

SENATE FINANCE COMMITTEE

May 11, 2017

9:12 a.m.

9:12:53 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:12 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Anna MacKinnon, Co-Chair
Senator Click Bishop, Vice-Chair
Senator Shelley Hughes
Senator Peter Micciche
Senator Donny Olson
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Doctor Jay Butler, Chief Medical Officer, Division of Public Health, Department of Health and Social Services; Sara Chambers, Deputy Director, Division of Corporations Business and Professional Licensing, Department of Commerce, Community and Economic Development; Laura Cramer, Staff, Senator Anna MacKinnon; Juli Lucky, Staff, Senator Anna MacKinnon; Senator Cathy Giessel; Representative Lora Reinbold.

PRESENT VIA TELECONFERENCE

Marla Thompson, Director, Division of Motor Vehicles, Department of Administration; Dan Lowden, Captain, Alaska State Troopers; Sheldon Fisher, Commissioner, Department of Administration; Brian Duffy, Director, Division of Administrative Services, Department of Military and Veterans Affairs; Michael Stanker, Attorney, Department of Law.

SUMMARY

SB 34 DRIVER'S LICENSE & ID CARDS & REAL ID ACT

SB 34 was HEARD and HELD in committee for further consideration.

SB 79 OPIOIDS;PRESCRIPTIONS;DATABASE;LICENSES

SB 79 was HEARD and HELD in committee for further consideration.

CSHB 111(FIN)(efd fld)

OIL & GAS PRODUCTION TAX;PAYMENTS;CREDITS

CSHB 111(FIN)(efd fld) was HEARD and HELD in committee for further consideration.

#sb79

SENATE BILL NO. 79

"An Act relating to the prescription of opioids; establishing the Voluntary Nonopioid Directive Act; relating to the controlled substance prescription database; relating to the practice of dentistry; relating to the practice of medicine; relating to the practice of podiatry; relating to the practice of osteopathy; relating to the practice of nursing; relating to the practice of optometry; relating to the practice of veterinary medicine; related to the duties of the Board of Pharmacy; and providing for an effective date."

9:14:56 AM

DOCTOR JAY BUTLER, CHIEF MEDICAL OFFICER, DIVISION OF PUBLIC HEALTH, DEPARTMENT OF HEALTH AND SOCIAL SERVICES, (DHSS) explained the reason for the legislation. He shared that more than 90 Alaskans died of an opioid overdose the year prior, which was more than twice the number of Alaskans who died of AIDS at the peak of the HIV epidemic. He stated that an opioid overdose represented nearly one in every forty deaths that occurred in the state the year prior. He shared that two-thirds of those deaths involved a prescription opioid. He remarked that the majority of those people who use heroin and other illicit opioids report that they first became addicted using prescription opioids. He stressed that often the opioids were obtained from a

trusted and well-meaning health care provider. He stressed that the state was responding to the opioid epidemic through community coalitions, citizen action, and state government. He shared that SB 91 was passed and signed into law in March 2017, which authorized increased access to the life-saving drug Naloxone.

Co-Chair MacKinnon acknowledged Senator Giessel's participation in the bill process.

[9:16:59 AM](#)

Dr. Butler echoed stated that there were many people who were saved by the Naloxone kits. He remarked that the kits, however, did not address some of the underlying issues surrounding the opioid epidemic. He stated that the kits did not support those in recovery who wanted to maintain their sobriety. He remarked that the kits also did not address some of the underlying factors in the increase of opioid use and addiction.

[9:33:19 AM](#)

Senator von Imhof wondered what happened to the reports, and what occurred with a pattern and whether there was action on those trends. Dr. Butler replied that the intent of the bill was for authorization for the Department of Commerce, Community and Economic Development (DCCED) to issue the report card. He stressed that there was currently no legal authority to issue that report. He stated that the information to the provider was solely for that provider.

Senator von Imhof surmised that the bill would create a database that showed all the prescriptive drug behavior for all health care providers in the state. Dr. Butler replied that there would not be a new database, but enhancing the existing database. He stated that the database was for controlled substances only.

[9:36:22 AM](#)

Senator Hughes expressed concern about the opioid epidemic in the state. She wanted to ensure that the bill was addressed the real problem. She felt that there might be "a few bad apples" in the state who were over-prescribing. She remarked that the Division of Public Health did not have the authority to forward names to the board, but rather

could only recognize trends. She wondered whether the data showed that most prescribers were contributing to the problem, or was it only a few prescribers. She wondered whether the suspicious activity should be investigated, and then forward that information to the appropriate boards. Dr. Butler agreed that there were remarkable efforts and a robust recovery community in the Mat-Su. He stated that the broader nationwide data showed that more than half of the prescribed opioids came from primary care providers. He stated that the authority to pursue problematic providers was within the boards in DCCED.

[9:42:16 AM](#)

Senator Hughes wondered whether the various boards could look at the Prescription Drug Monitoring Program (PDMP) to determine the outliers. She understood that the boards did not have that authority. Dr. Butler replied that there was an issue with staffing. The PDMP manager was currently in recruitment. He stated that there were red flagged criteria for behavior related to the number of prescribers and the number of pharmacies visited over a set period of time.

Senator Hughes felt that there needed to be an examination of the over-prescribers that were shown in the database. She wondered whether there needed to be a specific name assigned in the database, rather than locations and trends. Dr. Butler deferred to Ms. Chambers.

[9:45:08 AM](#)

SARA CHAMBERS, DEPUTY DIRECTOR, DIVISION OF CORPORATIONS BUSINESS AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, responded that the boards were recently given authority to get the high-level trending non-specific information, and authority to issue license discipline if the prescription drugs were not used within generally safe practices. She agreed that that the boards did not have the ability to view the PDMP and transmit the information on a specific prescriber, unless there was a subpoena. She stated that the legislation expanded the ability to provide information, through a subpoena, to a law enforcement agency. She stressed that the PDMP was not currently used as a punitive investigative tool, but remarked that it could change with a policy change.

Senator Hughes surmised that the board could only pursue an individual person after a filed complaint. She wondered whether the courts were ever used in investigating a complaint. Ms. Chambers replied in the affirmative.

Senator Hughes hoped that there would be a report to see whether the PDMP manager could have greater investigative authority.

Senator Micciche felt that the most valuable aspect of the bill was the daily prescription limit. He queried more information about the four-day and seven-day limits. He remarked that there was data showing that a ten-day prescription could result in addiction. Ms. Chambers replied that the Optometry Board currently had a four-day limit in statute, so that board was not included in the bill. She stated that the seven-day limit extended to all other practitioners, except for veterinarians.

Senator Micciche felt that the limit could be successful.

[9:52:20 AM](#)

Vice-Chair Bishop wondered whether the bill would be addressed in the afternoon. Co-Chair MacKinnon replied in the negative.

Vice-Chair Bishop queried the background of opioids. Dr. Butler responded that opium had been used medicinally for thousands of years. He remarked, however, that opium had been known to result in addiction and physical dependency for thousands of years. He stated that there was approval in the 1990s that were introduced.

Co-Chair MacKinnon discussed committee business.

Senator Olson requested more information about the boards.

Co-Chair MacKinnon CLOSED public testimony.

SB 79 was HEARD and HELD in committee for further consideration.

[10:00:36 AM](#)

RECESSED

2:18:10 PM

RECONVENED

#hb111

CS FOR HOUSE BILL NO. 111(FIN)(efd fld)

"An Act relating to the oil and gas production tax, tax payments, and credits; relating to interest applicable to delinquent oil and gas production tax; relating to carried-forward lease expenditures based on losses and limiting those lease expenditures to an amount equal to the gross value at the point of production of oil and gas produced from the lease or property where the lease expenditure was incurred; relating to information concerning tax credits, lease expenditures, and oil and gas taxes; relating to the disclosure of that information to the public; relating to an adjustment in the gross value at the point of production; and relating to a legislative working group."

2:18:49 PM

Vice-Chair Bishop MOVED to ADOPT the committee substitute for CS SBHB 111(FIN)(efd fld), Work Draft 30-LS0450\B (Nauman, 5/10/17).

Co-Chair MacKinnon OBJECTED for discussion.

Co-Chair MacKinnon stated that the CS eliminated the state's cash exposure by ending the program of refundable oil and gas tax credits to small or new companies. She stated that work after 2017 would no longer be eligible for cash credits. The only credits remaining statewide would be those in Middle Earth, and those would be nonrefundable. She stated that it would conclude a multiple year effort to phase out the credits that began in 2013. The bill provided opportunities to reduce the credit backlog, which following two years of vetoes by the current administration.

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LAURA CRAMER, STAFF, SENATOR ANNA MACKINNON, explained the committee substitute with the Sectional Analysis (copy on file):

Section 1 Amends AS 31.05.030(n), Alaska Oil and Gas Conservation Act, Powers and duties of commission. Conforming to the Sec. 28 requirement that the Alaska Oil and Gas Conservation Commission determine the start of regular production for purposes of applying a carry-forward annual loss.

Section 2 Amends AS 43.05.225, Administration of Revenue Laws, Interest.

For all delinquent taxes under the Department of Revenue, interest is three points above the annual rate set by the 12th Federal Reserve District, compounded quarterly, and is applied the entire time a tax is delinquent.

Section 3 Amends AS 43.20.044(a), Alaska Net Income Tax Act, Exploration incentive credit

A taxpayer that earns an exploration credit under AS 43.55.025 for work done after July 1, 2016, may apply the credit against the taxpayer's own corporate income tax. Effective immediately.

Section 4 Amends AS 43.20.047(h), Alaska Net Income Tax Act, Liquefied natural gas storage facility tax credit.

Conforming to the future repeal of the Oil and Gas Tax Credit Fund and conforming repeals. Effective the later of Jan. 1, 2022, or when there are no outstanding applications for credit refunds.

Section 5 Amends AS 43.55.023(c), Oil and Gas Production Tax, Tax credits for certain losses and expenditures.

Credits earned under this section may be applied against prior-year taxes, interest, penalties or fees related to the oil and gas production tax, providing those liabilities have not been subject to an administrative proceeding or litigation. Credits may not be used against conservation surcharges or the private royalty tax. Effective immediately.

Section 6 Amends AS 43.55.023(d), Oil and Gas Production Tax, Tax credits for certain losses and expenditures.

Cash payments for credits under this section are available only for work performed before Jan. 1, 2018.

Section 7 Amends AS 43.55.023(d), Oil and Gas Production Tax, Tax credits for certain losses and expenditures, as amended by Sec. 6.

Conforming to the future repeal in Sec. 31 of the Oil and Gas Tax Credit Fund. Effective the later of Jan. 1, 2022, or when there are no outstanding applications for credit refunds.

Section 8 Amends AS 43.55.023(e), Oil and Gas Production Tax, Tax credits for certain losses and expenditures.

Transferrable tax credit certificates issued under this section may be applied against prior-year taxes, interest, penalties or fees related to the oil and gas production tax, providing those liabilities have not been subject to an administrative proceeding or litigation. Credits may not be used against conservation surcharges or the private royalty tax. Effective immediately.

Section 9 Amends AS 43.55.023(g), Oil and Gas Production Tax, Tax credits for certain losses and expenditures.

Conforming to the future repeal in Sec. 31 of the Oil and Gas Tax Credit Fund. Effective the later of Jan. 1, 2022, or when there are no outstanding applications for credit refunds.

Section 10 Amends AS 43.55.025(a), Oil and Gas Production Tax, Alternative tax credit for oil and gas exploration.

Credits under this section for work done on or after July 1, 2016, may be applied against corporate income taxes. Effective immediately.

Section 11 Amends AS 43.55.025(a), Oil and Gas Production Tax, Alternative tax credit for oil and gas exploration, as amended by Sec. 10.

Conforming to the sunset of the AS 43.55.025(a)(4) credit after Jan. 1, 2018, in Sec. 12.

Section 12 Amends AS 43.55.025(b), Oil and Gas Production Tax, Alternative tax credit for oil and gas exploration.

The 40% credit for seismic work under AS 43.55.025(a)(4) will not be available for work done after Jan. 1, 2018.

Section 13 Amends AS 43.55.025(f), Oil and Gas Production Tax, Alternative tax credit for oil and gas exploration.

Exploration credits under AS 43.55.025 for work done after July 1, 2016, against corporate income taxes. Effective immediately.

Section 14 Amends AS 43.55.025(g), Oil and Gas Production Tax, Alternative tax credit for oil and gas exploration.

Exploration tax credits under this section that are transferred to another taxpayer may not be applied against the purchaser's corporate income taxes. Effective immediately.

Section 15 Amends AS 43.55.025(h), Oil and Gas Production Tax, Alternative tax credit for oil and gas exploration.

Tax credit certificates and tax credits under this section may be applied against prior-year taxes, interest, penalties or fees related to the oil and gas production tax, providing those liabilities have not been subject to an administrative proceeding or litigation. Credits may not be used against conservation surcharges or the private royalty tax. Effective immediately.

Section 16 Amends AS 43.55.025(i), Oil and Gas Production Tax, Alternative tax credit for oil and gas exploration.

Exploration credits issued under this section for work done after July 1, 2016, may be used against corporate income tax, but may not be used to reduce corporate income taxes below zero. Effective immediately.

Section 17 Amends AS 43.55.025(k), Oil and Gas Production Tax, Alternative tax credit for oil and gas exploration.

Conforming to the sunset of the seismic credit in Sec. 12.

Section 18 Adds a new subsection to AS 43.55.025, Oil and Gas Production Tax, Alternative tax credit for oil and gas exploration.

Creates a conditional tax credit certificate that the Department of Revenue must issue to explorers. The

conditional certificate enables the holder to submit an application for a refund while waiting for the state to issue a transferrable certificate, but the conditional certificates may not be purchased by the state. Effective immediately.

Section 19 Amends AS 43.55.028(a), Oil and Gas Production Tax, Oil and gas tax credit fund established; cash purchase of tax credit certificates. As of Jan. 1, 2018, the tax credit fund is only able to purchase oil and gas tax credits issued for work done before Jan. 1, 2018, and to purchase instate refinery and LNG storage facility income tax credits.

Section 20 Amends AS 43.55.028(e), Oil and Gas Production Tax, Oil and gas tax credit fund established; cash purchase of tax credit certificates. Allows the Department of Revenue to accept, but not purchase, a conditional certificate from an explorer. Effective immediately.

Section 21 Amends AS 43.55.028(e), Oil and Gas Production Tax, Oil and gas tax credit fund established; cash purchase of tax credit certificates, as amended by Sec. 20. Conforming to the Sec. 19 provision ending new entries to the credit purchase program Jan. 1, 2018.

Co-Chair MacKinnon wondered whether Section 21 was conforming language to Section 19. Ms. Cramer replied in the affirmative.

Section 22 Amends AS 43.55.029(a), Oil and Gas Production Tax, Assignment of tax credit certificate. Conforming to the Sec. 30 repeal of the net operating loss credit.

[2:34:03 PM](#)

Ms. Cramer continued to discuss the Sectional Analysis:

Section 23 Amends AS 43.55.160(d), Oil and Gas Production Tax, Determination of production tax value of oil and gas. Conforming to the Sec. 30 repeal of the net operating loss credit.

Section 24 Amends AS 43.55.160(e), Oil and Gas Production Tax, Determination of production tax value of oil and gas.

North Slope and Middle Earth lease expenditures may be used to establish a carried-forward annual loss. Gross value reductions for new oil cannot make a loss larger than it would otherwise be. Also, makes conforming changes to the Sec. 30 repeal of the net operating loss credit and the Sec. 25 terms for lease expenditures.

Section 25 Amends AS 43.55.165(a), Oil and Gas Production Tax, Lease expenditures.

Lease expenditures include those, for the North Slope and Middle Earth, that were unable to be deducted in the previous year.

Section 26 Amends AS 43.55.165(f), Oil and Gas Production Tax, Lease expenditures.

Conforming to the Sec. 30 repeal of the net operating loss credit.

Section 27 Adds a new paragraph to AS 43.55.165(l), Oil and Gas Production Tax, Lease expenditures.

Defines "carried-forward annual loss" as a loss established per Sec. 25.

[2:37:02 PM](#)

Ms. Cramer continued to discuss the Sectional Analysis:

Section 28 Adds new subsections to AS 43.55.165, Oil and Gas Production Tax, Lease expenditures.

Implements new terms for how a carried-forward annual loss is applied. A taxpayer may choose to apply all or some of its loss, or to carry it forward. In applying carry-forward annual losses, a producer subject to the minimum tax may apply the amount that would reduce taxes to the equal amount under the minimum tax, and not to zero. Carry-forward annual losses in excess of the amount applied to reduce taxes to the equal of the minimum tax are carried forward.

Fifty percent of carry-forward annual losses incurred from a lease or property not yet in production may be used immediately; the remaining 50% may be used once the lease or property enters regular production, as

determined by the Alaska Oil and Gas Conservation Commission.

Section 29 Amends AS 43.55.170(c), Oil and Gas Production Tax, Adjustments to lease expenditures. Conforming to the Sec. 30 repeal of the net operating loss credit.

Section 30 Repealer

Repeals the net operating loss credit, AS 43.55.023(b), on Jan. 1, 2018.

Section 31 Repealer

At the later of Jan. 1, 2022, or when all outstanding applications for credit refunds have been paid, repeals the Oil and Gas Tax Credit Fund and AS 43.55.028; assignability of credits to third parties, AS 43.55.029; and makes conforming repeals in sections of statute referencing the fund: AS 43.05.230(l), Administration of Revenue Laws, Disclosure of tax returns and reports, annual disclosure of disbursements from the fund; AS 43.20.046(e), Alaska Net Income Tax Act, Gas storage facility tax credit, use of fund to pay the credit; AS 43.20.047(e), Alaska Net Income Tax Act, Liquefied natural gas storage facility tax credit, use of fund to pay the credit; and AS 43.20.053(e), Alaska Net Income Tax Act, Qualified in-state oil refinery infrastructure expenditures tax credit, use of fund to pay the credit.

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Ms. Cramer continued with the Sectional Analysis:

Section 32 Applicability

Credits under AS 43.55.025 may be applied against corporate income taxes by the company that incurred the credits, regardless of when the credits were earned. Effective immediately.

Section 33 Applicability

Credits may be applied against prior year oil and gas tax liabilities, regardless of when the credits were earned. Effective immediately.

Section 34 Applicability

The new provisions related to lease expenditures apply to lease expenditures incurred on or after Jan. 1, 2018.

Section 35 Transition language

Interest rates charged on delinquent taxes for calendar year 2017 are the rates in statute before the changes in Sec. 2 take effect on Jan. 1, 2018.

Section 36 Transition language

Ensures the public disclosure of tax credit refund recipients is made on April 30 of the year following the year in which the Oil and Gas Tax Credit Fund is repealed, as the public disclosure is also repealed to conform. Effective the later of Jan. 1, 2022, or when there are no outstanding applications for credit refunds.

Section 37 Transition language

Taxpayers who incur a loss before Jan. 1, 2018, remain eligible for the net operating loss credit in current statute that is repealed as of Jan. 1, 2018.

Section 38 Transition language

When the Oil and Gas Tax Credit Fund is repealed after outstanding applications have been paid, any balance of the fund lapses into the general fund. Effective the later of Jan. 1, 2022, or when there are no outstanding applications for refunds.

Section 39 Transition language

Dept. of Revenue may adopt regulations retroactively. Effective immediately.

Section 40 Conditional effect, notification language

Sections related to the repeal of the Oil and Gas Tax Credit Fund take effect only after the Commissioner of Revenue notifies the revisors when there are no outstanding applications for the purchase of tax credits, and it has been at least one year since an application has been received. Effective immediately.

Section 41 Effective date

Sets an immediate effective date for sections related to the ability to use Middle Earth exploration credits against the company's own corporate income tax liability, and to use credits against prior year tax

liabilities that have not been subject to an administrative proceeding or to litigation.

Section 42 Effective date

Sets a Jan. 1, 2018, effective date for Section 25, which is treated separately because it makes changes to a section of statute that is undergoing other changes this year based on House Bill 247 of 2016.

Section 43 Effective date

Sets an effective date of the later of Jan. 1, 2022, or Jan. 1 of the year in which notice is provided that all outstanding applicants for credit purchases have been paid, for the repeal of the Oil and Gas Tax Credit Fund and conforming sections.

Section 44 Effective date

Sets a Jan. 1, 2018 effective date for all other sections.

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Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO further OBJECTION, the proposed committee substitute was adopted.

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AT EASE

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RECONVENED

[2:44:09 PM](#)

Co-Chair MacKinnon announced that amendments should be submitted by 8am the following day, because she intended to move the bill from committee the following day. She stated that there would be a fiscal note presentation at that meeting.

CSHB 111(FIN)(efd fld) was HEARD and HELD in committee for further consideration.

[2:45:32 PM](#)

AT EASE

[2:48:25 PM](#)

RECONVENED

#sb34

SENATE BILL NO. 34

"An Act relating to the implementation of the federal REAL ID Act of 2005; and relating to issuance of identification cards and driver's licenses; and providing for an effective date."

[2:48:34 PM](#)

Co-Chair MacKinnon announced the history of the bill in the committee.

Vice-Chair Bishop MOVED to ADOPT the committee substitute for SB 34, Work Draft 30-GS1781\T (Martin, 5/11/17).

Co-Chair MacKinnon OBJECTED for discussion.

[2:49:42 PM](#)

JULI LUCKY, STAFF, SENATOR ANNA MACKINNON, remarked that the CS was drafted because of various discussions.

Ms. Lucky addressed the Sectional/Explanation of Changes (copy on file):

Section 1: NEW: Intent language added by the legislature should continue efforts to amend the REAL ID Act to protect the privacy of Alaskans.

Section 2: AMENDED: Amends 18.65.310(a) to set the fee for REAL ID compliant identification cards at \$20 - increased from \$10 in the previous bill.

Section 3: NEW: Amends 18.65.310(b) to require an application for an identification card to include a provision that the applicant understands the options between the identification card types and what type of card is being selected.

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AT EASE

[2:53:30 PM](#)

RECONVENED

Ms. Lucky continued to discuss the changes:

Section 4: AMENDED: Adds new sections to 18.65.310 as follows: (m) Requires the department to adopt regulations to issue federally compliant cards and requires an applicant to specifically choose one. New language in CS limits the documents that can be copied/scanned and retained to the minimum of what is required by REAL ID and codifies the retention period of 15 years, which matches what is currently in regulation.

(n) Requires the state to continue to offer non-compliant cards. Requires an applicant to specifically choose a federally compliant identification card. The CS keeps the prohibition against the state or municipality requiring a person to get a federally compliant identification card, but allows an exception when the state or municipality is acting as an employer and the job duties require use of a compliant identification card.

New language regarding non-compliant identification cards limits retention of facial images to 15 years, prohibits retention if a card is not issued, and limits retention of verification documents to a year after the expiration date of the license.

(o) The previous bill allowed the department to issue a card with a validity of less than eight years if it matches the amount of time that a person is legally authorized to be in the country. The CS contains that language, but amends a provision regarding a card issued to a person that is legally allowed to stay in the country for an "indefinite period." The CS allows the department more discretion to renew for a period of "up to eight years" - the previous bill limited the card to one year.

The CS also includes language regarding when an identification card can be renewed and guidelines for renewal by mail or via the department's website. The CS also allows the department more discretion with the expiration date for a card when the authorized stay of an individual is indeterminate - the previous bill required a one year expiration date; the CS allows a card to be valid "up to eight years."

(p) Requires the department to provide the public with information about the differences between current cards (non-compliant) and federally compliant cards,

including what a federally compliant identification card is required for and what alternatives are available.

REMOVED: Requirement that a non-compliant card be created in-state.

(q) Definition of "identification card that is federally compliant" - reworded.

Section 5: AMENDED: Adds new sections to 28.05.068 as follows:

(a) If data is being shared with other entities to comply with the REAL ID Act, limits that data to what is required. This is similar to the intent of the language in the previous bill, but has been reworded.

(b) - (e) - Add new language relating to the sending of social security numbers to other entities for verification that a person who is applying for a driver's license is not already licensed in other states. The language requires the department to take "all steps necessary" to eliminate the use of social security numbers, otherwise to limit the number of digits of a social security number being used. Allows up to five digits, which is the current number required by the S2S verification system, to be used as long as efforts have been made to reduce the number.

(f) Requires an annual report of the efforts made in (b) - (e); this section is repealed in 2021 by section 15 of this bill.

Section 6: AMENDED: Adds new sections to 28.15.041, relating to driver's licenses, to mirror the provisions in section 4 of the bill for identification cards. Specifically:

(d) Requires the department to adopt regulations to issue federally compliant driver's licenses. New language in CS limits the documents that can be copied/scanned and retained to the minimum of what is required by REAL ID and codifies the retention period of 15 years, which matches what is currently in regulation.

(e) Requires the state to continue to offer non-compliant licenses. Requires an applicant to specifically choose a federally compliant license. The CS keeps the prohibition against the state or municipality requiring a person to get a federally compliant driver's license, but allows an exception when the state or municipality is acting as an

employer and the job duties require use of a compliant license.

New language regarding non-compliant driver's licenses limits retention of facial images to 15 years, prohibits retention if a license is not issued, and limits retention of verification documents to one year after the expiration date of the license.

(f) Requires the department to provide the public with information about the differences between current driver's licenses (non-compliant) and federally compliant licenses, including what a federally compliant identification card is required for and what alternatives are available.

Section 7: AMENDED: Adds a new subsection to 28.15.061(b) that mirrors the language for identification cards in section 3. Requires an application for a driver's license to include a provision that the applicant understands the options between the driver's license types and what type of license is being selected.

Section 8: Amends 28.15.101 (a) to extend the validity of a driver's license to eight years (from five). Same as previous bill.

Section 9: AMENDED: Amends 28.15.101 (d), similar to the provisions in section 4, subsection (o) of this bill, to allow the department to issue a driver's license with a validity of less than eight years if it matches the amount of time that a person is legally authorized to be in the country and also repeals language allowing a person to renew their license for free if the license was valid for less than the maximum.

The CS contains that language, but amends a provision that limits the validity of a driver's license issued to a person that is legally allowed to stay in the country for an "indefinite period." The CS allows the department more discretion to renew for a period of "up to eight years" - the previous bill limited the card to one year.

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Ms. Lucky continued to highlight the changes:

Section 10: AMENDED: Amends 28.15.111(a) to update the security requirements of cards to the highest security standards available.

Section 11: AMENDED: Adds new subsections to 28.15.111 that (d) prohibit bulk sharing of facial images captured during the application process for driver's licenses, other than commercial driver's licenses, with entities outside the state; and (e) require a commercial driver's license to be federally compliant. REMOVED: Limitations on copying and retention of application documents and facial images - see new language on same topic in section 6. Also removed was the requirement that a non-compliant driver's license be created in-state.

Section 12: Amends 28.15.271(b) to charge a \$20 fee for a driver's license that is federal compliant. Same as previous bill.

Section 13: AMENDED: Adds a new subsection to 28.90.990(a) to define "driver's license that is federally compliant" - this was reworded in the CS.

Section 14: NEW: Repeals AS 44.99.040(a)(2), the statute that prohibits use of assets to implement the REAL ID Act. The previous bill amended this section instead of repealing it.

Section 15: NEW: Repeals 28.05.068(f) - the reporting requirement added by section 5 of this bill - on June 30, 2021.

Section 16: Transitional Provisions: Allows the Department of Administration to adopt regulations to implement this Act.

Section 17: Immediate effective dates for section 14 (repeal) and section 16 (authority for regulations).

Section 18: Effective date of January 1, 2019 for the remainder of the bill.

Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO further OBJECTION, the proposed committee substitute was adopted.

Senator von Imhof noted that the bill stated that non-compliant identification cards would limit retention of facial images to 15 years. She wondered what changed from the previous presentation about not retaining facial recognition.

[3:05:55 PM](#)

MARLA THOMPSON, DIRECTOR, DIVISION OF MOTOR VEHICLES (DMV), DEPARTMENT OF ADMINISTRATION (via teleconference), understood that Senator von Imhof was concerned about the retaining of an image for one year after expiration.

Senator von Imhof noted that initially the bill did not allow any retention of documents or facial recognition. She noted that the new bill allowed for significant retention. She queried the circumstances that contributed to the change in the bill.

Co-Chair MacKinnon queried the DMV's current practice. Ms. Thompson replied that the DMV currently retained documents for 15 years, which was the minimum. She stated that the change in the legislation was from a request from Department of Public Safety (DPS).

Co-Chair MacKinnon noted that the initial bill presentation from the Senate State Affairs committee had document disposal. She stressed that it was never state law to destroy the documents. Ms. Thompson agreed.

Senator von Imhof wondered whether the DMV retained copies of a person's passport and/or birth certificate. Ms. Thompson responded in the affirmative.

Senator von Imhof understood that DMV did not take copies of those documents. She requested confirmation that the DMV retained copies of the documents. Ms. Thompson replied that the DMV retained copies of the documents.

[3:10:24 PM](#)

Senator Hughes felt that the bill had stronger confidentiality provisions than the federal provisions. She wondered whether the photos were shared with any other state agencies. Ms. Thompson replied that the photos were only shared with DPS.

Senator Hughes wondered whether personal information was shared with a national database. Ms. Thompson responded that the DMV shared information with other states to produce the most valid identification possible. She stressed that documents and photos were not shared, but only validation.

Senator Hughes wondered whether personal information was downloaded into the database, or was there only a search of the database for a match. Ms. Thompson replied that the search was only conducted based on the provided information to determine matches.

Senator Hughes surmised that the information would not be shared on federally noncompliant licenses. Ms. Thompson replied that the compliant licenses required a validation was secure.

Senator Hughes wondered whether there was an issue with identity theft. Ms. Thompson replied in the negative.

Senator Hughes wondered whether the five to eight years related to both the compliant and noncompliant licenses. Ms. Thompson replied in the affirmative.

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DAN LOWDEN, CAPTAIN, ALASKA STATE TROOPERS (via teleconference), announced that he was available for questions. He remarked that he was slightly confused with the conversation related to the databases.

[3:18:05 PM](#)

SHELDON FISHER, COMMISSIONER, DEPARTMENT OF ADMINISTRATION (via teleconference), remarked that the bill was designed to give a person a choice between a compliant and noncompliant license. He stated that the database shared minimal information to allow confirmation of license information across states to ensure that individuals had an appropriate record in another state. He stressed that the other information was kept in the state, and the Real ID database only confirmed the validity of the documents.

Senator Hughes queried what was shared in the database. Commissioner Fisher replied that the five digits of social

security information was in the database, but would work to reduce or eliminate that number. He stated that the number was shared to determine whether an individual had a license in another state. The primary documents, such as a passport or birth certificate, was not shared in the database.

Senator Hughes wondered whether there was a concern about a breach in the database. Commissioner Fisher replied that we should be concerned about identity theft. He felt that the nature and amount of information was relatively modest.

Senator Hughes asked whether the commander of the military bases in Alaska decided whether a federal compliant license was required, or could a noncompliant license be chosen. Commissioner Fisher understood that the commander had a certain amount of latitude in implementation.

Vice-Chair Bishop remarked that the Department of Military and Veterans Affairs (DMVA) had announced that a compliant ID would be required for base access.

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BRIAN DUFFY, DIRECTOR, DIVISION OF ADMINISTRATIVE SERVICES, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS (via teleconference), announced that that the commanders were currently complying with federal law, and did not have waiver authority.

Senator Hughes felt that there was misinformation. She surmised that the commanders did not have leeway. Mr. Duffy replied in the affirmative.

Co-Chair MacKinnon shared a document from a commander that stated that the bases must comply with the federal law.

Senator Micciche wondered whether the noncompliant Alaska IDs would present additional risks. Commissioner Fisher replied in the negative.

Senator Micciche surmised that the database was managed by a private company. Commissioner Fisher stated that the DMV would validate a passport through a database that was managed by Homeland Security. The DMV validated a birth certificate that was managed by a nonprofit managed database.

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Senator Micciche wondered whether there were additional requirements for a compliant ID beyond what was required to receive a passport. Commissioner Fisher replied in the negative.

Co-Chair MacKinnon wondered whether the data on the facial image would be shared with anyone. Commissioner Fisher replied that the facial image data would not be shared.

Co-Chair MacKinnon asked whether law officers outside of the state could subpoena that information. Commissioner Fisher replied that the data would be shared with DPS, and the DMV would comply with a subpoena.

Co-Chair MacKinnon wondered whether the facial image data was shared on an individual basis. Commissioner Fisher replied that the state would share the facial images with DPS, but there was no bulk sharing.

Co-Chair MacKinnon queried a regulation that required the scanning and storage of the documents. Commissioner Fisher deferred to Ms. Thompson.

Ms. Thompson replied in the affirmative, and deferred to Mr. Stanker.

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MICHAEL STANKER, ATTORNEY, DEPARTMENT OF LAW (via teleconference), stated the statute did not explicitly mention the storage or retention of the source documents, but the source documents were considered as part of the application.

Senator von Imhof wondered whether the noncompliant and compliant requirements would retain a social security document in storage. Mr. Stanker replied that the regulations under Real ID would take a copy of the social security card, but Alaska regulation did not allow for scanning of the card-only verification.

Co-Chair MacKinnon asked for confirmation of those comments. Ms. Thompson stated that social security card would not be scanned, and only validated.

Co-Chair MacKinnon wondered if there would be a change. Ms. Thompson replied in the negative.

Co-Chair MacKinnon surmised that there would be no copy of the social security card. Ms. Thompson agreed.

Vice-Chair Bishop wondered whether a hazardous endorsement on a commercial driver's license (CDL) require fingerprints. Ms. Thompson agreed to provide that information.

Co-Chair MacKinnon announced that the bill was controversial, and Alaskans expected their privacy to be honored.

Co-Chair MacKinnon announced that amendments were due following day at 8am.

SB 34 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

3:39:00 PM

The meeting was adjourned at 3:38 p.m.