

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

April 14, 2015

1:30 p.m.

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Cathy Giessel, Vice Chair
Senator Kevin Meyer
Senator Gary Stevens
Senator Johnny Ellis

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 107

"An Act relating to insurance; relating to risk based capital for domestic insurers and fraternal benefit societies, including provisions related to insurers subject to risk based capital and action level event requirements; relating to review by the director of insurance of an insurer's risk based capital plan; relating to confidentiality and sharing of certain information submitted to the director of insurance; relating to evaluating an insurance holding company and the acquisition of control of or merger with a domestic insurer; relating to risk based capital, risk management, and own risk and solvency assessments of insurers; clarifying provisions related to risk based capital plans; relating to exemptions by the director of insurance for certain domestic and casualty insurers from risk based capital requirements; relating to insurance holding companies, including filing requirements, divestiture, content of statements, notifications, and hearings; relating to registration requirements of insurers; relating to transactions within an insurance holding company system or transactions involving a domestic insurer; relating to management and examination of domestic insurers that are part of an insurance holding company system; adding provisions relating to participation by the director of insurance in a supervisory college; relating to civil and criminal penalties for violations by insurers and individuals; relating to provisions for risk management and own risk and solvency assessments by insurers; relating to operating requirements for controlling insurance producers; relating to

producer-controlled insurers; adding and amending definitions related to insurers; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

HOUSE BILL NO. 26

"An Act extending the termination date of the Board of Certified Direct-Entry Midwives; and providing for an effective date."

- MOVED SCS HB 26(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 116

"An Act extending the termination date of the Alcoholic Beverage Control Board; and providing for an effective date."

- MOVED HB 116 OUT OF COMMITTEE

HOUSE BILL NO. 178

"An Act relating to workers' compensation fees for medical treatment and services; providing for an effective date by amending the effective date of sec. 5, ch. 63, SLA 2014; and providing for an effective date."

- MOVED HB 178 OUT OF COMMITTEE

HOUSE BILL NO. 46

"An Act relating to membership in the Alaska Workforce Investment Board."

- MOVED HB 46 OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 41(FIN) AM

"An Act relating to sport fishing services, sport fishing operators, and sport fishing guides; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 26

SHORT TITLE: EXTEND CERT. DIRECT-ENTRY MIDWIVES BOARD

SPONSOR(S): REPRESENTATIVE(S) OLSON

01/21/15	(H)	PREFILE RELEASED 1/9/15
01/21/15	(H)	READ THE FIRST TIME - REFERRALS
01/21/15	(H)	L&C, FIN

02/13/15 (H) L&C AT 3:15 PM BARNES 124
 02/13/15 (H) Moved HB 26 Out of Committee
 02/13/15 (H) MINUTE(L&C)
 02/16/15 (H) L&C RPT 6DP
 02/16/15 (H) DP: COLVER, JOSEPHSON, KITO, HUGHES,
 TILTON, OLSON
 02/24/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 02/24/15 (H) Heard & Held
 02/24/15 (H) MINUTE(FIN)
 03/16/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/16/15 (H) Moved HB 26 Out of Committee
 03/16/15 (H) MINUTE(FIN)
 03/18/15 (H) FIN RPT 4DP 5NR 1AM
 03/18/15 (H) DP: GUTTENBERG, GARA, MUNOZ, THOMPSON
 03/18/15 (H) NR: SADDLER, PRUITT, WILSON, GATTIS,
 NEUMAN
 03/18/15 (H) AM: KAWASAKI
 04/11/15 (H) TRANSMITTED TO (S)
 04/11/15 (H) VERSION: HB 26
 04/13/15 (S) READ THE FIRST TIME - REFERRALS
 04/13/15 (S) L&C, FIN
 04/14/15 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: HB 116

SHORT TITLE: EXTEND ALCOHOLIC BEVERAGE CONTROL BOARD
 SPONSOR(S): LABOR & COMMERCE

02/18/15 (H) READ THE FIRST TIME - REFERRALS
 02/18/15 (H) L&C, FIN
 02/27/15 (H) L&C AT 3:15 PM BARNES 124
 02/27/15 (H) Moved HB 116 Out of Committee
 02/27/15 (H) MINUTE(L&C)
 03/02/15 (H) L&C RPT 3DP 3NR
 03/02/15 (H) DP: KITO, JOSEPHSON, OLSON
 03/02/15 (H) NR: COLVER, TILTON, HUGHES
 03/19/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 03/19/15 (H) Heard & Held
 03/19/15 (H) MINUTE(FIN)
 04/08/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 04/08/15 (H) Heard & Held
 04/08/15 (H) MINUTE(FIN)
 04/09/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 04/09/15 (H) Moved HB 116 Out of Committee
 04/09/15 (H) MINUTE(FIN)
 04/10/15 (H) FIN RPT 7DP 1AM
 04/10/15 (H) DP: SADDLER, GUTTENBERG, GATTIS,
 EDGMON, WILSON, NEUMAN, THOMPSON

04/10/15 (H) AM: KAWASAKI
04/11/15 (H) TRANSMITTED TO (S)
04/11/15 (H) VERSION: HB 116
04/13/15 (S) READ THE FIRST TIME - REFERRALS
04/13/15 (S) L&C, FIN
04/14/15 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: HB 178

SHORT TITLE: WORKERS' COMP MEDICAL FEES; DELAY

SPONSOR(s): LABOR & COMMERCE

04/01/15 (H) READ THE FIRST TIME - REFERRALS
04/01/15 (H) L&C
04/08/15 (H) L&C AT 3:15 PM BARNES 124
04/08/15 (H) Moved HB 178 Out of Committee
04/08/15 (H) MINUTE(L&C)
04/09/15 (H) L&C RPT 5DP 1NR
04/09/15 (H) DP: LEDOUX, HUGHES, KITO, JOSEPHSON,
OLSON
04/09/15 (H) NR: COLVER
04/10/15 (H) TRANSMITTED TO (S)
04/10/15 (H) VERSION: HB 178
04/11/15 (S) READ THE FIRST TIME - REFERRALS
04/11/15 (S) L&C, FIN
04/14/15 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: HB 46

SHORT TITLE: WORKFORCE INVESTMENT BOARD VETERAN MEMBER

SPONSOR(s): SADDLER

01/21/15 (H) PREFILE RELEASED 1/9/15
01/21/15 (H) READ THE FIRST TIME - REFERRALS
01/21/15 (H) L&C
04/06/15 (H) L&C AT 3:15 PM BARNES 124
04/06/15 (H) Moved HB 46 Out of Committee
04/06/15 (H) MINUTE(L&C)
04/07/15 (H) L&C RPT 6DP
04/07/15 (H) DP: JOSEPHSON, COLVER, HUGHES, TILTON,
LEDOUX, OLSON
04/09/15 (H) TRANSMITTED TO (S)
04/09/15 (H) VERSION: HB 46
04/10/15 (S) READ THE FIRST TIME - REFERRALS
04/10/15 (S) L&C
04/14/15 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: HB 41

SHORT TITLE: SPORT FISHING SERVICES

SPONSOR(s): TILTON, MUNOZ

01/21/15 (H) PREFILE RELEASED 1/9/15
01/21/15 (H) READ THE FIRST TIME - REFERRALS
01/21/15 (H) FSH, FIN
02/12/15 (H) FSH AT 10:00 AM CAPITOL 120
02/12/15 (H) Moved CSHB 41(FSH) Out of Committee
02/12/15 (H) MINUTE(FSH)
02/13/15 (H) FSH RPT CS(FSH) 2DP 2NR
02/13/15 (H) DP: ORTIZ, STUTES
02/13/15 (H) NR: HERRON, FOSTER
03/25/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
03/25/15 (H) Heard & Held
03/25/15 (H) MINUTE(FIN)
04/01/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
04/01/15 (H) <Bill Hearing Postponed to 4/2/15>
04/02/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
04/02/15 (H) -- MEETING CANCELED --
04/03/15 (H) FIN AT 1:30 PM HOUSE FINANCE 519
04/03/15 (H) Moved CSHB 41(FIN) Out of Committee
04/03/15 (H) MINUTE(FIN)
04/06/15 (H) FIN RPT CS(FIN) 4DP 5NR
04/06/15 (H) DP: PRUITT, MUNOZ, NEUMAN, THOMPSON
04/06/15 (H) NR: KAWASAKI, WILSON, GARA, GUTTENBERG,
GATTIS
04/13/15 (H) TRANSMITTED TO (S)
04/13/15 (H) VERSION: CSHB 41(FIN) AM
04/13/15 (S) RES AT 3:30 PM BUTROVICH 205
04/13/15 (S) Scheduled but Not Heard
04/14/15 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

LAURA STIDOLPH, Staff
Representative Kurt Olson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 26 on behalf of the prime sponsor.

KRIS CURTIS, Legislative Auditor
Legislative Audit Division
Legislative Agencies and Offices
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Described the sunset audit of the Board of Certified Direct-Entry Midwives in the context of HB 26.

SARA CHAMBERS, Operations Manager
Division of Corporations, Business and Professional Licensing
Department of Commerce, Community and Economic Development
Juneau, Alaska

POSITION STATEMENT: Answered questions related to HB 26.

LAURA STIDOLPH, Staff
Representative Kurt Olson
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 116 on behalf of the sponsor.

CYNTHIA FRANKLIN, Director
Alcoholic Beverage Control (ABC) Board
Department of Commerce, Community and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Answered questions and provided supporting information relating to HB 116.

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

POSITION STATEMENT: Introduced HB 178 on behalf of the sponsor.

MIKE MONAGLE, Director
Division of Workers Compensation
Department of Labor and Workforce Development (DOLWD)
Juneau, Alaska

POSITION STATEMENT: Provided information on the Medical Services Review Committee (MSRC) in the context of HB 178.

REPRESENTATIVE DAN SADDLER
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of HB 46.

GREG CASHEN, Deputy Commissioner
Department of Labor and Workforce Development (DOLWD)
Juneau, Alaska

POSITION STATEMENT: Testified that DOLWD has not taken a position on HB 46.

REPRESENTATIVE CATHY TILTON
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of HB 41.

KEITH HILYARD, Staff
Representative Cathy Tilton
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Discussed the support for HB 41.

BEN MULLIGAN, Legislative Liaison
Alaska Department of Fish and Game (ADF&G)
Juneau, Alaska

POSITION STATEMENT: Discussed the logbook program in the context of HB 41.

TOM BROOKOVER, Acting Director
Division of Sport Fish
Alaska Department of Fish and Game (ADF&G)

POSITION STATEMENT: Discussed the electronic logbook program in the context of HB 41.

DICK ROHRER, representing himself
Kodiak, Alaska

POSITION STATEMENT: Testified that the penalties associated with HB 41 potentially jeopardize his sport fish guiding license.

ACTION NARRATIVE

[1:30:31 PM](#)

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 1:30 p.m. Present at the call to order were Senators Stevens, Giessel, Ellis, and Chair Costello. Senator Meyer arrived soon thereafter.

HB 26-EXTEND CERT. DIRECT-ENTRY MIDWIVES BOARD

CHAIR COSTELLO announced the consideration of HB 26. "An Act extending the termination date of the Board of Certified Direct-Entry Midwives; and providing for an effective date."

[1:31:53 PM](#)

LAURA STIDOLPH, Staff, Representative Kurt Olson, on behalf of the prime sponsor, stated that HB 26 would extend the sunset date for the Board of Certified Direct-Entry Midwives to June 30, 2017. She explained that the Division of Legislative Audit conducts audits each year to determine if state boards and

commissions should be reestablished. The division reviewed the activities of the Board of Certified Direct-Entry Midwives to determine if there is a demonstrated public need for the board's continued existence and whether it has been operating in an effective manner. The auditors recommended that the board be extended two years until June 30, 2017.

[1:32:27 PM](#)

SENATOR MEYER joined the committee.

MS. STIDOLPH related that auditors found the Board of Certified Direct-Entry Midwives has been serving the public's interest by effectively licensing certified direct-entry midwives (CDM) and apprentices. In addition, it was found that the board continues to improve the profession by modifying and adopting midwifery regulations to conform to current standards of care.

MS. STIDOLPH highlighted that the auditors had four findings and recommendations: 1) the Department of Commerce, Community and Economic Development (DCCED) should immediately pursue disciplinary sanctions for CDM cases when warranted; 2) increase licensing fees to eliminate the board's operating deficit; 3) the board should communicate certificate requirements to continuing education providers to facilitate compliance with centralized licensing regulations; and 4) the board should approve apprentice permit applications in accordance with statute.

[1:34:02 PM](#)

KRIS CURTIS, Legislative Auditor, Legislative Audit Division, Legislative Agencies and Offices, stated that the Audit Division conducted an audit of the Board of Certified Direct-Entry Midwives to determine whether it was serving the public purpose and concluded overall that the board is serving the public's interest by effectively licensing certified direct-entry midwives.

However, the audit found that the Division of Corporations, Business, and Professional Licensing (DCBPL) staff failed to operate in the public's interest by not pursuing timely disciplinary sanctions related to midwife investigations. Because of this serious deficiency, the audit recommends the board's termination date be extended only two years to June 30, 2017. The audit made four recommendations. The first and most serious was to the commissioner of DCCED to take immediate action to pursue disciplinary sanctions for midwife cases when warranted. The audit found that disciplinary sanctions were not

actively pursued for four investigations that were completed during the audit period. The investigations of two people concluded that disciplinary sanctions were needed. However, DCBPL investigative staff did not actively pursue sanctions to protect the public safety. The respondents in all four cases refused to sign a consent agreement.

Rather than file an accusation and pursue an administrative hearing, DCBPL staff followed alternate procedures. Two of the four cases were forwarded to the Department of Law Office of Special Prosecution and Appeals (OSPA) without a sufficiency of evidence reviewed by the assistant attorney general. Those two cases remained at OSPA for over a year without action. According to OSPA those class B misdemeanor cases are the lowest priority. The other two cases were held by DCBPL investigators with the understanding that they would be forwarded to OSPA once the other two cases were resolved. Due to staff turnover, the audit could not determine why DCBPL staff did not pursue civil licensing action as required by their standard operating procedures. At a minimum, licensing action should be pursued concurrently with criminal action to ensure that the public is protected. By not pursuing licensing action, the respondents were allowed to continue to practice and the public's safety was at risk.

MS. CURTIS said the audit makes three additional recommendations for operational improvements: 1) DCBPL and the board should consult and increase licensing fees to eliminate the board's \$115,000 operating deficit; 2) the board should communicate certificate requirements to continuing education providers to facilitate compliance with centralized licensing recommendations; and 3) the board should approve apprentice permits in accordance with statutes. The audit found that permits were being approved by DCBPL staff but statutes only allow the board to issue the permits.

[1:37:31 PM](#)

SENATOR STEVENS asked what the usual extension would be.

MS. CURTIS replied the maximum allowed in statute is an eight-year extension.

SENATOR STEVENS asked what has to be done in the next two years for the board to receive another extension.

MS. CURTIS explained that the next audit would focus on what has been done with the investigative aspects of the board.

[1:38:50 PM](#)

SENATOR GIESSEL expressed concern that 4 of 48 licensees had deficiencies.

MS. CURTIS clarified that some of the investigations could be related to unlicensed activity.

SENATOR GIESSEL questioned how 48 licensees could make up the deficit. She asked if the auditors have a plan, or if it will be left to the division.

MS. CURTIS replied the plan will be left to the division, but it is an ongoing problem. The 2006 audit of the board identified that that midwives had the highest fees of any occupation.

[1:40:11 PM](#)

SENATOR STEVENS asked what the fees are.

MS. CURTIS reviewed the fees identified on page 15 of the audit. For FY 14, the Midwife Initial Certification and Renewal Fee was \$1,450. The fee was over \$2,000 when the 2006 audit was done.

SENATOR STEVENS asked what happens when someone practices midwifery without a license.

MS. CURTIS replied that falls under the purview of the division of to pursue.

[1:41:48 PM](#)

JANEY HOVENDEN, Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development (DCCED), introduced herself.

[1:42:13 PM](#)

SARA CHAMBERS, Operations Manager, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development (DCCED), offered to answer questions related to HB 26.

SENATOR STEVENS asked what happens when someone practices midwifery without a license.

MS. CHAMBERS explained that the division goes through a process of investigation and discovery that involves either a board member or subject matter expert to review the facts. If there is sufficient cause for a violation the division would pursue a

consent agreement that acknowledges a violation and how the person plans to correct it. That may include licensure, license probation, or fines. In many cases of unlicensed activity the person is not willing to work toward an amicable agreement. In those cases the division works with the Department of Law to file an accusation of violation of law and pursue the sanctions available to that licensing program.

CHAIR COSTELLO asked what the division's plan is to address board deficits.

MS. CHAMBERS explained that the fees for midwives and apprentices have been increased since the audit was initiated. The board is aware of the historical deficit and is working with the division to raise all the license fees within the program. The division has prescribed a stair step program to try to chip away at the debt without it becoming overly burdensome to midwives. She said the board recognizes that it is responsible for the deficit, but it is difficult because investigations of licensed and unlicensed practice can be a very expensive.

[1:46:39 PM](#)

SENATOR GIESSEL offered her understanding is that the deficit stems from a large legal case that cost the board a significant amount.

MS. CHAMBERS agreed.

SENATOR GIESSEL pointed out that it would help if boards could retain the penalties that are levied against their licensees, but they go into the general fund. She clarified that these licensees are direct-entry midwives not certified nurse midwives.

CHAIR COSTELLO recalled the discussion that if the penalties were retained by the board it might stimulate interest in pursuing more penalties.

SENATOR STEVENS asked if midwives work fulltime.

MS. CHAMBERS replied there are both fulltime and part time midwives. Responding to a further question, she confirmed that the licensing fee is the same regardless of how much the midwife works.

[1:50:07 PM](#)

MS. CHAMBERS reported that since the division met with the auditors, DCBPL has reviewed its quality control measures and investigative protocols with the new chief investigator. They have worked to tighten the standards and timeframes and have been working with the Department of Law and OSPA to use the audit as a tool for further quality improvement agency wide. The cases that the audit identified are now in full compliance with the stated protocols. She expressed optimism about standing the test of compliance per auditing standards.

CHAIR COSTELLO asked her to review of the fiscal note.

[1:52:20 PM](#)

MS. CHAMBERS explained that the fiscal note speaks to the sunset of the board and reflects the changes that are anticipated if the board dissolves. "Since the sunset assumes that the board sunsets, this would reinitiate what we're currently expending for travel," she said.

SENATOR GIESSEL asked Ms. Curtis if she considered a shorter extension, say one year.

MS. CURTIS replied she worked with Ms. Chambers on the appropriate timeframe and two years seemed sufficient. She noted that the division appears to have addressed the issues more quickly than anticipated.

CHAIR COSTELLO asked Senator Giessel if she wanted an update in a year.

SENATOR GIESSEL said she would like an interim report, if possible.

MS. CURTIS said the direction has to come from the Legislative Budget and Audit (LB&A) Committee, but that has been done.

SENATOR GIESSEL asked if that is best done through intent language in the sunset bill or an informal request to the LB&A.

MS. CURTIS said she is only aware of it being done through an informal request to the LB&A.

[1:55:42 PM](#)

CHAIR COSTELLO found no public testimony and closed it.

[1:56:12 PM](#)

At ease

[1:57:05 PM](#)

CHAIR COSTELLO reconvened the meeting and recognized Senator Giessel.

SENATOR GIESSEL offered a conceptual amendment to capture legislative intent to request an interim one-year status update from the Legislative Audit Division on the Board of Certified Direct-Entry Midwives.

[1:57:41 PM](#)

CHAIR COSTELLO found no objection and announced that conceptual Amendment 1 is adopted.

[1:57:55 PM](#)

SENATOR GIESSEL moved to report HB 26, 29-LS 0171\A as amended, from committee with individual recommendations and attached fiscal note(s).

CHAIR COSTELLO announced that without objection, SCS HB 26(L&C) is reported from the Senate Labor and Commerce Standing Committee.

[1:58:11 PM](#)

At ease

HB 116-EXTEND ALCOHOLIC BEVERAGE CONTROL BOARD

[1:59:51 PM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of HB 116. "An Act extending the termination date of the Alcoholic Beverage Control Board; and providing for an effective date."

[2:00:06 PM](#)

LAURA STIDOLPH, Staff, Representative Kurt Olson, introduced HB 116 on behalf of the sponsor. She stated that the bill would extend the sunset date for the Alcoholic Beverage Control (ABC) Board to June 30, 2018. The Division of Legislative Audit reviewed the activities of the ABC Board to determine whether there is a demonstrated public need for the ABC Board's continued existence and whether it has been operating in an effective manner as per AS 24.44.

MS. STIDOLPH reported that the board has resolved all issues found in prior audits with two being resolved and one being partially resolved. She directed attention to the five findings

and recommendations in the most recent audit. First, the legislative auditors recommended the board director ensure that all board meetings are properly published on the state's online public notice system. Second, the legislative auditors recommended that the board notify local governing bodies of applications for new and transfer licenses within 10 days of receipt. Third, the legislative auditors recommended that the board issue catering permits in accordance with statutory requirements. Fourth, the legislative auditors recommended that the board issue recreational site licenses in accordance with statutes; and finally, the legislative auditors recommended that the board implement a process to monitor and track all complaints to ensure they are resolved in a timely manner.

MS. STIDOLPH reported that the Division of Legislative Audit recommended that the ABC Board be extended three years to June 30, 2018. The opinion of the legislative auditors is that the board serves the public's interest by effectively licensing and regulating the manufacture, barter, possession and sale of alcoholic beverages in Alaska.

She pointed out that until HB 123 establishing a marijuana control board is passed, regulation for marijuana falls under the ABC Board per the initiative passed last fall. That is why the fiscal note reflects expenditures for the regulation of marijuana. However, this money was not allocated and can be removed if HB 123 passes.

[2:02:36 PM](#)

CYNTHIA FRANKLIN, Director, Alcoholic Beverage Control (ABC) Board, Department of Commerce, Community and Economic Development (DCCED), reported that she joined the agency in September 2014 and was able to oversee the final responses to the legislative audit team. She opined that many of the issues in the audit have been addressed. She stated support for HB 116 and posited that the audit recommended a shorter three-year sunset to accommodate marijuana potentially being added to the board's duties if Ballot Measure 2 passed.

CHAIR COSTELLO asked her to review the fiscal note.

MS. FRANKLIN explained that the fiscal note relating to the marijuana regulation is a match to the fiscal note attached to HB 123 creating the marijuana control board. The \$1.78 million for the alcohol duties of the board is contained in the governor's budget. The budget originally contained the \$1.54 million for the marijuana regulation. That was separated and the

legislature requested that those monies be included in the fiscal note process as marijuana bills made their way through the legislative process. The \$1.54 million for the marijuana regulation reflects a \$50,000 cost for the marijuana control board. The remainder is for personnel and services relating to the new substance. The fairly significant expenditure in the services section is for a software tracking system that will enable the regulating agency to tag marijuana plants to ensure that marijuana sold in licensed establishments has been grown by licensed cultivators. This is to prevent black market marijuana from being sold in licensed premises and ensure that the marijuana has been tested according to the regulations written by the board. There is also some funding in the marijuana portion of the fiscal note for a database so the board can report to the legislature and public.

She said that accommodating anticipated requests for data will requires staff research time, which translates to time and money. The marijuana fiscal note includes the services related to personnel, to vehicles for investigators, for legal services related to the writing of the regulations in addition to the technology expenditures.

CHAIR COSTELLO asked how many staff are anticipated.

MS. FRANKLIN explained that the ABC Board currently has a staff of 10, not including herself; five are enforcement officers, three are licensing specialists, and two are administrative personnel. The FY15 supplemental adds two positions to accommodate the time that has been spent since November 4 working on marijuana issues. That is one licensing specialist and one administrative personnel. The FY16 budget asks for four additional personnel; one additional licensing specialist and three additional enforcement officers. That brings the agency staff to 16 plus the director for both substances statewide. This is adequate to start but will likely need to be increased going forward.

MS. FRANKLIN noted that questions have been raised about adding enforcement in the first year when there aren't any licenses in effect until May, 2016. She explained that the board has already spent quite a bit of enforcement personnel time answering questions about what can and cannot be done legally with marijuana, and at least three businesses are engaging in commercial marijuana activities without licenses or being subject to regulations. The board is relying on local law enforcement to shut those businesses down which has resulted in

spotty enforcement. For this reason, the board believes it is imperative to fund enforcement officers early to ensure that everyone waits until the rules are in place and personnel is available to address the businesses open for business before it is legal.

2:09:45 PM

CHAIR COSTELLO opened and closed public testimony.

SENATOR MEYER asked what the issues were that the sunset audit identified and how they were corrected.

MS. FRANKLIN said the first issue was whether or not the board was publicly noticing its meetings in the correct place. That matter was resolved with staff training. The audit also identified two issues related to licenses and permits. Catering permits were being issued to businesses that were in ownership transition and they were using the catering permit process to cover the gap. That process has been halted by the board. The recreational site license issue was that they were being issued outside of what the statute clearly contemplated. That issue was resolved through discussions with the board about the limitations of the statute and the director and staff making sure that the board understands they must stay within the statutory limits on those license. Another issue was that the previous licensing supervisor was saving applications in batches and then sending them to the municipalities, which caused her to miss the ten-day deadline. That was solved with the new staff person who strictly complies with the 10-day notice requirement. The final issue related to tracking complaints. This was addressed by instituting excel spreadsheets to track the complaints.

SENATOR MEYER recalled that in years past when the Anchorage Assembly protested the renewal of a license, the ABC Board reviewed the decision and either upheld it or made a determination that the decision was arbitrary or capricious.

MS. FRANKLIN said the protest process for local government says the board shall uphold the protest unless it is found to be arbitrary, capricious and unreasonable. She opined that some of the previous issues have been resolved on their own with a new iteration of the board combined with the audit, the stakeholder process and changes in staff.

SENATOR MEYER described determinations of arbitrary, capricious and unreasonable as subjective.

MS. FRANKLIN said the new boards and agencies attorney for the Department of Commerce, Community and Economic Development (DCCED) has provided excellent advice to the board about the legal meaning of those terms and the board has made it clear to local governments that that is a very high standard for the board to overcome.

SENATOR STEVENS asked if the sunset could be extended to the regular six years if marijuana doesn't fall under the ABC Board in order to save time and money.

MS. FRANKLIN said she believes that the first time around it's a good idea to have a three-year sunset, although she agrees in theory that the earlier audit does represent a cost to the agency.

[2:20:04 PM](#)

SENATOR GIESSEL moved to report HB 116, labeled 29-LS0596\A from committee with individual recommendations and attached fiscal note(s).

CHAIR COSTELLO announced that without objection HB 116 is reported from the Senate Labor and Commerce Standing Committee.

[2:20:25 PM](#)

At ease

HB 178-WORKERS' COMP MEDICAL FEES; DELAY

[2:22:03 PM](#)

CHAIR COSTELLO announced the consideration of HB 178. "An Act relating to workers' compensation fees for medical treatment and services; providing for an effective date by amending the effective date of sec. 5, ch. 63, SLA 2014; and providing for an effective date."

KONRAD JACKSON, Staff, Representative Kurt Olson, introduced HB 178 speaking to the following sponsor statement:

For many years Alaska has faced the highest workers' compensation rates in the nation. During the second session of the 28th Legislature, House Bill 316 was passed. The bill was a more sweeping solution to the challenge of the previous medical services fee schedule than we have experienced in many years.

House Bill 316 tasked the Medical Services Review Committee (MSRC) with setting a conversion factor and a geographic differential to be used in conjunction with a basic fee schedule based on a relative value unit methodology. Once set, the conversion factor will be approved by the Commissioner of the Department of Labor prior to adoption by regulation by the Workers' Compensation Board. All this was to be accomplished by July 1, 2015.

Since passage of HB 316, the MSRC has been reactivated and met numerous times. They have nearly completed their part in establishing the conversion factors. More work remains to be done to ensure the reform can take effect.

2:24:38 PM

MIKE MONAGLE, Director, Division of Workers Compensation, Department of Labor and Workforce Development (DOLWD) explained that when HB 316 passed, the Medical Services Review Committee (MSRC) had not met since 2009. Resurrecting the committee took quite some time and the committee didn't start its work until November 2014. The committee has had ten meetings and once the final conversion factor is decided the recommendations will be sent to the commissioner of the Department of Labor and Workforce Development (DOLWD). Public comment will likely be taken and hopefully it will be referred to the Workers Compensation Board after which the board will go out through the public process for regulation adoption.

MR. MONAGLE related that it would be virtually impossible to meet the July 1 deadline to have the regulations out, but they should be ready to send to the lieutenant governor's office by late summer. That will give medical providers and the insurance companies and employers two to three months to program their systems with the new fee schedules.

CHAIR COSTELLO asked why the Medical Services Review Committee hadn't met since 2009.

MR. MONAGLE replied it was probably that the committee didn't see the need to meet if their recommendations were unheeded. They met extensively starting in 2006 and issued some final reports in 2009, but none of the recommendations were acted on. House Bill 316 reenergized the committee and tasks it with evaluating these fee schedules on an annual basis. This work will require regular meetings.

[2:28:41 PM](#)

CHAIR COSTELLO opened and closed public testimony

[2:28:53 PM](#)

SENATOR GIESSEL moved to report HB 178, labeled 29-LS0813\H, from committee with individual recommendations and attached fiscal note(s).

CHAIR COSTELLO announced that without objection, HB 178 is reported from the Senate Labor and Commerce Standing Committee.

[2:29:06 PM](#)

At ease

HB 46-WORKFORCE INVESTMENT BOARD VETERAN MEMBER

[2:30:22 PM](#)

CHAIR COSTELLO announced the consideration of HB 46. "An Act relating to membership in the Alaska Workforce Investment Board."

[2:30:46 PM](#)

REPRESENTATIVE DAN SADDLER, Sponsor of HB 46, introduced the legislation speaking to the following sponsor statement:

House Bill 46 will improve the Alaska Workforce Investment Board's ability to improve employment prospects for an important and growing segment of the state's workforce, by adding a seat to represent veterans.

The Alaska Workforce Investment Board (AWIB) is a 25-member board charged with helping unemployed Alaskans find jobs, and helping current workers upgrade skills find better jobs. Board members represent business, industry, education, organized labor, state government and community-based service organizations.

However, there is no representation specifically for veterans, who represent a significant and growing segment of Alaska's population. Alaska is home to more than 73,000 veterans, and boasts the highest per-capita veteran population in the nation. Each month about 320 service members separate from service at Alaska's three main military facilities: Joint Base

Elmendorf-Richardson, Eielson Air Force Base, and Ft. Wainwright.

Polls show 80 percent of these new veterans would love to remain in Alaska, but only 20 percent do. The inability to find a good job plays a significant part in the state's loss of these highly trained, civic-minded individuals and their families.

Having a veterans' seat on the AWIB will help the board develop workforce development policies to meet this group's significant needs. It will help provide a pool of well-trained employees for Alaskan employers. And it will help veterans transition from uniformed service, close any skills gap, find work and remain in Alaska as productive citizens.

[2:32:46 PM](#)

SENATOR STEVENS asked if the bill specifically asks for a veteran to sit on the board.

REPRESENTATIVE SADDLER answered yes.

CHAIR COSTELLO asked if there is any opposition to the bill.

REPRESENTATIVE SADDLER answered no, it enjoys broad support.

CHAIR COSTELLO asked what the unemployment rate is for veterans in Alaska.

REPRESENTATIVE SADDLER surmised it's about 6.7 percent.

[2:34:10 PM](#)

SENATOR STEVENS asked him to clarify the meaning of veteran.

REPRESENTATIVE SADDLER replied the definition of "veteran" in this legislation is someone who has served honorably and received an honorable discharge from the armed forces, including the reserves; the National Guard, the Alaska Territorial Guard, and the Alaska Naval Militia.

GREG CASHEN, Deputy Commissioner, Department of Labor and Workforce Development (DOLWD), reported that the department provides training programs specifically for veterans. He highlighted that if this bill were to pass, the veteran seat would replace one of the public seats on the AWIB.

CHAIR COSTELLO offered her understanding that there are currently five public seats on the board.

MR. CASHEN agreed.

CHAIR COSTELLO asked if the administration supports the bill.

MR. CASHEN replied the administration has not taken a position on the bill.

SENATOR GIESSEL asked if the veteran seat would be filled immediately or when one of the public seats terms out.

MR. CASHEN offered his belief that the veteran seat would be filled when a public seat expires and three seats will do so on October 13, 2015.

[2:37:04 PM](#)

At ease

[2:37:22 PM](#)

CHAIR COSTELLO reconvened the meeting.

REPRESENTATIVE SADDLER explained that the five public seats are designed specifically to ensure that there is a majority of private sector members on the board. The balance would be maintained if one of those seats was designated for a veteran.

SENATOR STEVENS commented that a private sector member could also be a veteran.

REPRESENTATIVE SADDLER agreed.

CHAIR COSTELLO opened and closed public testimony.

[2:38:17 PM](#)

SENATOR GIESSEL moved to report HB 46, labeled 29-LS0282\A, from committee with individual recommendations and attached fiscal note(s).

CHAIR COSTELLO announced that without objection, HB 46 is reported from the Senate Labor and Commerce Standing Committee.

[2:38:49 PM](#)

At ease

HB 41-SPORT FISHING SERVICES

[2:41:03 PM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of HB 41. "An Act relating to sport fishing services, sport fishing operators, and sport fishing guides; and providing for an effective date." [CSHB 41(FIN) AM was before the committee.]

[2:41:24 PM](#)

REPRESENTATIVE CATHY TILTON, Sponsor of HB 41, explained that HB 41 seeks to re-establish the sport fishing guide and operator licenses which sunsetted on December 31, 2014. This licensure was originally adopted by the legislature in 2004 and implemented by the Department of Fish and Game (ADF&G) in 2005. These licenses help to mitigate unmanaged growth of the charter fishing sector while ensuring a basic level of professional certification for individuals who serve the guided recreational fishing public.

In re-establishing HB 41, the existing fee structure has been amended making the program revenue positive. The legislation is not meant to single out any sector of the fishing industry, it is simply to continue the program that was already in effect. The bill reestablishes the licenses that have benefited the guided sport fishing industry and the general public and increases the revenue necessary to establish and maintain the electronic logbook program that assists in critical management decisions.

SENATOR STEVENS asked how much the fees would be increased.

REPRESENTATIVE TILTON replied the fees would double.

CHAIR COSTELLO asked if there is any opposition to the bill and who is on record supporting the legislation.

[2:44:30 PM](#)

KEITH HILYARD, Staff, Representative Cathy Tilton, explained that one person testified in House Finance suggesting a qualified amendment for HB 41 pertaining to federal fisheries management and a guide from MatSu wrote a letter in opposition. Supporting letters have come from several charter operators in Juneau, the Southeast Alaska Guides organization, and several charter operators have testified in support of the bill. He described the charter industry as generally supportive although the salt water guides feel more urgency than fresh water guides. He noted that amendments that passed on the House floor were

trying to be responsive to concerns brought forward by fresh water guides.

CHAIR COSTELLO asked him to summarize the House floor amendments.

MR. HILYARD explained that the requirement that a person holding a sport fishing guide or operator's license must also have a Coast Guard license was removed from Section 4, page 3, lines 10-19. This was done because it placed an undue burden on fresh water guides in Interior Alaska where navigable waters aren't determined and thus a Coast Guard license isn't needed. Second, the sunset date in Section 11 was changed from ten years to five years.

[2:47:45 PM](#)

CHAIR COSTELLO asked him to review the electronic logbook program.

MR. HILYARD explained that ADF&G has discussed an electronic logbook for years. It would aid in the data collection and analysis. The paper logbook is used to help both the state and federal fisheries managers make allocation decisions. The revenue stream associated with the increase would help support the establishment and maintenance of an electronic logbook. He offered his understanding that ADF&G intends to do a beta test in the Kenai River area this summer.

SENATOR MEYER asked when the sunset occurs.

MR. HILYARD replied it's 2021.

CHAIR COSTELLO asked Mr. Mulligan to expand on the discussion of the electronic logbook program.

[2:49:36 PM](#)

BEN MULLIGAN, Legislative Liaison, Alaska Department of Fish and Game (ADF&G), explained that the infrastructure to get the beta test in place is part of an overall electronic modernization CIP project the department received through the budget several years ago. The program will be expanded depending on the success of the beta test, but it is a priority.

CHAIR COSTELLO asked if the department has a position on the bill.

MR. MULLIGAN stated that the department supports getting the program back into place.

2:51:39 PM

TOM BROOKOVER, Acting Director, Division of Sport Fish, Alaska Department of Fish and Game (ADF&G), stated that the electronic logbook program is a continuing element of the license modernization effort. He reported that the online licensing store was launched about a month ago and the division is looking at two elements to further that initiative. One is to enable personal use permitting and reporting capabilities for the Cook Inlet and Chitna personal use fisheries. Second is a pilot program on the Kenai for an electronic logbook program for charter boats. He related that the department anticipates full implementation in the next year or two. He confirmed Mr. Mulligan's statement that the department supports HB 41.

2:54:10 PM

CHAIR COSTELLO opened public testimony.

2:54:31 PM

DICK ROHRER, representing himself, Kodiak, Alaska said he has been a big game guide since the early 1970s and a sport fish guide since the early 1980s, and HB 41 potentially jeopardizes his sport fish guiding license. He directed attention to the penalty section on page 5, lines 22-30. He read the provision in subsection (c) and submitted that the penalties are potentially far too severe in cases where the logbook report is not received by ADF&G in a timely manner. He suggested inserting the word "intentionally" on line 22 to clarify that the provision and penalty targets a person who knowingly and intentionally fails to meet the deadline. He explained that for logbook reporting purposes the week runs Monday to Sunday. Any activity on Sunday would have to be submitted to fish and game the following Monday or the guide is in violation of subsection (c). The penalty is very severe if that happens more than once.

MR. ROHRER highlighted that the logbook program largely relates to charter boat operators that are in and out of town every day. That is not the case for guides that operate remotely, particularly guides operating in Interior areas and/or big game guides that have a client who wants to do incidental fishing. He provided an example to illustrate the timing difficulties that remote guides face. He flies a bear hunting client to his camp on Kodiak Island on Saturday April 18 for a two week hunt. The client does incidental fishing on Saturday and Sunday April 18 and 19 so the logbook report for that incidental fishing is due

on April 27. The client isn't flying back until May 2 so he as the guide has to charter a plane at a cost of \$1,000 to pick up that logbook report.

MR. ROHRER pointed out that legislation that was considered several years relating to the sport fish guiding industry included an exemption clause for big game guides who had clients that did incidental sport fishing while on a contracted big game hunt. He suggested that the exemption is appropriate in these circumstances.

[2:59:40 PM](#)

CHAIR COSTELLO announced that she would hold HB 41 in committee with public testimony open.

[2:59:49 PM](#)

There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 2:59 p.m.