program with a programmatic impact was the proposed reduction to the senior benefits program. This program had been under review for termination and the senior population was likely to climb. He suggested that the big driver in cost in the next 5 - 8 years for this program would be from the families that receive the highest payment, $250 each month, as that segment of the population would most likely grow. He reported that this included several thousand people who did not receive any other benefits from the state. He said that this would result in a 20 percent reduction to benefits.

3:39:08 PM

REPRESENTATIVE TARR asked if the income limits were also being adjusted.

MR. KREHER responded that the federal poverty limits were adjusted annually, although the change in the senior benefit levels would not happen until 2016.

REPRESENTATIVE TARR asked for clarification that this was for FY 2016, effective July 1, 2015.

3:40:02 PM

MR. KREHER reviewed the division's successes, slide 21, "Recent Successes," which included a federal bonus award for administration of the food stamp program. Although this money had to be reinvested in the SNAP program, there was a 50/50 match for it, and this $900,000 bonus would then be worth $1.8 million if it was used in the SNAP program. He reported that a plan for use of the money would be submitted in the upcoming week. He spoke about the development of a quality improvement system for childcare, which was an organized way of assessing, improving, and communicating the quality of early child care and learning programs for families. He pointed out that Alaska was one of the few states that did not have a full Quality Recognition & Improvement System (QRIS), so the state partnered with thread, which was the state's resource referral agency. He said that this effort would be amplified as the childcare development fund block grant had been renewed, but this required a lot of work, some of which was not funded by the federal government. He mentioned the almost $8 million in cost avoidance fraud claims and direct savings for program disqualifications. He said that the IT system had come on line just as planned, and it was working well with the benefits and tracking of WIC recipients. He shared that the division was piloting Hospital Presumptive Eligibility, a condition of the

Patient Protection and Affordable Care Act, which allowed hospitals to presume someone to be eligible for Medicaid within a very short period of time. He explained that this was designed for point of access for care to allow for quick enrollment in Medicaid, an idea pushed by the hospitals.

3:43:58 PM

MR. KREHER referenced slide 23, "Current Challenges," which included an enormous backlog of applications, partially driven by the overlapping of the two systems as the new one was brought on-line. He allowed that progress was being made toward elimination of the backlog, and that a lot of overtime had occurred to alieve the desperate situation. He said that 10 percent of the workforce had volunteered to assist field staff, and that he was even dealing with returned mail and registering applications. He stated that the goal was to eradicate the backlog before Medicaid Expansion went live. He shared that another challenge was to leverage technology, as there was a desperate need for electronic document management in every division in the department. He stated that the business process improvements had been effective, providing a means to stay ahead of the volume of work when the food stamp caseload almost doubled from 2008 - 2010. He pointed out that the aforementioned technical challenges for the new system, as well as complex Medicaid policies, overwhelmed the division's work process. He reported that the division had applied to use some of the federal bonus funds to invest in a contractor to help re-engineer the business process, and to find more efficiencies, as there was no automated way to manage the flow of the workload.

3:46:58 PM

MR. KREHER concluded the PowerPoint presentation with slide 24, "Moving Forward." He expressed concern with the increase to caseloads if the economy remained at an ebb, as it did not take much to affect the population that the division worked with for assistance. The division was looking at long range programmatic impacts of minimum wage increases, although he surmised that there would not be much impact in the first year. He stated that the best way to address poverty was with a good living wage. He stated that the division was actively pursuing partnership work with the Office of Children's Services and the Division of Public Health. He spoke about the Workforce Innovations and Opportunity Act and the Alaska Temporary Assistance Program, and future work with the Department of Labor & Workforce Development to help re-build the job center networks. He reported that the tribal health organizations were also very important partners, noting that there were seven tribal assistance programs which were an avenue of access for their clients. He lauded the child care program and the WIC nutrition education program.

3:49:35 PM

SHAWNDA O'BRIEN, Administrative Operations Manager, Director's Office, Division of Public Assistance, Department of Health and Social Services, in response to Representative Vazquez, explained that the "other" category on slide 18 included administrative costs associated through doing business with other agencies, reimbursable services agreements (RSAs), interagencies, and leasing costs.

3:50:35 PM

MR. KREHER pointed out that the division had RSA's with many other state agencies.

3:50:55 PM

REPRESENTATIVE STUTES directed attention to slide 2, and compared the division organization chart with the graph on slide 6 for the DPA recipients as a percentage of census area populations. She asked if there was any relationship between the number of people working in certain areas with the number of clients served.

MR. KREHER replied that, in actuality, the caseload was universal, explaining that the staff in Bethel were not just serving the population in the Yukon Kuskokwim Delta area.

REPRESENTATIVE STUTES asked if, although she lived in Kodiak, someone in Bethel could be handling the claim.

MR. KREHER expressed his agreement, as the goal was to provide the timeliest service for individuals.

3:53:20 PM

REPRESENTATIVE VAZQUEZ referenced slide 22, and noted that historically an individual could have retroactive eligibility for Medicaid. She asked how that was different from presumptive eligibility.

MR. KREHER explained that it was necessary to submit a fully filled out application to the Division of Public Assistance in order to receive Medicaid, under normal circumstances. Under federal law, the division had 45 days to determine Medicaid eligibility, although, he shared, the division goal was to do this in less than 30 days. If there were any medical costs in the three months prior to the month of application, then retro Medicaid would be awarded. The concept behind presumptive eligibility was to ensure that hospitals received payment for Medicaid covered services from the day the patient entered. The primary difference was the pace with which eligibility can be determined, as there was only one day to make the eligibility determination from the hospital's checklist.

3:55:35 PM

REPRESENTATIVE VAZQUEZ asked about the recourse if there was an error.

MR. KREHER explained that criteria had been established with the hospitals, and if more than a certain percentage of presumptive eligibility errors occurred, there was a corrective compliance procedure.

REPRESENTATIVE VAZQUEZ asked when the compliance rate was determined.

MR. KREHER relayed that, as this was a new program, those details were still being worked out, and he offered to provide further information.

3:56:58 PM

REPRESENTATIVE VAZQUEZ directed attention to slide 23, and asked if the block grants referenced were state or federal grants, and how much were they.

MR. KREHER replied that this was a federal grant, and he deferred for the amount.

3:57:42 PM

MARCEY BISH, Program Manager, Child Care Program Office, Division of Public Assistance, Department of Health and Social Services, in response to a question by Representative Vazquez, said that the division did not currently have the funding formula from the reauthorization, and in response to Mr. Kreher, she estimated that the Child Care and Development Block grant was $13 million during the past year, offering to research the exact amount.

3:58:30 PM

REPRESENTATIVE VAZQUEZ asked about the number of referrals to the fraud control unit, how many cases were referred for prosecution, and the average amount of restitution.

MR. KREHER offered to provide further information, pointing out that this information was also available on the division website.

3:59:36 PM

ELAINE RICH, Chief, Program Integrity & Analysis, Division of Public Assistance, Department of Health and Social Services, in response to a question from Representative Vazquez regarding the number of fraud referrals, explained that there several categories, and that of the 572 applicant referrals, 227 were found to be fraudulent. There were 549 investigations for individuals currently receiving public assistance, and of these, 158 were found to be fraudulent. During the Fiscal Year 2014, there were 17 convictions with court ordered restitution in the amount of $429,776.

REPRESENTATIVE VAZQUEZ asked about the number of referrals to the Medicaid fraud control unit and the amount recouped.

MS. RICH offered to provide further information.

4:01:06 PM

REPRESENTATIVE VAZQUEZ asked whether the Surveillance Utilization Review Software was being used.

MR. KREHER replied that he did not know.

REPRESENTATIVE VAZQUEZ asked about the relationship between the division and the Medicaid payment processors.

MR. KREHER explained that the Division of Public Assistance was responsible for the eligibility determinations, and once that information was in the system, the benefits were issued.

REPRESENTATIVE VAZQUEZ asked if the Department of Administration (DOA) processed the payments for SNAP.

MR. KREHER replied that these benefits were not processed by the DOA, but went through the food and nutrition services and JP Morgan, the banking institute for electronic benefit transfers.

4:02:59 PM

CHAIR SEATON directed attention to a handout titled "Senior Benefits Program." [Included in members' packets]

MR. KREHER explained that this provided a basic overview of the senior benefits program, and in response to Chair Seaton, said that it was not on the division website. He explained that it was available to any Alaskan over the age of 65 who had income falling into one of the three income brackets. He explained that it required an income below 75 percent of the federal poverty limit for benefits of the highest payment amount; individuals between 75 and 100 percent of the federal poverty limit received the middle benefit; and individuals with income above 175 percent of the federal poverty level received the lowest payment. He noted that an individual would receive $250 per month if their income was less than $920 per month.

CHAIR SEATON asked about the other two payments, which were facing a proposed cut of 20 percent. He stated that an individual with an income of $1,200 per month would receive about $140 per month, and an individual with income of $2,146 per month would receive about $100 month. He clarified that this was an income based program prior to the deduction of any taxes or expenses. He asked if there was any asset qualification for determination.

MR. KREHER replied "there is no asset test."

CHAIR SEATON opined that a person could have significant assets and wealth with very little income.

4:06:42 PM

REPRESENTATIVE WOOL asked if the backlog indicated on slide 23 was attributable to any one cause.

MR. KREHER responded that this was a "perfect storm" due to a series of contributing events, one of which was the reality that there was not funding to start up a new Medicaid eligibility system until October, 2012. Under the Patient Protection and Affordable Care Act, in order to maximize federal match participation, there was a requirement for functionality of certain aspects of the system by October, 2013, and that this had not started in Alaska until May or June, 2013. He acknowledged that it was understood that it would create a drain on the staff resources and a fair number of employees had to contribute time to the project design and development as they were subject matter experts. He noted that during the weeks of design sessions, their work was handled by others and when the system did not go live, a contingency manual system had to be utilized and Medicaid determinations began to slow. He pointed out that account transfers were pushed from the federally facilitated market place, and created a lot of extra work.

CHAIR SEATON thanked the presenters and asked the committee to submit further questions.

4:11:28 PM

The committee took a brief at-ease.

4:11:35 PM

HB 59-MARIJUANA CONCENTRATES; LICENSES

CHAIR SEATON announced that the next order of business would be HOUSE BILL NO. 59, "An Act relating to marijuana concentrates; and providing for an effective date."

4:17:51 PM

REPRESENTATIVE VAZQUEZ moved to adopt the proposed committee substitute (CS) for HB 59, labeled 29-LS0257\S, Martin, 2/24/15, as the working draft.

4:18:04 PM

CHAIR SEATON objected for discussion.

4:18:22 PM

TANEEKA HANSEN, Staff, Representative Paul Seaton, Alaska State Legislature, explained the changes contained in the proposed CS, paraphrasing from a prepared statement, which read:

Section 5:

Page 4, line 7 & 11

Registration is replaced with *license*.

Section 6:
Page 4, lines 26 - page 5, line 2

Language requiring the regulations to include prohibitions on the combination of marijuana with alcohol and nicotine has been deleted. Language requiring the regulations to prohibit the sale of marijuana in an establishment which sells alcohol has also been removed.

New language was added which states that the regulations created by the board *may* include prohibitions on combining marijuana concentrates with other addictive substances or requirements that new products be certified before they are available for retail.

Section 12:

Page 6, lines 8 – 15

Subsections (j), (k), and (l) have been added.

Subsection (j) allows the board by regulation to create the number or type of licenses necessary for implementation. Subsection (k) prohibits the issues of a license for a marijuana retail store to a person who holds a license under AS 04. Subsection (l) states that a license issued to a marijuana manufacturing facility does not authorize the facility to combine marijuana with tobacco, nicotine, or alcohol or products containing them.

Section 22

Page 8, lines 23 -25

The words ‘through the use of a solvent other than water’ have been removed from the definition of concentrates.

4:22:12 PM

CHAIR SEATON removed his objection, therefore, the proposed committee substitute (CS) for HB 59, labeled 29-LS0257\S, Martin, 2/24/15, was adopted as the working draft.

4:22:30 PM

REPRESENTATIVE WOOL objected and, referring to page 6, line 12, asked about the license requirement.

CHAIR SEATON relayed that an amendment would be included to correct that language.

REPRESENTATIVE STUTES said that her question was similar to that of the previous member's and offered her understanding that the proposed bill did not prohibit a liquor license holder from holding a license for the sale of marijuana, although these could not necessarily be sold in the same establishment.

MS. HANSEN, in response, offered her belief that subsection (k), as written, could be interpreted in that way; therefore, Amendment S.1 would be proposed for clarification.

4:24:40 PM

REPRESENTATIVE WOOL removed his objection. There being no further objection, CSHB 59, Version S, was adopted as the working draft.

4:25:01 PM

REPRESENTATIVE VAZQUEZ moved to adopt an amendment, labeled 29-LS0257\S.1, Martin, 2/25/15, which read:

> Page 1, line 2, following "**establishments;**":
> Insert "**relating to alcoholic beverages and marijuana;**"
>
> Page 2, following line 3:
> Insert a new bill section to read:
> "* **Sec. 2.** AS 04.16 is amended by adding a new section to read:
> **Sec. 04.16.165. Restriction on sale of marijuana on licensed premises.** A licensee may not sell, offer for sale, furnish, or deliver marijuana on licensed premises."
>
> Renumber the following bill sections accordingly.

Page 6, lines 10 - 12:

Delete all material and insert:

"(k) A marijuana retail store license issued under this section does not authorize the sale, offering for sale, furnishing, or delivery of alcoholic beverages on licensed premises."

CHAIR SEATON objected for discussion.

4:27:16 PM

CHAIR SEATON labeled this Amendment S.1, and reviewed it as a means for removing the person and placing the burden on an establishment in order to address the issue of self-medication by individuals. This would prohibit individuals from purchasing recreational marijuana in an alcohol sales establishment.

CHAIR SEATON removed his objection.

4:28:11 PM

REPRESENTATIVE WOOL objected, asking for clarification that Section 12, subsection (k) would not authorize the sale of alcoholic beverages in a marijuana retail sale store, or vice versa. He reflected that previous testimony by Ms. Franklin, [Director of the Alcoholic Beverage Control Board] had suggested that licensing that would allow on premise consumption of marijuana could occur in the future. He asked if the proposed amendment only addressed purchases or if it also applied to on the premise consumption.

CHAIR SEATON explained that the on the premise consumption would be allowed for either marijuana or alcohol, but not for both products under the proposed bill. The proposed bill did not prevent a license for usage or sale on premise, it only maintained a separation of usage in the same establishment.

REPRESENTATIVE WOOL asked if this was a concurrent issue in another committee.

4:30:59 PM

MS. HANSEN offered her belief that SB 62 had similar language restricting the sale of marijuana in an establishment licensed for alcohol sale, and that it may be more restrictive by limiting the ownership of licenses for sales of both.

4:31:24 PM

REPRESENTATIVE WOOL removed his objection. There being no further objection, Amendment S.1 was adopted.

4:31:49 PM

REPRESENTATIVE VAZQUEZ moved to adopt an amendment, labeled 29-LS0257\S.1, Martin, 2/25/15, which read:

Page 2, line 5:
Delete "Notwithstanding any other provision of law, the"
Insert "**The** [NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE]"

Page 2, line 6:
Delete "**, and permitted by,**"

Page 2, line 24:
Delete "Notwithstanding any other provision of law, the"
Insert "**The** [NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE]"

Page 2, line 25:
Delete "**, and permitted by,**"

Page 3, line 11:
Delete "Notwithstanding any other provision of law, the"
Insert "**The** [NOTWITHSTANDING ANY OTHER PROVISION OF LAW, THE]"

Page 3, line 12:
Delete "**, and permitted by,**"

CHAIR SEATON labeled this Amendment 2 and objected for discussion.

4:33:32 PM

MS. HANSEN explained Amendment 2, which was primarily conforming language to SB 30 dealing with the criminal statutes, and deleting the language for "notwithstanding any other provisions of law." She noted the removal of "and permitted by" which had allowed a temporary delay for the concentrates, stating that it was no longer necessary with the deletion of the aforementioned language for notwithstanding.

4:34:43 PM

CHAIR SEATON removed his objection. There being no further objection, Amendment 2 was adopted.

4:35:13 PM

CHAIR SEATON opened public testimony.

4:36:35 PM

TIM HINTERBERGER, Ph.D., Chair, Campaign to Regulate Marijuana Like Alcohol in Alaska, stated opposition to proposed HB 59. He pointed out that Ballot Measure 2 had been approved by 53 percent of Alaska voters on November 3, and would effectively replace the unregulated, underground market for marijuana with a regulated system of tax paying businesses. He noted that the legislature's ability to modify this initiative was restricted for two years, and he expressed confidence in the Alcoholic Beverage Control Board for undertaking a mandate to provide regulations under the timelines required by the ballot measure. He stated that delay of any implementation would contradict the will of the voters, declaring that concentrates were included under the definition of marijuana in Ballot Measure 2, and the manufacture, sales, and possession of these products should be treated with parity to marijuana flower products. He stated that the campaign maintained the position that proposed HB 59 was unconstitutional as currently drafted. He directed attention to the handout titled "Specific Concerns With the Current Version of HB 59" [Included in members' packets].

4:38:53 PM

RACHELLE YEUNG, Legislative Analyst, Marijuana Policy Project, directed attention to the handout titled "Specific Concerns With the Current Version of HB 59" [Included in members' packets] and stated that it was substantively quite similar to an earlier memo. She emphasized that the campaign wanted to clarify its concerns for the intent and the effect of HB 59, as it appeared the intent was not aligned with the will of the voters. She offered the campaign's belief that the proposed bill was not constitutional in its intent. She stated that concentrates were included under the definition of marijuana in Ballot Measure 2, and, as it was not distinguished from the marijuana plant or flower, the mandate to the legislature was to not interfere with or alter the timeline for implementation of the marijuana regulations. She declared that neither the proposed committee substitute nor these amendments had altered the concerns and that the bill remained inconsistent with the initiative passed by the voters. She offered support for discussion to the concerns of potential dangers with production of concentrates and to address the concerns in a constitutional manner that was consistent with Ballot Measure 2.

4:42:16 PM

CHAIR SEATON closed public testimony.

4:43:02 PM

CHAIR SEATON asked for an opinion on the provision of the bill which separated the combining of nicotine with marijuana. He opined that this was the mixing of an addictive product with a product that may have psychological dependence and questioned whether a prohibition should be implemented.

ALLISON KULAS, Program Manager, Tobacco Prevention and Control, Division of Public Health, Department of Health and Social Services, stated that the division had not taken an official position, and, although they were tracking the science, they had not come across anything discussing the combination of nicotine or tobacco or alcohol with marijuana.

4:44:26 PM

REPRESENTATIVE VAZQUEZ asked about the combination of cannabis and alcohol.

MS. KULAS replied that, although there was not any specific science for the combination of the two, it would most likely result in greater impairment, and that there was a concern for the addictive properties of marijuana.

REPRESENTATIVE VAZQUEZ asked if Department of Health and Social Services had a position on the proposed bill.

MS. KULAS replied that the department did not have a position, at this point.

4:45:13 PM

REPRESENTATIVE WOOL asked if there was anyone who could provide a response regarding the combination aspect.

MS. KULAS explained that the evidence was being considered and the department was following the lead of Colorado, as that state had done an extensive literature review for marijuana addiction.

4:46:07 PM

CHAIR SEATON reported that the proposed bill was designed to address a developing industry. He shared that the ABC Board anticipated successful completion of the regulations. They had requested additional staff, although given the current financial situation, authorization was not ensured. The purpose of the proposed bill was to ensure full regulations on cultivation, processing, and retail sales by the industry. If necessary, a delay could be placed on the manufacture and sale of new products. He pointed out that the delay would be based on the implementation of recommendations by the board and could not exceed the projected timeframe.

4:48:18 PM

REPRESENTATIVE WOOL disclosed that he was currently a license holder under AS 04. He mused that these restrictions, as they were not in the last version of the bill, prompted further questioning. He shared that the ABC Board representatives had stated they were prepared to write regulations and restrictions on marijuana use based on their experiences with the control and regulation for the use of alcohol. He noted that members of the licensing world also declared a readiness for these issues regarding systems of control and regulations.

4:49:56 PM

REPRESENTATIVE WOOL asked about the ABC Board's position regarding the restriction of license holders under AS 04 with relationship to the potential sale of marijuana.

CYNTHIA FRANKLIN, Director, Alcoholic Beverage Control (ABC) Board, in response, explained that most of the restrictions related to alcohol were centered on a premises based approach with control of the area of sales, manufacture, or delivery, and there were not any restrictions on other businesses by alcohol licensees. She stated that the application to qualify for liquor licenses was "a fairly straightforward process." She offered her hope that the regulations for the application and licensing process for obtaining a marijuana based license would be left to the ABC Board or a newly created marijuana control board. She opined that it was difficult for the legislature "to find your spot in this voter initiative" and she expressed appreciation for the effort to allow for additional time, as well as concern for the constitutionality requirements. She stated that the specifications for who may or may not get marijuana business licenses begs the need for the regulatory agency to develop the regulations with an extended public input period. She acknowledged the earlier statements for consideration that changes may occur as the industry progresses and those details would need to be addressed during the regulatory process, as statutes were much harder to change. She opined that a prohibition for certain people to obtain marijuana licenses "might be risky business."

4:53:19 PM

CHAIR SEATON clarified that the proposed bill had been amended to address establishments and not persons, and that it prohibited the sale of both alcohol and marijuana in an establishment.

MS. FRANKLIN acknowledged the amendment, although she had understood the question to be for the simultaneous holding of licenses.

4:54:28 PM

The committee took a brief at-ease.

4:55:14 PM

CHAIR SEATON stated that HB 59 would be held over.

4:55:31 PM

ADJOURNMENT

There being no further business before the committee, the House Health and Social Services Standing Committee meeting was adjourned at 4:55 p.m.