

**ALASKA STATE LEGISLATURE**  
**SENATE STATE AFFAIRS STANDING COMMITTEE**

February 26, 2015

9:02 a.m.

**MEMBERS PRESENT**

Senator Bill Stoltze, Chair  
Senator John Coghill, Vice Chair  
Senator Charlie Huggins  
Senator Lesil McGuire  
Senator Bill Wielechowski

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

CS FOR HOUSE JOINT RESOLUTION NO. 13(MLV)

Urging the United States Department of the Army to maintain and strengthen the current level of its combat-capable structure in the state and not to take structural realignment actions with regard to Fort Wainwright and Joint Base Elmendorf- Richardson.

- MOVED SCS CSHJR 13(STA) OUT OF COMMITTEE

SENATE BILL NO. 9

"An Act repealing the authority to include certain material from a political party in the election pamphlet."

- HEARD AND HELD

GOVERNOR APPOINTMENTS-CONFIRMATION HEARINGS

Commissioner - Department of Administration  
Sheldon Fisher

- CONFIRMATION ADVANCED

CONTINUING DISCUSSION OF THE IMPLEMENTATION OF BALLOT MEASURE NO. 2(13PSUM) - "AN ACT TO TAX AND REGULATE THE PRODUCTION, SALE, AND USE OF MARIJUANA"

- HEARD

**PREVIOUS COMMITTEE ACTION**

BILL: HJR 13

SHORT TITLE: RETAIN ARMY FORCES IN ALASKA

SPONSOR(s): REPRESENTATIVE(s) REINBOLD

02/06/15 (H) READ THE FIRST TIME - REFERRALS  
02/06/15 (H) MLV  
02/10/15 (H) MLV AT 1:00 PM CAPITOL 120  
02/10/15 (H) Moved CSHJR 13(MLV) Out of Committee  
02/10/15 (H) MINUTE(MLV)  
02/11/15 (H) MLV RPT CS(MLV) NT 7DP  
02/11/15 (H) DP: HUGHES, LYNN, COLVER, LEDOUX,  
GRUENBERG, TUCK, HERRON  
02/13/15 (H) TRANSMITTED TO (S)  
02/13/15 (H) VERSION: CSHJR 13(MLV)  
02/18/15 (S) READ THE FIRST TIME - REFERRALS  
02/18/15 (S) STA  
02/24/15 (S) STA AT 9:00 AM BUTROVICH 205  
02/24/15 (S) -- MEETING CANCELED --  
02/26/15 (S) STA AT 9:00 AM BUTROVICH 205

BILL: SB 9

SHORT TITLE: ELECTION PAMPHLETS

SPONSOR(s): SENATOR(s) MICCICHE

01/21/15 (S) PREFILE RELEASED 1/9/15  
01/21/15 (S) READ THE FIRST TIME - REFERRALS  
01/21/15 (S) STA, FIN  
02/26/15 (S) STA AT 9:00 AM BUTROVICH 205

See Senate State Affairs minutes from 1/22/15, 1/27/15, 1/29/15, 2/3/15 and 2/5/15.

**WITNESS REGISTER**

ELIJAH VERHAGEN, Staff  
Representative Lora Reinbold  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Provided an overview of HJR 13.

MICHAEL O'HARE, Deputy Director  
Division of Homeland Security  
Department of Military and Veterans Affairs  
Joint Base Elmendorf - Richardson, Alaska

**POSITION STATEMENT:** Testified in support of HJR 13.

SHELDON FISHER, Commissioner-designee  
Department of Administration (DOA)  
Juneau, Alaska

**POSITION STATEMENT:** Testified as appointee.

LORI WING-HEIR, Director  
Division of Insurance  
Department of Commerce, Community and Economic Development  
(DCCED)  
Anchorage, Alaska

**POSITION STATEMENT:** Explained the relationship of the division as it relates to Ballot Measure 2.

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

**POSITION STATEMENT:** Presented information related to Ballot Measure 2.

SENATOR PETER MICCICHE  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Sponsor of SB 9.

#### **ACTION NARRATIVE**

[9:02:07 AM](#)

**CHAIR BILL STOLTZE** called the Senate State Affairs Standing Committee meeting to order at 9:02 a.m. Present at the call to order were Senators Wielechowski, Coghill, Huggins, and Chair Stoltze.

[9:02:21 AM](#)

CHAIR STOLTZE provided an agenda overview.

#### **HJR 13-RETAIN ARMY FORCES IN ALASKA**

[9:03:10 AM](#)

CHAIR STOLTZE announced that HJR 13 was before the committee.

[9:03:39 AM](#)

ELIJAH VERHAGEN, Staff, Representative Lora Reinbold, Alaska State Legislature, provided an overview of HJR 13. He related

that HJR 13 supports maintaining and strengthening current Alaska Army personnel levels at Fort Wainwright and Joint Base Elmendorf-Richardson (JBER). The downsizing of military bases across the U.S. is mandatory under the Budget Control Act of 2011. The Department of Army is looking at thirty military installations and has four more to downsize. Both Wainwright and JBER are on the list to be considered.

Under the Budget Control Act, the Army was required to have listening sessions, which occurred Monday in Anchorage and Tuesday in Fairbanks. The bases could lose up to 15,000 people at each site. The resolution urges the Department of Defense to not downsize, and, if possible, strengthen the bases because Alaska is strategically located.

[9:05:27 AM](#)

CHAIR STOLTZE surmised that the military cutbacks are an attempt to eliminate sequestration. He spoke in support of controlling the federal budget and in support of the military.

MR. VERHAGEN did not know if the sponsor shared those concerns.

CHAIR STOLTZE asked if she is a fiscal conservative.

MR. VERHAGEN answered yes.

CHAIR STOLTZE reiterated his concern.

[9:07:28 AM](#)

MR. VERHAGEN maintained that the shutdown should not be for Alaska's bases.

SENATOR MCGUIRE joined the committee meeting.

[9:08:23 AM](#)

MICHAEL O'HARE, Deputy Director, Division of Homeland Security, Department of Military and Veterans Affairs, testified in support of HJR 13. He spoke of the great responses in the listening sessions.

CHAIR STOLTZE asked Mr. O'Hare to comment on sequestration.

MR. O'HARE said he has no comment on the topic.

SENATOR MCGUIRE related that she attended the Anchorage meeting and noted a slide presentation there. She discussed a process

for submitting letters of support that included information about military families, location, training, and more.

9:11:08 AM

MR. O'HARE agreed. The slide summarized what Alaska can do and what it has done with world-class military training and community support for the military.

SENATOR HUGGINS noted that there normally is a transition of duties to the Alaska Army National Guard when a base shutdown happens.

9:12:29 AM

MR. O'HARE offered to provide that information to the committee.

SENATOR HUGGINS implied that when active component units are reduced, mission-creep into the Reserves increases.

CHAIR STOLTZE noted his appreciation for all of the community support regarding the military.

9:14:20 AM

SENATOR COGHILL offered Amendment 1:

Page 1, lines 2-3:

Delete "take structural realignment actions with regard to"

Insert "reduce personnel at"

Page 1, lines 6 - 7:

Delete "a structural realignment of"

Insert "structural reductions to"

Page 1, lines 8 - 9:

Delete "structural realignment actions not be taken with regard to both"

Insert "no personnel reductions be made for"

Page 4, line 5:

Delete "take structural realignment actions with regard to both"

Insert "reduce personnel at"

CHAIR STOLTZE objected for discussion.

SENATOR COGHILL explained Amendment 1 takes the "structural re-alignment action" wording out and replaces it with "reduction in personnel."

[9:15:22 AM](#)

CHAIR STOLTZE removed his objection. There being no further objection, Amendment 1 was adopted.

CHAIR STOLTZE opened public testimony.

SENATOR COGHILL commented that the amendment is "official speak" to back up what the public has been saying. He pointed out that all the bases around America have patriotism; Alaska is fortunate to also have strategic location and community support. He agreed there is pressure in Alaska to undo federal sequestration. He stressed that it is time to stand up for national defense.

[9:17:43 AM](#)

CHAIR STOLTZE considered Alaskans the most patriotic, pro-military state of all.

SENATOR MCGUIRE noted the presence of Senator Wielechowski and Senator Sullivan in attendance at the Anchorage meeting. She said there were many quotes from General Mitchell who said, "He who holds Alaska will hold the world." She drew attention to the importance of the Arctic.

[9:19:16 AM](#)

SENATOR HUGGINS stated that it is important to consider the history of how the military is perceived by the public, as compared to today.

[9:20:36 AM](#)

CHAIR STOLTZE closed public testimony.

[9:21:01 AM](#)

SENATOR HUGGINS moved to report CSHJR 13, as amended, from committee with individual recommendations. There being no objection, SCS CSHJR 13(STA).

[9:21:16 AM](#)

At ease.

**CONFIRMATION HEARING**  
**COMMISSIONER, DEPARTMENT OF ADMINISTRATION**

[9:22:46 AM](#)

CHAIR STOLTZE brought the meeting back to order. He said the confirmation hearing would be next.

[9:23:39 AM](#)

SHELDON FISHER, Commissioner-designee, Department of Administration (DOA), testified as appointee. He shared his family history and educational background. He said he worked for a law firm for a period and then in telecommunications.

[9:27:27 AM](#)

COMMISSIONER FISHER related that he enjoys the challenging work at DOA. He said the challenge with the budget is the filter through which decisions are made. He said he is pleased to be part of the administration as the commissioner. He noted five priorities for his administration which impact the department, as well as span beyond the department to include the way government is handled throughout the state. He said DOA is responsible for the centralized portion of Human Resources, including negotiating collective bargaining agreements. He said it is critical that DOA improves the way it leverages and uses employees. Another priority is to continue to reduce the cost of health care in the state. Third, is to be more efficient and effective in the way information technology services are delivered. Fourth, is to save in the area of purchasing, and finally, to better manage and utilize state facilities.

[9:31:33 AM](#)

CHAIR STOLTZE thanked Commissioner Fisher.

SENATOR HUGGINS opined that Commissioner Fisher is an impressive candidate. He asked how the legislature could partner with DOA in order to save money.

[9:33:22 AM](#)

COMMISSIONER FISHER replied that he welcomes the collaboration. He hoped to share ideas and have conversations.

CHAIR STOLTZE asked if Commissioner Fisher reads the Alaska Dispatch.

COMMISSIONER FISHER said yes.

CHAIR STOLTZE highlighted an article regarding labor wages.

COMMISSIONER FISHER replied that he will be careful when speaking with ongoing labor negotiations. He opined that it is

critical that the salary and wage structure be fair to all parties.

[9:35:45 AM](#)

CHAIR STOLTZE commented on the resolution regarding permanent registration. He asked if there was a process for those who have not yet registered.

COMMISSIONER FISHER said he would look into it.

SENATOR MCGUIRE noted Commissioner Fisher's outstanding qualifications. She voiced concern about the organ and tissue donor registration process and lack of access to all donors.

[9:39:43 AM](#)

COMMISSIONER FISHER stated that he would look into it.

SENATOR COGHILL noted his appreciation for Commissioner Fisher and pointed out healthcare reform issues he would be facing, as well as issues within the Justice System.

[9:43:28 AM](#)

CHAIR STOLTZE added that the Public Defender and the Public Advocacy Office are significant parts of DOA's general fund budget.

COMMISSIONER FISHER replied that their budgets and caseloads are growing. He pointed out that he has already had many conversations with Mr. Steiner. He said he appreciates the committee's interest and is aware of his responsibilities.

SENATOR HUGGINS noted that Commissioner Fisher has communicated with previous commissioners to seek information about DOA.

CHAIR STOLTZE asked what the commissioner's role is regarding the Affordable Care Act and Medicaid expansion.

[9:45:44 AM](#)

COMMISSIONER FISHER said he does not have a direct role with Medicaid expansion. He said the overlap is in strategies to reduce health care costs. He said he is in conversation with Commissioner Davidson regarding that.

CHAIR STOLTZE noted Commissioner Fisher's IT background. He faulted the state in making poor IT decisions in the past.

[9:47:33 AM](#)

COMMISSIONER FISHER agreed the resources could have been used more effectively. He thought the direction would be commodity IT services in order to consolidate, centralize, and drive down costs. He maintained that unique IT applications should remain within departments. He said the state spends about \$220 million in IT and has over 800 IT professionals. He opined that the state can drive efficiency out of that environment and reinvest some of those savings in additional services and capabilities that will continue to enhance the IT environment.

[9:49:50 AM](#)

SENATOR MCGUIRE said there are over 80 procurement officers in the state and suggested that Commissioner Fisher work on streamlining the procurement process.

COMMISSIONER FISHER noted previous experience with that issue.

SENATOR WIELECHOWSKI suggested that jobs not be shipped outside of Alaska.

[9:52:49 AM](#)

COMMISSIONER FISHER replied that there is not a plan to ship jobs outside the state. The Governor has made it clear that he wants to keep jobs in Alaska.

CHAIR STOLTZE commented on Commissioner Fisher's humble background.

[9:54:54 AM](#)

At ease.

**"CONTINUING DISCUSSION OF THE IMPLEMENTATION OF BALLOT MEASURE NO. 2(13PSUM)-AN ACT TO TAX AND REGULATE THE PRODUCTION, SALE, AND USE OF MARIJUANA"**

[9:55:43 AM](#)

CHAIR STOLTZE brought the meeting back to order and announced an update on the Marijuana ballot measure. He requested information from Ms. Wing-Heir about banking and insurance issues related to commercializing marijuana.

[9:57:16 AM](#)

LORI WING-HEIR, Director, Division of Insurance, Department of Commerce, Community and Economic Development (DCCED), explained the relationship of the division as it relates to Ballot Measure 2. The mission of the division is to regulate the insurance industry to protect consumers. The division tries to encourage

insurers that come into the state to offer new products, they cannot mandate that they provide any insurance for any particular industry. She could not think of any regulation or statute that requires an insurer to insure a particular industry. Insurers are wary of insuring the marijuana industry because marijuana remains a schedule 1 substance.

[9:58:54 AM](#)

MS. WING-HEIR specified that there are different kinds of insurance. Medicinal marijuana is legal in Alaska, but it is a controlled substance and will not be paid for by an insurer.

SENATOR MCGUIRE asked if Ms. Wing-Heir has seen SB 30.

MS. WING-HEIR answered no.

SENATOR MCGUIRE summarized that it is the de-criminalization bill and takes a different approach. It takes marijuana out of the controlled substance statute and regulates it like alcohol. She asked if her prior statements would be accurate should SB 30 pass.

MS. WING-HEIR responded that marijuana would still have federal issues as a schedule 1 drug and insurers would not cover it.

[10:00:36 AM](#)

MS. WING-HEIR discussed insurance coverage related to an injury or condition caused by marijuana. She said insurance companies would have to cover emergency room expenses, but rehabilitation services would be subject to type of plan.

[10:02:12 AM](#)

MS. WING-HEIR turned to property and casualty insurance, for which there is not much statistical data. There have been no claims in this category to date. Workers' compensation cases will end up in the assigned risk pool.

CHAIR STOLTZE asked what the assigned risk pool is.

MS. WING-HEIR explained that it is funded by all the insurers doing business in the state. Every three years a bid is put out by four servicing carriers and the cost is spread out amongst all insurers in the state. The intent is that all employers are able to get workers' compensation insurance. She concluded that, at this point, marijuana businesses would be included in this category, not in the standard market.

[10:04:25 AM](#)

CHAIR STOLTZE asked if that was because they would not know how to assess risk or if it was unwillingness.

MS. WING-HEIR said a little of both.

SENATOR WIELECHOWSKI asked about federal issues regarding workers' compensation for marijuana businesses.

MS. WING-HEIR replied that she is not aware of any since workers' compensation is controlled at the state level.

SENATOR WIELECHOWSKI thought there would be federal concerns. He asked how Washington and Colorado are doing.

MS. WING-HEIR answered that Washington is a monopolistic state for workers' compensation and Colorado is paying via the assigned risk pool. Alaska will be similar to Colorado.

[10:05:41 AM](#)

MS. WING-HEIR addressed property insurance for the marijuana industry. Due to the high value of the crop and the increased risk for vandalism and theft, insurers in Alaska are going to be reluctant to insure property.

CHAIR STOLTZE confirmed that to be true of the thirty insurers he contacted.

MS. WING-HEIR addressed general liability, which she opined would be the most difficult area to insure due to the consumption aspect of marijuana. There is no data on market control or distribution to date. Insurers are hesitant due to the many unknown factors.

[10:07:21 AM](#)

MS. WING-HEIR stated that insurance is not jumping on board to insure the cultivation, sale, and distribution of marijuana. They would most likely insure shops or small operations. She pointed out that there are non-admitted insurers who might step up to the plate to insure the marijuana industry as they have in other states, but they are expensive and may be limited in what they covers.

[10:09:07 AM](#)

CHAIR STOLTZE asked if she thought it is an activity that should have insurance or bonding requirements.

MS. WING-HEIR replied that she did not know.

CHAIR STOLTZE said he would ask the administration.

SENATOR WIELECHOWSKI asked if medical marijuana companies would be able to purchase health insurance for their employees.

MS. WING-HEIR did not think patients could be denied.

SENATOR WIELECHOWSKI said he was referring to the companies.

MS. WING-HEIR said she would get back to the committee on that.

[10:11:03 AM](#)

SENATOR WIELECHOWSKI asked if Alaska companies would have to pay federal taxes.

MS. WING-HEIR did not know. She offered to find answers to the committee's questions.

CHAIR STOLTZE noted examples of industries that could not get insurance.

SENATOR HUGGINS asked if Alaska is importing a significant number of people from outside the state for ideas and supervisors related to the marijuana industry. He wondered if that was true for the insurance industry.

[10:13:20 AM](#)

MS. WING-HEIR she has seen no indication of that happening.

SENATOR WIELECHOWSKI noted his concern for an all-cash industry.

MS. WING-HEIR said that was part of her concern about property insurance - the possibility of theft.

CHAIR STOLTZE commented on the ability of banks to participate.

He noted that the sponsors of the bill would have a chance to testify.

[10:15:18 AM](#)

KEVIN ANSELM, Director, Division of Banking & Securities, Department of Commerce, Community and Economic Development (DCCED), presented information related to Ballot Measure 2. She observed that the current options in the state, and federally, for raising capital and banking services are slim. The

Securities and Exchange Commission will allow offerings related to equity and debt securities. They have accepted several offerings under certain exemptions under federal law because they provide full disclosure and there is typically no general solicitation for investors. She said they have not seen any filings in Alaska yet, however, there are several exemptions people can work under, so the Division would not even know if there were securities offerings happening.

[10:17:38 AM](#)

MS. ANSELM turned to banking services, such as loans, deposits, and money transmissions, which currently are provided by banks, credit unions and money service businesses. She said there is not much interest by financial institutions to become involved with the marijuana industry. Federal insurers have indicated that as long as financial institutions follow federal disclosure requirements, there should be no compliance issues. She noted filing procedures take time and incur costs.

She pointed out that financial institutions are also wary of risk when it comes to the marijuana industry.

[10:19:00 AM](#)

MS. ANSELM addressed the fact that banks and credit unions are independent service businesses that must answer to shareholders and directors. They are not subject to government mandates, other than insurance and regulations. They must determine whether their decision-makers want to participate in the marijuana industry. There are also reputational risks.

CHAIR STOLTZE shared a personal story.

MS. ANSELM continued to discuss additional costs related to staff and physical location security due to the large amount of cash. A large cost driver for banks is having a large amount of cash and having cash with a marijuana odor. She questioned whether financial institutions will have business needs and uses for the cash.

[10:21:37 AM](#)

SENATOR HUGGINS asked whether banks will fall into the category of not being able to deny services to users of marijuana.

MS. ANSELM did not know. However, she said the bank is allowed to ask a customer what their business entails.

CHAIR STOLTZE asked if Ms. Anselm anticipates any federal challenges.

MS. ANSELM pointed out that there are state charters, but the monetary system is federally governed and there is a federal criminal law. She said SB 30 has no impact at the federal level.

SENATOR COGHILL noted a question he gets asked when he crosses a border about whether he has \$10,000 or more in his possession. He asked if that information applies to the Suspicious Activity Report and other laws.

MS. ANSELM answered yes.

SENATOR COGHILL asked if large bank deposits would also initiate suspicious activity concerns.

[10:24:55 AM](#)

MS. ANSELM noted a memo in members' packets that relates to a financial crimes network. It serves as guidance to financial institutions and specifies three types of suspicious activity filings. The marijuana limited filing relates to financial institutions that are providing services to marijuana-related businesses.

SENATOR COGHILL noted that is the responsibility of the bank to file reports at an added cost.

[10:26:44 AM](#)

MS. ANSELM agreed. She added that it is a two-way street because the customer has to be open to the bank and the bank has the responsibility to know the customer.

She listed the two other types of suspicious activity filings.

SENATOR COGHILL asked about the potential for a bank to issue a debit card system to minimize the cash input.

MS. ANSELM answered that the problem is that the cash has to get into the banking system.

[10:28:35 AM](#)

CHAIR STOLTZE spoke of on-line gaming problems.

MS. ANSELM noted that there are alternative money systems, such as virtual currencies.

MS. ANSELM turned to what is happening in other states. In Washington and Colorado there are some credit unions and banks that are working with the marijuana industry, accepting cash and providing loans for property and equipment. There are a number of new businesses springing up in the Lower 48 that help banks with knowing their customers.

[10:31:13 AM](#)

MS. ANSELM addressed new ideas for Alaska. One is for Alaska to have its own bank, similar to the Other Bank of North Dakota. Another is to encourage new banks and credit unions who are willing to take on the risk to come to Alaska. There have been no new banks in Alaska since 1990, but many consolidations. Another idea is to open Alaska to banks that are domiciled outside of Alaska, such as the Oregon bank that banks through firms in Colorado.

She stated that now, the only way an out-of-state bank can come into the state is if they buy an existing branch, as stated in banking statutes under Title 6.

[10:33:06 AM](#)

MS. ANSELM concluded that Alaska is open for business and would welcome new entities.

SENATOR COGHILL noted his expectation is that there will be capital confusion. He asked what the ripple effect would be if the state makes an exception for an outside bank to come into the state without having to buy a branch of an existing bank.

[10:34:51 AM](#)

MS. ANSELM answered that she did not know and recommended Senator Coghill ask the Alaska Bankers Association.

SENATOR COGHILL commented the he is trying to determine what questions to ask.

CHAIR STOLTZE thanked the speakers.

### **SB 9-ELECTION PAMPHLETS**

[10:36:01 AM](#)

CHAIR STOLTZE announced that the consideration of SB 9.

SENATOR PETER MICCICHE, Alaska State Legislature, sponsor of SB 9, related that SB 9 repeals the authority to include ads in the

election pamphlet. It amends Title 15, speaking to election pamphlets, and repeals the authority to include advertising from a political party. He used an example from 2014 when the election pamphlet contained an ad. He noted a similar bill in the other body. He stated that SB 9 is bi-partisan and not politically motivated.

CHAIR STOLTZE suggested the Judicial Council also not advertise at state expense.

[10:38:32 AM](#)

SENATOR HUGGINS agreed, but did not think it fit under Title 6.

CHAIR STOLTZE thought it was a similar issue.

SENATOR MICCICHE said he would think about it. He thanked the committee for hearing SB 9.

[10:39:28 AM](#)

CHAIR STOLTZE held SB 9 in committee.

[10:39:41 AM](#)

There being no further business to come before the committee, Chair Stoltze adjourned the Senate State Affairs Standing Committee hearing at 10:39 a.m.