

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

February 23, 2022

3:18 p.m.

MEMBERS PRESENT

Representative Zack Fields, Co-Chair
Representative Ivy Spohnholz, Co-Chair
Representative Calvin Schrage
Representative Liz Snyder
Representative David Nelson
Representative James Kaufman
Representative Ken McCarty

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 323

"An Act extending the termination date of the State Physical Therapy and Occupational Therapy Board; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 306

"An Act extending the termination date of the Board of Pharmacy; and providing for an effective date."

- HEARD & HELD

SENATE JOINT RESOLUTION NO. 15

Recognizing and honoring the relationship between Canada and the state; and recognizing the importance of the United States-Mexico-Canada Agreement.

- MOVED HCS SJR 15(L&C) OUT OF COMMITTEE

HOUSE BILL NO. 307

"An Act relating to the financing and issuance of bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 323

SHORT TITLE: EXTEND PT & OCCUPATIONAL THERAPY BOARD

SPONSOR (s): REPRESENTATIVE (s) HOPKINS

02/14/22 (H) READ THE FIRST TIME - REFERRALS
02/14/22 (H) L&C, FIN
02/23/22 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 306

SHORT TITLE: EXTEND BOARD OF PHARMACY

SPONSOR (s): REPRESENTATIVE (s) STORY

02/04/22 (H) READ THE FIRST TIME - REFERRALS
02/04/22 (H) L&C, FIN
02/23/22 (H) L&C AT 3:15 PM BARNES 124

BILL: SJR 15

SHORT TITLE: RECOGNIZING ALASKA/CANADA RELATIONSHIP

SPONSOR (s): SENATOR (s) BEGICH

04/28/21 (S) READ THE FIRST TIME - REFERRALS
04/28/21 (S) L&C
05/05/21 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)
05/05/21 (S) Moved CSSJR 15 (L&C) Out of Committee
05/05/21 (S) MINUTE (L&C)
05/07/21 (S) L&C RPT 4DP
05/07/21 (S) DP: COSTELLO, REVAK, GRAY-JACKSON,
STEVENS
05/14/21 (S) TRANSMITTED TO (H)
05/14/21 (S) VERSION: SJR 15
05/15/21 (H) READ THE FIRST TIME - REFERRALS
05/15/21 (H) L&C
02/07/22 (H) L&C AT 4:30 PM BARNES 124
02/07/22 (H) -- MEETING CANCELED --
02/09/22 (H) L&C AT 4:30 PM BARNES 124
02/09/22 (H) Scheduled but Not Heard
02/16/22 (H) L&C AT 3:15 PM BARNES 124
02/16/22 (H) Heard & Held
02/16/22 (H) MINUTE (L&C)
02/23/22 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 307

SHORT TITLE: EXTEND BOND AUTH FOR INTERIOR ENERGY PROJ

SPONSOR (s): REPRESENTATIVE (s) HOPKINS

02/04/22 (H) READ THE FIRST TIME - REFERRALS
02/04/22 (H) L&C, FIN
02/23/22 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

TANNER FRITSINGER, Staff
Representative Grier Hopkins
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Hopkins, sponsor, introduced HB 323 and provided the sectional analysis.

KRIS CURTIS, CPA, CISA, Legislative Auditor
Division of Legislative Audit
Juneau, Alaska

POSITION STATEMENT: During the hearing on HB 323, provided invited testimony.

SARA CHAMBERS, Director
Division of Corporations, Business and Professional Licensing
Department of Commerce, Community, and Economic Development
Juneau, Alaska

POSITION STATEMENT: During the hearing on HB 323, answered questions.

GREG SMITH, Staff
Representative Andi Story
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Story, sponsor, introduced HB 306.

KRIS CURTIS, CPA, CISA, Legislative Auditor
Division of Legislative Audit
Juneau, Alaska

POSITION STATEMENT: During the hearing on HB 306, provided invited testimony regarding the division's sunset audit of the Board of Pharmacy.

SARA CHAMBERS, Director
Division of Corporations, Business and Professional Licensing
Department of Commerce, Community, and Economic Development
Juneau, Alaska

POSITION STATEMENT: During the hearing on HB 306, answered questions.

JUSTIN RUFFRIDGE, Chair
Board of Pharmacy
Soldotna, Alaska

POSITION STATEMENT: During the hearing on HB 306, provided invited testimony.

SENATOR TOM BEGICH
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: During the hearing on SJR 15, answered questions as the prime sponsor.

HEATHER EVOY, Indigenous Engagement Lead
Southeast Alaska Conservation Council
Juneau, Alaska

POSITION STATEMENT: During the hearing on SJR 15, expressed concern that the resolution does not address transboundary mining and water issues.

JOE HARDENBROOK, Staff
Representative Grier Hopkins
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: During the hearing on HB 307, introduced the bill on behalf of Representative Hopkins, sponsor.

DAN BRITTON, General Manager
Interior Gas Utility
Fairbanks, Alaska

POSITION STATEMENT: During the hearing on HB 307, provided invited testimony in support of the bill.

ACTION NARRATIVE

[3:18:48 PM](#)

CO-CHAIR ZACK FIELDS called the House Labor and Commerce Standing Committee meeting to order at 3:18 p.m. Representatives Schrage, McCarty, Nelson, Snyder, Spohnholz, and Fields were present at the call to order. Representative Kaufman arrived as the meeting was in progress.

HB 323-EXTEND PT & OCCUPATIONAL THERAPY BOARD

[3:19:33 PM](#)

CO-CHAIR FIELDS announced that the first order of business would be HOUSE BILL NO. 323, "An Act extending the termination date of the State Physical Therapy and Occupational Therapy Board; and providing for an effective date."

[3:19:52 PM](#)

TANNER FRITSINGER, Staff, Representative Grier Hopkins, Alaska State Legislature, on behalf of Representative Hopkins, sponsor, introduced HB 323 and provided the sectional analysis. He explained that HB 323 would extend the State Physical Therapy and Occupational Therapy Board's termination date eight years to 6/30/2030 as recommended by the Division of Legislative Audit. Extending this board's termination date, he continued, is important in protecting Alaskans who need physical therapy. These [therapy] services are utilized by everyone, and the bill ensures that practitioners are properly licensed and that appropriate standards and practices in the industry are enforced.

[3:21:08 PM](#)

MR. FRITSINGER provided the sectional analysis for HB 323. He said Section 1 would amend statute to change the termination date of the State Physical Therapy and Occupational Therapy Board from 6/3/22 to 6/30/30. Section 2 states that the Act becomes effective immediately upon signature.

Timestamp

CO-CHAIR FIELDS opened invited testimony on HB 323.

[3:21:42 PM](#)

KRIS CURTIS, CPA, CISA, Legislative Auditor, Division of Legislative Audit, provided invited testimony on HB 323. She confirmed that the Division of Legislative Audit conducted a sunset audit of the State Physical Therapy and Occupational Therapy Board. She explained that the purpose of a sunset audit is to determine whether a board or commission is serving the public's interest and whether it should be extended. She noted that a copy of the audit, dated 4/2/21, can be found in each committee member's meeting packet. She said the division found that, overall, the board served the public's interest by conducting meetings in accordance with state laws; amending certain regulations to improve the professions of physical therapy and occupational therapy; and effectively licensing and

regulating physical therapists, physical therapy assistants, occupational therapists, and occupational therapy assistants. The division, she continued, is recommending an eight-year extension, the maximum allowed for in statute.

MS. CURTIS pointed out some of the standard information that is included in every occupational sunset audit. She turned to the licensing information on page 5 of the audit report and related that as of January 2021 there were 1,762 active licenses and permits, an increase of 53 percent since the prior sunset audit of 2013 that can be attributed to telehealth. She brought attention to the schedule of revenues and expenditures for the board on page 7 and specified that as of January 2021 the board had a surplus of just over \$211,000. She moved to the schedule of license and permit fees depicted on page 6 and noted that fees were decreased in fiscal year 2020 (FY 2020) in response to the surplus.

MS. CURTIS stated that the report makes no recommendations. She said responses to the audit begin on page 19, and both the commissioner of the Department of Commerce, Community, and Economic Development (DCCED) and the board chair agree with the report conclusions.

[3:23:49 PM](#)

REPRESENTATIVE NELSON asked how much travel cost was reduced in 2020 and 2021 due to the COVID-19 pandemic and meetings being conducted online [rather than in person].

MS. CURTIS replied that travel significantly decreased to be almost exclusively teleconference or video conference.

[3:24:36 PM](#)

SARA CHAMBERS, Director, Division of Corporations, Business and Professional Licensing (DCBPL), Department of Commerce, Community, and Economic Development (DCCED), confirmed that [meetings by teleconference and video conference] are the main reasons for the reduction in travel costs. She said none of DCBPL's boards were meeting in person during the height of the COVID-19 pandemic.

[3:25:08 PM](#)

REPRESENTATIVE NELSON asked whether this board would continue to meet online or transition back to in-person meetings.

MS. CHAMBERS responded that the division is taking a hybrid approach, as are many organizations. The division typically has a standard of business need to meet in person - a board needs to demonstrate that it has a reason to come together, especially since technology has improved so much over the last couple of years. The division implemented online board meetings in 2018 and some discretion is left to the boards. The division does encourage the boards to meet in person if they have a business need to do so, but many of them don't want to because they appreciate the efficiencies of being home with their families. Sometimes boards have two days of work and that is an exhausting online meeting, but this board often is efficient and has shorter meetings.

[3:26:16 PM](#)

REPRESENTATIVE MCCARTY observed an estimated annual expenditure of \$230,000 on page 2 of the fiscal note. He said the revenue doesn't seem to fit that and requested that this be addressed.

MS. CHAMBERS answered that this fiscal note only pertains to this bill, it isn't an overview of the entire program. According to the sunset section of Alaska statute, AS 08.03, the licensing activities revert to the division upon the sunset of a board, so the division would continue to license physical therapists and occupational therapists and that would be outside of this bill. This bill is only to reauthorize the board itself, so these expenses are related only to the activities of the board and not the activities of the entire licensing program which goes unchanged regardless of the outcome of the bill.

REPRESENTATIVE MCCARTY surmised that this board sustains itself from the fees collected.

MS. CHAMBERS replied that for the most part, with just a few recent changes including the FY 23 governor's budget, all the division's licensing programs are self-sustaining through fees. The division has received a little bit of general fund to knock down some of those fee increases during COVID-19 especially, but the bulk of programs are self-sustaining, and the division does balance those through fee increases and decreases after an annual overview.

HB 323 was held over.

HB 306-EXTEND BOARD OF PHARMACY

[3:28:35 PM](#)

CO-CHAIR FIELDS announced that the next order of business would be HOUSE BILL NO. 306, "An Act extending the termination date of the Board of Pharmacy; and providing for an effective date."

[3:28:46 PM](#)

GREG SMITH, Staff, Representative Andi Story, Alaska State Legislature, introduced HB 306 on behalf of Representative Story, sponsor. He explained that HB 306 would extend the Board of Pharmacy's termination date from 6/30/22 until 6/30/28, a six-year extension recommended by the Division of Legislative Audit. He explained that the Board of Pharmacy was established for purposes of controlling and regulating the practice of pharmacy in Alaska, which is necessary to protect the public's health, safety, and welfare. The board is comprised of seven members, of which five must be licensed pharmacists and two must be members of the public with a direct financial interest in the health care industry. The Board of Pharmacy was first created in 1913, those provisions were repealed, and a new board was enacted in 1955. An audit was completed by the Division of Legislative Audit in 2021 and that report is in the committee's packets.

[3:30:10 PM](#)

CO-CHAIR FIELDS [opened invited testimony].

[3:30:22 PM](#)

KRIS CURTIS, CPA, CISA, Legislative Auditor, Division of Legislative Audit, provided invited testimony regarding the division's sunset audit of the Board of Pharmacy. She stated that the July 2021 audit report concluded that, overall, the board is serving the public's need by effectively conducting its meetings and actively amending regulations, but that the division found improvements are needed with the board's licensing function. She said the audit further concluded that the Division of Corporations, Business and Professional Licensing staff actively worked at implementing the new requirements for the controlled substance prescription database, but at the time of the audit, occupational boards were not effectively monitoring or enforcing those requirements. She said the division recommends the legislature extend this board six years, two years less than the allowed maximum in statute of

eight years to reflect the need for more timely oversight of the board's evolving role in combatting the opioid crisis.

MS. CURTIS referred to Exhibit 4, Licensing and Registration activity, on page 13 of the audit report. As of January 2021, she related, there were 4,280 active individual and facility licenses, a 14 percent increase compared to the 2017 audit due to the addition of three new license types. [Speaking to Exhibit 6, Schedule of Revenues and Expenditures] on page 15, she stated that as of January 2021 the board had a surplus of nearly \$800,000, but that at its February 2021 meeting the board decided not to reduce the fees because it planned to hire a new licensing examiner position which would increase expenditures in the future. [The board] was also concerned that establishing a disciplinary matrix that covered noncompliance with the controlled substance prescription database requirements would likely increase future investigative expenditures. She then drew attention to [Exhibit 5, License, Registration, and Permit Fees] on page 14.

[3:32:56 PM](#)

MS. CURTIS recounted that the 2017 sunset audit concluded that changes to laws governing the database would significantly change the board's role in helping combat the misuse and abuse of controlled substances. She noted that the [2017] audit recommended only a four-year extension to allow the legislature to evaluate the board's progress in administering these new laws. Therefore, she advised, a large portion of the [2021] audit report is dedicated to evaluating the board's progress in administering the controlled substance prescription database (CSPD). She referenced the background information section of the report and recalled that Senate Bill 196, passed in 2008, required the board to establish and maintain a CSPD. The law's intent was to improve patient care and foster the goal of reducing the misuse, abuse, and diversion of controlled substances. The law requires that each dispenser electronically submit information to the board regarding each prescription dispensed of controlled substances. The CSPD electronically collects this information from in-state pharmacies as well as other dispensers.

MS. CURTIS explained that after the law's passage it became apparent that important authority was omitted, thereby limiting the ability of the database to meet its intent. Subsequent changes to the law in 2017 and 2018 dramatically impacted how the Board of Pharmacy administers the database. She called

attention to the audit report's conclusions regarding the database starting on page 16. The first of the three significant changes, she continued, requires licensees of the six occupational boards which prescribe or dispense controlled substances to now register with the CSPD. The second significant change requires that data regarding prescriptions and dispensed substances be reported daily to the CSPD. The third requires practitioners to check the database prior to dispensing, prescribing, or administering medications, with certain exclusions. She said the audit concluded that in general these changes made the database more capable of combating the opioid crisis.

[3:35:15 PM](#)

MS. CURTIS stated that implementing the new CSPD laws requires the coordination of six occupational boards. The Board of Pharmacy administers the database and provides information to the other occupational boards, while all the occupational boards are responsible for monitoring compliance of their respective licensees. As of January 2021, she continued, each board was at a different stage in implementing the laws and none of the boards were fully monitoring or enforcing the new requirements. She explained that Exhibit 7 on page 17 summarizes the degree each of the six boards has monitored the requirements to register with the database and report to the database. Only the Board of Pharmacy, she continued, was monitoring both the registration and reporting requirements; none of the boards were monitoring whether their individual licensees were complying with reviewing the database prior to dispensing, prescribing, or administering medications. Starting second quarter 2020, the prescription drug monitoring program coordinator began providing summary information on a quarterly basis to the boards regarding the percent of their licensees that are reviewing the database, but detailed information about individual licensee's compliance is not included.

MS. CURTIS spoke to Exhibit 8 on page 18 of the audit report. She related that according to [the 2021 Prescription Drug Monitoring Program (PDMP) Legislative Report] from the Alaska Drug Monitoring Program, most prescribers are not reviewing the CSPD. She said the division also found that enforcement was limited by inadequate disciplinary matrices. In general, she explained, a disciplinary matrix guides the resolution of a board's cases. Board disciplinary matrices did not cover the CSPD requirements during the audit period. She drew attention to Exhibit 9 on page 20 of the audit report summarizing the

status of disciplinary matrices as of January 2021. She related that several board matrices covered a failure to register with the database but not a failure to review the database or report to the database.

[3:37:24 PM](#)

MS. CURTIS discussed the provision of unsolicited notifications on page 20. She said statutes authorize the Board of Pharmacy to provide unsolicited notifications to a pharmacist or a practitioner if a patient has received one or more prescriptions [for controlled substances] inconsistent with the generally recognized standards of safe practice. Generally recognized standards of safe practice must be defined by the respective boards, she stated, and at the time of the audit those standards had not been fully defined. Only two applicable boards had set prescription limitations in regulations. The State Medical Board set a limitation for just their initial prescriptions of 50 morphine milligram equivalents (MME); the Board of Dental Examiners set a limitation of 60 MME. She noted that page 20 of the report explains that the Board of Pharmacy may, but is not required to, send patient-specific utilization notifications to pharmacists and practitioners. The division found that these patient-specific notifications were not issued during the audit period and instead the prescription drug monitoring coordinator sent summary data to the applicable occupational boards in the form of standard board reports and to practitioners in the form of prescriber report cards.

[3:38:48 PM](#)

The House Labor and Commerce Standing Committee was recessed at 3:38 p.m. to a call of the co-chair.

[5:09:50 PM](#)

CO-CHAIR FIELDS called the House Labor and Commerce Standing Committee meeting back to order at 5:09 p.m. Representatives Nelson, Kaufman, Schrage, Spohnholz, and Fields were present at the call back to order. Representatives Snyder and McCarty arrived as the meeting was in progress.

CO-CHAIR FIELDS continued the committee's hearing on HB 306.

[5:10:23 PM](#)

MS. CURTIS resumed her invited testimony regarding the Division of Legislative Audit's sunset audit of the Board of Pharmacy. She brought attention to the five recommendations in the audit report found under the Findings and Recommendations section beginning on page 25. She said the first recommendation is that the board chair and the DCBPL director should improve procedures and training to ensure applicants meet requirements prior to licensure. The division's licensing testing found several errors, the most concerning finding being that 20 percent of facility licenses tested did not include all the required regulatory documentation. This included the finding that three of the facility licenses tested answered yes to a professional fitness question, but their application was not further reviewed by a supervisor. Statutes state that a board may deny a license if the board finds the applicant has been convicted of a crime or acted in a way that does not conform to minimum professional standards. Policy states that if the person answers yes to one of the series of questions to determine the person's professional fitness, it should be reviewed by a supervisor and possibly forwarded to investigations for follow-up. Three cases were found where that did not occur, but the license was issued.

MS. CURTIS continued her review of the audit's recommendations. She said the second recommendation is that the board should adopt regulations for renewing outsourcing facilities and third-party logistics provider licenses. When these new license types were brought on, the renewal section of the regulations was not updated. She related that the third recommendation is that the applicable occupational boards and DCBPL's director should continue to coordinate efforts to improve the monitoring and enforcement of CSPD requirements. Ms. Curtis specified that the fourth recommendation is that the DCCED commissioner should allocate sufficient resources to ensure licensees holding a Drug Enforcement Administration (DEA) registration number are accurately and consistently recorded in DCBPL's licensing database. This helps ensure there could be electronic crossmatch with the controlled substance prescription database. She said the fifth recommendation is that DCCED's commissioner should allocate sufficient resources to ensure the CSPD requirements are enforced.

MS. CURTIS noted that the commissioner's and board chair's responses begin on page 47. She said that both the commissioner and the chair discuss some of the corrective action that has already been taken. She further noted that generally the commissioner and board chair agree with the recommendations and the conclusion.

5:12:49 PM

REPRESENTATIVE NELSON asked Ms. Curtis whether the Board of Pharmacy is meeting online.

MS. CURTIS replied that through the pandemic the boards shifted to meeting online, and whether the boards continue doing online meetings is dependent upon their business need.

5:13:23 PM

CO-CHAIR SPOHNHOLZ asked whether any statutory changes are needed to ensure maximum participation in the prescription drug monitoring program.

5:14:02 PM

SARA CHAMBERS, Director, Division of Corporations, Business and Professional Licensing (DCBPL), Department of Commerce, Community, and Economic Development (DCCED), responded that when the Prescription Drug Monitoring Program (PDMP) became mandatory as part of the Medicaid reform bill that the legislature grappled with in about 2016, there was a clear desire on the part of the legislature to move in a particular direction. But, she continued, legislation, regulations, and policy sometimes don't work as intended and tweaks are needed. She said the administration has identified some areas where that could be improved, and the Department of Health and Social Services (DHSS) has also identified some areas for improvement. It has been heard from the Board of Veterinary Examiners in both House and Senate bills that there are some problems in statute that the Board of Veterinary Examiners and Board of Pharmacy cannot overcome in regulation, which makes it very difficult to use and a hot topic among the boards and staff. The other remaining boards have identified some areas where the focus of the PDMP needs to be narrowed or further focus needs to be clarified and then be prepared to resource up if those clarifications are indicating a greater intent than maybe what was expressed at that time.

5:15:55 PM

CO-CHAIR SPOHNHOLZ opined that excluding people from participating in the PDMP because the PDMP isn't working well isn't what is wanted. Instead, she said, the statute should be modernized to make it serve those who are trying to utilize it.

She noted that veterinarians are required to log in daily, yet veterinarians don't prescribe many opioids. She said small details like that could be refined, through working with Ms. Chambers, to make the PDMP serve the licensees better while ensuring that the opioid epidemic health crisis is addressed.

MS. CHAMBERS replied that the board chairs meet every other week, are interested, want to be engaged in those conversations, and DCBPL would be happy to facilitate that conversation.

[5:17:02 PM](#)

CO-CHAIR FIELDS continued with the invited testimony.

[5:17:19 PM](#)

JUSTIN RUFFRIDGE, Chair, Board of Pharmacy, provided invited testimony. He said the board has taken much effort to respond to the COVID-19 pandemic, while ensuring that licenses continue to be renewed and available specifically in an emergency capacity. Some of the recommendations brought forth in the audit, he stated, are recommendations that the board has already addressed in regulations that are awaiting processing. The PDMP continues to be an issue that he and the PDMP board chairs work on bi-weekly at the PDMP meeting. He said he agrees with Ms. Chambers' statements and the questions from Co-Chair Spohnholz about opportunities to potentially address some of the issues within the PDMP and move forward on some of those changes that could be efficient and help serve the ultimate purpose. Overall, he continued, the board is functioning at high capacity and would welcome any questions. He agreed with renewing the board for the maximum time that Auditor Curtis put forward.

[5:18:57 PM](#)

CO-CHAIR FIELDS asked whether the members of the board are mostly owners of independent pharmacies or with national chains.

MR. RUFFRIDGE answered that during his time on the board there has been a decent number of representatives from different practice types. He said the previous chair was with the Walmart national chain, but currently none of the board members are from national chain pharmacies. He referenced a regulatory or statutory requirement that individuals serving on the board represent Alaska's judicial districts and that potentially there is over-representation from the Southcentral [Third] Judicial District in the current board representatives.

[5:20:36 PM](#)

CO-CHAIR SPOHNHOLZ asked whether it is a recommendation or a statutory requirement that members of the Board of Pharmacy reflect Alaska's judicial districts.

MR. RUFFRIDGE replied that as far as he is aware, it is part of the current statutory definition that the Board of Pharmacy represent the judicial districts whenever possible. However, he noted, language is included that gives an out if that isn't possible or if there are no individuals willing to serve from the other districts.

[5:21:32 PM](#)

CO-CHAIR FIELDS announced that HB 306 was held over.

SJR 15-RECOGNIZING ALASKA/CANADA RELATIONSHIP

[5:21:41 PM](#)

CO-CHAIR FIELDS announced that the next order of business would be SENATE JOINT RESOLUTION NO. 15, Recognizing and honoring the relationship between Canada and the state; and recognizing the importance of the United States-Mexico-Canada Agreement.

CO-CHAIR FIELDS asked whether the sponsor has any additional comments regarding the resolution.

[5:21:59 PM](#)

SENATOR TOM BEGICH, Alaska State Legislature, replied no.

[5:22:04 PM](#)

CO-CHAIR SPOHNHOLZ moved to adopt the proposed committee substitute (CS) for SJR 15, labeled 32-LS0855\B, Nauman, 2/21/22, as the working document. There being no objection, Version B was before the committee.

[5:22:23 PM](#)

CO-CHAIR FIELDS opened public testimony on SJR 15.

[5:23:09 PM](#)

HEATHER EVOY, Indigenous Engagement Lead, Southeast Alaska Conservation Council (SEACC), expressed concern that the resolution does not address transboundary mining and water issues. She spoke from written testimony, which read as follows (original punctuation provided):

SEACC is the regional conservation organization for Southeast Alaska and has worked diligently to protect the communities, wildlife, habitat, and lifestyle of Southeast Alaska for over 50 years. We are a membership supported and driven organization based in Juneau with supporters throughout the region and throughout Alaska.

We would like to express some concerns about SJR 15, and about the relationship between Alaska and Canada. It is our view that SJR 15 paints an entirely rosy view of our relationship with Canada, and that this view does not reflect the experience of Southeast Alaska residents and communities, particularly as it relates to the shared transboundary waters of the Taku, Stikine, and Unuk rivers.

We have watched with growing dismay as Canada and province of British Columbia have supported a headlong rush to exploit the mineralized headwaters of our shared rivers with little regard for the long-term impact on downstream Alaska communities, fishing industry, and Tribes. The huge number of mines and tailings dams projected for these waters should give pause to any Alaska legislator. The impacts of even a single failure event could be devastating.

This blanket resolution does not reflect the very real problems we have with our upstream neighbors, nor does it reflect their unwillingness to deal with the concerns of Tribes and communities. We urgently need a bilateral, an international approach to management of shared waterways.

Please consider including language in this resolution that addresses Southeast Alaskan's concerns about our shared waterways.

MS. EVOY, as an indigenous Alaskan, noted that legislators are also considering a tribal recognition bill. She suggested that if the state were to formally recognize Southeast Alaskan

tribes, this bilateral working group should be a trilateral working group between the State of Alaska, British Columbia, and Southeast Alaskan tribes.

[5:25:53 PM](#)

CO-CHAIR FIELDS closed public testimony after ascertaining no one else wished to testify.

CO-CHAIR FIELDS invited the sponsor to discuss the concept of addressing transboundary mining issues in SJR 15 and whether it should be considered by the committee.

[5:26:14 PM](#)

SENATOR BEGICH stated that the resolution doesn't speak to specific things, it speaks to the longstanding relationship between Canada and the United States. He directed attention to page 2, lines 7-10, which state, "WHEREAS the United States is Canada's premier partner in the Arctic, and cooperation between Canada and the state is longstanding, including on economic opportunities, health, education, energy security, environmental protection, infrastructure, and public safety issues". He then drew attention to page 2, lines 11-13, which state, "WHEREAS Canada and the state strive to advance the goal of sustaining healthy and resilient Arctic and northern peoples and communities, by strengthening indigenous, economic, cultural, and family connections across the region". He said these two paragraphs point to the ability to have dialogue, but no specific issue is mentioned because this resolution speaks to the relationship that allows all those various discussions to go forward in the form of where each of those forums come together. He concurred with the testifier that there is always a need to particularly ensure protection of the state's fishing and indigenous lifestyles. Those discussions are ongoing with Canada, he stated, they haven't always been successful, and this resolution is designed to continue to enhance the relationship so those discussions can continue.

[5:28:03 PM](#)

CO-CHAIR FIELDS shared that he is concerned about transboundary mine operations on Southeast Alaska fisheries. He said he is comfortable with the resolution's text as is because as soon as [the transboundary mining] level of detail is added, it would then seem inconsistent not to add all the other issues.

SENATOR BEGICH noted that the tribal recognition legislation, which he supports, is a resolution that came from the House to the Senate, and he is hoping it will get a full hearing before the Senate and be returned to the House for passage. He said that is a more appropriate area to deal with the recognition issue, which is important for dignity and respect for all Alaska Native people.

CO-CHAIR FIELDS added that he is open to working on the issue of transboundary mines with Ms. Evoy and other Southeast Alaskans.

CO-CHAIR SPOHNHOLZ remarked that no neighbors are without some disagreements and the intention is to resolve them. However, she said, this resolution is to solidify and strengthen Alaska's relationship with Canada and she appreciates the sponsor's work on this. Moving SJR 15 from committee doesn't signal a lack of interest in addressing any of these issues, she stated, but rather to stay up at a higher level on this resolution.

[5:30:14 PM](#)

CO-CHAIR SPOHNHOLZ moved to report SJR 15, as amended, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HCS SJR 15 was moved out of the House Labor and Commerce Standing Committee.

HB 307-EXTEND BOND AUTH FOR INTERIOR ENERGY PROJ

[5:30:44 PM](#)

CO-CHAIR FIELDS announced that the final order of business would be HOUSE BILL NO. 307, "An Act relating to the financing and issuance of bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date."

[5:31:11 PM](#)

JOE HARDENBROOK, Staff, Representative Grier Hopkins, Alaska State Legislature, introduced HB 307 on behalf of Representative Hopkins, sponsor. He explained that HB 307 is part of the solution to a difficult problem faced by the residents of Fairbanks, North Pole, and surrounding communities who have struggled with some of the worst air quality in the nation. He spoke from the sponsor statement, which read as follows (original punctuation provided):

In 2009, the U.S. Environmental Protection Agency (EPA) designated the more populated portions of the Fairbanks North Star Borough (FNSB) as a nonattainment area for air quality related to [particulate matter (PM)] 2.5. Since that time, the communities of Fairbanks and North Pole, State of Alaska, [Alaska Industrial Development and Export Authority (AIDEA)], and Interior Gas Utility (IGU) have been actively engaged in expanding the availability and use of natural gas through the implementation of the Interior Energy Project (IEP), a project designed to bring lower-cost energy to as many Interior residents and businesses as possible, as quickly as possible.

A key to reducing PM2.5 air pollution in the long term is expanding the availability of affordable, clean burning Alaska natural gas. A critical component of the IEP is financing for the development of a unified public gas utility with competitive rates. [Senate Bill] 23 (chapter 26 SLA 13) was passed by the 28th Alaska Legislature in 2013 giving the Alaska Industrial Development Authority (AIDEA) the ability to provide financing tools for the development of the IEP.

Among the financial tools granted to AIDEA for the IEP was the ability to issue up to \$150 million in conduit revenue bonds to help develop an integrated natural gas supply chain, including expansion of natural gas liquefaction facilities in the Matanuska-Susitna Borough and expansion of natural gas mains and service lines in the FNSB. Authorization under [Senate Bill] 23 for issuing these bonds was originally scheduled to expire June 30, 2018. Through the passage of [House Bill] 119 (chapter 64 SLA 18) in 2018, the Alaska Legislature extended access to AIDEA bonding an additional five years to June 30, 2023.

Given market conditions and turmoil related to the COVID-19 pandemic, IGU has paused the final investment decision on its Titan liquid natural gas (LNG) plant expansion project located in the Mat-Su Borough, which will necessitate access to AIDEA bonds. Bonds of \$136 million of the original \$150 million authorized may be issued to provide up to the \$275 million financing cap authorized under [Senate Bill] 23.

HB 307 extends the authorization for AIDEA to issue IEP-related bonds for an additional five years to June 30, 2028.

MR. HARDENBROOK drew attention to AIDEA's letter of support for HB 307 in the committee packet, as well as AIDEA's January 2022 quarterly report to the legislature on the progress of the IEP.

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MR. HARDENBROOK provided the sectional analysis for HB 307. He stated that Section 1 amends the uncodified law of the State of Alaska enacted in 2013 to replace the expiration date of AIDEA's authority to issue bonds in support of the project from 6/30/23 to 6/30/28. Section 2 contains the immediate effective date clause.

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CO-CHAIR FIELDS opened invited testimony on HB 307.

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DAN BRITTON, General Manager, Interior Gas Utility (IGU), provided invited testimony in support of HB 307 to extend AIDEA's authorization to finance and issue bonds targeting the Interior Energy Project (IEP). He stated that AIDEA and IGU have been working closely on all aspects of the IEP, including liquefaction, transport, storage, regasification, and distribution of natural gas in the Interior.

MR. BRITTON stated that to date AIDEA and IGU have advanced the goals of the IEP in several ways. He specified that [Fairbanks Natural Gas LLC (FNG)] and IGU were consolidated under one natural gas utility to expand the availability of lower cost energy to as many Interior residents and businesses as possible, as quickly as possible. Approximately 215 miles of natural gas distribution lines were installed throughout Fairbanks and North Pole. Natural gas mains in the City of Fairbanks were expanded to now serve about 1,550 residential and commercial customers, up from about 1,200 customers a few years ago. Natural gas mains that have been installed in Fairbanks could serve up to 8,500 properties. Gas distribution lines in the City of North Pole now serve more than 125 customers and natural gas mains in North Pole could serve up to 3,000 properties. A 5.25 million gallon liquefied natural gas (LNG) storage and gasification facility was completed in Fairbanks in late 2019. A separate

150,000-gallon LNG storage and gasification facility was completed in North Pole in early 2021. The customer base of IGU has increased 40 percent since these storage facilities were completed. It is anticipated that an additional 600 customers will convert to natural gas in 2022.

MR. BRITTON said AIDEA bonding is critical for the continued success of the project to help finance increased LNG production capacity and long-term gas distribution expansion in the Interior. As the IGU customer base grows, AIDEA bonding will need to be utilized to add approximately 100,000 gallons per day of liquefaction capacity to the present output of IGU's Titan facility located in the Matanuska-Susitna Borough. The existing plant has a production capacity of 50,000 gallons per day. Also, IGU plans to use the bonding to further expand natural gas mains and services into more neighborhoods in the Fairbanks and North Pole communities. The bonding has not yet been fully utilized, he continued, given project delays related to market conditions such as the [COVID-19] pandemic and resulting oil price drop and economic uncertainties, and IGU anticipates advancing the projects requiring the funding in the next few years. Passage of HB 307 provides additional time for the IEP to progress towards the Interior's goal of realizing affordable clean burning natural gas to as many people as possible.

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CO-CHAIR FIELDS [held over HB 307].

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ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:38 p.m.