

**ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE**

April 11, 2016

3:29 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Shelley Hughes, Vice Chair
Representative Jim Colver
Representative Gabrielle LeDoux
Representative Cathy Tilton
Representative Andy Josephson
Representative Sam Kito

MEMBERS ABSENT

Representative Mike Chenault (alternate)

OTHER LEGISLATORS PRESENT

Representative Liz Vazquez
Senator Charlie Huggins

COMMITTEE CALENDAR

HOUSE BILL NO. 234

"An Act relating to insurance coverage for mental health benefits provided through telemedicine."

- MOVED CSHB 234(L&C) OUT OF COMMITTEE

CONFIRMATION HEARING(S):

Alaska State Board of Public Accountancy

Karen Brewer-Tarver

- CONFIRMATION(S) ADVANCED

Alcoholic Beverage Control Board

Robert Evans

- CONFIRMATION(S) ADVANCED

State Board of Registration for Architects, Engineers, and Land Surveyors

Catherine Fritz
David Hale
Colin Maynard
Kathleen Schedler
Fred Wallis

- CONFIRMATION(S) ADVANCED

Board of Barbers and Hairdressers

Michelle Black
Willie Mae Canady
Kevin McKinley

- CONFIRMATIONS(S) ADVANCED

Board of Chiropractic Examiners

John Aderhold
Jeffrey Reinhardt

- CONFIRMATION(S) ADVANCED

Board of Certified Real Estate Appraisers

Robert Tracy

- CONFIRMATION(S) ADVANCED

Board of Dental Examiners

Michael Moriarty

- CONFIRMATION(S) ADVANCED

Alaska Gasline Development Corporation Board of Directors

Dave Cruz
Luke Hopkins

- CONFIRMATION(S) ADVANCED

Alaska Labor Relations Agency

Matthew McSorley
Jean Ward

- CONFIRMATION(S) ADVANCED

Marijuana Control Board

Loren Jones
Peter Mlynarik
Mark Springer

- CONFIRMATION(S) ADVANCED

Board of Marine Pilots

Andrew Mack
Tom Rueter

- CONFIRMATION(S) ADVANCED

Board of Marital and Family Therapy

Dorothea Goddard-Aguero

- CONFIRMATION(S) ADVANCED

Board of Massage Therapists

Ron Gibbs

- CONFIRMATION(S) ADVANCED

Board of Certified Direct-Entry Midwives

Kathryn Roberts
Deborah Schneider

- CONFIRMATION(S) ADVANCED

Board of Nursing

Tina Gillis
Jennifer Stuckey
Wendy Thon

- CONFIRMATION(S) ADVANCED

Occupational Safety and Health Review Board

Anthony Barnard
Keith Montgomery

- CONFIRMATION(S) ADVANCED

Board of Examiners in Optometry

Pam Steffes

- CONFIRMATION(S) ADVANCED

Board of Pharmacy

Richard Holt
Phil Sanders

- CONFIRMATION(S) ADVANCED

State Physical Therapy and Occupational Therapy Board

Ruth Kostik
James Parietti
M. Celeste Tydingco

- CONFIRMATION(S) ADVANCED

Board of Psychologists and Psychological Associate Examiners

Sarah Angstman
Allen Levy
Joel Wieman

- CONFIRMATION(S) ADVANCED

Regulatory Commission of Alaska

Rebecca Pauli

- CONFIRMATION(S) ADVANCED

Board of Social Work Examiners

Angela Christiansen
Rachel Olson

- CONFIRMATION(S) ADVANCED

Board of Veterinary Examiners

Rachel Bergartt
Hal Geiger
James Hagee

- CONFIRMATION(S) ADVANCED

Workers' Compensation Appeals Commission

Michael Notar
James Rhodes

- CONFIRMATION(S) ADVANCED

Alaska Workers' Compensation Board

Bradley Austin
David Ellis
Sarah Lefebvre
Amy Steele

- CONFIRMATION(S) ADVANCED

HOUSE BILL NO. 271

"An Act relating to a money services business; relating to transmitting value that substitutes for money; relating to licensing requirements and registration through the Nationwide Multistate Licensing System and Registry; relating to surety bonding requirements; authorizing certain licensees to contract to use subdelegates for reloading funds onto stored-value cards; relating to record retention, reporting requirements, and enforcement provisions; relating to exemptions; relating to money services Internet activities; relating to definitions regarding the transmitting value, currency, and money transmission business activities; and providing for an effective date."

- MOVED CSHB 271(L&C) OUT OF COMMITTEE

SENATE BILL NO. 127

"An Act relating to actions by insurers based on credit history or insurance score; and providing for an exception to consideration by an insurer of credit history or insurance score."

- MOVED SB 127 OUT OF COMMITTEE

CS FOR SENATE BILL NO. 142(L&C) AM
"An Act relating to insurance coverage for anti-cancer medications."

- MOVED HCS CSSB 142(L&C) AM OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: HB 234

SHORT TITLE: INSURANCE COVERAGE FOR TELEMEDICINE

SPONSOR(s): REPRESENTATIVE(s) VAZQUEZ

01/19/16	(H)	PREFILE RELEASED 1/8/16
01/19/16	(H)	READ THE FIRST TIME - REFERRALS
01/19/16	(H)	HSS, L&C
03/15/16	(H)	HSS AT 3:00 PM CAPITOL 106
03/15/16	(H)	Heard & Held
03/15/16	(H)	MINUTE(HSS)
03/17/16	(H)	HSS AT 3:00 PM CAPITOL 106
03/17/16	(H)	Moved HB 234 Out of Committee
03/17/16	(H)	MINUTE(HSS)
03/18/16	(H)	HSS RPT 3DP 1NR 1AM
03/18/16	(H)	DP: TARR, VAZQUEZ, WOOL
03/18/16	(H)	NR: TALERICO
03/18/16	(H)	AM: SEATON
04/06/16	(H)	L&C AT 3:15 PM BARNES 124
04/06/16	(H)	Heard & Held
04/06/16	(H)	MINUTE(L&C)
04/11/16	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 271

SHORT TITLE: MONEY SERVICES BUSINESS: REQS; LICENSING;

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/20/16	(H)	READ THE FIRST TIME - REFERRALS
01/20/16	(H)	L&C
04/01/16	(H)	L&C AT 3:15 PM BARNES 124
04/01/16	(H)	Heard & Held
04/01/16	(H)	MINUTE(L&C)
04/11/16	(H)	L&C AT 3:15 PM BARNES 124

BILL: SB 127

SHORT TITLE: INSURER'S USE OF CREDIT HISTORY/SCORES

SPONSOR(s): HUGGINS

01/19/16 (S) READ THE FIRST TIME - REFERRALS
 01/19/16 (S) STA, L&C
 02/11/16 (S) STA AT 9:00 AM BUTROVICH 205
 02/11/16 (S) Heard & Held
 02/11/16 (S) MINUTE(STA)
 02/16/16 (S) STA AT 9:00 AM BUTROVICH 205
 02/16/16 (S) Moved SB 127 Out of Committee
 02/16/16 (S) MINUTE(STA)
 02/17/16 (S) STA RPT 4DP 1AM
 02/17/16 (S) DP: STOLTZE, COGHILL, HUGGINS, MCGUIRE
 02/17/16 (S) AM: WIELECHOWSKI
 02/25/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 02/25/16 (S) Heard & Held
 02/25/16 (S) MINUTE(L&C)
 03/03/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 03/03/16 (S) Moved SB 127 Out of Committee
 03/03/16 (S) MINUTE(L&C)
 03/04/16 (S) L&C RPT 3DP
 03/04/16 (S) DP: COSTELLO, GIESSEL, MEYER
 03/11/16 (S) TRANSMITTED TO (H)
 03/11/16 (S) VERSION: SB 127
 03/14/16 (H) READ THE FIRST TIME - REFERRALS
 03/14/16 (H) L&C
 04/08/16 (H) L&C AT 3:15 PM BARNES 124
 04/08/16 (H) Heard & Held
 04/08/16 (H) MINUTE(L&C)
 04/11/16 (H) L&C AT 3:15 PM BARNES 124

BILL: SB 142

SHORT TITLE: INSURANCE FOR ANTI-CANCER MEDICATION
 SPONSOR(s): GIESSEL

01/19/16 (S) READ THE FIRST TIME - REFERRALS
 01/19/16 (S) L&C
 02/04/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 02/04/16 (S) Heard & Held
 02/04/16 (S) MINUTE(L&C)
 02/16/16 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
 02/16/16 (S) Moved CSSB 142(L&C) Out of Committee
 02/16/16 (S) MINUTE(L&C)
 02/17/16 (S) L&C RPT CS 4DP SAME TITLE
 02/17/16 (S) DP: COSTELLO, GIESSEL, MEYER, STEVENS
 03/02/16 (S) TRANSMITTED TO (H)
 03/02/16 (S) VERSION: CSSB 142(L&C) AM
 03/04/16 (H) READ THE FIRST TIME - REFERRALS
 03/04/16 (H) L&C

04/06/16 (H) L&C AT 3:15 PM BARNES 124
04/06/16 (H) Heard & Held
04/06/16 (H) MINUTE(L&C)
04/11/16 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

ANITA HALTERMAN, Staff
Representative Liz Vazquez
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the committee substitute (CS) for HB 234, on behalf of Representative Vazquez, sponsor.

DAVE CRUZ, Appointee
Board of Directors
Alaska Gasline Development Corporation
Department of Commerce, Community & Economic Development (DCCED)
Anchorage, Alaska

POSITION STATEMENT: Testified as appointee to the board of directors, Alaska Gasline Development Corporation.

LUKE HOPKINS, Appointee
Board of Directors
Alaska Gasline Development Corporation
Department of Commerce, Community & Economic Development (DCCED)
Anchorage, Alaska

POSITION STATEMENT: Testified as appointee to the board of directors, Alaska Gasline Development Corporation.

REBECCA PAULI, Commissioner Designee
Regulatory Commission of Alaska
Department of Commerce, Community & Economic Development (DCCED)
Anchorage, Alaska

POSITION STATEMENT: Testified as appointed commissioner to the Regulatory Commission of Alaska.

KONRAD JACKSON, Staff
Representative Kurt Olson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Provided the governor's appointees to various boards and commissions, on behalf of Representative Olson, Chair of the House Labor and Commerce Standing Committee.

ED MARTIN
Cooper Landing, Alaska

POSITION STATEMENT: Testified with concern regarding appointments to the Marijuana Control Board during the hearing on the governor's appointees to boards and commissions.

KEVIN ANSELM, Director
Division of Banking and Securities
Anchorage Office
Department of Commerce, Community & Economic Development (DCCED)
Anchorage, Alaska

POSITION STATEMENT: Addressed the changes contained in the committee substitute (CS) for HB 271.

TED MONINSKI
Anchorage, Alaska

POSITION STATEMENT: Testified during the hearing on SB 127.

LORI WING-HEIER, Director
Division of Insurance
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Responded to questions on SB 127, as previously raised by committee members, during the regular meeting on 4/8/16.

LORI WING-HEIER, Director
Division of Insurance
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Responded to questions, related to Amendment 1, to the House committee substitute (CS) for CSSB 142(L&C)am.

ACTION NARRATIVE

[3:29:46 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:29 p.m. Representatives Olson, Hughes, Tilton, LeDoux, Kito, and Josephson were present at the call to order. Representative Colver arrived as the meeting was in progress. Representative Vazquez and Senator Huggins were also present.

HB 234-INSURANCE COVERAGE FOR TELEMEDICINE

[3:30:00 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 234, "An Act relating to insurance coverage for mental health benefits provided through telemedicine."

[3:30:33 PM](#)

REPRESENTATIVE HUGHES moved to adopt the committee substitute (CS) for HB 234, labeled 29-LS1251\W, Wallace, 4/8/16, as the working document.

CHAIR OLSON objected for discussion purposes.

[3:31:12 PM](#)

ANITA HALTERMAN, Staff to Representative Liz Vazquez, Alaska State Legislature related that the Version W, moves the provisions of law from AS 21.54, the group plan provisions, to AS 21.42, the insurance contract provisions. The original applies to both, and Version W moves those provisions as written from one section of state law to another.

[3:32:06 PM](#)

CHAIR OLSON removed his objection. There being no further objection, Version W was before the committee.

CHAIR OLSON opened public testimony. After ascertaining that no one wished to testify, public testimony was closed.

[3:33:15 PM](#)

REPRESENTATIVE HUGHES moved to report the committee substitute for HB 234, labeled 29-LS1251\W, out of committee with the accompanying fiscal notes and individual recommendations.

[3:33:38 PM](#)

REPRESENTATIVE JOSEPHSON objected, saying it is a good bill, other than encouraging a system wherein people never meet their therapist, which would not be best practice. He reiterated previous testimony wherein this decision would ultimately be up to the therapeutic community, and removed his objection.

REPRESENTATIVE HUGHES referred to comments that the bill opens an avenue for Outside, Alaska-licensed providers. Although there is a shortage [of providers] in some areas of Alaska, the committee should be aware of the aforementioned possibility.

[3:34:45 PM](#)

There being no further objection, CSHB 234(L&C) was reported out of the House Labor and Commerce Standing Committee.

[3:35:15 PM](#)

The committee took an at ease from 3:35 p.m. to 3:36 p.m.

CONFIRMATION HEARING(S):

Alaska State Board of Public Accountancy

Alcoholic Beverage Control Board

State Board of Registration for Architects, Engineers, and Land Surveyors

Board of Barbers and Hairdressers

Board of Chiropractic Examiners

Board of Certified Real Estate Appraisers

Board of Dental Examiners

Alaska Gasline Development Corporation Board of Directors

Alaska Labor Relations Agency

Marijuana Control Board

Board of Marine Pilots

Board of Marital and Family Therapy

Board of Massage Therapists

Board of Certified Direct-Entry Midwives

Board of Nursing

Occupational Safety and Health Review Board

Board of Examiners in Optometry

Board of Pharmacy

State Physical Therapy and Occupational Therapy Board

Board of Psychologists and Psychological Associate Examiners

Regulatory Commission of Alaska

Board of Social Work Examiners

Board of Veterinary Examiners

Workers' Compensation Appeals Commission

Alaska Workers' Compensation Board

[3:36:52 PM](#)

CHAIR OLSON announced that the next order of business would be the confirmation hearings for the [governor's 53 appointments for the] various boards and commissions. He advised two nominees for the Marijuana Control Board were removed from [the calendar] due to missing information.

[After discussion, it was clarified that three names were being forwarded for the Marijuana Control Board, and two names were being set aside pending receipt of their completed applications.]

[3:39:11 PM](#)

DAVE CRUZ, appointee, board of directors, Alaska Gasline Development Corporation (AGDC), Department of Commerce, Community & Economic Development (DCCED), advised that he is currently serving on the AGDC board, and was appointed during the previous administration at the board's inception. He said he is an asset with his 40 years of experience in the Alaska construction and oil fields industries and is devoted to this project. Further, this is Alaska's future and it is important to maintain diligence to get a project up and going, the board is functioning on the right path, and it is his honor to serve on the board.

[3:40:54 PM](#)

LUKE HOPKINS, appointee, board of directors, Alaska Gasline Development Corporation (AGDC), Department of Commerce, Community & Economic Development (DCCED), advised he is currently on the AGDC board.

CHAIR OLSON noted concerns that AGDC is becoming "top heavy" with people previously on the Alaska Gasline Port Authority (AGPA) board of directors, and asked about the appointee's experience with AGPA.

MR. HOPKINS informed the committee he was elected to the Fairbanks North Star Borough Assembly in 2006, and was nominated and approved by the assembly to be an AGPA board member. At that time AGPA was purchasing Fairbanks natural gas along with the Golden Valley Electric Association (GVEA), and he attended financial meetings in Seattle with the owners of Pentex and two or three other members of the AGPA board during negotiations on financing. Of course, he remarked, there were also submittals of pipeline projects when the Alaska Gasline Inducement Act (AGIA) process had an option of a pipeline route going to Valdez from Delta Junction, as opposed to the alternative route through the Lower 48. Negotiations to purchase the Pentex natural gas operation by AGPA ended because there was a lack of financial decisions and evaluations, and that purchase never came to pass. In 2010, he became the mayor of [the Fairbanks North Star Borough (FNSB)] and resigned from the board due to the municipal code which prevented him from participation in any financial actions proposed before the assembly.

CHAIR OLSON asked whether AGPA is still active in any manner.

MR. HOPKINS advised that AGPA has two municipal members, three board members appointed by the Fairbanks North Star Borough Assembly, and three members from the City of Valdez. He remarked he is unaware of any financial contributions from the FNSB, or of any other financial sources, and he could not answer how active it is, but board meetings are occasionally posted for public notice. In further response to Chair Olson, Mr. Hopkins said he was unaware of any AGPA offices in the Fairbanks area or in the City of Valdez.

[3:46:23 PM](#)

REPRESENTATIVE JOSEPHSON asked whether the governor nominated Mr. Hopkins because he was once appointed by the Fairbanks North Star Borough Assembly to AGPA, or because of his work as mayor.

MR. HOPKINS responded that his conversations with the governor revolved around his municipal expertise in resolving natural gas issues for the Interior. Further, the conversations involved gas from Cook Inlet and gas from the North Slope in the form of liquefied natural gas (LNG) to serve the Interior, Fairbanks and military bases, and the economic stability sourcing natural gas would create for large areas of the State of Alaska. There were no discussions related to AGPA.

REPRESENTATIVE JOSEPHSON assumed that Mr. Hopkins had expertise in Interior energy plans, and their various iterations, and the natural gas demands of the Interior.

MR. HOPKINS said he has quite a bit of knowledge, information, and background from his years on the assembly, and six years as mayor leading an effort on those issues.

REPRESENTATIVE JOSEPHSON noted that important issues within proposed SB 138 are the municipal advisory group and payment in lieu of tax (PILT), and asked what [knowledge] he brings to the board relative to those issues.

MR. HOPKINS responded that during six years as mayor, he addressed annual significant issues in creating a budget having to do with property taxes and revenues. Alyeska Pipeline Service Company, the Trans-Alaska Pipeline System (TAPS) owners, are FNSB's largest property taxpayers and, when issues brought forward in SB 138 were being considered, he and other mayors wanted a role in discussing, evaluating, and offering concerns at a municipal level about the revenue stream that would come to the State of Alaska, and to municipalities, with the Alaska LNG Project (AKLNG) line. Of course, he said, the Alaska Stand-Alone Pipeline (ASAP) project had property tax well structured, but for AKLNG it was a much larger project. The municipal representatives brought the issues of property tax and impact funding forward, and former Governor Sean Parnell was interested in input from mayors. He expressed appreciation that the legislature created the Municipal Advisory Board so there could be robust conversations with the four partners in the AKLNG project, the group of mayors, and chief financial officers from around the state.

[3:51:41 PM](#)

REPRESENTATIVE HUGHES pointed out that a lot of technical background, knowledge, and expertise is needed in serving on the AGDC board and last year there was "concern." She pointed to the goal of Alaskans being well-served through this board, and asked Mr. Hopkins to explain what he brings to the table in specific technical work.

MR. HOPKINS responded that Chairman Dave Cruz assigned him to three AGDC committees. The Commercial Committee involves taxation and contracts, and his qualifications include numerous discussions and activities at the municipal level with financial institutions, legal involvements with valuations of taxation, and U.S. Internal Revenue Service (IRS) rulings as mayor, all in a confidential manner.

MR. HOPKINS advised he is on the Governor's Committee, and has been involved in putting in place a mechanism for a search firm to bring forward possible presidential candidates and make recommendations for the Governor's Committee. The committee has also taken up bylaws, and he has been involved with the bylaws actions a number of times, especially working with purpose and structure for commissions and appointed positions to local groups in the Fairbanks North Star Borough.

MR. HOPKINS related the third committee is the Communications Committee which he chairs. In 2016, the board approved a massive communications plan to inform Alaskans and Outside of the importance of the AKLNG project, explaining, especially to Alaskans, what it means to get commercially available gas out to as many communities as possible. The Communications Committee is rolling out that plan now with regional contracts, "task orders," and sub-contracts through its hired consultants. He opined that would be one aspect of how he is technically effective as a board member.

[3:57:02 PM](#)

MR. HOPKINS continued, noting that he has been involved in multiple large-scale projects, and as mayor arranging the financing and structuring of major projects. He has presented voter-approved projects to the San Francisco financial offices of Standard & Poor, and Fitch, evaluating the strength of the Fairbanks North Star Borough, the strength of the project, and the strength of the ability that the project will be successful and paid back, and that it is a sound investment package. Of course, he said, almost all of these have the backing of 70

percent, but it is the taxpayers and the amount of interest placed on bond sales that determines the overall cost.

MR. HOPKINS pointed out that he has been involved in the open public process as an elected official, which is an important part for this board. Almost every meeting involves discussions on the importance of limiting actions made in executive sessions to those stated in the Open Meetings Act. It is important the board's decisions and actions are posted so the public can gain all of that information.

MR. HOPKINS related that during his 35-year career at the University of Alaska, Fairbanks (UAF) he started out in the trades and ended up as superintendent of maintenance for a number of years. In terms of construction projects occurring at the UAF campus, his involvement included: the interaction of design components to the award of those projects; monitoring projects and ensuring that the construction site was maintained for safety; ensuring existing facilities were well attended; ensuring there were not any delays; reducing risk; and ensuring projects were completed efficiently and on time.

[4:01:44 PM](#)

REBECCA PAULI, Commissioner Designee, Regulatory Commission of Alaska (RCA), advised she began her legal career when RCA was called the Alaska Public Utilities Commission (APUC). She related that this would be her last position with the state serving Alaska's citizens' individual, economic, and business interests. When the opportunity arose [to serve] she was flattered, and she related that this is her home, she was born and raised here, went to school, came back due to the student loan wherein 50 percent of the balance was forgiven if the student came back and lived for seven years, so the program worked. Ms. Pauli said she has a vested interest in what happens in the state, during this precarious time, and she would like to help the state move forward and flourish.

[4:04:28 PM](#)

REPRESENTATIVE HUGHES moved to advance the confirmation of appointees referred to the House Labor and Commerce Standing Committee for consideration to the joint session of the House of Representatives and Senate for consideration.

[4:04:58 PM](#)

KONRAD JACKSON, Staff, Representative Kurt Olson, Alaska State Legislature, stated that all members have been provided a copy of the memorandum directed to the Chief Clerk listing the appointees and the boards and commissions to which they have been appointed. Mr. Joey Merrick, Mr. Brandon Emmett, and Mr. Bruce Schulte were removed from the memorandum. He reminded the committee that there were four appointees to the Board of Psychologists and Psychological Associate Examiners and one appointee has withdrawn. All members have had an opportunity to review the resumes of these appointees, with six appointees requested to make themselves available for questions by the members, which has taken place. He read the names of individuals appointed by Governor Bill Walker into the record [as listed in the Committee Calendar].

REPRESENTATIVE LEDOUX pointed out that there was legislation to eliminate the Workers' Compensation Appeals Commission and asked why people are being appointed to the commission.

MR. JACKSON advised that the relevant legislation has not passed and in the event it does not pass, the vacancies need to be filled.

[4:10:26 PM](#)

The committee took a brief at ease.

[4:10:48 PM](#)

CHAIR OLSON opened public testimony.

[4:11:03 PM](#)

ED MARTIN said he represents his wife and himself. Mr. Martin said information on the appointees to the Marijuana Control Board did not provide information to the committee and he did not find information on the web page. He testified in the Senate [Labor and Commerce Standing Committee] and he asked specific questions from these members due to the relation of the U. S. laws with relation to marijuana being a contraband, and that the prior black market activities in the state that currently exist has him concerned about the governor's appointments. His concern is that there are members on that board who actually carry out law and enforcement in communities where the law has been denied. Alaskans voted for this in an initiative which set up the groundwork for regulations to go into place. Although these members may "ultimately pass the

muster," he believes there is a due diligence requirement on the committee's behalf to be certain there is no conflict of interest, financial, or otherwise, in the promulgation of the regulations. Further, he said he has more concern that these regulations went into force and effect before these nominees were approved. This is a new board, and he said he could see where the other appointments discussed today would have been to boards that already exist. However, [marijuana] being a new industry, the regulations have not passed the muster of what he would call the basic principles of a representative form of government. Alaskans have a governor that is appointing people, some of which may be questionable, and regulations are being put in place, which affect him and his wife's civil liberties, not only on the federal level, but on the state level. He encouraged the committee not to approve any one of "these people," to bring the regulations into the committee for administrative regulation and review, before going forward and approving someone that may have participated in the deprivation of rights under the color of law. The committee members are his only hope that Alaskans receive a representative government at this point in time. He challenged the committee to do the right thing, put these people off, review the regulations, and then see if they pass the muster.

MR. MARTIN reminded the committee that under Zobel v. Williams, 457 U.S. 55 (1982) a distinction was made, not only with the Constitution of the United States and the Alaska Supreme Court, with regard to residency, which is where his problem lies with the regulations that have been enforced today: putting these people in positions to create civil and criminal penalties against Alaskans that were not named in the initiative or in the legislation. He urged for corrections to be made because this industry will create more revenue for the state but, he said, "Do it right."

[4:15:20 PM](#)

CHAIR OLSON, after ascertaining no one further wished to testify, closed public testimony.

[4:15:47 PM](#)

REPRESENTATIVE JOSEPHSON addressed the issue of vetting the boards and commission nominees, and how the committee exercises due diligence. He said he directs his staff to review the documents provided, and sometimes people are known through the press or are those who garner attention. However, he opined it

is incumbent upon Alaskans to provide legislators with information [on appointees] whom committee members do not know. Legislators need the assistance of Alaskans to communicate their concerns with the legislature, and relative to the Marijuana Control Board, he has not received an email advising there is an issue.

CHAIR OLSON clarified that three names were pulled for the Marijuana Control Board, and one for AGDC board, because they did not file electronically, and for that reason their applications haven't been signed. These individuals have been given the opportunity to refile as quickly as possible.

REPRESENTATIVE HUGHES reminded members that their signature on this committee report in no manner reflects the member's vote during the joint floor session.

[4:18:03 PM](#)

The committee took an at ease from 4:18 p.m. to 4:20 p.m.

HB 271-MONEY SERVICES BUSINESS: REQS; LICENSING;

[4:20:05 PM](#)

CHAIR OLSON announced that the next order of business would be HOUSE BILL NO. 271, "An Act relating to a money services business; relating to transmitting value that substitutes for money; relating to licensing requirements and registration through the Nationwide Multistate Licensing System and Registry; relating to surety bonding requirements; authorizing certain licensees to contract to use subdelegates for reloading funds onto stored-value cards; relating to record retention, reporting requirements, and enforcement provisions; relating to exemptions; relating to money services Internet activities; relating to definitions regarding the transmitting value, currency, and money transmission business activities; and providing for an effective date."

[4:20:13 PM](#)

REPRESENTATIVE HUGHES moved to adopt the committee substitute for HB 271, Version [29-GH2067\H], Bannister, 4/4/16, as the working document.

CHAIR OLSON objected for discussion purposes.

4:20:35 PM

KEVIN ANSELM, Director, Division of Banking and Securities, Department of Commerce, Community & Economic Development (DCCED), answered questions raised at a previous meeting regarding the money services business, including some ancillary issues such as gift cards and pre-paid cards. She provided a copy of a Wikipedia sourced list of the various virtual currencies available. Ms. Anselm paraphrased the summary of changes made by Version H as follows [original punctuation provided]:

In general, Legislative Counsel made conforming drafting, legal and organizational improvements throughout the bill including expanding definitions to include related concepts, products or practices.

Summary of Changes

Article 1. Money Transmission Licenses. Sec. 1- 13. No substantive changes.

Article 2. Currency Exchange Licenses. Sec. 14 - 22. No substantive changes.

Article 3. Authorized Delegates. Sec. 23- 25.

Sec. 23. AS 06.55.301(b). Retains "remit" definition from the current law in this Article instead of in the definition section and adds a listing of the financial institutions eligible to receive authorized delegate deposits. Proposed language relating to licensee responsibility for the acts of an authorized representative was deleted. (former Sec. 20)

MS. ANSELM explained the aforementioned language was deleted because it was clear the division had the same authority elsewhere in the bill.

Article 4. Examinations, Report and Records. Sec. 26- 37

Sec. 27. AS 06.55.402 Consultation was added to "Cooperation" in the title of former Sec. 23 relating to working with other regulators.

MS. ANSELM related that not only does the division cooperate but also consults.

Sec. 31. AS 06.55.404(a) Modified former Sec. 27 to require a licensee to give the department notice of a change of control 30 days before the proposed change of control and request approval with the required information and fee instead of within 15 days after learning of a proposed change of control.

MS. ANSELM clarified that there is only one date, which is 30 days before a proposed change. Elsewhere in the law, there is a provision to notify the division within 15 days, if there is a change.

Article 5. Permissible Investments. Sec. 38-39. No substantive changes.

Article 6. Enforcement. Sec. 40-49. No substantive changes.

Article 7. Administrative Procedures. Sec. 50. No substantive changes.

Article 8. Miscellaneous Provisions. Sec. 51- 54. Sec. 54. AS 06.55.855. New section that describes how references to virtual currency will be construed.

[4:23:58 PM](#)

MS. ANSELM explained that in addition to a definition of virtual currency, which has been expanded, there is also a description in lay terms that describes how those references will be construed.

Article 9. Definitions. Sec. 55 - 65. Sec. 56 - 65 reordered the definitions in former Sec. 50.

MS. ANSELM said the definitions were reordered. The definitions already existing in law are in the same order, any changes stay in the same order, and new definitions are added at the end. The original bill had alphabetized the definitions and this will place them back into "date" order.

Notable changes include:

Sec. 56. AS 06.55.990(3) "control" is more precisely defined. Formerly Sec. 50(4)

Sec. 58. AS 06.55.990(15) "money transmission" is expanded to include explanations of the activities included in an informal transfer system, open-loop stored value devices, virtual currency, and retail conversion services, including those definitions or referencing definitions that were formerly separated in Sec. 50.

[4:25:09 PM](#)

MS. ANSELM related that this helps people to understand how these various sorts of money transmission services meet.

Sec. 66-73. No substantive changes.

[4:26:02 PM](#)

CHAIR OLSON withdrew his objection. There being no further objection, Version H was before the committee.

REPRESENTATIVE HUGHES commented that this is a complicated bill and she requested a written updated sectional analysis, including a summary of changes.

MS. ANSELM agreed to provide further information.

CHAIR OLSON noted that public testimony was closed during the last meeting.

[4:27:33 PM](#)

REPRESENTATIVE KITO expressed concern regarding the regulating of fees, and about having fees on cards identified as specific profit centers by companies, so that a consumer might not be aware that they are paying a lot of money in order to maintain these instruments. He asked whether there is a way that the legislature can protect consumers from overcharges on some of these types of instruments.

MS. ANSELM advised that the division reviews the fees, during examinations, as well as when the firms are initially licensed. There are three different examples of fees being charged in Alaska currently on prepaid cards. She explained that the division doesn't have limits on those fees but that could be

done by regulation. She pointed out that nationally, similar fees are substantial; it takes quite a bit of administrative work to keep multiple accounts current. Ms. Anselm said she is aware there are some costs involved, but she would research that issue to determine whether it makes sense to regulate a limitation on fees, and to see what other states do.

[4:29:19 PM](#)

REPRESENTATIVE HUGHES moved to report the committee substitute for HB 271, [29-GH2067\H,] Bannister, 4/4/16, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 271(L&C), was reported out of the House Labor and Commerce Standing Committee.

[4:29:52 PM](#)

The committee took an at ease from 4:29 p.m. to 4:32 p.m.

SB 127-INSURER'S USE OF CREDIT HISTORY/SCORES

[4:32:02 PM](#)

CHAIR OLSON announced that the next order of business would be SENATE BILL NO. 127, "An Act relating to actions by insurers based on credit history or insurance score; and providing for an exception to consideration by an insurer of credit history or insurance score."

CHAIR OLSON advised the bill was heard previously and he reopened public testimony.

[4:32:48 PM](#)

TED MONINSKI stated support for SB 127, and commented that if credit information is used to rate personal insurance policies at the outset, it should continue to be a factor when the policy is renewed. This situation does not exist under current law, and his understanding is that consumers are allowed under the current statute to request a waiver and thereby authorize the insurer to use credit information at renewal. However, he discovered this is not universally true and described himself as one of those consumers who had his good credit considered at the time the insurance policy was first written, and when it came time for renewal he experienced a significant premium increase when the effect of his good credit results were stripped away as the law currently requires. In 2013, he requested in writing, a

waiver as outlined in the current version of AS 21.36.460(d)(1), and his insurer denied his request explaining that given the way its rate plan was structured and approved by the Division of Insurance, the subsection (d)(1) waiver option was not available to him. The Division of Insurance confirmed the answer he received from his insurer. As a result, his premiums remained dramatically higher than would have otherwise been the case if the waiver option had been allowed. He urged the committee to take care to ascertain that its intent in passing this bill is clear. Given the deference given by the Division of Insurance to the insurer's rate plans, any ambiguity that might exist will be resolved in the rate plan process and may or may not meet the legislature's expectations. He also requested that the legislature make it clear how the revised bill will be applied, as insurers may read the bill to say that they are now free to consider credit information at the point of renewal. If the statutory change only applies to customers initially subscribing after the bill is enacted, it would be an unfortunate outcome for existing subscribers such as himself. He pointed out that the relief in the bill should apply to all renewals regardless of whether they are existing or new customers. It would be fundamentally unfair to force existing customers to start over and, thereby, give up longevity discounts and other benefits earned over time simply to avail themselves to the relief included in SB 127.

[4:36:40 PM](#)

CHAIR OLSON, after ascertaining no one further wished to testify, closed public testimony.

[4:37:15 PM](#)

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community & Economic Development, read from a prepared statement as follows:

Over the weekend we were presented with, I believe there were three questions that were presented by the committee. One was: How was credit used by actuaries which drive insurance rates? The answer is: Actuaries use the credit-based information of applicants and insureds much like they use any other risk characteristics in developing rates. Using historical loss history data, the actuary performs statistical tests to identify which risk characteristics of the insured are most predictive of

the observed losses, such as the risk characteristics that best explain the observed variation in losses amongst the policyholder in the data set. This gives the actuaries a set of potential risk characteristics to use as variables in the rating schemes. The actuary then performs additional testing and modeling and ultimately exercises professional judgment, which is -- which is performed in compliance, not only with the standards, but in the professional standards or with -- with compliance of the statutes, but the professional standards of an actuary to determine the final rate used. Another question is: Why should credit have anything to do with ... rating a driver's insurance rate? They have a premium record and accident history to assess risk. Credit-based ... and again, this is the answer -- credit-based risk characteristics had been repeatedly -- been repeatedly shown to be predictive of future losses even after considering insureds' other risk characteristics including payment record, accident history, and many other risk characteristics that insurers use to price their insurance products. Indeed, insurers provide most -- most provide data and documentation to clearly demonstrate to the Division of Insurance that the insurers' proposed use of credit-based risk characteristics accurately predict insureds' future loss potential.

[4:39:44 PM](#)

The last question was: How does -- how do actuaries use credit and the black box? What's in the box? The black box is generally, by statute, considered confidential under AS 21.39. However, insurers are required to follow their credit-based insurance scoring models with the DOI, the Division of Insurance, and the Division of Insurance must approve the filing before the insurer is able to use the credit to calculate premiums. And, in doing so they must have the rates must be -- they must be fair, they must be adequate, they cannot be discriminatory. I know there were questions about red lining that were addressed [at the 4/8/16] hearing. So, the fact that when we talk somewhat about, on [the 4/8/16] hearing, of red lining in credit scoring, income is not a factor that is considered. And, when I testified on the Senate side that question did come up, and in

credit scoring income is not a factor that is considered. And, in fact, there have been studies done where there has been -- looking at low-income and credit scoring and there has not been conclusive data to say that low-income in credit scoring, that there is a correlation as far as insurance scores.

And, I don't know if that answered all the questions that were presented. I believe I got them Saturday night or Sunday morning. And, I will have those -- I apologize, I got called to a hearing earlier today when I was finishing my letter, but I will have this in writing for you for the record.

[4:41:32 PM](#)

REPRESENTATIVE KITO referred to the previous testifier and asked whether someone with an existing policy benefits from the "automatic" use of credit for renewal.

MS. WING-HEIER responded that they should be able to benefit from renewal. The division received an email from the previous testifier, and looked into the division's consumer complaints and the telephone calls it has received on credit scoring for the past two years. She acknowledged that the division has had [complaints] regarding the waivers, but the division could not find where it had denied a waiver. As stated, some insurance companies do not use the waiver at all, and some insurance companies opt not to use it on renewal, which is their option, because of the cost to them or the administrative burden it puts on them. However, the only thing found that the division has done, is that some insurance companies have perhaps stretched the definition of waiver when it says it must be done on each renewal; in fact, in one case an insurance company was using what the division determined was a power of attorney - Evergreen - and the division stopped it from doing that. The division is enforcing the statute that says a waiver has to be used on each renewal; however, the division is not stopping an insurance company from using a waiver to give the consumer the benefit of the credit score on renewal.

REPRESENTATIVE HUGHES requested clarification that under current law the insurance company decides whether to use waivers, and Version W will remove the requirement for a waiver. She asked whether an insurance company could still choose not to use credit scores, as there is nothing in the bill that obligates insurance companies to use credit scores.

MS. WING-HEIER replied correct; it is still the option of the insurance company to use a credit insurance score, or not, but it would not be required to use a waiver, at all, upon renewal.

[4:44:09 PM](#)

REPRESENTATIVE JOSEPHSON asked whether Ms. Wing-Heier had testified that she saw a study showing no correlation between financial status and credit scores.

MS. WING-HEIER responded:

... in mid-February I was asked by Senate State Affairs [Standing Committee], and I then submitted back to them that in 2007, the FTC, the Federal Trade Commission report found that the individuals categorized as low-income did tend to have lower insurance scores than individuals categorized as high income, though the correlation was weaker than in the case of race or ethnicity. Because of its inability to analyze individual data on income, the FTC was hesitant to reach any firm conclusions regarding the relationship between insurance scores and income.

REPRESENTATIVE JOSEPHSON referred to a report from the State of Missouri, Department of Insurance - that is a dozen years old - relating to insurance-based credit scores, which concludes there is a correlation. He said he would have to give this entire issue further consideration, and asked Ms. Wing-Heier to repeat her statement.

MS. WING-HEIER repeated the foregoing statement.

[4:46:54 PM](#)

REPRESENTATIVE HUGHES moved to report SB 127, Version 29-LS0529\W out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, SB 127 was reported out of the House Labor and Commerce Standing Committee.

[4:47:19 PM](#)

The committee took a brief at ease.

SB 142-INSURANCE FOR ANTI-CANCER MEDICATION

[Due to technical difficulties, the record from 4:49:46 p.m. to 4:51:39 p.m. was reconstructed from the recording secretary's log notes.]

4:49:46 PM

CHAIR OLSON announced that the final order of business would be CS FOR SENATE BILL NO. 142(L&C) am, "An Act relating to insurance coverage for anti-cancer medications."

[During the meeting of 4/6/16, Amendment 1, labeled 29-LS1133\W.A.1, Wallace, 4/5/16, was objected to by Representative LeDoux. Amendment 1 read:

Page 1, line 1, following "**medications**":
Insert "; **and providing for an effective date**"

Page 2, following line 14:
Insert a new bill section to read:
"*** Sec. 3.** This Act takes effect January 1, 2017."]

[Chair Olson stated that he objected to Amendment 1 at the previous hearing.]

REPRESENTATIVE JOSEPHSON asked Ms. Wing-Heier to elaborate on her previous testimony regarding an individual's choice of a pharmacy.

4:51:51 PM

LORI WING-HEIER, Director, Division of Insurance, Department of Commerce, Community & Economic Development (DCCED), explained that if an individual goes to a pharmacy [out-of-network] they will receive a higher copay, which is how the plans are written within the individual's plan.

REPRESENTATIVE JOSEPHSON observed that an individual may choose to go to an alternate pharmacy but would risk paying more.

MS. WING-HEIER agreed and stated that if the individual chooses to go to a pharmacy out-of-network, just as they may choose to go to a physician out-of-network, there would be a higher copay.

REPRESENTATIVE JOSEPHSON referred to the effective date of the bill, and recalled testimony regarding the urgency of the

application if the bill becomes law, such as administrative problems associated with the bill. He asked for clarification of the effective date shown on page 2, line 12.

MS. WING-HEIER explained that the division must comply with the effective date of the [Patient Protection and Affordable Care Act of 2010 (PPACA)], and most of the plans now are dated January 1. Therefore, the form filings and such have to be May 11, although they can be amended up until mid-August, but the first form filings are due for the 2017 plans on May 11. The division is beginning to receive form filings that are affected by this and other pending bills, thus the division is "squeezed into this 30-day period for bills that haven't passed, to be signed, to go to the insurers, to be [put] into plan documents, to be filed with ... the division, to be approved, and that's the, the administrative heartache that we're asking for a revised effective date."

[4:53:50 PM](#)

CHAIR OLSON removed his objection to Amendment 1 [and the committee treated the objection made by Representative LeDoux as withdrawn.] There being no further objection, Amendment 1 was adopted.

CHAIR OLSON opened public testimony and after ascertaining no one wished to testify, closed public testimony.

[4:54:34 PM](#)

REPRESENTATIVE TILTON moved to report the committee substitute for CSSB 142(L&C)am, Version 29-LS1133\W.A, as amended, out of committee with individual recommendations and the accompanying zero fiscal notes. There being no objection, HCS CSSB 142(L&C) was reported out of the House Labor and Commerce Standing Committee.

[4:54:56 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:54 p.m.