

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

February 8, 2018

1:32 p.m.

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Kevin Meyer
Senator Gary Stevens
Senator Berta Gardner
Senator Peter Micciche

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 105

"An Act relating to the licensure of marital and family therapists; relating to professional liability insurance for marital and family therapists; relating to medical assistance for marital and family therapy services; and providing for an effective date."

- MOVED CSSB 105(L&C) OUT OF COMMITTEE

SENATE BILL NO. 155

"An Act relating to the registration and regulation of real estate appraisal management companies; relating to the establishment of fees by the Department of Commerce, Community, and Economic Development; relating to the Board of Certified Real Estate Appraisers; and relating to real estate appraisers."

- MOVED SB 155 OUT OF COMMITTEE

SENATE BILL NO. 116

"An Act relating to the insurance tax education credit, the income tax education credit, the oil or gas producer education credit, the property tax education credit, the mining business education credit, the fisheries business education credit, and the fisheries resource landing tax education credit; providing for an effective date by repealing the effective dates of secs.

3, 5, 7, 10, 14, 16, 18, 21, 23, 25, 28, 30, 32, 35, 37, 39, 42, 44, 46, 49, 51, 53, and 55, ch. 92, SLA 2010, sec. 14, ch. 7, FSSLA 2011, secs. 15, 17, 19, 21, 23, and 25, ch. 74, SLA 2012, sec. 49, ch. 14, SLA 2014, secs. 37, 40, 43, and 46, ch. 15, SLA 2014, and secs. 26 and 31, ch. 61, SLA 2014; providing for an effective date by amending the effective date of secs. 1, 2, and 21, ch. 61, SLA 2014; and providing for an effective date."

- MOVED SB 116 OUT OF COMMITTEE

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 126 (MLV)

"An Act relating to workers' compensation benefits for members of the organized militia."

- MOVED CSHB 126 (MLV) OUT OF COMMITTEE

SENATE JOINT RESOLUTION NO. 12

Urging the United States Congress to overturn the Federal Communication Commission's order ending net neutrality.

- MOVED SJR 12 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB 105

SHORT TITLE: MARITAL & FAMILY THERAPY LIC. & SERVICES

SPONSOR(s): SENATOR(s) WILSON

04/04/17	(S)	READ THE FIRST TIME - REFERRALS
04/04/17	(S)	HSS, FIN
04/05/17	(S)	L&C REPLACES HSS REFERRAL
02/06/18	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/06/18	(S)	Scheduled but Not Heard
02/08/18	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 155

SHORT TITLE: REAL ESTATE APPRAISAL MNGMT. COMPANIES

SPONSOR(s): SENATOR(s) MEYER

01/24/18	(S)	READ THE FIRST TIME - REFERRALS
01/24/18	(S)	L&C, FIN
02/08/18	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SB 116

SHORT TITLE: EDUCATION TAX CREDITS; SUNSET; REPEALS

SPONSOR(s): SENATOR(s) COGHILL

04/19/17 (S) READ THE FIRST TIME - REFERRALS
04/19/17 (S) L&C, FIN
02/08/18 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: HB 126

SHORT TITLE: ORGANIZED MILITIA: WORKERS COMPENSATION
SPONSOR(s): MILITARY & VETERANS' AFFAIRS

02/15/17 (H) READ THE FIRST TIME - REFERRALS
02/15/17 (H) MLV, L&C
02/21/17 (H) MLV AT 1:30 PM GRUENBERG 120
02/21/17 (H) Heard & Held
02/21/17 (H) MINUTE(MLV)
02/23/17 (H) MLV AT 1:00 PM GRUENBERG 120
02/23/17 (H) Moved CSHB 126(MLV) Out of Committee
02/23/17 (H) MINUTE(MLV)
02/24/17 (H) MLV RPT CS(MLV) 5DP 1NR
02/24/17 (H) DP: LEDOUX, SADDLER, RAUSCHER,
SPOHNHOLZ, TUCK

02/24/17 (H) NR: REINBOLD
03/29/17 (H) L&C AT 3:15 PM BARNES 124
03/29/17 (H) Heard & Held
03/29/17 (H) MINUTE(L&C)
04/03/17 (H) L&C AT 3:15 PM BARNES 124
04/03/17 (H) Moved CSHB 126(MLV) Out of Committee
04/03/17 (H) MINUTE(L&C)
04/05/17 (H) L&C RPT CS(MLV) 5DP 1NR
04/05/17 (H) DP: SULLIVAN-LEONARD, WOOL, JOSEPHSON,
BIRCH, KITO

04/05/17 (H) NR: KNOPP
04/08/17 (H) NOT TAKEN UP 4/8 - ON 4/9 CALENDAR
04/10/17 (H) TRANSMITTED TO (S)
04/10/17 (H) VERSION: CSHB 126(MLV)
04/11/17 (S) READ THE FIRST TIME - REFERRALS
04/11/17 (S) L&C
02/08/18 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

BILL: SJR 12

SHORT TITLE: CONGRESS REVERSE FCC ON NET NEUTRALITY
SPONSOR(s): WIELECHOWSKI

01/24/18 (S) READ THE FIRST TIME - REFERRALS
01/24/18 (S) L&C, STA
02/08/18 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

SENATOR DAVID WILSON
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of SB 105.

GARY ZEPP, Staff
Senator David Wilson
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Reviewed the fiscal notes and delivered the sectional analysis for SB 105.

EDRA MORLEDGE, Staff
Senator Kevin Meyer
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Provided supporting information for SB 155 on behalf of the sponsor.

SARAH CHAMBERS, Deputy Director
Division of Corporations, Business and Professional Licensing
Department of Commerce, Community and Economic Development
Juneau, Alaska
POSITION STATEMENT: Answered questions related to SB 155.

DAVID DERRY, Chair
Alaska Board of Certified Real Estate Appraisers
Kenai, Alaska
POSITION STATEMENT: Stated support for SB 155.

GREG DEAL, President
Wells Fargo Bank of Alaska
Anchorage, Alaska
POSITION STATEMENT: Stated support for SB 155.

WILLIAM SCOGGIN, Counsel
Real Estate Valuation Advocacy Association (REVAA)
Raleigh, North Carolina
POSITION STATEMENT: Stated strong support for SB 155.

SENATOR JOHN COGHILL
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Sponsor of SB 116.

CHAD HUTCHINSON, Staff
Senator John Coghill
Alaska State Legislature
Juneau, Alaska

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

KEN ALPER, Director
Tax Division
Department of Revenue (DOR)

POSITION STATEMENT: Answered questions related to SB 116.

ROBERT ONDERS, Interim President
Alaska Pacific University, Anchorage, Alaska

POSITION STATEMENT: Testified in strong support of SB 116.

SHERI BURRETTA, Board Chair
Chugach Alaska Corporation (CAC)
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 116.

BRAD HARRIS, Professor

POSITION STATEMENT: Alaska Pacific University
Anchorage, Alaska

POSITION STATEMENT: Testified in support of SB 116.

REPRESENTATIVE CHRIS TUCK
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of HB 126

KENDRA KLOSTER, Staff
Representative Chris Tuck
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions related to HB 126.

BOB DOEHL, Deputy Director
Department of Military & Veterans Affairs (DMVA)
JBER, Alaska

POSITION STATEMENT: Answered questions related to HB 126.

SENATOR BILL WIELECHOWSKI
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Sponsor of SJR 12

NATE GRAHAM, Staff
Senator Bill Wielechowski
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Answered questions related to SJR 12.

ACTION NARRATIVE

[1:32:06 PM](#)

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 1:32 p.m. Present at the call to order were Senators Stevens, Gardner, Micciche, Vice Chair Meyer, and Chair Costello.

SB 105-MARITAL & FAMILY THERAPY LIC. & SERVICES

[1:33:38 PM](#)

CHAIR COSTELLO announced the consideration of SB 105. She noted the proposed amendment and stated her intention to take public testimony and move the bill from committee.

SENATOR DAVID WILSON, Alaska State Legislature Juneau, Alaska sponsor of SB 105, introduced the legislation paraphrasing the following sponsor statement:

If enacted, Senate Bill 105 would add licensed marital and family therapists to the list of independent licensed practitioners, in order to address the shortage of Medicaid-eligible behavioral health providers in the state, afford more options for beneficiaries, and increase access to care.

Currently, licensed marital and family therapists (MFTs) are only allowed to provide services in community health clinics or physician mental health clinics, which limits the number of willing providers in the mental health care arena. SB 105 expands medical assistance reimbursement services to cover those services provided by MFTs.

Specifically, SB 105

- Designates LMFTs as providers eligible to render and bill for Medicaid-funded services as

independent practitioners under Alaska Statute 47.07.030(b)

- Clarifies supervisory requirements for marital family therapist licensees
- Requires marital family therapist licensees to carry liability insurance for regulatory investigation fees of at least \$30,000.

In 2016, the Alaska Board of Marital and Family Therapy unanimously recommended the statute changes contained in SB 105.

SENATOR WILSON said his understanding is that the foregoing recommendations were discussed during the hearings for Senate Bill 74 but weren't included in the final bill. The board has requested these changes and the regulations have been written but won't be promulgated until SB 105 is enacted.

[1:36:43 PM](#)

GARY ZEPP, Staff, Senator Wilson, Alaska State Legislature, Juneau, Alaska, reviewed the two fiscal notes attached to SB 105. The fiscal note from the Department of Commerce, Community and Economic Development (DCCED) appropriation is for Corporations, Business and Professional Licensing. The total is \$1,300 for the services line in FY 2019 and with no expenditures in outlying years. The revenue collection is receipt supported and totals \$1,300 for FY 2019 with no revenues reflected in the outlying years. The summary states that the funding is needed for regulation review, advertising, printing, and postage.

The fiscal note from the Department of Health and Social Services (DHSS) appropriation is for Medicaid services. The total is \$50 thousand for the services line in FY 2019 and \$1.8 million in the grants & benefits line for FY 2020 and beyond. The revenue supporting the fiscal note is a blend of 66 percent federal receipts and general fund match of 34 percent. The FY 2019 revenue shows \$25 thousand of federal receipts and \$25 thousand of general fund match totaling \$50 thousand. Annual revenue thereafter shows \$660.5 thousand in federal receipts and \$340.3 thousand in general fund match totaling \$1.8 million. The summary states that in FY 2019 the \$50 thousand general fund match is for the development of business rules in the Medicaid Management Information System detailing the parameters for services and reimbursement. FY 2020 and annually thereafter reflect \$1.8 million. It's the average annual per recipient cost times the estimated number of recipients. DHSS estimates \$1,581

annually per recipient times 6,330 recipients for a total of \$1,000,773.

[1:39:28 PM](#)

MR. ZEPP provided the following sectional analysis for SB 105.

Section 1: Amends AS 08.63.100(a). Provides that 1,500 hours of clinical contact with couples, individuals, and families required for licensure of marital and family therapy must be supervised. Clarifies that 1,500 hours of clinical contact must include at least 100 hours of individual supervision and 100 hours of group supervision. Provides that the required hours of individual and group supervision may be conducted by one or more supervisors. Requires that an applicant for a license to practice marital and family therapy must have professional liability insurance including coverage of at least \$30,000 for the applicant's regulatory investigation fees.

Section 2: Provides the qualification for a person to perform individual supervision of a licensee under AS 08.63 and the qualifications for a person to perform group supervision of a licensee under AS 08.63.

Section 3: Adds marital and family therapy services to the optional services that the Department of Health and Social Services may provide medical assistance for under AS 40.07.030(b).

Section 4: Adds a new subsection (g) that defines "direct supervision," "mental health [physician clinic]," and "psychiatrist" for AS 47.07.030.

Section 5 Adds a new subsection (h) that provides that the department may reimburse a mental health physician clinic for certain services if the services are provided by a psychiatrist or an individual who works under the direct supervision of a psychiatrist and is licensed to practice as a professional counselor, a marital and family therapist, a physician assistant, an adult or family psychiatric mental health nurse practitioner, psychologist, psychological associate, or clinical social worker.

Section 6: Authorizes the department and the Board of Marital and Family Therapy to adopt regulations necessary to implement this act.

Section 7: Provides an immediate effective date for Section 6 of this act.

Section 8: Provides a January 1, 2018 effective date for Sections 1-5 of this act.

[1:43:12 PM](#)

CHAIR COSTELLO informed members of a friendly amendment to change the effective date to January 1, 2019.

SENATOR MEYER moved Amendment 1.

AMENDMENT 1

OFFERED IN THE SENATE

Page 5, line 9:
Delete "2018"
Insert "2019"

CHAIR COSTELLO asked if there was objection to Amendment 1.

SENATOR GARDNER asked if the amendment addresses the DHSS fiscal note that twice references a July 1, 2018 effective date in the analysis.

CHAIR COSTELLO asked if the sponsor or staff could answer

[1:45:14 PM](#)

At ease

[1:45:41 PM](#)

CHAIR COSTELLO reconvened the meeting and clarified that the fiscal note was updated to reflect the legislation.

SENATOR GARDNER withdrew her objection.

CHAIR COSTELLO found no further objection and Amendment 1 was adopted. She noted who was available to answer questions.

SENATOR GARDNER asked if the bill would allow LMFTs to bill Medicaid directly as an independent provider if they choose to do so.

SENATOR WILSON clarified that the bill would allow LMFTs to bill Medicaid both under supervision and as a private entity.

SENATOR GARDNER questioned the statement on the bottom of page 2 of the DHSS fiscal note that says:

Therefore, we are unsure of the number of LMFTs who will be interested in beginning to independently bill Medicaid, subjecting their practices to the documentation and audit requirements that follow on enrollment in Medicaid as an independent provider.

She said she was trying to anticipate the beneficial impact of being able to bill independently when there are just under 100 LMFTs in the state with an active license.

SENATOR WILSON said that's their decision; this is intended more for the nonprofit agencies or grantees that didn't benefit as intended from the Medicaid expansion. The bill also seeks to increase capacity to meet the demand for behavioral health services.

CHAIR COSTELLO asked if marital and family therapist services could be delivered through telemedicine.

SENATOR WILSON deferred to Ms. McCarthy.

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

SENATOR WILSON said no.

[1:51:01 PM](#)

CHAIR COSTELLO determined no one wished to comment and close public testimony on SB 105.

[1:51:31 PM](#)

SENATOR MEYER moved to report SB 105, as amended, from committee with individual recommendations and attached fiscal note(s).

[1:51:49 PM](#)

CHAIR COSTELLO announced that without objection, CSSB 105(L&C) moves from the Senate Labor and Commerce Standing Committee.

[1:51:51 PM](#)

At ease

SB 155-REAL ESTATE APPRAISAL MNGMT. COMPANIES

[1:53:43 PM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of SB 155.

SENATOR KEVIN MEYER, Alaska State Legislature, Juneau, Alaska, sponsor of SB 155, said he introduced SB 155 after it was brought to his attention that the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 imposed a federal deadline for states to adopt comprehensive regulations regarding appraisal management companies. That deadline is August 2018.

He explained that an appraisal management company (AMC) is an independent entity through which mortgage lenders order residential real estate valuation services for properties on which they are considering extending loans to homebuyers. Unless this or similar legislation passes, these companies will not be able to do residential appraisals in Alaska after August 20, 2018. Alaska is one of four states that have not passed this legislation.

SENATOR MEYER said SB 155 seeks to promote public trust and consumer protection and establish oversight and enforcement where there is none today.

[1:55:55 PM](#)

EDRA MORLEDGE, Staff, Senator Kevin Meyer, Alaska State Legislature Juneau, Alaska, directed attention to a letter from Sara Chambers, Deputy Director of the Department of Commerce, Community and Economic Development (DCCED) requesting an extension of the implementation period to establish an appraisal management company (AMC) program until August 10, 2019. She said the federal government also established minimum standards for appraisal management companies and those are contained in the bill.

[1:57:23 PM](#)

MS. MORLEDGE provided the following sectional analysis for SB 155:

Section 1: Adds a new subsection (j) to allow the Department of Commerce, Community and Economic Development to establish a fee for regulatory costs and a mechanism for reporting those fees.

Section 2: Requires the department to establish a registry fee as required by the federal government and permits the department to remit those fees to the federal government.

Section 3: Amends the powers and duties of the Board of Certified Real Estate Appraisers to require regulations for Appraisal Management Companies.

Section 4: Authorizes the Board to examine records of AMCs, requires those companies to submit information to the Board, and allows investigations of alleged violations.

Sections 5 and 6: Adds a new section to the statute regarding Appraisal Management Companies including provisions for registration, reporting records retention, and inspection requirements, exemptions, prohibited practices, and disciplinary proceedings.

Section 7: Definitions - "appraisal management services," "appraisal panel," "company, controlling person," and "principal dwelling."

Section 8: Allows for fingerprinting of a controlling person of an Appraisal Management Company through the Department of Public Safety.

Section 9: Allows real estate Appraisal Management Company registry fees to be included in the definition of program receipts and non-general fund program receipts.

Section 10: Applicability clause - this act applies to a person offering or providing appraisal management services on or after the effective date of this Act.

[1:59:30 PM](#)

SENATOR STEVENS asked if there was any indication that the requested extension would be granted.

MS. MORLEDGE deferred the question to Ms. Chambers.

[2:00:12 PM](#)

SARAH CHAMBERS, Deputy Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development (DCCED), Juneau, Alaska, said she sent the letter to Mr. Parks this morning and believes it is likely to be approved. The state meets the threshold for receiving an extension and the Alaska Board of Certified Real Estate Appraisers knows about the situation and agrees with the extension request.

CHAIR COSTELLO asked if the extension would be needed if the bill were to pass.

MS. CHAMBERS said yes. There isn't time to promulgate and implement the required regulations by August.

SENATOR MEYER asked why the department or governor didn't bring the bill forward if the looming deadline was known.

MS. CHAMBERS said she didn't know but it's fairly typically and healthy for boards to identify their own needs and seek their own legislation. She offered to follow up and provide a more definitive answer.

SENATOR MEYER questioned whether it was healthy since Alaska is one of the last states to pass the enabling legislation. He referenced the fiscal note and questioned the need to hire a full time occupational licensing examiner.

MS. CHAMBERS said she hoped that Mr. Derry, Chair of the Alaska Board of Certified Real Estate Appraisers was online and could speak to the timeliness. The department does not anticipate the need for a fulltime examiner but is unable to request half a person through a fiscal note. The request reflects the anticipated time needed and any work the examiner does outside this program will be billed to any of the other receipt-supported program they might work on.

[2:04:56 PM](#)

SENATOR MEYER said he wouldn't quibble over the fiscal note.

[2:05:17 PM](#)

CHAIR COSTELLO opened public testimony on SB 155.

DAVID DERRY, Chair, Alaska Board of Certified Real Estate Appraisers, Kenai, Alaska, said the board supports SB 155 and is ready to assume oversight of appraisal management companies. Speaking to the timeline, he said that in 2014 the Alaska Chapter of the Appraisal Institute proposed legislation similar to SB 155 but was unable to get support from the legislature to introduce the bill. The matter died at that point but since 2016 the board has been working to get this legislation introduced. He said he recently became aware of the extension to 2019 and the legislation is important to show the state is working toward that deadline.

He offered suggestions to change the bill in several areas. Page 5, lines [20-21] states that an appraisal management company will post a surety bond of not more than \$25,000 as required by the board. He said the board recommends a surety bond of \$150,000 because \$25,000 is inadequate in light of the cost of appraisal reports, particularly in rural areas. Some states establish the bond at not less than 150 percent of the AMC's annual billings over the previous 12 months. This board believes that is more complex than necessary, thus the \$150,000 proposal.

The second suggestion relates to fingerprinting on page 6, lines 4-9. The board has received a determination from the federal Appraisal Subcommittee that the current process for background checks for appraisers is adequate without fingerprinting and background checks. That would carry over to appraisal management companies so that provision is not necessary.

[2:11:22 PM](#)

SENATOR GARDNER said she didn't understand how the fingerprint and background check got in the bill if it's not required by Dodd-Frank or some other act.

MR. DERRY said fingerprinting was originally part of the requirements under Dodd-Frank and subsequently became a state-by-state determination. The process the Alaska Board of Certified Real Estate Appraisers uses for appraiser qualifications is satisfactory without fingerprinting.

SENATOR GARDNER asked if real estate appraisers are currently required to undergo background checks.

MR. DERRY answered no; the process the board is using and had established in the application process for new certified

appraisers is adequate to meet the requirement without doing a background check.

SENATOR MEYER asked for confirmation that fingerprinting and the criminal history check were not required under Dodd-Frank.

MR. DERRY clarified that there was a determination by the federal Appraisal Subcommittee that those were not required under Dodd-Frank

SENATOR MEYER asked what other states require as a surety bond.

MR. DERRY said he didn't know the fixed bond amounts for other states.

[2:14:56 PM](#)

GREG DEAL, President, Wells Fargo Bank of Alaska, Anchorage, Alaska, stated support for SB 155. He agreed with the sponsor that if the state does not set up a regulatory system for Appraisal Management Companies by the deadline, home lenders like Wells Fargo will not be able to use AMCs for federally related mortgage loan transactions. This includes government sponsored enterprises (GSEs) such as Fannie Mae and Freddie Mac. Wells Fargo values the services of AMCs to ensure that there is no direct contact between a loan officer and appraiser. This eliminates even the perception of a conflict of interest and ensures an independent evaluation process. Customers are also assured that they are receiving an accurate valuation on their homes.

SENATOR MICCICHE asked for clarification that this is only for federally-regulated mortgage loan transactions.

MR. DEAL said that's correct.

SENATOR MICCICHE asked what percentage of Wells Fargo home loans that represents.

MR. DEAL said in Alaska Wells Fargo has just 10 of 1,471 loans that do not fall under the government sponsored enterprise rule.

[2:17:25 PM](#)

WILLIAM SCOGGIN, Counsel, Real Estate Valuation Advocacy Association (REVAA), Raleigh, North Carolina, stated strong support for SB 155. He described the legislation as important to everyone in the residential real estate industry. He advised

that REVAA has worked carefully to get this legislation passed in all states. Just four states and Washington, D.C. have yet to pass the legislation.

SENATOR MEYER asked if the \$150,000 surety bond the Alaska board requested is standard.

MR. SCOGGIN said he didn't recall the surety provisions in all other states but \$150,000 would be on the high side. REVAA believes the current drafting is probably adequate. What is important is to pass the bill this legislative session.

SENATOR MEYER asked if it's his understanding that criminal background checks and fingerprinting are unnecessary.

MR. SCOGGIN said it depends on whether the licensing board in the state is able to satisfy the requirements of the federal Appraisal Subcommittee. REVAA is comfortable with whatever is established, he said.

[2:19:39 PM](#)

CHAIR COSTELLO closed public testimony on SB 155 and voiced support for moving the bill. She said the finance committee could address the surety bond issue and she's comfortable with the fingerprinting as written in the bill.

SENATOR MICCICHE asked Ms. Chambers about the possibility of managing the additional workload through contract instead of adding a new state position.

MS. CHAMBERS said that would be precedent setting and may be opposed by employment unions. She explained that the protocol typically used is to request a receipt-supported position (no UGF involved) to fulfill the requirements of the bill and then allocate time to the other licensing programs. Because the component level is at the division and not each board, the appraisal board would not see the entire \$80,000 plus increase listed in the fiscal note. It is her hope that the other half of the position could assist with applications for massage therapist licenses because the division has seen twice the number applications as anticipated since the program was added in 2015.

CHAIR COSTELLO suggested that as a member of the finance committee Senator Micciche could look into the hurdle that prevents the department from asking for a part-time position.

SENATOR MEYER agreed and expressed hope that the finance committee closely analyze the request for an additional position.

[2:23:18 PM](#)

SENATOR MEYER moved to report SB 155 from committee with individual recommendations and attached fiscal note(s).

[2:23:24 PM](#)

CHAIR COSTELLO found no objection and announced that SB 155 moves from the Senate Labor and Commerce Standing Committee.

[2:23:31 PM](#)

At ease

SB 116-EDUCATION TAX CREDITS;SUNSET;REPEALS

[2:25:33 PM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of SB 116.

[2:26:01 PM](#)

SENATOR JOHN COGHILL, Alaska State Legislature, Juneau, Alaska, sponsor of SB 116, stated that this is a tax credit bill and an effort to get industry and educational programs to work together. The legislation does two primary things. It extends the effective date of the repeal of the education tax credits to January 1, 2025, and it ensures that the existing credits will maintain until January 1, 2025 instead of narrowing in scope on January 1, 2021.

[2:28:53 PM](#)

CHAD HUTCHINSON, Staff, Senator John Coghill, Alaska State Legislature, Juneau, Alaska, introduced SB 116 speaking to the following sponsor statement:

This bill does the following:

1. Extends the effective date for the repeal of the education tax credits from December 31, 2018 to January 1, 2025.
2. Ensures that the credits that exist in statute today, will maintain until January 1, 2025 (instead of narrowing in scope and decreasing in value on January 1, 2021).

Education tax credits encourage private businesses to make charitable contributions to certain educational institutions and programs in Alaska, including contributions to the University of Alaska. In total, eligible recipient entities include: non-profit, public or private accredited Alaska two-year or four-year colleges; non-profit elementary or secondary schools and school districts; state operated vocational education and training schools; non-profit regional vocational training centers; apprenticeship programs; Alaska Native cultural programs; the Alaska higher education investment fund; and postsecondary institutions providing dual-credit courses.

The credits are non-transferable and non-refundable and can be used against the following taxes: corporate income tax; fisheries business tax/fisheries resource landing tax; insurance premium tax/title insurance premium tax; mining license tax; oil and gas production tax; and the oil and gas property tax.

Currently, the credit provision allows for 50 percent of the annual contributions up to \$100,000, 100 percent of the next \$200,000, and 50 percent of annual contributions beyond \$300,000. The total credit per taxpayer, across all tax types, may not exceed \$5 million [per year].

Historically, well over two dozen companies have used this benefit. The contributions are good for the companies, and good for the recipient institutions. Passage of SB 116 is a great benefit for Alaska.

MR. HUTCHINSON said a recent example of the credit provision being used to fill a specific need is the UAF engineering building that received private contributions from BP, ConocoPhillips, and Usibelli. This potentially increases the opportunity for future engineers which helps the Alaska workforce, the mining community and the state.

He advised that the Department of Revenue (DOR) submitted a zero fiscal note.

MR. HUTCHINSON provided an overview of the sectional analysis for SB 116.

Section 1 has legislative findings and intent. It clarifies that the legislature is extending the effective date for the repeal of the education tax credits from December 31, 2018 to January 1, 2025. It also ensures that the education tax credits in statute today will be carried forward to January 1, 2025. Currently the credits are on course to decline in dollar value and narrow in scope on January 1, 2021, even if the effective date of repeal was extended to 2025.

Section 2 is the nuts and bolts of the bill. It repeals multiple statutory provisions pursuant to legislative drafting guidelines. The full sectional talks about each statute twice to show what happens with the 2021 reduction if there is no legislative action.

Section 3 repeals the narrowing of scope that is anticipated to occur in 2021.

SENATOR GARDNER asked him to talk about the statutes that were expected to drop out with the narrowing of scope but will not under this provision.

MR. HUTCHINSON explained that in 2010 the maximum cap for the tax credit increased from [\$150,000] to \$5 million. In 2011 and 2014 the entities to which industry can contribute and receive a tax credit was expanded to include facilities, Native cultural programs, and the Coastal America Partnership. Without this legislation those broader beneficiaries go away, and the contributing party will no longer receive a credit for those contributions.

SENATOR MICCICHE asked why there is a change in revenue before 2021 if the narrowing occurs after that time.

MR. HUTCHINSON deferred to the Department of Revenue.

[2:36:35 PM](#)

KEN ALPER, Director, Tax Division, Department of Revenue (DOR), said Mr. Hutchinson explained that the program is set to sunset on December 31, 2018. If no bill passes, the tax credit would be zero beginning January 2019. Because there have been multiple changes to the statute in the last six or so years, there is a lot of overlap in language and effective dates, he said. The narrowing of scope although it takes place in 2021 would be sort

of moot if the underlying program wasn't extended because there would be nothing for which the scope would reduce.

He clarified that while the cost of administering the program is zero, the fiscal note reflects a reduction in revenue that is tied to the extension of the program. The calculation is the average amount of the tax credit claimed for the last three years projected forward for future years. The donor subtracts the contribution from their taxes and DOR sees it in the form of reduced revenue.

SENATOR GARDNER commented that it's a nice deal for the donor. They receive a charitable credit on their federal taxes and a reduction on their tax bill to the state. Hopefully they'll also get a workforce that's trained in a relevant area.

MR. ALPER said he couldn't speak to the federal tax impact but that's his expectation.

SENATOR MEYER asked if DOR knows the total contributions and which organization has contributed the bulk thus far.

MR. ALPER said the analysis section of the fiscal note identifies the amount of credit claimed to average \$6.84 million. The donations leading to that credit are between \$10 million and \$11 million per year. The rate at which the credit is applied is currently \$250,000 of the first \$300,000 of a donation. DOR's experience is that a lot of the donations come in at that rate because the company receives the maximum benefit.

SENATOR MEYER asked which recipient receives the bulk of the donations.

MR. ALPER said the University of Alaska is the largest recipient and about 40 percent is going to vocational education organizations.

[2:41:21 PM](#)

SENATOR COGHILL said the university is the primary beneficiary when compared to the mining and fishing industries. He reminded the members that a tax credit means some reduction to the state but there's a 50 percent increase of new money that is a positive to the state generally.

CHAIR COSTELLO asked what is considered vocational education because she wanted to make sure that programs like Project Lead the Way at Dimond High School and the nursing program at Service High School would qualify to receive contributions under the education tax credit program. These are programs that train young people to have jobs upon graduation.

[2:43:24 PM](#)

MR. ALPER said job training programs at a public secondary school should qualify but he couldn't make a predetermination on a specific donation. He suggested the committee feel free to clear up any ambiguities it sees in the qualification sections because there are a lot of gray areas.

SENATOR MICCICHE referenced the report from DOR that shows the total contributions reported by the different tax types and the total education tax credits claimed. He asked if the list of secondary vocational and "other" entities listed on the second attachment were recipients of the contributions.

SENATOR COGHILL suggested that public testimony would be a better measure of advocacy than looking back.

[2:45:48 PM](#)

CHAIR COSTELLO opened public testimony on SB 116.

[2:46:17 PM](#)

ROBERT ONDERS, Interim President, Alaska Pacific University, Anchorage, Alaska, said he strongly agrees with the sponsor's initial comments that it's critical that education and industry work together. The education tax credit program is mutually beneficial, and it facilitates the connection between education, research, and workforce development. The resources and partnership generated by the education tax credits support rural and tribal communities in generating community-based research as well as academic curriculum. He encouraged the committee to pass SB 116.

[2:47:19 PM](#)

SHERI BURRETTA, Board Chair, Chugach Alaska Corporation (CAC), Anchorage, Alaska, said she is speaking in support of SB 116. Chugach Alaska Corporation has been using the education tax credit program since 2011. About one-third of their contributions go to the Alaska Pacific University and the University of Alaska and another third goes to vocational programs such as the Kenai Peninsula Borough School District

Project GRAD and to fund cultural camps and education for villages. Using this tool CAC has been able to fund its education endowment to \$30 million and generate scholarships of more than \$1 million a year. CAC has been focused on collaboration and creating pathways and links (particularly to remote rural villages) to get through high school and access higher education.

This has been an excellent link for the corporation and has allowed CAC to work with the university through the Alaska Native Science and Engineering Program (ANSEP) School of Business to integrate Alaska Native history and contemporary Alaska Native corporations to change the perspective about what Alaska Native corporations can do in partnership with the university to develop economic opportunities moving forward.

MS. BURRETTA said she became a University of Alaska Regent in 2015 and it's been a challenge that funding has been declining since then. Thus, tools such as the education tax credit are essential to the future of the university.

2:50:10 PM

BRAD HARRIS, Professor, Alaska Pacific University, Anchorage, Alaska said he was speaking in support of SB 116 from the perspective of an educator. He teaches fisheries ecology and directs the research laboratory that works closely with the commercial fishing industry as well as state and federal agencies to produce information that is needed to deal with the resource challenges that Alaska faces. He said the education tax credit program is working the way it's designed to work. It is providing opportunities for students in Alaska to receive a high-quality education that is applied directly to the needs of the state.

PROFESSOR HARRIS explained that the money he receives from the education tax credit program allows him to recruit excellent students. Some come to Alaska from different places and Alaska benefits from that. Students are also recruited from rural communities that face challenges. Once those students are in the university system they receive support through applied projects and assistantships to help offset their tuition costs. The program also allows him to invest in strategically important research areas. He serves on the Scientific and Statistical Committee of the North Pacific Fisheries Management Council which allows him to connect students to areas of applied research and to develop robust synergistic partnerships.

Because of the resources through the education tax credit program and the opportunity to work in ecosystems like the Bering Sea, partners are attracted to UA from universities around the world. Faculty from Cornell University and Northeastern University and researchers from the Smithsonian are working with Alaska students on applied questions, largely facilitated by the education tax credit. Finally, the program is expanding the university's internal research capacity. The opportunity for students to work with these world-class researchers brings them skills and abilities that map through to the careers the students end up taking. He noted his letter in the packets that includes information about students from the fisheries and natural resources program. It demonstrates that students who receive this support end up working for Alaska state agencies, federal agencies, consulting companies, and universities. They are providing benefit back to the state.

PROFESSOR HARRIS urged the committee to continue the program in recognition that it provides a level of stability that has become a critical part of the future.

[2:54:19 PM](#)

SENATOR STEVENS asked how the program is marketed.

PROFESSOR HARRIS said the university does what it has to do to see its research programs evolve. His team applies to the North Pacific Research Board, seeks other funds, and talks about ways to leverage the education tax credit program.

[2:55:34 PM](#)

CHAIR COSTELLO found no further questions or testimony and closed public testimony on SB 116.

[2:55:51 PM](#)

SENATOR MEYER moved to report SB 116 from committee with individual recommendations and attached fiscal note(s).

[2:56:10 PM](#)

CHAIR COSTELLO announced that without objection, SB 116 moved from the Senate Labor and Commerce Standing Committee.

[2:56:19 PM](#)

At ease

HB 126-ORGANIZED MILITIA: WORKERS COMPENSATION

2:59:29 PM

CHAIR COSTELLO reconvened the meeting and announced the consideration of HB 126. [CSHB 126 (MLV) was before the committee.]

2:59:49 PM

REPRESENTATIVE CHRIS TUCK, Alaska State Legislature, Juneau, Alaska, sponsor of HB 126, introduced the legislation speaking to the following sponsor statement:

The Alaska State Legislature and Department of Military and Veterans' Affairs have been working together to modernize the 1955 Alaska Military Code by providing statutory changes that will better serve our Alaska organized militia. House Bill 126 would expand workers' compensation coverage to the organized militia while they are participating training exercises. Currently, Alaska statutes already provides workers' compensation coverage during active state service, but not during training. By expending this protection, we could potentially provide a fiscally significant coverage and save the state money in the future. This issue came to light during an incident when a member of the Alaska State Defense Force suffered an injury during a training exercise that led to his inability to work. Since workers' compensation was not available, this injury ultimately cost the state twice the amount of the entire annual budget of the Alaska State Defense Force. The Risk Management Division of the Alaska Department of Administration estimates there would be little to no additional cost to cover the Alaska State Defense Force members under existing state workers' compensation policies. As we face tight fiscal times, it is important that we are taking steps to ensure cost savings where we can and pass responsible legislation that will protect Alaskans.

3:01:42 PM

SENATOR STEVENS asked who other than the National Guard would be involved in the Alaska militia.

REPRESENTATIVE TUCK said it's primarily the Alaska State Defense Force. The National Guard doesn't do any training that needs to be done by the state.

SENATOR STEVENS asked for an explanation of the Alaska State Defense Force.

REPRESENTATIVE TUCK said the group has about 11 members under the authority of the adjutant general who can be called in for disasters or safety of a community. They're not necessarily being called in by the president.

SENATOR STEVENS requested follow up on the question of the cost [to cover injuries during training compared to coverage under] workers' compensation.

[3:03:01 PM](#)

KENDRA KLOSTER, Staff, Representative Tuck, Alaska State Legislature, Juneau, Alaska, explained that the state settled the case of the member injured during training and paid double what it would have been under workers' compensation. She deferred any further explanation of cost related to the State Defense Force budget to Mr. Doehl.

[3:04:29 PM](#)

BOB DOEHL, Deputy Director, Department of Military & Veterans Affairs (DMVA), JBER, Alaska, explained that when litigation ensues the plaintiff can get money for things he/she cannot get in a workers' compensation proceeding, which causes costs to spike exponentially.

SENATOR MICCICHE asked if there have been cases in addition to the one the sponsor mentioned.

MR. DOEHL said that case is the only reportable Alaska State Defense Force case that resulted in a claim. However, up until about two years ago there were only about 50 members of the ASDF who were actively participating. With increased numbers there is increased exposure for injuries during training.

SENATOR MICCICHE summarized that less than 100 members train two days a month and run exercises four days a year.

MR. DOEHLE said that's generally the case. When members are called up for active duty they are under workers compensation.

SENATOR MEYER asked how often members have been called to active duty.

MR. DOEHL said up until this year just small groups were called up to do things like shelter relief management during wildland fires. This year a team was called up for active duty and deployed to Puerto Rico to provide communications support after the hurricane. They were state employees, but FEMA is providing reimbursement for their wages and benefits.

SENATOR MEYER asked if there are close to 120 members currently.

MR. DOEHL said he understood the force is closer to 120 members than 111. He was confident it was more than 110.

SENATOR MEYER said he mentioned it because the fiscal note identifies 76 members.

MR. DOEHL said the force has been growing since the bill was introduced last year.

[3:09:22 PM](#)

CHAIR COSTELLO found no one who wished to comment on HB 126 and closed public testimony. She looked to the will of the committee.

[3:09:49 PM](#)

SENATOR MEYER moved to report HB 126 from committee with individual recommendations and attached fiscal note(s).

CHAIR COSTELLO announced that without objection, CSHB 126 (MLV) moves from the Senate Labor and Commerce Standing Committee.

[3:10:35 PM](#)

At ease

SJR 12-CONGRESS REVERSE FCC ON NET NEUTRALITY

[3:11:53 PM](#)

CHAIR COSTELLO reconvened the meeting and announced the consideration of SJR 12.

[3:12:06 PM](#)

SENATOR BILL WIELECHOWSKI, Alaska State Legislature, Juneau, Alaska, sponsor of SJR 12, introduced the legislation speaking to the following sponsor statement:

In December 2017, the Federal Communication Commission (FCC) adopted an order to reverse regulations that had

established a federal broadband policy of net neutrality and to preempt states from imposing regulations on internet service providers.

Net neutrality protects an individual's ability to access and transmit information on the internet, requiring internet service providers (ISPs) to treat all websites equally, regardless of their content or business relationships. Without net neutrality ISPs can lawfully charge customers higher rates to access certain websites, download music, and watch videos, and the ISPs would be able to slow down or block access to sites altogether.

The FCC's decision was extremely unpopular with the American public and a survey conducted by the University of Maryland found that 83 percent of Americans opposed repealing net neutrality. Furthermore, the FCC's public commenting process was flawed. Of the more than 22 million comments that were received, 2 Million were linked to stolen identities and nearly 500,000 were generated from Russian email address.

Alaska's isolation from the lower 48 means our citizens rely heavily on the internet to connect to one another, keep in touch with family, work, and for educational purposes. Many Alaskan communities already struggle to obtain stable, affordable internet access. Alaskans' First Amendment rights of free speech, free press, and free association are also at risk without a net neutral environment enabling the free flow of thoughts, ideas, and concerns over the internet.

The Congressional Review Act, which grants Congress authority to nullify any regulatory rules issued by federal agencies with a simple majority vote, is the best chance at reversing the FCC's decision on net neutrality and must be submitted within 60 legislative days of finalization of the agency's action.

Upon approval, this resolution would urge the United States Congress to exercise its authority under the Congressional Review Act to overturn the Federal Communication Commission's regulatory decision to end net neutrality protections.

SENATOR WIELECHOWSKI emphasized that this repeal is a grave threat to free speech. Verizon once blocked text messages from a prochoice advocacy group deeming them to be too controversial. Religious groups also oppose the repeal. Pat Roberts' Christian Coalition website states, "If net neutrality dies, the internet as we know it today will cease to exist."

He said the arguments for repealing net neutrality don't have much merit. Some say that ISPs won't slow speeds, but Comcast cut Netflix speeds drastically until Netflix agreed to pay more. Some say competition will prevent providers from abusing the system, but half of all U.S. households have no choice of access. Alaska is in a similar situation with limited and expensive options. Some say this will hurt investment, but capital investment increased after the original net neutrality regulations passed. Some say there will be transparency with the Federal Trade Commission overseeing the internet, but all the FTC will look for is whether the companies say how they are blocking or slowing or censoring.

SENATOR WIELECHOWSKI said the public comment on the reversal of net neutrality was flawed. Of the 21 million comments that were received, up to 2 million were linked to stolen identities, nearly 500,000 were likely generated from Russian email addresses, 94 percent were submitted multiple times, 57 percent came from duplicate or temporary addresses, and 75,000 identical or similar comments were posted at the same second on nine occasions.

SENATOR WIELECHOWSKI said the Congressional Review Act grants Congress the authority to overturn this order with a simple majority vote. Just one more vote is needed in the U.S. Senate.

[3:17:51 PM](#)

CHAIR COSTELLO asked the source of the list of technology organizations on page 3, lines 6-9, that oppose the end of net neutrality protections.

SENATOR WIELECHOWSKI deferred to his staff.

[3:18:34 PM](#)

NATE GRAHAM, Staff, Senator Bill Wielechowski, Alaska State Legislature, Juneau, Alaska, said it came from an article in Business Insider. A copy is in the supporting documents.

SENATOR MICCICHE commented that the case is strong and convincing without some of the references such as the University of Maryland poll. The issue is about whether you believe the internet is a utility and his personal belief is that it is a utility.

[3:20:21 PM](#)

SENATOR STEVENS said it seems that Alaska would be more impacted than other states.

SENATOR WIELECHOWSKI agreed; his understanding is that a higher percentage of Alaskans use the internet for work and entertainment than other states, particularly in rural areas. It's used for social media, access to news, for work, and telemedicine.

SENATOR STEVENS commented that telemedicine's great future could be damaged by rolling back net neutrality.

SENATOR GARDNER observed that Alaska is different because there is just one provider in many areas. She noted that one of her staff found his name on three comments regarding closing down net neutrality even though he hadn't submitted any comment. He agreed with two of the comments and disagreed with one.

CHAIR COSTELLO said it's fitting that the only committee with a Facebook page should move this legislation along.

[3:22:16 PM](#)

SENATOR MEYER moved to report SJR 12 from committee with individual recommendations and attached fiscal note(s).

[3:22:27 PM](#)

CHAIR COSTELLO found no one who wished to comment on SJR 12 and closed public testimony.

[3:22:52 PM](#)

SENATOR MEYER restated the motion to report SJR 12 from committee with individual recommendations and attached zero fiscal note(s).

[3:23:06 PM](#)

CHAIR COSTELLO announced that without objection, SJR 12 moves from the Senate Labor and Commerce Standing Committee.

[3:23:15 PM](#)

There being no further business to come before the committee, Chair Costello adjourned the Senate Labor and Commerce Standing Committee meeting at 3:23 p.m.