

HOUSE FINANCE COMMITTEE

May 12, 2017

1:35 p.m.

1:35:43 PM

CALL TO ORDER

Co-Chair Foster called the House Finance Committee meeting to order at 1:35 p.m.

MEMBERS PRESENT

Representative Neal Foster, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Les Gara, Vice-Chair
Representative Jason Grenn
Representative David Guttenberg
Representative Scott Kawasaki
Representative Mark Neuman (alternate)
Representative Dan Ortiz
Representative Lance Pruitt
Representative Cathy Tilton
Representative Tammie Wilson

MEMBERS ABSENT

Representative Steve Thompson

ALSO PRESENT

Representative Matt Claman, Sponsor; Randy Ruaro, Staff, Senator Bert Stedman; Buddy Whitt, Staff, Senator Shelley Hughes; Kaci Schroeder, Assistant Attorney General, Criminal Division, Department of Law.

PRESENT VIA TELECONFERENCE

Lizzie Kubitz, Staff to Representative Matt Claman, Anchorage; Margaret Brodie, Division Director Health Care Services, Anchorage; Mark Jensen, Mayor, Petersburg Borough, Petersburg; Bob Lynn, Self, Petersburg; Mara Lutomski, Administrator, Petersburg Chamber of Commerce, Petersburg; Liz Cabrera, Director, Community Development, Petersburg Borough, Petersburg; Marty Parsons, Deputy Director, Division of Mining Land and Water, Department of Natural Resources; John Buadiug, Self, Fairbanks; Ember

Haynes, Self, Talkeetna; Courtney Moran, Attorney, Earthlaw LLC, Portland, Oregon; Regina Manteufel, Executive Director, Back To Work, Anchorage; Steve Albers, Kenai Soil and Water Conservation District, Kenai; Erika McConnell, Director, Alcohol and Marijuana Control Office, Department of Commerce, Community and Economic Development.

SUMMARY

HB 25 INSURANCE COVERAGE FOR CONTRACEPTIVES

CSHB 25(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Department of Administration; one previously published zero fiscal note: FN1 (CED); and one previously published fiscal impact note: FN3 (DHS).

SB 6 INDUSTRIAL HEMP PRODUCTION

SB 6 was HEARD and HELD in committee for further consideration.

SB 28 MUNICIPAL LAND SELECTIONS: PETERSBURG

SB 28 was REPORTED out of committee with a "no recommendation" recommendation and with two previously published zero fiscal notes: FN1 (CED) and FN2 (DNR).

SB 107 ALASKA CAPITAL INCOME FUND

SB 107 was SCHEDULED but not HEARD.

Co-Chair Foster reviewed the meeting agenda.

#hb25

HOUSE BILL NO. 25

"An Act relating to insurance coverage for contraceptives and related services; relating to medical assistance coverage for contraceptives and related services; and providing for an effective date."

[1:36:32 PM](#)

LIZZIE KUBITZ, STAFF TO REPRESENTATIVE MATT CLAMAN, ANCHORAGE (via teleconference), relayed that she was available for questions regarding the amendments.

[1:38:35 PM](#)

Representative Kawasaki MOVED to ADOPT Amendment 1, 30-LS0261\0.1 (Wallace, 4/18/17) (copy on file):

Page 3, following line 13:

Insert new bill sections to read:

"*Sec. 2. AS 29.10.200 is amended by adding a new paragraph to read:

(66) AS 29.20.420 (health care insurance plans).

*Sec. 3. AS 29.20 is amended by adding a new section to article 5 to read:

Sec. 29.20.420. Health care insurance plans. (a) If a municipality offers a group health care insurance plan covering municipal employees, including by means of self-insurance, the municipal health care insurance plan is subject to the requirements of AS 21.42.427.

(b) This section applies to home rule and general law municipalities.

(c) In this section, "health care insurance plan" has the meaning given in 12 AS 21.54.500."

Renumber the following bill sections accordingly.

Page 6, line 30:

Delete "sec. 4"

Insert "sec. 6"

Page 7, line 1:

Delete "sec. 4"

Insert "sec. 6"

Page 7, line 4:

Delete "sec. 4"
Insert "sec. 6"

Page 7, line 7:
Delete "sec. 4"
Insert "sec. 6"

Page 7, line 9:
Delete "sec. 5"
Insert "sec. 7"

Page 7, line 10:
Delete "sec. 4"
Insert "sec. 6"

Page 7, line 12:
Delete "sec. 4"
Insert "sec. 6"

Page 7, line 14:
Delete "secs. 5 and 6"
Insert "secs. 7 and 8"

Page 7, line 15:
Delete "sec. 7"
Insert "sec. 9"

Representative Wilson OBJECTED.

Representative Kawasaki explained the amendment. The amendment safeguarded that municipalities who self-insured were also covered within the twelve month period. He shared that he contacted the "top three" municipalities and was informed that they already had a similar provision. He did not feel the legislation impacted municipalities.

Representative Wilson did not support the amendment without knowing how the bill impacted municipalities. She stated that how the legislation impacted municipalities was unknown. The bill mandated insurance coverage for contraceptives; it was not merely about extending the prescription to 12 months.

A roll call vote was taken on the motion.

IN FAVOR: Guttenberg, Kawasaki, Ortiz, Gara, Grenn, Foster, Seaton

OPPOSED: Pruitt, Neuman, Tilton, Wilson

The MOTION to Adopt Amendment 1 PASSED (7/4).

[1:40:49 PM](#)

Representative Wilson MOVED to ADOPT Amendment 2, 30-LS0261\0.4 (Wallace, 4/18/17):

Page 1, line 8, following "market":

Insert "that provides coverage for prescription contraceptives"

Co-Chair Seaton OBJECTED.

Representative Wilson explained the amendment. She was concerned that the bill mandated coverage for contraceptives. She felt that some people purchased health insurance policies based on their needs and that the mandate would increase premium costs to individuals that did not need contraceptives. The amendment clarified that the bill only applied to insurers who already provided coverage for contraceptives.

Co-Chair Seaton asked whether the bill sponsor wanted to speak to the amendment.

REPRESENTATIVE MATT CLAMAN, SPONSOR, did not support the amendment. He commented that the amendment was contrary to the point of the bill.

Representative Kawasaki asked whether there were health insurance policies and "individual market plans" that did not currently cover contraceptives.

Representative Wilson responded that she did not know, which characterized the point of her amendment. She spoke to her understanding of the bill. She reiterated that the bill required every plan to provide the coverage even if it currently did not. Ms. Kubitz replied that HB 25 was about expanding access to contraceptives. She pointed out that the amendment would not allow the expansion of coverage. She believed coverage for contraceptives was a "standard of care" Alaskan women were entitled to unless an employer upheld a religious exemption.

[1:45:39 PM](#)

Representative Ortiz asked whether the sponsor's intent was to force insurers to provide contraceptives as part of their plan. Representative Claman believed that the only plans that did not allow coverage were policies with religious exemptions. He did not believe HB 25 created a mandate and that contraceptive coverage was required under the Affordable Care Act (ACA).

Representative Wilson believed the amendment would not harm existing practices. She maintained that the amendment clarified that the bill did not create a mandate that had unintended negative consequences.

Representative Neuman asked how the 12 month requirement pertained to the amendment. Representative Wilson answered that the 12 month language was in the bill. She explained that the bill dealt with other contraceptive methods but extending prescriptions for pills was a major provision to prevent the inconvenience for women having to obtain the prescription from a pharmacy multiple times each year. She restated that her amendment ensured that contraceptive coverage was already included in the policy before the rest of the bill's provisions were applied.

Representative Guttenberg asked whether there would be any other impacts from the bill and if the sponsor had heard from anyone who was concerned by the mandate. Representative Claman replied that he had not heard from anyone whose policies did not provide coverage and were apprehensive over the requirement.

Co-Chair Seaton asked whether Representative Wilson's intention was to provide contraceptive coverage in Alaska regardless of whether or not the ACA mandated the coverage or was repealed.

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Representative Wilson answered that was not her intent. She cited a letter from the National Federation of Independent Business (NFIB) (copy on file) that opposed the mandate. She offered that every time more mandates were placed on private companies to cover conditions their costs increased. She reiterated the intent of the amendment.

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Representative Wilson provided final comments regarding the intent of the amendment.

Co-Chair Seaton MAINTAINED his OBJECTION.

A roll call vote was taken on the motion.

IN FAVOR: Ortiz, Pruitt, Neuman, Tilton, Wilson

OPPOSED: Kawasaki, Gara, Grenn, Guttenberg, Seaton, Foster

The MOTION to adopt Amendment 2 FAILED (5/6).

Representative Wilson WITHDREW Amendment 3, 30-LS0261\0.2 (Wallace, 4/18/17) (copy on file).

[1:55:21 PM](#)

Vice-Chair Gara reviewed the fiscal notes: FN 1 (CED) zero from the Department of Commerce, Community and Economic Development, one new zero fiscal note from the Department of Administration, and FN 3 (DHS) showing fiscal impact from the Department of Health and Social Services, Medicaid Services that reported an anticipated cost savings of \$678 thousand in FY 18 and \$1.3 million in the out years through the reduction in unintended pregnancies.

Representative Wilson was trying to determine how the savings was derived. She wondered how many women were not currently "taking the pill that should be." She understood that the department already could provide the prescription for twelve months but do not because a women might not be eligible for Medicaid for the entire twelve month period. She was uncertain the bill would allow the department to change its prescribing practices.

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MARGARET BRODIE, DIVISION DIRECTOR HEALTH CARE SERVICES, ANCHORAGE (via teleconference), answered that based on national studies there was a 6 percent contraceptive failure rate utilizing a twelve month prescription period as opposed to a 9 percent failure rate based on 3 month prescriptions. She added that the department chose a 7 percent failure rate. The fiscal note was based on the difference between the lower and higher failure rate.

Representative Wilson countered that the department had testified that it could have been prescribing contraceptives for 12 months without the legislation. She wondered why the extended prescriptions had not been implemented. Ms. Brodie answered that the Medicaid program was "under constant pressure to contain costs" and often the contraceptive prescriptions were not issued at all. She related that the contraceptive failure rate study was new. In addition, savings would be realized from reduced dispensing fees the department was required to pay for prescriptions. Representative Wilson cited the \$1.4 million in savings and wondered how many individuals the figure represented. She asked why DHSS used national figures versus Alaskan numbers because the state's Medicaid standards were much higher than the federal poverty rate. Ms. Brodie responded that the national averages were employed to determine the contraceptive failure rate but Alaskan data was used to determine the number of unintended pregnancies (120). Representative Wilson asked what happened if a woman became ineligible within the year but was issued a 12 month prescription. Ms. Brodie answered that initially the situation was factored into the analysis. However, after further research, DHSS discovered that the state did not have to repay the ineligible portion as long as the individual was eligible for Medicaid at the time of dispensing the medication. Representative Wilson still believed the numbers in the DHSS fiscal note were "skewed" but did not have access to data to prove her assumption.

Vice-Chair Gara remarked that the all of the data discussed was located on page 2 of the DHSS fiscal note analysis. He relayed the following:

A report by Foster et. al. (2011) projects a decrease in failure rate of approximately 30 percent when oral contraceptives are dispensed in 12-month quantities, which would result in an oral contraceptive failure rate of 6 percent.

... Applying this differential, we estimate that approximately 5.28 of the avoided 120 unintended pregnancies would have been complicated births ...

Vice-Chair Gara noted that the data was the basis for the projected savings. He wanted to help prevent unintended pregnancies.

Co-Chair Seaton addressed the question of whether the state's Medicaid program currently had the ability to provide 12 month prescriptions. He related that the bill contained conditional language that was not effective unless the federal Medicaid program approved the state's plan amendment adopting the 12 month requirement.

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Representative Wilson asked whether Ms. Brodie's previous testimony regarding the issue had been incorrect. Ms. Brodie responded that regulations allowed it, but the state had to file a state plan amendment that required approval from the federal government. Representative Wilson asked whether legislation was required to amend the state plan. Ms. Brodie answered that the commissioner of DHSS could make the determination and request the federal government's approval.

[2:05:54 PM](#)

Co-Chair Seaton MOVED to REPORT CSHB 25(FIN) out of committee with individual recommendations and the accompanying fiscal notes.

Representative Wilson OBJECTED. She remarked on the usage of the words "unintended and unwanted" in a negative context. She reasoned that "everything in life was not always intended" but could be welcomed. She expressed concern that the bill carried a mandate in addition to the 12-month coverage. She opposed additional mandates and the problems she felt they created for small businesses. She appreciated that Co-Chair Seaton mentioned issues due to Medicaid expansion. She did not know what the overall costs to the state were due to the uncertainty of ACA and Medicaid expansion. She reiterated her opposition to mandates because of the "pressure" they placed on small businesses.

[2:08:22 PM](#)

A roll call vote was taken on the motion.

IN FAVOR: Ortiz, Gara, Grenn, Guttenberg, Kawasaki, Foster, Seaton

OPPOSED: Pruitt, Neuman, Tilton, Wilson

The MOTION PASSED (7/4).

There being NO further OBJECTION, CSHB 25(FIN) was REPORTED out of committee with a "do pass" recommendation and with one new zero fiscal note from the Department of Administration; one previously published zero fiscal note: FN1 (CED); and one previously published fiscal impact note: FN3 (DHS).

#sb28

SENATE BILL NO. 28

"An Act relating to the general grant land entitlement for the Petersburg Borough; and providing for an effective date."

2:09:32 PM

MARK JENSEN, MAYOR, PETERSBURG BOROUGH, PETERSBURG (via teleconference), testified in support of the legislation. He read from a prepared statement:

I'm speaking to you today in support of SB 28, a bill that would set our general land grant entitlement at just over 14,500 acres.

As the borough mayor, a small business owner and life-long Alaskan, I've witnessed many changes to our community. Most recently, our 103 year old city was dissolved in favor of a home-rule borough. Our decision to form a borough was not made in haste. Borough formation was not supported by all area residents. Nonetheless, the majority of us felt it was an important step for the future welfare of our community.

Likewise, SB 28 is an important step in the future development of our borough. As you've heard in previous testimony, the Petersburg Borough's land base is dominated by public lands - 96 percent of the borough is in federal ownership. Public lands are not taxable by the local government; nor open for commercial development by local business; nor available for residential use. SB 28 makes a relatively small amount of land available to the borough for these important uses. These can contribute

in very significant and positive ways to grow our local tax base, employment, and population.

If you consider borough formation and SB 28 together, it demonstrates that our community is taking decisive steps toward the type of local self-government envisioned by the state constitution- and the type of self-reliance necessary for us to succeed for at least another 103 years.

Thank you for the opportunity to speak to you today and I ask for your support to pass SB 28 out of House Finance this afternoon.

[2:12:11 PM](#)

BOB LYNN, SELF, PETERSBURG (via teleconference), spoke in favor of the legislation. He read from a prepared statement:

As a Borough Resident and Former Tongass National Forest Supervisor I support SB 28 transferring 14,666 acres of State of Alaska land to the Petersburg Borough. Over 96% of the land within the Petersburg Borough is in Tongass National Forest, State of Alaska and Goldbelt ownership. That ownership pattern significantly limits the Petersburg Borough's ability to diversity the local economy.

The current economy is primarily related to the fishing industry. Any annual up turn or down turn is immediately felt locally, the same can be said for policy changes related to the National Forest since it is such a dominant owner of lands within the Borough.

SB 28 would significantly help diversity and provide stability to the local economy in a number of ways.

1. It would provide for a larger tax base in the borough.
2. It would help diversify the economy by providing for other uses.
3. It would provide opportunities for the start of more small businesses.
4. It would help in the development of the Borough infrastructure.

5. It would help the Borough in the long term provide a better services and quality of life to its residents.

As the committee is aware, the municipalities in Alaska as elsewhere are limited in the ways they can generate revenues. This bill helps the Petersburg Borough provide a long term, stable, sustainable local economy that can better serve the needs of the local residents.

2:14:14 PM

MARA LUTOMSKI, ADMINISTRATOR, PETERSBURG CHAMBER OF COMMERCE, PETERSBURG (via teleconference), spoke in support of the legislation. She read from prepared remarks:

I am testifying today in support of SB 28 to set the general land entitlement to the Borough of Petersburg so it will be more closely aligned with other Boroughs across the State of Alaska.

According to ADNR, the Petersburg Borough's current land entitlement is 1,374 acres - approximately only .04 percent of the Borough's total land area. Through this same legislative process, other boroughs have received close to .8 percent of their total land area. Petersburg's request would not set a precedent as the 14,600 acres would be less than .79 percent of the total lands within the Borough. It would however move the Petersburg Borough towards more economic self-sufficiency.

Petersburg right in the boundaries of the Tongass National Forest - 96 percent of the land within our borough is federal land - only 4 percent is left over for the State and borough use.

In recent years, State land within our Borough has been designated to the Alaska Mental Health Trust, The University of Alaska, and Southeast State Forest; leaving very little for the Borough to select for future economic development and planning.

The land entitlement was created for the purpose in which the Municipality is asking: the lands would be

used to address the economic, cultural, and resource-based goals of the Borough and its residents.

We understand that in the near future, Municipalities will be responsible to fund more of their own operations, relying less on state and Federal monies. The Borough's request is moving them toward being more self-sufficient and an increased land base is essential in moving the Borough in that direction.

The Petersburg Chamber of Commerce fully supports SB 28 and we ask that you vote to pass this legislation forward today.

[2:16:49 PM](#)

LIZ CABRERA, DIRECTOR, COMMUNITY DEVELOPMENT, PETERSBURG BOROUGH, PETERSBURG (via teleconference), was available for questions.

Vice-Chair Gara discussed that when the state conveyed land to a municipality or borough easements to or along water bodies were retained. He asked for verification that the borough would maintain access. Ms. Cabrera replied in the affirmative and added that the borough did not restrict access to any of its land.

Co-Chair Foster CLOSED public testimony.

[2:18:25 PM](#)

RANDY RUARO, STAFF, SENATOR BERT STEDMAN, had no further comments.

Representative Kawasaki mentioned that there had been no opposition to the bill. He asked whether a property owner adjacent to the municipal land selections would be notified of the entitlement.

Mr. Ruaro deferred to the Department of Natural Resources (DNR).

MARTY PARSONS, DEPUTY DIRECTOR, DIVISION OF MINING LAND AND WATER, DEPARTMENT OF NATURAL RESOURCES (via teleconference), responded that the conveyance process was public and included information specifying the land proposed for transfer.

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Representative Kawasaki asked for more clarity regarding what information was conveyed to residents. He exemplified a potential land conveyance in the Fairbanks North Star Borough that was closely aligned with the Fort Knox mine. Residents of the borough involved in a running club were concerned that if the land was annexed within the mining claim the mine would prevent access. He requested the specific types of information the Department of Natural Resources (DNR) conveyed to the public. Mr. Parsons replied that DNR was statutorily mandated to relay the information to the public via newspapers, websites, and post office notices. The public would be alerted via email of any out-of-state ownership conveyance. Representative Kawasaki asked whether the department would be statutorily required to contact adjacent property owners of any type of conveyance. Mr. Parsons believed that through the public process the department would not necessarily contact every nearby owner, but they would publish notifications in newspapers and online.

Vice-Chair Gara asked for assurance that DNR maintained easements along and to a water body in order for the public to access it for recreational purposes and whether easement locations were shared with the public. He spoke specifically to the conveyance in SB 28. Mr. Parsons answered that all of the statutory required easements were maintained as part of the conveyance process and were identified in conjunction with the borough.

[2:24:12 PM](#)

Representative Pruitt queried whether there was a precedent for conveying additional land to a borough or municipality. Mr. Parsons responded that Southeast Alaska's situation was unique due to the fact that so much land was part of the Tongass National Forest. He explained that the amount of "vacant unappropriated unreserved land" (VUU) was relatively small. The Petersburg Borough requested 95 percent of the state's VUU land, similar to a Wrangell Borough request for an additional conveyance of 9,600 acres or approximately 48 percent VUU land, subsequent to its first relatively small entitlement. The Petersburg conveyance encompassed almost all of the state's VUU land inside of the borough boundaries. Representative Pruitt wondered whether requesting a second land conveyance after

an initial conveyance had happened before. Mr. Parsons replied in the affirmative but he would not characterize the situation as commonplace. He related that in the recent past the Haines Borough requested an additional entitlement subsequent to the formation of the Wrangell Borough. Representative Pruitt asked whether the state was comfortable with the amount of VUU land the Petersburg Borough had requested. He appreciated that Petersburg was trying to find a way to be self-sustaining and was supportive but wondered whether a large conveyance of VUU land set a precedent that concerned the department.

[2:28:21 PM](#)

Mr. Parsons responded that a large conveyance was a concern when the state received revenue from land, timber, and or material sales, easements, and right-of-ways. He noted that the department's ability to generate revenues from program receipts versus unrestricted general funds (UGF) would be diminished if the state conveyed a large amount of revenue producing VUU land to boroughs. Representative Pruitt recognized the concern. He asked whether the department was satisfied with the particular allotment for the Petersburg Borough. Mr. Parsons replied that the administration had not taken a position; it relied on the legislature to determine the best course of action for the state.

Representative Guttenberg referred to the maps in members' packets (copy on file) of the Petersburg area. He described the type of land in the borough and asked what percentage of state VUU land remained available after the conveyance. Mr. Parsons responded that approximately 700 acres of VUU state land inside the borough remained. Representative Guttenberg remarked that when he had been previously involved in land selection conveyances a hierarchy of entitlement existed among federal, state, municipal, and tribal parties. He stated that when land selection processes were undertaken conflicts arose between involved parties. He wondered whether the scenario applied to the Petersburg entitlement. Mr. Parsons was unaware of any conflicts associated with the land selection. Representative Guttenberg wanted clarification that 700 acres of state VUU land remained within the borough. Mr. Parsons confirmed that approximately 700 to 750 acres of state VUU land remained.

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Vice-Chair Gara reviewed the two previously published zero fiscal notes from the Department of Commerce, Community and Economic Development FN 1 (CED) and the Department of Natural Resources FN 2 (DNR). He noted that the DNR fiscal note analysis on page 2 reported the value of the land at \$68 million.

Representative Wilson asked why the amount was not shown as a loss to the state on the fiscal note. Vice-Chair Gara offered that he recently had the same question. He answered that fiscal notes reflected state funds and fund sources and not assets. Representative Wilson asked whether non-reporting the value of assets as a loss was standard practice. Mr. Parsons replied that Vice-Chair Gara was correct and the general practice was to report funding gains, losses, or expenses. He delineated that the land value was added at the request of Senator Anna MacKinnon to show the potential lost revenue from the sale or development of the land if retained.

[2:36:51 PM](#)

Representative Wilson wondered whether the value was based on selling the land outright or from mineral rights. Mr. Parsons answered that the value was based on a combination of many factors. The department assessed the land for land sale offerings, potential timber or other material harvest, right-of-ways or easements use.

Co-Chair Seaton MOVED to REPORT SB 28 out of committee with individual recommendations and the accompanying fiscal notes.

Representative Kawasaki OBJECTED for the purpose of discussion. He appreciated the bill and the "maximum local self-government" opportunity the entitlement offered Petersburg. He spoke about private owners adjacent to the land that he characterized as "non-contiguous." He wanted to ensure that private landowners understood the possible ramifications of the conveyance in terms of negative impacts like timber sales or blocked views.

Representative Kawasaki WITHDREW his OBJECTION.

Representative Pruitt recognized that much of the Petersburg Borough was located within the Tongass National Forest and was out of the borough's control. He understood

the borough's effort for self-sufficiency and supported the bill. He worried about the precedent set by the state granting 95 percent of its land to a municipality, but maintained his support for the Petersburg conveyance due to the unique situation caused by its location in a National Forest.

There being NO OBJECTION, SB 28 was REPORTED out of committee with a "no recommendation" recommendation and with two previously published zero fiscal notes: FN1 (CED) and FN2 (DNR).

#sb6

CS FOR SENATE BILL NO. 6(JUD)

"An Act relating to the regulation and production of industrial hemp; relating to industrial hemp pilot programs; providing that industrial hemp is not included in the definition of 'marijuana'; and clarifying that adding industrial hemp to food does not create an adulterated food product."

[2:40:32 PM](#)

Co-Chair Foster OPENED public testimony.

JOHN BUADIUG, SELF, FAIRBANKS (via teleconference), testified in favor of the legislation. He reported that it was possible to convert hemp oil into biodiesel, which contained hydrogen, carbon, and oxygen molecules creating cleaner burning fuel. He cited statistics from the Sequential Biodiesel Fuels Company that claimed emissions reductions in carbon dioxide, carbon monoxide, hydrocarbons, particulate matter, and sulfur dioxide through its use.

Representative Wilson queried whether he knew anything about cannabidiol (CBD) oil. Mr. Bauding answered that CBD oil fell under a "different category" and that only 0.3 percent or less was contained in industrial hemp. He declared that an individual "could not get high with industrial hemp."

[2:45:26 PM](#)

EMBER HAYNES, SELF, TALKEETNA (via teleconference), testified in favor of the legislation. She relayed that her

business, Denali Hemp Company, created salves, soaps, and body products with hemp seeds and oil that she had to outsource. She wanted to use Alaskan grown hemp for her products. In addition, she wished to supplement her livestock with hemp for greens, bedding, and fodder. She offered that hemp grew well in Alaska, was a beneficial cover crop, and that commonly used harvesting equipment worked for hemp. Hemp was successfully harvested in other parts of the world and that specific harvesting equipment had been invented. She asked for the committees support.

Representative Grenn asked how long the Denali Hemp Company was in business. Ms. Haynes answered that the company had been making products with hemp seed oil since 2014 and she operated another business that used it since 2008. Representative Grenn asked for verification that she had to outsource hemp. Ms. Haynes answered in the affirmative. Representative Grenn asked how much her costs would decrease if she could grow her own hemp. Ms. Haynes answered that one acre of hemp produced approximately 50 to 70 gallons of oil per year, which was enough for her products. In addition, the harvest would feed her livestock. One of the challenges of the hemp industry was finding the particular varieties that would grow in Alaska and produce oil or other desired qualities of the plant. Representative Grenn stated that Alaska's growing season for hemp was challenging and asked for clarification. Ms. Haynes answered in the affirmative. She briefly described methods and varieties that would likely work in the state.

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COURTNEY MORAN, ATTORNEY, EARTHLAW LLC, PORTLAND, OREGON (via teleconference), testified in support of the bill. She related that she was an industrial hemp attorney and advised the bill's sponsors and state's Division of Agriculture on how to design a regulatory framework that would support a sustainable industrial hemp program in compliance with federal law. She hoped the bill passed unanimously from committee.

Representative Guttenberg indicated that an issue had been raised about the legal distance between a hemp and a marijuana farm. He asked who administered control over the issue in other jurisdictions. Ms. Moran answered that Oregon did not currently have any specific isolation designations. She detailed that farmers were encouraged to

plant only female plants as a prevention to any cross pollination. Oregon encouraged farmers to talk with their neighbors to limit the risk as much as possible. She suggested the Canadian system as a model for Alaska. She delineated that Canada had a certified seed program and the minimum isolation distance was 5 kilometers (3.1 miles). She qualified that specific guidelines for Alaska was necessary to accommodate variables based on the time of planting and pollinating, the geographic region, and climate.

[2:55:07 PM](#)

REGINA MANTEUFEL, EXECUTIVE DIRECTOR, BACK TO WORK, ANCHORAGE (via teleconference), testified in favor of the bill. She was currently healing from stage IV breast cancer and believed CBD oil was assisting in her recovery. She listed the health benefits of CBD oil, juice from the hemp leaves, and hemp powder and shared the methods she used to intake hemp products. She mentioned that she was the owner of Regina's Hotel in the Fairview neighborhood of Anchorage as well as the Executive Director of the Back to Work Network. She believed that her clients and customers would benefit from taking hemp products for health. She related antidotes and made suggestions from personal experience regarding the use of hemp products as health supplements.

Vice-Chair Gara was glad Ms. Manteufel was recovering and noted his support for the bill.

[3:01:49 PM](#)

STEVE ALBERS, KENAI SOIL AND WATER CONSERVATION DISTRICT, KENAI (via teleconference), testified in support of the bill. He had researched the numerous benefits of industrial hemp and endorsed the legislation.

[3:02:32 PM](#)

Representative Guttenberg asked whether the Department of Commerce, Community and Economic Development (DCCED) was satisfied with DNR regulations regarding the distance between an industrial hemp and legal marijuana farm.

ERIKA MCCONNELL, DIRECTOR, ALCOHOL AND MARIJUANA CONTROL OFFICE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT (via teleconference), felt that the bill

"adequately addressed" the regulatory issues. She indicated that the Division of Agriculture was tasked with writing the regulations regarding industrial hemp farms, including the distance issue. She assured the committee that the Marijuana Control Board would "pay close attention to the regulation's" development. In addition, provisions in the legislation required division communications with the board.

3:05:07 PM

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RECONVENED

Co-Chair Foster CLOSED public testimony.

Representative Kawasaki referred to provisions in the legislation requiring that the fees for application or registration equaled regulatory costs. He wondered whether estimates for the regulatory costs were known.

BUDDY WHITT, STAFF, SENATOR SHELLEY HUGHES, deferred the question to the Department of Natural Resources.

Representative Kawasaki indicated that he would obtain the answer at a later time.

Co-Chair Foster MOVED to ADOPT Amendment 1, 30-LS0173\E.1 (Bruce, 5/3/17) (copy on file):

Page 1, line 3, following "marijuana;":

Insert "providing that cannabidiol oil is not included in the definition of 'hashish oil';"

Page 5, line 25:

Delete ", but do not include cannabidiol oil"

Page 6, following line 23:

Insert new bill sections to read:

"* Sec. 6. AS 11.71.900(11) is amended to read:
(11) "hashish oil" means the viscous liquid concentrate of tetrahydrocannabinols extracted from the plant (genus) Cannabis, but does not include cannabidiol oil;

* Sec. 7. AS 11.71.900 is amended by adding a new paragraph to read:
(31) "cannabidiol oil" means the viscous liquid concentrate of cannabidiol extracted from the plant (genus) Cannabis containing not more than 0.3 percent delta-9 tetrahydrocannabinol;"

Renumber the following bill sections accordingly.

Representative Wilson OBJECTED for discussion.

Co-Chair Foster explained that the amendment had been brought to his attention by the Department of Law. He detailed that the definition of hash oil in AS 11.71.900(11) had not been amended and would include cannabidiol oil (CBD) therefore, CBD would still fall under the definition of hashish oil in the criminal code. The amendment, if adopted, required the definition of hash oil in statute to be redefined and necessitated a Concurrent Resolution due to triggering a title change in the bill.

[3:30:10 PM](#)

Representative Kawasaki asked for the Department of Law (DOL) to address the difference between the CBD oil and the recent confiscation by the state of cannabidiol oils. Mr. Whitt delineated that the section was added in response to concerns that a method of concentrating large amounts of industrial hemp to create a THC product would be discovered. He reminded the committee that industrial hemp contained 0.3 percent or below of delta-9 tetrahydrocannabinol (THC). He related that hash oil contained the "psycho addictive" elements of marijuana. Due to the current legal definitions of hashish oil CBD oil was illegal in the state. He acknowledged that three confiscations of CBD oil took place since January 2017, which was a costly and wasteful endeavor since CBD oil had no psycho addictive effects. The amendment ensured that CBD oil was removed from the criminal statute.

Representative Guttenberg referred to earlier public testimony regarding extracting 55 gallons of hemp oil from an acre of hemp. He asked whether the amendment was designed to prevent the ability to concentrate the 55 gallons down to one ounce of hash oil. Mr. Whitt replied in the affirmative. Additionally, he spoke to the desire to prevent creating an illegal product out of a legal product.

Co-Chair Seaton surmised that the percentage over 0.3 percent was the part that made the product change from cannabidoil to hashish oil. Mr. Whitt answered in the affirmative. He elaborated that the goal of SB 6 was to create a program that produced products that excluded the possibility of any associated criminal activity.

[3:36:39 PM](#)

Representative Guttenberg wondered at what point - if someone had a 55 gallon drum of hemp oil, they could legally turn it into hash oil. He asked if there was a way to legally go above 0.3 percent with industrial hemp.

KACI SCHROEDER, ASSISTANT ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF LAW, offered that she did not know the science behind the issue and whether it was possible to produce hash oil from CBD oil. However, producing anything above the 0.3 percent threshold was illegal.

Representative Wilson WITHDREW her OBJECTION.

There being NO OBJECTION, Amendment 1 was ADOPTED.

SB 6 was HEARD and HELD in committee for further consideration.

Co-Chair Foster reviewed the schedule for the following day.

ADJOURNMENT

[3:39:59 PM](#)

The meeting was adjourned at 3:39 p.m.