

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

April 9, 2018

3:17 p.m.

MEMBERS PRESENT

Representative Sam Kito, Chair
Representative Adam Wool, Vice Chair
Representative Andy Josephson
Representative Louise Stutes
Representative Chris Birch
Representative Colleen Sullivan-Leonard

MEMBERS ABSENT

Representative Gary Knopp
Representative Mike Chenault (alternate)
Representative Bryce Edgmon (alternate)

COMMITTEE CALENDAR

CONFIRMATION(S) :

Alaska State Board of Public Accountancy

Leslie Schmitz - Anchorage
Karen Smith - Anchorage

Alcoholic Beverage Control Board

Sara Crapuchettes - Soldotna
Glenn Brady - Fairbanks

State Board of Registration of Architects Engineers and Land Surveyors

William Mott - Anchorage
Luanne Urfer - Eagle River
Jennifer Anderson - Anchorage
Richard Jones - Juneau

Board of Barbers and Hairdressers

Vershawn Idom - Anchorage

Board of Chiropractic Examiners

James Morris - Dutch Harbor

Board of Dental Examiners

Dominic Wenzell - Girdwood
Robin Wahto - Anchorage

Alaska Labor Relations Agency

Tyler Andrews - Anchorage
Melinda (Mila) Cosgrove - Juneau
Lon Needles - Valdez

Marijuana Control Board

Loren Jones - Douglas
Nicholas Miller - Anchorage

Board of Marine Pilots

Peggy McLaughlin - Dutch Harbor
Richard Harris - Juneau
Les Cronk - Ketchikan

Board of Marital and Family Therapy

Natalie Lewis - Kotzebue

Board of Massage Therapists

David Edwards-Smith - Soldotna
Jill Motz - Wasilla

Board of Certified Direct-Entry Midwives

Dianna Kristeller - Fairbanks
Kenni Linden - Palmer

Board of Nursing

Starla Fox - Dillingham
Linda Hutchings - Soldotna

Board of Examiners in Optometry

Damien Delzer - Fairbanks
Eric Lingle - Juneau

Board of Pharmacy

Tammy Lindemuth - Anchorage
Sharon Long - Anchorage
Lana Bell - Anchorage

State Physical Therapy and Occupational Therapy Board

Keith Poorbaugh - Palmer
Robert Calhoon - Anchorage

Board of Professional Counselors

Steven Cardwell - Fairbanks
Janece Richard - Anchorage
Alice Baum - Anchorage

Board of Psychologist and Psychological Associate Examiners

Paul Dukarm - Fairbanks

Board of Certified Real Estate Appraisers

Donald Faulkenburry - Anchorage
David Derry - Kenai
Wendy Lawrence - Sitka

Regulatory Commission of Alaska

Janis Wilson - Anchorage
Paul Lisankie - Anchorage
Antony Scott - Anchorage

Board of Social Work Examiners

Lisa Hay - Fairbanks
Danielle LaFon - Fairbanks

Board of Veterinary Examiners

Chris Michetti - Anchorage

Workers' Compensation Appeals Commission

Michael Notar - Juneau

Workers Compensation Board

Bradley Evans - Anchorage
David Kester - Anchorage
Justin Mack - Anchorage
Nancy Shaw - Anchorage
Jacob Howdeshell - North Pole
Bronson Frye - Anchorage
Robert Weel - Anchorage
Pamela Cline - Wasilla

- CONFIRMATION(S) ADVANCED

HOUSE BILL NO. 193

"An Act relating to insurance trade practices and frauds; and relating to emergency services and balance billing."

- HEARD & HELD

HOUSE BILL NO. 358

"An Act relating to insurance coverage for benefits provided through telehealth; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 376

"An Act establishing a state bank; relating to insurance, mortgage lending, securities, and permanent fund dividends; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 193

SHORT TITLE: HEALTH CARE; BALANCE BILLING

SPONSOR(S): REPRESENTATIVE(S) GRENN

03/24/17	(H)	READ THE FIRST TIME - REFERRALS
03/24/17	(H)	HSS, L&C
03/08/18	(H)	HSS AT 3:00 PM CAPITOL 106
03/08/18	(H)	Heard & Held
03/08/18	(H)	MINUTE(HSS)
03/27/18	(H)	HSS AT 3:00 PM CAPITOL 106
03/27/18	(H)	-- MEETING CANCELED --

03/29/18 (H) HSS AT 3:00 PM CAPITOL 106
03/29/18 (H) Moved CSHB 193(HSS) Out of Committee
03/29/18 (H) MINUTE(HSS)
03/30/18 (H) HSS RPT CS(HSS) NT 2DP 4NR
03/30/18 (H) DP: SULLIVAN-LEONARD, SPOHNHOLZ
03/30/18 (H) NR: TARR, ZULKOSKY, KITO, EASTMAN
04/03/18 (H) FIN AT 10:00 AM ADAMS ROOM 519
04/03/18 (H) <Bill Hearing Canceled>
04/09/18 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 358

SHORT TITLE: INSURANCE COVERAGE FOR TELEHEALTH

SPONSOR(s): REPRESENTATIVE(s) SPOHNHOLZ

02/19/18 (H) READ THE FIRST TIME - REFERRALS
02/19/18 (H) HSS, L&C
03/08/18 (H) HSS AT 3:00 PM CAPITOL 106
03/08/18 (H) Heard & Held
03/08/18 (H) MINUTE(HSS)
03/22/18 (H) HSS AT 3:00 PM CAPITOL 106
03/22/18 (H) -- MEETING CANCELED --
03/29/18 (H) HSS AT 3:00 PM CAPITOL 106
03/29/18 (H) Moved HB 358 Out of Committee
03/29/18 (H) MINUTE(HSS)
03/30/18 (H) HSS RPT 3DP 3NR 1AM
03/30/18 (H) DP: JOHNSTON, KITO, SPOHNHOLZ
03/30/18 (H) NR: TARR, ZULKOSKY, SULLIVAN-LEONARD
03/30/18 (H) AM: EASTMAN
04/09/18 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 376

SHORT TITLE: ESTABLISH THE ALASKA STATE BANK

SPONSOR(s): REPRESENTATIVE(s) TUCK

02/21/18 (H) READ THE FIRST TIME - REFERRALS
02/21/18 (H) L&C, FIN
04/09/18 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

RYAN JOHNSTON, Staff
Representative Jason Grenn
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 193 on behalf of
Representative Grenn, prime sponsor.

DR. ANNE ZINK, MD
Matsu Emergency Department
Palmer, Alaska

POSITION STATEMENT: Testified in support of HB 193.

REPRESENTATIVE IVY SPOHNHOLZ
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented HB 358 as prime sponsor.

BERNICE NESBITT, Staff
Representative Spohnholz
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on HB 358 on behalf of Representative Spohnholz, prime sponsor.

VICTORIA KNAPP
CEO
Matsu Health Services
Wasilla, Alaska

POSITION STATEMENT: Testified in support of HB 358.

LYNN FREEMAN, MD
Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 358.

CHARLES DUNCAN, Staff
Representative Chris Tuck
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 376 on behalf of Representative Tuck, prime sponsor.

REPRESENTATIVE CHRIS TUCK
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 376 as prime sponsor.

ACTION NARRATIVE

[3:17:26 PM](#)

CHAIR SAM KITO called the House Labor and Commerce Standing Committee meeting to order at 3:17 p.m. Representatives Josephson, Wool, Birch, Sullivan-Leonard, and Chair Kito were

present at the call to order. Representative Stutes arrived as the meeting was in progress.

CONFIRMATION HEARING(S)

Alaska State Board of Public Accountancy
Alcoholic Beverage Control Board
State Board Architects, Engineers and Land Surveyors
Board of Barbers and Hairdressers
Board of Chiropractic Examiners
Board of Dental Examiners
Alaska Labor Relations Agency
Marijuana Control Board
Board of Marine Pilots
Board of Marital and Family Therapy
Board of Massage Therapists
Board of Certified Direct-Entry Midwives
Board of Nursing
Board of Examiners in Optometry
Board of Pharmacy
State Board, Physical Therapy and Occupational Therapy
Board of Professional Counselors
Board of Psychologist and Psychological Associate Examiners
Board of Certified Real Estate Appraisers
Regulatory Commission of Alaska
Board of Social Work Examiners
Board of Veterinary Examiners
Workers' Compensation Appeals Commission
Alaska Workers' Compensation Board

[3:18:21 PM](#)

CHAIR KITO advised that he had asked the members to submit the names of all appointees to testify directly, and nine individuals were brought before the committee. In the interest of making the record complete, he said he would read the appointee names and boards and commissions in which they are being proposed, as follows:

Alaska State Board of Public Accountancy

Leslie Schmitz - Anchorage
Karen Smith - Anchorage

Alcoholic Beverage Control Board

Sara Crapuchettes - Soldotna
Glenn Brady - Fairbanks

State Board of Registration of Architects Engineers
and Land Surveyors

William Mott - Anchorage
Luanne Urfer - Eagle River
Jennifer Anderson - Anchorage
Richard Jones - Juneau

Board of Barbers and Hairdressers

Vershawn Idom - Anchorage

Board of Chiropractic Examiners

James Morris - Dutch Harbor

Board of Dental Examiners

Dominic Wenzell - Girdwood
Robin Wahto - Anchorage

Alaska Labor Relations Agency

Tyler Andrews - Anchorage
Melinda (Mila) Cosgrove - Juneau
Lon Needles - Valdez

Marijuana Control Board

Loren Jones - Douglas
Nicholas Miller - Anchorage

Board of Marine Pilots

Peggy McLaughlin - Dutch Harbor
Richard Harris - Juneau
Les Cronk - Ketchikan

Board of Marital and Family Therapy

Natalie Lewis - Kotzebue

Board of Massage Therapists

David Edwards-Smith - Soldotna
Jill Motz - Wasilla

Board of Certified Direct-Entry Midwives

Dianna Kristeller - Fairbanks
Kenni Linden - Palmer

[3:21:11 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD objected to Kenni Linden, Palmer, Alaska.

CHAIR KITO advised there would be a separate motion regarding her objection.

CHAIR KITO continued reading the list of appointees.

Board of Nursing

Starla Fox - Dillingham
Linda Hutchings - Soldotna

Board of Examiners in Optometry

Damien Delzer - Fairbanks
Eric Lingle - Juneau

Board of Pharmacy

Tammy Lindemuth - Anchorage
Sharon Long - Anchorage
Lana Bell - Anchorage

State Physical Therapy and Occupational Therapy Board

Keith Poorbaugh - Palmer
Robert Calhoon - Anchorage

Board of Professional Counselors

Steven Cardwell - Fairbanks
Janece Richard - Anchorage
Alice Baum - Anchorage

Board of Psychologist and Psychological Associate Examiners

Paul Dukarm - Fairbanks

Board of Certified Real Estate Appraisers

Donald Faulkenburry - Anchorage
David Derry - Kenai
Wendy Lawrence - Sitka

Regulatory Commission of Alaska

Janis Wilson - Anchorage
Paul Lisankie - Anchorage
Antony Scott - Anchorage

Board of Social Work Examiners

Lisa Hay - Fairbanks
Danielle LaFon - Fairbanks

Board of Veterinary Examiners

Chris Michetti - Anchorage

Workers' Compensation Appeals Commission

Michael Notar - Juneau

Workers' Compensation Board

Bradley Evans - Anchorage
David Kester - Anchorage
Justin Mack - Anchorage
Nancy Shaw - Anchorage
Jacob Howdeshell - North Pole
Bronson Frye - Anchorage
Robert Weel - Anchorage
Pamela Cline - Wasilla

[3:23:20 PM](#)

The committee took an at-ease from 3:23 p.m. to 3:30 p.m.

[3:30:02 PM](#)

CHAIR KITO moved to advance the governor's named appointees to a joint session of the House of Representatives and Senate for consideration, other than the name that received an objection, Kenni Linden. He reminded the members that signing the reports

regarding these appointments to the boards and commissions are merely forwarded to the full legislature for confirmation or rejection. There being no objection, the names of the appointees were advanced to the joint session of the House of Representatives and the Senate.

[3:31:00 PM](#)

The committee took an at-ease from 3:31 p.m. to 3:33 p.m.

[3:33:06 PM](#)

CHAIR KITO noted that there was an objection to the appointee to the Board of Certified Direct-Entry Midwives, Kenni Linden. He reminded the committee that a member's signature on the report does not reflect an intent by any of the members to vote for or against this individual during the joint session of the House of Representatives and the Senate for the purposes of approval.

[3:33:47 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD spoke to her objection and stated that she received hundreds of e-mails and telephone calls from her constituents who have voiced their objection to this member being included in a midwifery board, which is significant. In reviewing the composition of the midwifery board itself, there is representation from the Mat-Su Valley, which is an important component to review when looking at each board. The member from Mat-Su is a midwife, the position that Ms. Linden has applied for is a public seat.

[3:35:39 PM](#)

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

[3:36:08 PM](#)

A roll call vote was taken. Representatives Josephson, Wool, Stutes, and Kito voted in favor of advancing the name of Ms. Kenni Linden. Representatives Sullivan-Leonard and Birch voted against it. Therefore, the appointee's name was advanced to the joint session of House of Representative and the Senate for consideration by a vote of 4-2.

[3:36:41 PM](#)

The committee took an at-ease from 3:36 p.m. to 3:39 p.m.

HB 193-HEALTH CARE; BALANCE BILLING

3:39:04 PM

CHAIR KITO announced that the next order of business would be HOUSE BILL NO. 193, "An Act relating to insurance trade practices and frauds; and relating to emergency services and balance billing."

3:39:21 PM

RYAN JOHNSTON, Staff, Representative Jason Grenn, introduced HB 193 on behalf of Representative Grenn, prime sponsor. He paraphrased the sectional analysis [included in committee packet], which reads as follows [original punctuation provided]:

Section 1: Establishes a "Hold Harmless" standard for insurance providers in the situation where a covered person receives medical care from an out-of-network medical provider in an emergency situation. An insurance provider will hold a covered person harmless to ensure that the covered person only pay what would have been paid if the medical provider was an in-network provider.

Outlines the standards to establish the situations where a medical provider cannot balance bill a covered person. An insurance provider shall pay a non-network health care provider if the health care provider renders to a covered person;

- emergency services or treats an emergency medical condition
- services at an in-network facility
- services for which a referral was made by an in-network health care provider to an out-of-network health care provider without the explicit written consent of the covered person.

The covered person is still required to pay the in-network rates for the deductible, coinsurance and copayment. The amount paid by the covered person is required to be counted towards the covered persons deductible.

The final payment determined for the medical provider will subtract any amount paid by the covered person.

The insurance provider is to pay the greater of three possible amounts;

- the median negotiated contract rate generated using the in-network health care providers for the service provided;
- That is equal to the 80th percentile of charges for the services calculated using a method that establishes a statistically credible profile that reflects the general cost differences between the geographical area where the service was performed and the other geographical areas when performed by a health care provider in the same or similar specialty; or
- That would be paid under Medicare for the service provided.

Medical providers are required to send all bills to the insurance provider, except for the deductible, coinsurance and copayment.

Contains a clause that if a covered person knowingly elects to use an out-of-network medical provider then they can be balance billed for the services.

Section 2: Health care insurance plans obtained under AS 39.30.090 or provided under AS 39.30.091 will be subject to the requirements of secs. 21.36.512 and 21.36.513.

Section 3: Bans the practice of "Balance Billing" by a medical provider under the criteria of section 1 of the bill. Stipulates that the medical provider can still bill for the deductible, coinsurance and copayment.

States that a medical provider will be paid according to section 1 of the bill.

Section 4: Establishes the punishment for medical providers under the Unfair Trade Practices and Consumer Protection.

[3:43:23 PM](#)

REPRESENTATIVE BIRCH asked whether the bill sponsor has heard concerns about equity for small businesses.

MR. JOHNSTON answered that was the motivation behind Section 2. He said that requiring private insurers to follow the directive, the state plan should be held to the same standard. He said some aspects could not be addressed at the state level.

REPRESENTATIVE BIRCH asked about the fiscal note (FN).

MR. JOHNSTON answered it should be a cost savings for the state. He said that currently the Division of Retirement and Benefits pays 100 percent of the billed amount in an emergency situation. He added the state does hold state employees harmless. He stated the proposed bill states that it has to be in the state in which the service was rendered, for example for an emergency room visit in Oregon, the state would just use Oregon's 80 percentile. He said the language could be made clearer.

[3:46:27 PM](#)

DR. ANNE ZINK, MD, Matsu Emergency Department, testified in support of HB 193. She presented a PowerPoint presentation on "HB 193: A Patient Protection Bill," [included in committee packet]. She said the question is what is right for the patient. She stated the bill would end the "surprise insurance gap." She described a scenario of someone in an emergency situation and the subsequent related billing for services. She explained the scenario in terms of in and out of network services. She explained that the bill would put a ban on balance bill, ending the "surprise insurance gap." She underlined that in order to preserve a safety net for patients, the system has to be geographically relevant.

REPRESENTATIVE WOOL asked about health spending versus health costs.

DR. ZINK answered she was speaking to health spending.

[3:56:56 PM](#)

DR. ZINK spoke to "Alaska and the 80th Percentile Regulation: Myth and Reality." She said Alaska is not the most expensive area in the country for health care, as it follows the District of Columbia. She said that rural states pay more for physicians. She remarked that the 80th percentile rule did not change the Alaska per capita private health insurance spending curve. She added that Connecticut and New York established the 80th percentile as a benchmark for payment in 2014 and many states are considering similar patient protection measures. She underlined there were no increases in charges after the 80th percentile was adopted.

DR. ZINK pointed out that the National Insurance Commissioners model legislation regarding out-of-network balance billing stated as a guide:

- A. For the purposes of this subsection, "usual and customary cost" shall mean the eightieth percentile of all charges for the particular health care service performed by a provider in the same or similar specialty and provided in the same geographical area as reported in a benchmarking database maintained by a nonprofit organization specified by the commissioner. The nonprofit organization shall not be affiliated with a carrier.

4:00:02 PM

DR. ZINK went on to explain how emergency costs are coded between Anchorage, Alaska, and Seattle, Washington, for in-network and out-of-network services. She showed that emergency costs are already the same or less than neighboring states. She said that the 80th percentile is a patient protection issue.

CHAIR KITO asked whether Americas Health Insurance Association had indicated it would be harder to bring physicians into the network if the proposed bill were to pass. He asked Dr. Zink to give her thoughts.

DR. ZINK answered she does not have concerns. She explained that if there is a relatively good out-of-network minimum, it encourages providers to be in-network.

REPRESENTATIVE BIRCH asked where the hospitals fit into the issue.

DR. ZINK shared her understanding the hospitals would be held to the same provision in the proposed bill.

4:04:45 PM

REPRESENTATIVE WOOL asked Dr. Zink to explain the database she mentioned in her presentation.

DR. ZINK answered that the proposed bill does not specify how geographic relevance and a non-profit database would be established.

REPRESENTATIVE WOOL asked about non-emergency medical services.

DR. ZINK answered that anything a patient feels is an emergency has to be examined. She said the issue of emergency definitions is defined in federal law.

CHAIR KITO mentioned a scenario in which an insurance employee made a point of asking the anesthesiologist whether he or she is in or out of network before proceeding.

DR. ZINK added that at time the person who is in network is not available for the procedure and someone who is out-of-network is used.

REPRESENTATIVE WOOL asked whether the answer is to ask the medical professional prior to any procedure whether they are in-network.

DR. ZINK answered in the affirmative. She added that is why it is so important to pass the proposed legislation, as in an emergency that scenario would not be possible.

[4:11:14 PM](#)

CHAIR KITO opened public testimony on HB 193.

CHAIR KITO held over HB 193.

HB 358-INSURANCE COVERAGE FOR TELEHEALTH

[4:11:39 PM](#)

CHAIR KITO announced that the next order of business would be HOUSE BILL NO. 358, "An Act relating to insurance coverage for benefits provided through telehealth; and providing for an effective date."

[4:11:51 PM](#)

REPRESENTATIVE SPOHNHOLZ, Alaska State Legislature, presented HB 358 as prime sponsor. She paraphrased the sponsor statement [included in committee packet], which reads as follows [original punctuation provided]:

HB 358 will enhance access to health care services, primarily mental health and primary care, for Alaskans

who have insurance plans with Moda, Premera Blue Cross, United Healthcare, and Aetna Life Insurance, to name a few. HB 358 does this by requiring the insurers previously listed to provide insurance coverage for health care services provided through telehealth. Increasing access to health care services throughout Alaska is crucial. Because of our unique geographical landscape and our rural and aging communities spread out across the state, telehealth can enhance access to health care and improve clinical outcomes.

Here are some of the advantages of telehealth:

- Better access and privacy in rural, remote, and urban areas of Alaska
- Early intervention which can lead to savings
- Greater access for referrals to providers who specialize in treating specific health issues
- Better, and potentially quicker, access means a potential reduction in suicides, domestic violence and other serious events
- Zero impact on state budget

Under HB 358, telehealth benefits for all covered health care services, including mental health benefits, will be reimbursable for health care providers licensed in the state without an initial in-person appointment. Depending on the patient's needs, a telehealth appointment can provide education, reviewing of prescriptions and checking symptoms, all at a distance on a secure system.

Health care services delivered via telehealth is happening all over the country, and Alaska is at the forefront of providing telehealth services for urban, rural, aging, and the underserved communities across the state.

[4:13:10 PM](#)

BERNICE NESBITT, Staff, Representative Spohnholz, testified on HB 358 on behalf of Representative Spohnholz, prime sponsor. She paraphrased the sectional analysis, which read as follows [original punctuation provided]:

Section 1.

AS 21.42.422 has been amended to require insurance coverage for benefits provided via telehealth.

Section 2.

AS 21.42.422 is a new subsection that defines health care insurer as a person transacting the business of health care insurance except for a nonfederal governmental plan. It also adds the definition of telehealth under 47.05.270(e) as the practice of health care delivery, evaluation, diagnosis, consultation, or treatment, using the transfer of health care data through audio, visual, or data communications, performed over two or more locations between providers who are physically separated from the recipient or from each other or between a provider and a recipient who are physically separated from each other.

Section 3

The changes to Section 1 of this bill applies to health care insurance plans that are offered, issued, delivered, or renewed on or after the effective date.

Section 4

The effective date is July 1, 2019.

MS. NESBITT shared that she had heard from the major providers in the state, and none had expressed opposition to the proposed legislation.

[4:15:52 PM](#)

VICTORIA KNAPP, CEO, Mat-Su Health Services, testified in support of HB 358. She stated there is a need for psychiatric providers in the state. She said the demand is higher than the availability. She explained that the company had moved towards telehealth to meet that need. She said often patients go without evaluations because their provider will not pay for evaluations via telehealth.

[4:17:55 PM](#)

LYNN FREEMAN, MD, testified in support of HB 358. She indicated she was testifying from the private provider perspective. She described her patient pool. She said some are in chronic pain and were facing surgery. She said pain can be made worse by having to drive to appointments.

[4:20:25 PM](#)

CHAIR KITO opened public testimony on HB 358.

CHAIR KITO held over HB 358.

HB 376-ESTABLISH THE ALASKA STATE BANK

[4:20:42 PM](#)

CHAIR KITO announced that the final order of business would be HOUSE BILL NO. 376

"An Act establishing a state bank; relating to insurance, mortgage lending, securities, and permanent fund dividends; and providing for an effective date."

CHARLES DUNCAN, Staff, Representative Chris Tuck, Alaska State Legislature, introduced HB 376 on behalf of Representative Tuck, prime sponsor. He paraphrased the sponsor statement [included in committee packet], which reads as follows [original punctuation provided]

The Alaska State Bank is designed to create the legal ability to access Federal Reserve and United States Treasury monetary policy funds and use fractional reserve banking methods to promote a science, education and infrastructure recovery.

As federal fiscal policy funding continues to decline for state governments and as Federal Reserve support for liquidity in the monetary base continues to be maintained at high historical levels, the opportunity is opened for state governments to create new legal mechanisms to access monetary policy. Fiscal policy is taxation and spending by government and monetary policy is control of the money supply and interest rates.

In the traditions of Benjamin Franklin and the Reconstruction Finance Corporation, local decision-making is a requirement in guiding monetary policy and the best method to do that today is to create state development banks.

The basic proposal is to use existing state development institutions to create packages of state,

municipal, borough, port authority, and development finance authority bonds, grants and shares that are rediscounted through the Federal Reserve and combined with federal bonds and Treasury currency. The Alaska State Bank then leverages or transfers the packages back to the State of Alaska, municipalities, boroughs, port authorities, development finance authorities, local banks, credit unions, universities, corporations, small business and entrepreneurship.

The Alaska State Bank will begin as an infrastructure bank that leverages loans with our local banks and then evolve into a full featured development bank in the future. The first goal will be to access Federal Reserve funds to provide reserve and capital requirements for the Alaska State Bank. Very low interest rates combined with the function of the grant and equity process will guarantee payment stability and long-term investments into jobs, science, technology, education and infrastructure.

The Alaska Permanent Fund or other existing State of Alaska financial institutions will not be required by statute to dedicate reserve or capital requirements and there will not be mandatory state revenue deposits into the state bank. Maintaining existing financial agreements while using the self-interest of voluntary participation will be important keys for insuring long-term financial success.

Self-interest will identify partnerships with our local banks in retailing some of the new funds. Local banks and credit unions will become more valuable assets for increasing transactions efficiency and helping to choose viable loan partners. Creating an infrastructure development bank with the legal ability to access federal and Federal Reserve monetary policy funds is a much better solution to Alaska's fiscal crises than increasing personal taxation or confiscating the Permanent Fund Dividend. Less than \$5 billion per year in total transactions will make the Alaska State Bank the primary solution to Alaska's fiscal crisis.

[4:25:27 PM](#)

REPRESENTATIVE CHRIS TUCK, Alaska State Legislature, introduced HB 376 as prime sponsor. He shared the Alaska State Bank project was modelled on the Bank of Japan and the Reconstruction Finance Corporation established after the U.S. Civil War. He said at one time the state had a foundation which contributed to science and technology. He mentioned the Committee for Measurable Objectives. He spoke to infrastructure needs of the state. He said the state could access federal funds using fractional reserve banking practices.

[4:29:39 PM](#)

REPRESENTATIVE STUTES said [the aim of the proposal is] to facilitate access through the federal banking system. She asked whether the Alaska state bank could "handle any of the marijuana dollar."

REPRESENTATIVE TUCK answered it is not the focus of the bank. He said it would be the "insulating institution between them and the federal government." He said the proposed bank could help with required reports. He described ways in which the proposed bank could help the industry.

REPRESENTATIVE BIRCH said it seems like a terrible idea. He said he spends his time trying to restrain the growth of state government. He asked about the genesis of the proposal.

REPRESENTATIVE TUCK answered that the proposal would be allowing money to be created in Alaska through the Federal Reserve. He stated it cannot be done with Alaska Industrial Development and Export Authority (AIDEA) or Alaska Housing Finance Corporation (AFHC) because those institutions cannot work with fractional reserve banking.

REPRESENTATIVE BIRCH asked about liability.

REPRESENTATIVE TUCK said that one way that money is being created is through the Federal Reserve buying up debt. He said the idea is to take advantage of that to expand the monetary supply in Alaska.

MR. DUNCAN said the proposal would be asking for money from the Federal Reserve. He said there are three ways to access that money - loan guarantees, capital purchase in which the Fed buys bonds, and credit stimulus.

REPRESENTATIVE TUCK said it is called the capital stimulus method, but it is really a debt stimulus method.

[4:38:18 PM](#)

CHAIR KITO asked whether there are any other financial entities that have access to the proposed type of financing.

MR. DUNCAN answered that a bond-creating institution such as AIDEA can access two of the methods mentioned. He reiterated those institutions cannot act with fractional reserve bank. He explained that is what the proposal is.

CHAIR KITO suggested the proposal would open access to reserves to which the state does not currently have access.

MR. DUNCAN answered that is correct.

[4:40:13 PM](#)

REPRESENTATIVE BIRCH stated he is not comfortable with using debt to acquire more debt. He asked how the proposal would produce new money.

REPRESENTATIVE TUCK said the aim is to create money in Alaska. He said banks have a lot of surplus. He said the bank would be an infrastructure and development driver. He spoke to using the university system to enhance development.

MR. DUNCAN answered the central issue in monetary policy is what the money is being increased for. He said the proposal is to subsidize science and technology rather than speculation.

[4:44:14 PM](#)

REPRESENTATIVE STUTES asked for a simple explanation of the proposal and how it would access federal dollars.

MR. DUNCAN answered that currently there is a debt-based monetary system. He said the state institutions create bonds. Those bonds are put into an account with the Alaska State Bank. The bank issues stock, and that package is put on account with the Federal Reserve. The account is considered the capital and reserve requirement for loaning new money.

REPRESENTATIVE TUCK said that is where the confusion comes in.

CHAIR KITO shared his understanding that the proposal is to create a revolving loan fund. The bonds on account with the Federal Reserve, which in turn gives credit on the bonds. The money is then lent out for other things.

REPRESENTATIVE STUTES said it sounds like the state would then always owe someone money.

CHAIR KITO said that with the proposed bank, the federal government would loan money based on the bonds on account with the state bank.

REPRESENTATIVE STUTES suggested the bonds sold would then be sold to the Fed.

MR. DUNCAN corrected that the bonds would be on account with the Fed, not sold to it.

REPRESENTATIVE TUCK added that AIDEA could do the same thing but does not. He added the Fed prefers to have the bonds on account.

CHAIR KITO asked whether it would be correct to say that the bonds would be used as collateral.

REPRESENTATIVE TUCK answered in the affirmative.

[4:49:20 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD asked about a fiscal note.

MR. DUNCAN said the fiscal note would be the next step in the process. He said the total cost would not be great. He explained there would be four boards for the bank.

[4:50:42 PM](#)

CHAIR KITO opened public testimony on HB 376.

CHAIR KITO held over HB 376.

[4:51:28 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:51 p.m.