

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

April 27, 2022

3:18 p.m.

**MEMBERS PRESENT**

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

**MEMBERS ABSENT**

Representative Liz Snyder

**COMMITTEE CALENDAR**

SENATE BILL NO. 186

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

- HEARD & HELD

CS FOR SENATE BILL NO. 190 (FIN)

"An Act extending the termination date of the Regulatory Commission of Alaska; relating to Regulatory Commission of Alaska regulations regarding refuse utilities; relating to the powers and duties of the legislative audit division; and providing for an effective date."

- HEARD & HELD

CS FOR SENATE BILL NO. 193 (FIN)

"An Act extending the termination date of the Board of Chiropractic Examiners; requiring a report on audit compliance by the Board of Chiropractic Examiners; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 405

"An Act relating to the establishment of trusts; requiring the filing of certain trust information; and requiring compliance with a federal law."

- HEARD & HELD

HOUSE BILL NO. 406

"An Act relating to the validity of trusts involving persons sanctioned by the United States Department of the Treasury; and relating to the recording of documents conveying land to persons sanctioned by the United States Department of the Treasury."

- HEARD & HELD

HOUSE BILL NO. 382

"An Act relating to insurance coverage for pharmacy services."

- BILL HEARING CANCELED

COMMITTEE SUBSTITUTE FOR SENATE BILL NO. 45(FIN)

"An Act raising the minimum age to purchase, sell, exchange, or possess tobacco, a product containing nicotine, or an electronic smoking product; relating to selling a tobacco product; relating to possession of tobacco, electronic smoking products, or products containing nicotine by a person under 21 years of age; relating to the definition of 'nicotine'; relating to transporting tobacco, a product containing nicotine, or an electronic smoking product; relating to the taxation of electronic smoking products; relating to electronic smoking products; relating to the marketing of electronic smoking products; relating to tobacco products; and providing for an effective date."

- BILL HEARING CANCELED

**PREVIOUS COMMITTEE ACTION**

BILL: SB 186

SHORT TITLE: EXTEND BOARD OF EXAMINERS IN OPTOMETRY

SPONSOR(s): SENATOR(s) STEVENS

02/09/22	(S)	READ THE FIRST TIME - REFERRALS
02/09/22	(S)	L&C, FIN
03/07/22	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
03/07/22	(S)	Moved SB 186 Out of Committee
03/07/22	(S)	MINUTE(L&C)
03/08/22	(S)	L&C RPT 3DP
03/08/22	(S)	DP: MICCICHE, GRAY-JACKSON, STEVENS
03/21/22	(S)	FIN AT 9:00 AM SENATE FINANCE 532
03/21/22	(S)	Heard & Held

03/21/22 (S) MINUTE (FIN)  
 03/23/22 (S) FIN AT 1:00 PM SENATE FINANCE 532  
 03/23/22 (S) Moved SB 186 Out of Committee  
 03/23/22 (S) MINUTE (FIN)  
 03/25/22 (S) FIN RPT 5DP  
 03/25/22 (S) DP: STEDMAN, BISHOP, HOFFMAN, WILSON,  
 WIELECHOWSKI  
 03/28/22 (S) TRANSMITTED TO (H)  
 03/28/22 (S) VERSION: SB 186  
 04/04/22 (H) READ THE FIRST TIME - REFERRALS  
 04/04/22 (H) L&C, FIN  
 04/25/22 (H) L&C AT 3:15 PM BARNES 124  
 04/25/22 (H) <Bill Hearing Postponed to 4/27/22>  
 04/27/22 (H) L&C AT 3:15 PM BARNES 124

BILL: SB 190

SHORT TITLE: REGULATORY COMMISSION AK/REFUSE UTILITIES

SPONSOR (s): SENATOR (s) MYERS

02/15/22 (S) READ THE FIRST TIME - REFERRALS  
 02/15/22 (S) L&C, FIN  
 02/28/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
 02/28/22 (S) Heard & Held  
 02/28/22 (S) MINUTE (L&C)  
 03/14/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
 03/14/22 (S) Moved CSSB 190 (L&C) Out of Committee  
 03/14/22 (S) MINUTE (L&C)  
 03/15/22 (S) L&C RPT CS 5DP SAME TITLE  
 03/15/22 (S) DP: COSTELLO, GRAY-JACKSON, STEVENS,  
 MICCICHE, REVAK  
 03/21/22 (S) FIN AT 9:00 AM SENATE FINANCE 532  
 03/21/22 (S) Heard & Held  
 03/21/22 (S) MINUTE (FIN)  
 03/23/22 (S) FIN AT 1:00 PM SENATE FINANCE 532  
 03/23/22 (S) Heard & Held  
 03/23/22 (S) MINUTE (FIN)  
 03/28/22 (S) FIN AT 9:00 AM SENATE FINANCE 532  
 03/28/22 (S) -- MEETING CANCELED --  
 03/30/22 (S) FIN RPT CS 3NR 3DP NEW TITLE  
 03/30/22 (S) DP: BISHOP, HOFFMAN, WIELECHOWSKI  
 03/30/22 (S) NR: STEDMAN, WILSON, OLSON  
 03/30/22 (S) FIN AT 9:00 AM SENATE FINANCE 532  
 03/30/22 (S) Moved CSSB 190 (FIN) Out of Committee  
 03/30/22 (S) MINUTE (FIN)  
 04/08/22 (S) TRANSMITTED TO (H)  
 04/08/22 (S) VERSION: CSSB 190 (FIN)  
 04/09/22 (H) READ THE FIRST TIME - REFERRALS

04/09/22 (H) L&C, FIN  
 04/25/22 (H) L&C AT 3:15 PM BARNES 124  
 04/25/22 (H) <Bill Hearing Postponed to 4/27/22>  
 04/27/22 (H) L&C AT 3:15 PM BARNES 124

BILL: SB 193

SHORT TITLE: EXTEND BOARD OF CHIROPRACTIC EXAMINERS

SPONSOR(s): SENATOR(s) MICCICHE

02/15/22 (S) READ THE FIRST TIME - REFERRALS  
 02/15/22 (S) L&C, FIN  
 02/28/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
 02/28/22 (S) Heard & Held  
 02/28/22 (S) MINUTE(L&C)  
 03/21/22 (S) L&C AT 1:30 PM BELTZ 105 (TSBldg)  
 03/21/22 (S) Moved CSSB 193(L&C) Out of Committee  
 03/21/22 (S) MINUTE(L&C)  
 03/23/22 (S) L&C RPT CS 4DP NEW TITLE  
 03/23/22 (S) DP: COSTELLO, GRAY-JACKSON, STEVENS,  
 MICCICHE  
 03/28/22 (S) FIN AT 9:00 AM SENATE FINANCE 532  
 03/28/22 (S) -- MEETING CANCELED --  
 03/30/22 (S) FIN AT 9:00 AM SENATE FINANCE 532  
 03/30/22 (S) Heard & Held  
 03/30/22 (S) MINUTE(FIN)  
 04/05/22 (S) FIN AT 9:00 AM SENATE FINANCE 532  
 04/05/22 (S) Moved CSSB 193(FIN) Out of Committee  
 04/05/22 (S) MINUTE(FIN)  
 04/06/22 (S) FIN RPT CS 5DP 2NR NEW TITLE  
 04/06/22 (S) DP: BISHOP, HOFFMAN, WILSON, OLSON, VON  
 IMHOF  
 04/06/22 (S) NR: STEDMAN, WIELECHOWSKI  
 04/08/22 (S) TRANSMITTED TO (H)  
 04/08/22 (S) VERSION: CSSB 193(FIN)  
 04/09/22 (H) READ THE FIRST TIME - REFERRALS  
 04/09/22 (H) L&C, FIN  
 04/25/22 (H) L&C AT 3:15 PM BARNES 124  
 04/25/22 (H) <Bill Hearing Postponed to 4/27/22>  
 04/27/22 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 405

SHORT TITLE: ESTABLISHMENT OF TRUSTS

SPONSOR(s): LABOR & COMMERCE

04/04/22 (H) READ THE FIRST TIME - REFERRALS  
 04/04/22 (H) L&C  
 04/08/22 (H) L&C AT 9:00 AM BARNES 124

04/08/22 (H) -- MEETING CANCELED --  
 04/15/22 (H) L&C AT 9:00 AM BARNES 124  
 04/15/22 (H) Heard & Held  
 04/15/22 (H) MINUTE(L&C)  
 04/18/22 (H) L&C AT 3:15 PM BARNES 124  
 04/18/22 (H) Heard & Held  
 04/18/22 (H) MINUTE(L&C)  
 04/20/22 (H) JUD REFERRAL ADDED AFTER L&C  
 04/20/22 (H) BILL REPRINTED  
 04/22/22 (H) L&C AT 9:00 AM BARNES 124  
 04/22/22 (H) Heard & Held  
 04/22/22 (H) MINUTE(L&C)  
 04/25/22 (H) L&C AT 3:15 PM BARNES 124  
 04/25/22 (H) <Bill Hearing Postponed to 4/27/22>  
 04/27/22 (H) L&C AT 3:15 PM BARNES 124

**BILL: HB 406**

**SHORT TITLE: MORATORIUM ON TRUSTS/PROPERTY ACQUISITION**  
**SPONSOR(s): LABOR & COMMERCE**

04/04/22 (H) READ THE FIRST TIME - REFERRALS  
 04/04/22 (H) L&C  
 04/08/22 (H) L&C AT 9:00 AM BARNES 124  
 04/08/22 (H) -- MEETING CANCELED --  
 04/15/22 (H) L&C AT 9:00 AM BARNES 124  
 04/15/22 (H) Heard & Held  
 04/15/22 (H) MINUTE(L&C)  
 04/20/22 (H) JUD REFERRAL ADDED AFTER L&C  
 04/20/22 (H) BILL REPRINTED  
 04/22/22 (H) L&C AT 9:00 AM BARNES 124  
 04/22/22 (H) Heard & Held  
 04/22/22 (H) MINUTE(L&C)  
 04/25/22 (H) L&C AT 3:15 PM BARNES 124  
 04/25/22 (H) <Bill Hearing Postponed to 4/27/22>  
 04/27/22 (H) L&C AT 3:15 PM BARNES 124

**WITNESS REGISTER**

SENATOR GARY STEVENS

Alaska State Legislature  
 Juneau, Alaska

**POSITION STATEMENT:** Testified as the prime sponsor of SB 186.

KRIS CURTIS, CPA, CISA, Legislative Auditor

Division of Legislative Audit  
 Juneau, Alaska

**POSITION STATEMENT:** Provided invited testimony on SB 186.

SARA CHAMBERS, Director  
Division of Corporations, Business and Professional Licensing  
Department of Commerce, Community, and Economic Development  
Juneau, Alaska  
**POSITION STATEMENT:** Answered questions during the hearing on SB 186 and CSSB 193 (FIN).

DAMIEN DELZER, OD, DipABO, Chair  
Board of Examiners in Optometry  
Division of Corporations, Business and Professional Licensing  
Department of Commerce, Community, and Economic Development  
Fairbanks, Alaska  
**POSITION STATEMENT:** Provided invited testimony on SB 186.

JESSICA GIESEY, OD  
Alaska Eyecare Center  
Anchorage, Alaska  
**POSITION STATEMENT:** Provided invited testimony in support of SB 186.

SENATOR ROBERT MYERS  
Alaska State Legislature  
Juneau, Alaska  
**POSITION STATEMENT:** Testified as the prime sponsor of CSSB 190 (FIN).

DAWSON MANN, Staff  
Senator Robert Myers  
Alaska State Legislature  
Juneau, Alaska  
**POSITION STATEMENT:** On behalf of Senator Myers, prime sponsor, provided the sectional analysis for CSSB 190 (FIN).

KRIS CURTIS, CPA, CISA, Legislative Auditor  
Division of Legislative Audit  
Juneau, Alaska  
**POSITION STATEMENT:** Provided invited testimony during the hearing on CSSB 190 (FIN) and CSSB 193 (FIN).

KEITH KURBER, Commissioner  
Regulatory Commission of Alaska  
Anchorage, Alaska  
**POSITION STATEMENT:** Answered questions during the hearing on CSSB 190 (FIN).

MADISON GOVIN, Staff

Senator Peter Micciche  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented CSSB 193(FIN) on behalf of Senator Micciche, prime sponsor.

CHRIS LAUER, Esq.  
Anchorage, Alaska

**POSITION STATEMENT:** During the hearing on HB 405 and HB 406, expressed his concerns with HB 405.

MATTHEW BLATMACHR, President & CEO  
Peak Trust Company  
Anchorage, Alaska

**POSITION STATEMENT:** During the hearing on HB 405 and HB 406, expressed his concern with the bills.

ABIGAIL O'CONNOR, Esq.  
Anchorage, Alaska

**POSITION STATEMENT:** During the hearing on HB 405 and HB 406, testified in opposition to both bills.

LINDA HULBERT  
Fairbanks, Alaska

**POSITION STATEMENT:** During the hearing on HB 405 and HB 406, testified in opposition to both bills.

HARRY NEED  
Anchorage, Alaska

**POSITION STATEMENT:** During the hearing on HB 405 and HB 406, testified in opposition to HB 405.

STEPHEN GREER, Esq.  
Anchorage, Alaska

**POSITION STATEMENT:** During the hearing on HB 405 and HB 406, testified in opposition to both bills.

JAMIE DELMAN, Esq.  
Anchorage, Alaska

**POSITION STATEMENT:** During the hearing on HB 405 and HB 406, testified in opposition to both bills.

ROBERT SCHMIDT, Director  
Division of Banking and Securities  
Department of Commerce, Community, and Economic Development  
Juneau, Alaska

**POSITION STATEMENT:** During the hearing on HB 405 and HB 406, answered questions.

TRACY RENO, Chief of Examinations  
Division of Banking and Securities  
Department of Commerce, Community, and Economic Development  
Anchorage, Alaska

**POSITION STATEMENT:** During the hearing on HB 405 and HB 406, answered a question.

**ACTION NARRATIVE**

[3:18:47 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, Spohnholz, and Fields were present at the call to order. Representative Kaufman arrived as the meeting was in progress.

**SB 186-EXTEND BOARD OF EXAMINERS IN OPTOMETRY**

[3:19:12 PM](#)

CO-CHAIR FIELDS announced that the first order of business would be SENATE BILL NO. 186, "An Act extending the termination date of the Board of Examiners in Optometry; and providing for an effective date."

[3:19:25 PM](#)

SENATOR GARY STEVENS, Alaska State Legislature, as the prime sponsor, presented SB 186 and urged that the Board of Examiners in Optometry be extended. He stated that optometrists provide most of the eye care to patients across Alaska, plus an in-person examination by a Doctor of Optometry is recognized as the standard for ensuring healthy vision. He pointed out that over 270 serious health conditions can be detected through eye exams, including diabetes, high blood pressure, autoimmune diseases, and cancers. The Board of Examiners in Optometry is essential to the practice of optometry in Alaska, he continued. It is self-funded and is the regulatory body that helps protect the public by implementing standards of care, ongoing education, and training in the field of optometry. The board, he reported, received an overall favorable audit indicating its work is an important public service.

3:21:16 PM

CO-CHAIR FIELDS opened invited testimony on SB 186.

3:21:29 PM

KRIS CURTIS, CPA, CISA, Legislative Auditor, Division of Legislative Audit, provided invited testimony on SB 186. She spoke from the written audit report in the committee packet titled "A Sunset Review of the Department of Commerce, Community, and Economic Development, Board of Examiners in Optometry (board)," dated 6/9/21. She stated that, overall, the audit concluded [pages 5-8 of the report] that this board conducted its meetings in compliance with state laws, effectively licensed optometrists, and actively amended regulations to address statutory changes and improve the licensing function. However, she specified, the audit also found that the Division of Corporations, Business and Professional Licensing (DCBPL) staff did not serve the public's interest by not consistently recording the existence of a [federal] Drug Enforcement Administration (DEA) number in the DCBPL database, by not ensuring continuing education audits were conducted timely, and by not monitoring licensees' compliance with continuing education in pain management and opioid use and addictions. Ms. Curtis said the division is therefore recommending a six-year extension for this board, two years less than the eight-year maximum allowed under statute, reflecting the need for more timely oversight given the audit findings.

MS. CURTIS drew attention to page 9 [Exhibit 2] of the audit report and noted that as of [1/31/21] there were 218 licensed optometrists, an 18 percent increase since the board's last sunset date of 2013. She then drew attention to page 10 [Exhibit 3] depicting the board's schedule of revenues and expenditures and discussed the board's deficit of approximately \$52,000 as of 1/31/21. She said a fee increase recommended in April 2020 was not made due to the governor's direction not to increase the fees of occupational boards to help mitigate the financial impact of the COVID-19 pandemic.

MS. CURTIS reviewed the audit recommendations on pages 13-15 of the audit report. The first recommendation, she related, is that the DCBPL director dedicate resources to ensure that the existence of a DEA license number is accurately reported in the DCBPL database. This information, she explained, is important to allow electronic crossmatch with the controlled substance prescription database to monitor the requirement to register

with the controlled substance prescription database. Staff were provided instructions on how to do this, she noted, but did not follow the instructions. According to DCBPL management, she continued, regular turnover in the board's licensing examiner and supervisor positions contributed to this. She said the second recommendation is that the board chair and DCBPL director should change the license renewal form to allow the board to monitor compliance with continuing education requirements. A change effective July 2018, she explained, required licensees to obtain two hours of continuing education in pain management and opioid use and addiction. This change was two years prior to license renewal, but auditors found that the December 2020 license renewal form was not changed to require licensees to report compliance with this new requirement. The third recommendation, Ms. Curtis stated, is that DCBPL's director should ensure adequate resources are available to perform continuing education audits. These audits, she explained, are DCBPL's main internal control to ensure that licensees comply with continuing education requirements. The audit found that it took two and a half years to complete the continuing education audits that were due during the audit period, which was due to multiple licensing staff vacancies and turnover.

MS. CURTIS concluded with a review of the management's response to the audit on pages 25-27 of the audit report. She stated that the DCBPL commissioner concurs with the conclusions and recommendations. She said the commissioner noted that the licensing examiner for this board turned over five times during the three-and-a-half-year audit period and the supervisor position turned over four times. That turnover, Ms. Curtis added, contributed to all the findings. She related that the board chair's response states that the deficiencies in the application of the renewal form will be corrected before the next renewal cycle.

[3:25:34 PM](#)

CO-CHAIR SPOHNHOLZ inquired about the reason for the staffing turnover.

MS. CURTIS replied that she doesn't recall a reason.

CO-CHAIR SPOHNHOLZ remarked that it is a significant turnover occurring on a routine basis and it undermines the board's ability to function. She stated that for some licensing boards the salaries are defined in statute, but she doesn't remember if this is one of those boards.

MS. CURTIS deferred to the DCBPL director to provide an answer.

3:26:11 PM

SARA CHAMBERS, Director, Division of Corporations, Business and Professional Licensing (DCBPL), Department of Commerce, Community, and Economic Development (DCCED), answered that DCBPL regularly has turnover as well as challenges in adequate resourcing. She explained that this position is especially difficult because the Board of Examiners in Optometry does not warrant the workload of a full position control number (PCN), so it is a part of a PCN and, as part of a PCN, this position sometimes gets moved around. However, she explained further, the work this examiner does is deep, so the audit, which is complex in some of the statutory compliance elements, requires supervisory oversight. The day-to-day work for this board is not especially challenging but when routine issues come up, like renewal and audits every two years, then more hands-on is needed and those things require more institutional memory and training. This is endemic to some of the challenges that the committee has been talking about with the division, Ms. Chambers added. She further advised that these are classified positions as opposed to established in statute.

3:28:08 PM

CO-CHAIR SPOHNHOLZ asked what the [division] is planning to do to ensure that the issue is not experienced again in another six years if the sunset extension is approved as proposed in SB 186.

MS. CHAMBERS responded that, except for the audit, the first two findings were related to the new prescription drug monitoring program (PDMP) legislation. She explained that DEA registration and opioid education were new statutes being implemented for this board at this moment for the first time; those will not come up again because that work has already been done. She related that the division has now put into place several steps to have a fail-safe with continuing education audit training and calendaring. She said oversight by the division's paralegal has been added to ensure that in addition to the supervisor, there are eyes on this program's audits as well as all program audits. So, she advised, all these findings have been resolved.

CO-CHAIR SPOHNHOLZ recalled legislation in 2018 that expanded the legal scope of optometrists to be consistent with the

training of optometrists. She asked whether adopting the regulations to implement that legislation was part of the issue.

MS. CHAMBERS replied that the board has not had any issues implementing the elements of that law. The findings of the audit, she explained, are administrative oversight or problems that are the responsibility of the division rather than concerns over scope of practice or elements that the board is held responsible for, so they are not at all related.

[3:31:11 PM](#)

REPRESENTATIVE MCCARTY inquired whether licensees were asked to engage a DEA number. He further inquired whether a biennial license is done online and, if so, whether there is room for the licensee to provide a DEA number along with other information to expedite the process for the division.

MS. CHAMBERS answered that the problem relevant to DEA numbers was that the division had to make changes to its system to accommodate and implement the new PDMP law. The division had to change its procedures in the database, she continued, and while DCBPL had published instructions and supervisors had issued instructions to examiners, the examiner did not make that change and the old way was not sufficient to meet the new standards of the PDMP. The DEA information was being collected but was being deposited in a different part of the database which made it hard to reconcile. That has been rectified, she specified.

REPRESENTATIVE MCCARTY restated his question about the ability to renew a license online and whether the licensee can provide the information in a manner that expedites going into the state system and bypasses the examiner having to manually enter that information.

MS. CHAMBERS replied yes, the division has online renewals for all 43 of its licensing programs, and this would be included.

REPRESENTATIVE MCCARTY asked whether the DEA number is in the online request or must still be added to that.

MS. CHAMBERS responded that the DEA number is collected in the initial application, but she doesn't recall whether the DEA number must be asked for again at renewal. She said she doesn't think DEA numbers change, but if it was required to be on the renewal the online application would mirror the paper application, so all the questions about opioid education, DEA,

prescribing, and dispensing would be online as well as on paper. The online would make it more efficient to enter that data automatically.

REPRESENTATIVE MCCARTY asked whether this could be expedited by removing the paper process and making it all online so that the licensee would be doing everything, so less load on staff to re-enter things.

MS. CHAMBERS responded that the division is currently working on technology improvements to automate more of what the division is providing to its consumers and put that more in the hands of the applicant so it would bypass manual data entry. The division is looking forward to implementing that type of technology for all its programs, she said.

[3:35:41 PM](#)

CO-CHAIR FIELDS [continued] invited testimony.

[3:35:50 PM](#)

DAMIEN DELZER, OD, DipABO, Chair, Board of Examiners in Optometry, Division of Corporations, Business and Professional Licensing (DCBPL), Department of Commerce, Community, and Economic Development (DCCED), provided invited testimony on SB 186. He stated he has practiced optometry in Alaska for nearly 29 years and has served eight years on the Board of Examiners in Optometry, serving as chair for the last three.

DR. DELZER explained that the board is charged with commission of public protection through vetting of new applicants, assuring appropriate continuing competency of licensees, addressing inquiries from the public, investigating any complaints, and crafting and enforcing regulations to implement legislative statutory change. The board implemented nearly 20 regulatory changes over the past three years, he related, including issues such as continuing education requirements like opioid education, scope of practice, military exemptions, specialty designations, modernizing the law examination, modernizing prescription requirements, and modifying emergency regulation during the recent COVID-19 pandemic.

DR. DELZER noted there have been no reported PDMP violations during his eight years on the board. The board is self-funded through license fees, he said, and board travel expenses have been minimized through exclusive use of Zoom meetings over the

past three years. The board chair, he added, participates in bi-weekly board chair meetings and bi-weekly PDMP meetings.

[3:37:41 PM](#)

JESSICA GIESEY, OD, Alaska Eyecare Center, provided invited testimony in support of SB 186. She stated she has been practicing optometry in Alaska for eight years. She said the Board of Examiners in Optometry is vital to the practice of optometry in Alaska, acting to protect the public by ensuring that only qualified practitioners are licensed in Alaska and making sure that all optometrists licensed in Alaska follow continuing education guidelines. The board, she continued, regularly updates regulations ... (indisc. - audio interruption) ... training from accredited schools and colleges of optometry.

[3:38:36 PM](#)

REPRESENTATIVE MCCARTY asked whether optometrists are having difficulty getting their continuing education units (CEUs) post-COVID-19.

DR. DELZER replied that he has not seen any issues with that. After the audit findings, he related, a continuing education audit was done in a very timely manner, and it does not appear that anyone is having difficulty finding appropriate virtual or live CEUs.

[SB 186 was held over.]

**SB 190-REGULATORY COMMISSION AK/REFUSE UTILITIES**

[3:39:38 PM](#)

CO-CHAIR FIELDS announced that the next order of business would be CS FOR SENATE BILL NO. 190(FIN), "An Act extending the termination date of the Regulatory Commission of Alaska; relating to Regulatory Commission of Alaska regulations regarding refuse utilities; relating to the powers and duties of the legislative audit division; and providing for an effective date."

[3:39:46 PM](#)

The committee took a brief at-ease.

[3:40:24 PM](#)

SENATOR ROBERT MYERS, Alaska State Legislature, as the prime sponsor, he testified that CSSB 190(FIN) would extend the termination date of the Regulatory Commission of Alaska (RCA) until 6/30/30, in alignment with the recommendations of the legislative auditor. He explained that the RCA is an independent, quasi-judicial regulatory body formed by the legislature in 1999 to replace the Alaska Public Utilities Commission. The RCA, he continued, monitors active certificates for public utilities and pipelines, with these certificates covering a broad range of activities from provisional certificates for small village water and wastewater systems to fully regulated telecommunications, electric, and natural gas monopolies. He noted that the changes made in the Senate Finance Committee were simple housekeeping that he supports as they address the refuse utility backlog by adding them to the simplified rate filing procedure and removing an extra RCA annual report review process on the advice of the legislative auditor.

[3:41:58 PM](#)

DAWSON MANN, Staff, Senator Robert Myers, Alaska State Legislature, on behalf of Senator Myers, prime sponsor, provided the sectional analysis for CSSB 190(FIN). He spoke from the written sectional analysis titled "SB 190 Ver. W - Sectional Analysis," which stated [original punctuation provided]:

**Section 1: Page 1, Lines 6-11**

This section adds intent language that the Regulatory Commission of Alaska shall adopt regulations specific to refuse utilities to provide for sufficient public notice and time for ratepayers to meaningfully comment on rate filings.

**Section 2: AS 42.05.381(e) Page 1, Lines 12-14, Page 2, Lines 1-8**

This section amends AS 42.05.381(e) to include refuse utilities. AS 42.05.381(e) is the section of law that provides for a simplified rate filing procedure.

**Section 3: AS 44.66.010(a)(3) Page 2, Lines 9-11**

This section extends the termination date for the Regulatory Commission of Alaska until June 30, 2030.

**Section 4: AS 24.20.271(11) Page 2, Line 12**

This section repeals AS 24.20.271(11), a requirement for the legislative audit division to conduct an audit every two years of information found in the annual reports regarding compliance by the Regulatory Commission of Alaska.

**Section [5]: Page 3, Line 13**

This section establishes an immediate effective date.

[3:42:37 PM](#)

CO-CHAIR FIELDS asked what prompted the addition of the language in Section 1 on page 1, lines 6-11.

MR. MANN offered his understanding that the intent language was added [in the Senate Finance Committee] to make clear that the RCA was going to adopt internal rules to make sure there is public notice in relation to refuse utilities as per the change made in Section 2.

MR. MANN returned to the sectional analysis and pointed out that the inclusion of refuse utilities in Section 2 was an addition made in the Senate Finance Committee. He further pointed out that the repeal in Section 4 of the audit under AS 24.20.271(11) was added by the Senate Finance Committee on recommendation of the legislative auditor.

[3:44:59 PM](#)

CO-CHAIR FIELDS asked whether the intent language was prompted by rates going up sharply somewhere in the state.

SENATOR MYERS replied that this is not due to a jump in waste utility rates, but rather to waste utilities trying to expand outside some of their traditional areas within city limits but the regulations have not been allowing them to do so. Currently, he explained, due to the way waste utilities are regulated, it takes about two years to go through the entire process to update a utility's rates. He deferred to the RCA and the legislative auditor to expand further.

[3:46:01 PM](#)

CO-CHAIR FIELDS opened invited testimony.

[3:46:25 PM](#)

KRIS CURTIS, CPA, CISA, Legislative Auditor, Division of Legislative Audit, provided invited testimony during the hearing on CSSB 190(FIN). She spoke from the written audit report in the committee packet titled "A Sunset Review of the Department of Commerce, Community, and Economic Development, Regulatory Commission of Alaska (RCA)," dated 9/21/21. [Referring to pages 3-4 of the report], she said the audit concluded that RCA operated in an effective manner and served the public's interest by: assessing the capabilities of utility and pipeline companies to safely serve the public; evaluating tariffs and charges made by regulated entities; verifying the pass-through charges to consumers from electric and natural gas utilities; adjudicating disputes between ratepayers and regulated entities; providing consumer protection services; and conducting financial reviews as part of the power cost equalization program. She stated that the division is therefore recommending the maximum eight-year extension.

MS. CURTIS discussed the survey conducted by the division as part of the sunset audit (Appendix B pages 19-20). She said the survey was sent to 188 stakeholders that were party to a docket or a tariff filing during the audit period, with 59 responding. She noted that by far the responses to the survey questions are positive or neutral, with only a small percent negative. She listed the four questions that were asked: Overall, how satisfied are you with the following services provided by RCA? To what extent do you agree that RCA acts in the public's interest? Based on your experience, how often does RCA meet its statutory timelines? To what extent do you agree that RCA effectively communicates?

MS. CURTIS returned to page 4 of the audit report. She said the division concluded that RCA resolved most of its consumer complaints within its internal, non-statutory, measure of 30 days. To provide an idea of the types of complaints received by RCA, she drew attention to the listing of consumer complaints in Exhibit 3 on page 5. She revisited page 4 and said the division also concluded that RCA processed tariff filings and dockets within the statutory and regulatory timelines.

MS. CURTIS turned to page 9 of the report and pointed out that the audit makes one administrative recommendation, which is related to RCA's monthly meetings. Regulations for RCA require meetings twice a month, she said, but in instances where there are no agenda items RCA has been cancelling the meetings. During the audit period, she related, 25 of 88 scheduled meetings were cancelled, including six instances where meetings

were consecutively cancelled. According to RCA management, she related, regulations require the meetings, but regulations also allow RCA to waive a regulatory requirement by its own motion. Auditors confirmed that there is an ability to waive but that it must be an official motion, she continued, so these were cancelled without official motion. It is certainly reasonable to cancel a meeting when there is nothing on the agenda, she allowed, but it does not explicitly comply with the regulations, so this was brought to RCA's attention.

MS. CURTIS directed attention to pages 23-26 and stated that both the DCCED commissioner and the RCA board chairman are supportive of the eight-year extension.

[3:50:51 PM](#)

The committee took a brief at-ease.

[3:50:57 PM](#)

CO-CHAIR FIELDS requested background on the integration of expansion of refuse collection and utility service areas into the bill.

[3:51:27 PM](#)

KEITH KURBER, Commissioner, Regulatory Commission of Alaska (RCA), responded that two separate issues were brought up by Senator Myers. Regulated and non-regulated utilities require a Certificate of Public Convenience and Necessity (CPCN), he explained, and an expansion of service area is typically done through amendment of a CPCN. It is routine and not time consuming, he stated, the commission just revalidates the utility's previously validated fitness, willingness, and ability to accomplish its task. He said he doesn't know what prompted [the Senate Finance Committee's] change, but that RCA Chairman Picket stated in his testimony on the Senate side that this is not a difficult task for the commission to re-do a regulation docket to assess and modify the commission's regulations to allow for simplified rate filing for refuse utilities. Mr. Kurber specified that both full-blown rate cases and simplified rate filings require standard public notice requirement, with timelines typically shorter for simplified rate filings and hence the term simplified. Quite a bit of expense can be involved in doing a full-blown rate case, he noted, and smaller utilities, whether electric cooperatives in rural areas or refuse utilities, may not have the staff to do some of the

calculations necessary to produce the final result. He said he therefore speculates that this could be an assistance to some of the smaller rate regulated refuse utilities.

[3:54:24 PM](#)

SENATOR MYERS added that refuse utilities, for the most part, have existed and operated within a city - the city requires residential trash pickup, so the rates reflect that basically everybody is getting trash pickup. Refuse utilities are trying to expand outside of the city limits, he explained. For example, in Fairbanks they are trying to expand north of the city limits and pick up more customers, which requires experimenting with their rates to make them work. The problem, he said, is that the current process for altering rates takes about two years. So, if the utility picks a number that is too high or too low it takes a long time for that to get fixed and creates a backlog within the RCA to address those changes. Hence, he continued, the suggestion was made in the Senate Finance Committee to put it into the simplified rate filing process so that those changes can be addressed within a few months rather than about two years.

[3:55:48 PM](#)

REPRESENTATIVE MCCARTY asked whether this [proposed] process will allow for people in the expanded service area to have feedback on whether they want to be part of a collection.

SENATOR MYERS answered that the proposed new process does not require somebody to be a refuse customer, as opposed to people living within city limits being required to sign up. Simplified rate filings still provide time for public feedback as the rates change, he explained, but because the simplified rate process is a shorter time period there are also limits as to how much the rate can change within that time period. A refuse utility wanting a larger change, he specified, would have to go through the original longer process. In further response, Senator Myers confirmed that this would not force people to pay a business, they could choose to take their garbage to the dump themselves.

[3:57:37 PM](#)

[CSSB 190(FIN) was held over.]

**SB 193-EXTEND BOARD OF CHIROPRACTIC EXAMINERS**

[3:57:42 PM](#)

CO-CHAIR FIELDS announced that the next order of business would be CS FOR SENATE BILL NO. 193(FIN), "An Act extending the termination date of the Board of Chiropractic Examiners; requiring a report on audit compliance by the Board of Chiropractic Examiners; and providing for an effective date."

[3:58:00 PM](#)

MADISON GOVIN, Staff, Senator Peter Micciche, Alaska State Legislature, presented CSSB 193(FIN) on behalf of Senator Micciche, prime sponsor. She stated that the bill would extend the sunset date for the Board of Chiropractic Examiners by five years, making the new sunset 6/30/27. She said the bill would also require that a report from the Division of Legislative Audit be submitted to the Legislative Budget and Audit Committee on the board's compliance with this year's audit.

MS. GOVIN explained the changes made in CSSB 193(FIN). She spoke from the document in the committee packet titled "Senate Bill 193 - Extend Board of Chiropractic Examiners, Explanation of Changes, Version I to Version G," which stated [original punctuation provided]:

**Page 1, Line 2**

Inserts into the title "requiring a report on audit compliance by the Board of Chiropractic Examiners."

**Sec. 1 - AS 08.03.010(c) (5) Page 1, Line 6**

Extends the board extension from two years to five years.

**Sec. 2 - Page 1, Lines 8-14**

Adds a requirement for the legislative audit division to prepare and submit to the Legislative Budget and Audit Committee a report on the compliance of the Board of Chiropractic Examiners with the recommendations of the June 22, 2021 audit of the board.

[3:59:23 PM](#)

CO-CHAIR FIELDS opened invited testimony.

[3:59:52 PM](#)

KRIS CURTIS, CPA, CISA, Legislative Auditor, Division of Legislative Audit, provided invited testimony during the hearing on CSSB 193(FIN). She spoke from the full audit report in the committee packet titled "DEPARTMENT OF COMMERCE, COMMUNITY, AND ECONOMIC DEVELOPMENT BOARD OF CHIROPRACTIC EXAMINERS SUNSET REVIEW," dated 6/22/21. She said the audit found that the board served the public's interest by conducting its meetings in accordance with state laws, by amending certain regulations to improve the chiropractic profession, and by effectively regulating and licensing chiropractic physicians. The audit also found, she continued, that one board member did not comply with the statutory requirements for appointment and that additional resources were needed to investigate cases in a timely manner. She related that a five-year extension is recommended rather than the eight-year maximum allowed for in statute. This recommendation, she explained, is based on an issue identified during the audit that may impact the board's ability to protect the public, details of which are not included in the public audit report to preserve the confidentiality of an ongoing investigation.

[4:00:42 PM](#)

CO-CHAIR FIELDS asked what the legislature has done in the past when it is found that a board member doesn't meet the statutory requirements for appointment.

MS. CURTIS responded that the legislature doesn't act because usually her recommendation is to the governor's office, which typically removes the board member and appoints someone else, and which was done in this case. In further response, she said the governor's office has reported that this was done, but she cannot verify it.

[4:01:15 PM](#)

REPRESENTATIVE MCCARTY asked whether this person was appointed and confirmed or was in the appointment process.

MS. CURTIS replied that this person was appointed and confirmed. In further response, she confirmed that after confirmation it was found that the appointee didn't qualify. She stated that this was an issue in the prior sunset audit as well. It is usually not a risky area, she advised, so for all of Alaska's boards [the Division of Legislative Audit] doesn't necessarily send a notice to the public member to ensure that the member is qualified. But, she continued, since there was a prior

recommendation related to this board, [the division] confirmed the public member. It usually has to do with whether the member has a direct financial interest in the health care industry, she explained. In this case it was found that the board member was a licensed emergency medical technician (EMT), so the member had an interest in the health care industry and therefore didn't comply with statutory requirements that prohibit this. The public member must have that consumer perspective, she added, and in this case the member didn't.

[4:02:16 PM](#)

CO-CHAIR FIELDS asked whether it is fair to characterize this as an inadvertent violation.

MS. CURTIS replied yes.

[4:02:24 PM](#)

MS. CURTIS resumed her invited testimony. She drew attention to page 5 [Exhibit 2] of the audit and reported that as of January 2021 there were 306 licensed chiropractors. She turned to the board's schedule of revenues and expenditures on page 6 [Exhibit 3] and noted that [over the past four fiscal years] the board alternated between a deficit and a surplus. She related that according to management at the Division of Corporations, Business and Professional Licensing (DCBPL), the deficit was within a reasonable range and a fee increase was not recommended. She pointed out the board's schedule of fees on page 7 [Exhibit 4].

MS. CURTIS moved to pages 9-11 and outlined the two recommendations made by the Division of Legislative Audit. She said the first recommendation is that the governor should make board appointments in compliance with statutory requirements. The second recommendation, she related, is that the DCBPL director should allocate sufficient resources to ensure cases are investigated in a timely manner. The audit found that 11 cases had been open for over 180 days, she stated, and seven of those cases were related to the same chiropractor and had been combined into one case. For that one combined case the audit found four periods of unjustified inactivity that ranged from 55-208 days, she continued, and according to DCBPL investigative staff the inactivity was the result of competing priorities and insufficient resources.

MS. CURTIS proceeded to pages 21-22 and discussed management's response to the audit. She related that the commissioner of the Department of Commerce, Community, and Economic Development (DCCED) states that the department has hired two additional investigative positions and the commissioner believes that will increase the quality and timeliness of investigations. She turned to the governor's response on page 23 and related that the governor agrees with the recommendation and states that the public member was removed. Ms. Curtis then reviewed the board chair's response on pages 25-28. She reported that the chair does not agree with the recommended extension of five years and requests an eight-year extension because he believes the board is being unfairly penalized by action of the division or the governor's office.

[4:04:20 PM](#)

CO-CHAIR SPOHNHOLZ returned to the second recommendation on page 10 of the audit report. Regarding the 11 cases that were open over 180 days between July 2017 and January 2021, she asked whether each of the 11 cases was open 180 days or whether the cases were cumulatively open 180 days.

MS. CURTIS responded that it was each of them. She noted that 180 days is an internal performance measure used by DCBPL. Lots of reasons can cause a case to remain open, she noted, so the Division of Legislative Audit looks at whether it is justified and there are reasons a case is open. In these cases, she said, the audit saw extended periods of inactivity, but with no justification; it was found that it is an issue with resources and competing priorities.

[4:05:44 PM](#)

REPRESENTATIVE MCCARTY asked whether this is a situation of the division not being able to assist the board or the board not taking responsibility to do such things as verifying a case.

MS. CURTIS answered that the board is kept outside the investigative process so it can rule on the results of the investigation in a quasi-judicial manner. Sometimes a board member might be used for expertise, but then that board member is not allowed to weigh in on the result, she noted. So, the board typically monitors the cases on an upper level and doesn't get into the details until the investigation is complete and brought to the board.

REPRESENTATIVE MCCARTY inquired about whether the sunset should be effective for the board when the division is supposed to be assisting the board. He said it appears that the Board of Chiropractic Examiners is doing fine as a board and that there should be a sunset for the board and an annual sunset for the division to ensure that the division is doing its job to help the board.

MS. CURTIS replied that oftentimes board chairs do bring that up and that some things are not within their control. It might be considered a penalty or a discipline from the board chair's perspective, she stated, but from her perspective and the law's perspective, this is a legislative oversight process, this is the legislature's ability to evaluate how this board is operating and that includes the division's support to this board. She explained that her recommendation for extension reflects how timely she recommends the legislature come back to review regulation of this specific occupation. She advised that while the question is termed, "Should this board be extended or not and for how long?" it could be phrased, "How much time between now and when the legislature comes back in to review?"

[4:08:47 PM](#)

CO-CHAIR SPOHNHOLZ drew attention to the DCCED commissioner's response to the audit on pages 21-22. She inquired about the efforts taken by DCCED to ensure adequate staffing, whether the specific 11 cases have been resolved, and what the current timeframe is for processing complaints against a chiropractor.

[4:09:29 PM](#)

SARA CHAMBERS, Director, Division of Corporations, Business and Professional Licensing (DCBPL), Department of Commerce, Community, and Economic Development (DCCED), responded that page 22 outlines the steps that were taken. One step, she specified, is that the division has added an additional senior investigator position to provide more supervisory oversight and ensure that investigators are following the division's procedures for documentation. The concern is not so much whether there is or isn't case activity, she explained, but that it hasn't been documented and so there is no way for the auditor or anyone looking at the case management systems to know whether activity has taken place on those cases. She said DCBPL agrees that that is not up to its stated standards, so adding another supervisor position has been helpful. A zero-tolerance position on the lack of documentation has been taken, she advised, and the

division is actively supervising and ensuring that DCBPL investigators are acutely aware of the requirement to document within every 30-45 days even if there is no case activity and to describe what is being waited on and what is the process so that anyone can evaluate whether a case is being properly managed. Ms. Chambers stated that every case is different, so 180 days could be appropriate management for some cases and for other cases it could be more days or less days. Much of that is in the hands of the respondent, she pointed out, and whether an expert witness is needed. She related that the seven cases rolled into one have made progress and are being actively managed.

[4:12:19 PM](#)

CO-CHAIR SPOHNHOLZ observed on page 22 that an additional Investigator III position has been added to the healthcare licensing team. She inquired about the number of people on the healthcare team and the number of healthcare licensing boards for which the team is responsible for providing licensing investigations and processing.

MS. CHAMBERS answered that she will get back to the committee with those specific numbers, including the structure of today's healthcare team as far as numbers of staff and the boards they serve. She explained that those fluctuate with the demands of the casework where there may be increases in complaints or an increase in complexity requiring an investigator to manage a lower caseload. She explained that DCBPL can have investigators moving off and on that team; the division has partial investigators assigned to certain boards and then some boards like nursing and medical have multiple investigators due to the high volume.

CO-CHAIR SPOHNHOLZ requested that the follow-up to the committee be in writing so it can be distributed to members. She said she wants to understand how the oversight is managed, particularly for chiropractors. She stated that the one chiropractor with seven complaints and the investigations not being followed up in a timely manner could be impacting many Alaskans during this amount of time.

MS. CHAMBERS offered her appreciation for Co-Chair Spohnholz' comments. She stated that DCBPL is a public safety division and part of what it does is protect the rights of the licensee. So, she explained, the division has certain processes that it is required to follow and sometimes cases are very unusual and may

be delayed when early action could jeopardize the case because of those due process standards. She offered her reassurance to the committee that these are of high importance to DCBPL.

[4:16:04 PM](#)

The committee took an at-ease from 4:16 p.m. to 4:20 p.m.

[4:20:01 PM](#)

CO-CHAIR FIELDS invited further questions from the committee on CSSB 193(FIN).

[4:20:24 PM](#)

REPRESENTATIVE MCCARTY, regarding the prescription drug monitoring program (PDMP), asked about the number of investigations that occurred because of deficiencies in the division's system versus a licensee wrong. He recalled that in the past Ms. Chambers shared that licensees were investigated but it was problems in the system that created an anomaly which had to be investigated. Representative McCarty further inquired about the sunset extension of two years versus five years.

MS. CHAMBERS responded that she doesn't understand the first question because the division has not had system deficiencies resulting in unwarranted investigation. She said the division does have quite a few investigations that it must investigate due to public complaints that don't result in discipline because they are found to be not jurisdictional, unwarranted, or not within the division's scope so it was more appropriate for criminal law enforcement or the consumer protection unit under the Department of Law. She offered to answer the question further if the representative wished to rephrase it.

REPRESENTATIVE MCCARTY restated his question about a sunset extension of two years versus five years.

MS. CHAMBERS replied that the auditor's recommendation was for a five-year extension, the Senate Labor and Commerce Standing Committee reduced the extension to two years, and then the Senate Finance Committee reversed it back to the auditor's recommendation.

[CSSB 193(FIN) was held over.]

**HB 405-ESTABLISHMENT OF TRUSTS**

**HB 406-MORATORIUM ON TRUSTS/PROPERTY ACQUISITION**

[4:23:24 PM](#)

CO-CHAIR FIELDS announced that the final order of business would be HOUSE BILL NO. 405, "An Act relating to the establishment of trusts; requiring the filing of certain trust information; and requiring compliance with a federal law." and HOUSE BILL NO. 406, "An Act relating to the validity of trusts involving persons sanctioned by the United States Department of the Treasury; and relating to the recording of documents conveying land to persons sanctioned by the United States Department of the Treasury."

CO-CHAIR FIELDS opened public testimony on HB 405 and HB 406. He said the committee has been reading the written testimony and is working on amendments in response to that testimony. He stated that the committee would listen to today's testimony and potentially respond at the next hearing.

[4:24:19 PM](#)

CHRIS LAUER, Esq., expressed his concerns with HB 405. He noted that before becoming an estate planning attorney he worked as an anti-money laundering consultant where he assisted in the development and implementation of anti-money laundering measures for mid-size banks. That work, he said, directly and indirectly led to the identification, prosecution, and imprisonment of financial criminals. He advised that while he is profoundly sympathetic to the aims of HB 405, the bill illustrates the difficulty of drafting effective anti-money laundering legislation that does not unduly burden the law-abiding public.

MR. LAUER stated that while HB 405 and the [2021] Corporate Transparency Act (CTA) are related, their differences are very important. He said the CTA is the most recent addition to anti-money laundering measures that the US has in place, which include the [1970] Bank Secrecy Act, the [2001] USA PATRIOT Act, and several other landmark acts. The purpose of the CTA, he advised, is to make laundering harder to do through shell companies. Shell companies, he continued, have legitimate uses for asset protection, legacy planning, and business management, but bad actors can and do abuse them. The CTA, he explained, is tailored to minimize the impact of the law on the law-abiding public while making shell companies inhospitable for criminals. Under that framework, he stated, the CTA deals with two primary concepts: reporting companies and beneficial owners.

MR. LAUER explained that reporting companies file reports with the [Department of the Treasury's] Financial Crimes Enforcement Network (FinCEN), and these reports contain identifying information on each company's beneficial owners. He said there are 24 exceptions to what counts as a reporting company, most of which is defined to include a corporation, limited liability company (LLC), or similar entity that is created by the filing of the document with the secretary of state or similar office; in Alaska, that would be the Department of Commerce, Community, and Economic Development (DCCED). Beneficial owners, Mr. Lauer specified, are defined to be individuals who directly or indirectly through any contract or arrangement, understanding of relationship, or otherwise exercise substantial control over a reporting company or owner control 25 percent or more of the ownership in trust in that entity. That is a very broad definition, he stated, and it probably doesn't line up with [Alaskans'] assumptions about what "beneficial owner" means in the wild.

[4:26:52 PM](#)

MR. LAUER advised that the CTA does not attempt to incorporate trusts, which the Supreme Court has recognized as relationships, not entities, into its definition of reporting companies. Trusts may be a beneficial owner of a reporting company, he said, someone acting through a trust relationship can exercise substantial control over one. Final federal regulations are being awaited to clarify who exactly counts as a beneficial owner under a trust, he stated. The proposed regulations raise more questions for trusts than they answer, they do not address discretionary trusts with multiple beneficiaries, contingent beneficiaries, powers of appointment unmeasurable in trusts, or third parties who deal with authority over trusts. He maintained that turning trusts into reporting companies would amplify these ambiguities and create additional headaches for Alaskans. He advised that so far, for trusts that hold a 25 percent or greater membership interest in a reporting company, it would be suspected that at least the sole permissible recipient of trust income and principle and anyone with power to dispose of trust assets would be beneficial owners under the CTA. Mr. Lauer said the reporting company would still file beneficial ownership information with FinCEN but a trust that holds a savings account or securities would not be a beneficial owner of a reporting company under the federal rules. From an enforcement perspective this makes a lot of sense, he continued, it makes it so that bad actors cannot hide behind confidential

LLCs in places like Wyoming or Nevada, but the trustees who hold title to property in their capacity as trustees would still need to identify themselves to state banks to satisfy banks' reporting requirements under the Bank Secrecy Act or the USA PATRIOT Act.

MR. LAUER stated that HB 405 and the CTA differ significantly in many respects. He said the CTA focuses on what a trust owns, not on what a trust is. A revocable trust that only holds an Edward Jones account is not going to report under the CTA, he said, because it wouldn't be a reporting company. He stated that HB 405 is far more expansive and as written he is concerned that trusts created under a will, revocable trusts that are a will substitute, charitable trusts, and others would create risks for anyone who would create them for fines or for the risk of invalidity of paperwork that is not appropriately filed. The CTA sets a uniform standard that applies equally to all states, he conveyed, and HB 405 would impose greater burdens on Alaskans than those faced by trusts established in any other state. He said the CTA ends gamesmanship between states and makes it so that no state can compete against others by offering the most secretive shell companies. In contrast, Mr. Lauer continued, HB 405 would encourage law abiding Alaskans to form trusts in other states to avoid penalties for inadvertent reporting errors. As federal legislation, the CTA can set national standards, he continued, but he is concerned that a bad actor might form a trust outside Alaska and use the trust to conduct business inside Alaska, [and Alaska] would be limited in how it restricts that type of activity.

[4:29:52 PM](#)

CO-CHAIR FIELDS said he would be interested in Mr. Lauer's perspective on HB 408, the administration's bill that also seeks to prevent money laundering.

[4:30:05 PM](#)

CO-CHAIR SPOHNHOLZ, regarding Mr. Lauer's statement that the CTA doesn't yet have any guidance that relates to trusts, asked whether it is going to.

MR. LAUER replied that the proposed regulations have identified some of the circumstances that FinCEN thinks would be appropriate for including people involved in trust relationships as beneficial owners, but there are many open questions as to who would fit under that. He deferred to the comments of the

American College of Trust and Estate Counsel (ACTEC) that were submitted to FinCEN during the comment period for those regulations. He related that for a trust that is fully discretionary and able to make distributions to any of several beneficiaries, ACTEC's comments identify that it is unclear whether all those beneficiaries would need to have their information disclosed, as well as whether a contingent beneficiary's information would need to be reported. He said it is anticipated that these questions will be addressed in the final regulations that are expected before the end of 2022.

[4:31:44 PM](#)

MATTHEW BLATMACHR, President & CEO, Peak Trust Company, expressed his concerns with HB 405 and HB 406. He noted that Peak Trust Company has provided fiduciary services to Alaskan families for over 25 years. He said his company understands the intent of the bills and would like to work with the legislature and others in the industry to identify the best path forward. He maintained that as currently drafted the bills would not achieve their intended result and would instead harm Alaskans unintentionally. Mr. Blatmachr said he will discuss three points: 1) There are existing statutes that make Alaska an undesirable place for bad actors, and those statutes can be strengthened; 2) There are some misconceptions regarding trusts; and 3) There is an issue of privacy and data security related to these bills.

MR. BLATMACHR spoke to his first point that existing statutes make Alaska a bad place for bad people. He said the legislature has worked diligently for over 25 years to build thoughtful and deliberate statutes that allow for excellent planning while protecting against abuse. For example, he related, Alaska is one of the few states that require trusts to be registered. Registration includes the name of the trust; name and address of the trustee; and name of the person who created the trust, also referred to as a settlor or grantor. Another example, he continued, is that Alaska requires a person to fill out an affidavit of solvency, an affidavit must be completed by a person creating an irrevocable trust of which the person is a potential beneficiary and certify that the transfers or deposits to the trust are not fraudulent.

MR. BLATMACHR addressed his second point that misconceptions about trusts are being carried forward. Regarding statements that trusts are secretive and have no reporting requirements, he stated that trusts are certainly confidential, but advised that

they do have reporting requirements: one is the registration requirement, and another is that all US sourced income inside a trust must be reported on a federal tax return. Depending on the trust type, either the trust will file its own return, or the income will be reported on the personal return of the grantor, the person who created the trust, or the personal return of a beneficiary, which is a tracking mechanism for that income. Regarding previous comments about real estate money and trusts, he continued, there seems to be a conflation between the two because the issues referenced in the comments about what occurred in Alaska do not involve trusts. He stated that based on the information he is aware of, there was money laundering activity and there were foreign individuals, but trusts were not part of the nefarious activity. The uncovering of these issues, he argued, proves that systems are in place that work. Also, Mr. Blatmachr added, while the Pandora Papers are only a sample set, the documents do not indicate that Alaska is a haven for people with nefarious intent. He maintained that with these bills Alaskans would be potentially punished due to the improper actions of individuals in other states. Further, he said, the legislation targets everyone rather than individuals who create higher risks; it is hard to draft legislation that doesn't throw everybody into the same pot.

[4:35:35 PM](#)

MR. BLATMACHR discussed his third point that there are data and privacy issues related to the bills. Regarding statements that the proposed disclosure of personally identifiable information required in HB 405 would be held in confidence with DCCED and would not be public information, he said that is understood. However, he maintained, Alaskans are not going to find this acceptable - every day a new security or data breach occurs, including breaches with the Alaska government and other Alaska institutions. Plus, he said, this dataset would likely be a target since it would include personally identifiable information of individuals and families with wealth and assets in Alaska. He posited that rather than potentially expose this information to a breach, Alaskans would likely choose to do business outside of the state, thus continuing the punishment when they have done nothing wrong.

MR. BLATMACHR stated that he and Peak Trust Company want to be part of the solution like in years past. He noted that he is a member of Alaska Trust & Estate Professionals (ATEP), which has proposed alternatives that he and his company support. He said

he looks forward to further dialogue with the legislature and other stakeholders.

[4:36:41 PM](#)

CO-CHAIR FIELDS stated that the committee has been working on some of those proposals for HB 406.

[4:36:46 PM](#)

ABIGAIL O'CONNOR, Esq., testified in opposition to HB 405 and HB 406. She noted that she is an estate planning attorney but is not testifying in any representative capacity. She further noted that she is a member and vice president of ATEP, the state chair-elect of the Alaska Chapter of the American College of Trust and Estate Counsel, the president-elect of the Anchorage Estate Planning Council, and an executive board member of the Estate Planning Section of the Alaska Bar Association. She said she agrees with the purpose of preventing bad actors from using Alaska trusts and is sympathetic to the intent of the legislation. However, she continued, her focus is on the protection of everyday Alaskans who use trusts as part of their regular estate planning for their families. She stated that any legislation that affects trusts for everyday Alaskans must be done in a thoughtful manner that does not create unintended and harmful consequences and that does not act as a deterrent to law abiding Alaskans from creating good estate planning for their families.

MS. O'CONNOR provided an example of how a typical trust would be done under current law for people who would not be considered wealthy: Her clients, Mom and Dad, have come into her office to do estate planning. They have a house, an investment account, checking account, family cabin, and each has an individual retirement account (IRA). One of their two adult children is in a rocky marriage and the other does not know how to handle money. Two of their five grandchildren are excelling in school and want to go to graduate school and they want to help them. The other grandchildren are all minors. Mom and Dad want to ensure that their hard-earned nest egg is available to their children after their deaths without dissipating the resources so that the money ultimately will be available for the grandchildren. If Mom and Dad leave the money to their children outright, then the money will be spent quickly and there will be nothing left for the grandchildren. Trusts are the answers to Mom and Dad's problem. The assets can then be held in trust, Mom and Dad can be the lifetime beneficiaries, they can use a

revocable trust. After Mom and Dad pass away the property can be held in separate trusts for their children with restrictions on distributions to ensure that the funds are not dissipated. After each child dies, his or her separate trust is divided into further trusts for his or her [children]. This protects the assets and ultimately provides for Mom and Dad's grandchildren while allowing the resources to be available in a limited way for their children. Because Mom and Dad love this idea, Ms. O'Connor drafts the trust agreement, which Mom and Dad then sign. She drafts a deed for Mom and Dad's house and a deed for their cabin; they are deeds from themselves to themselves as trustees and they sign the deed. They also sign an assignment of tangible properties from themselves to themselves as trustees to assign their tangible property to the trust. Ms. O'Connor helps Mom and Dad fill out paperwork to retitle their investment account and checking account in the name of the trust. Their IRAs stay in their own names, and they are payable to each spouse on death but at the survivor's death they use a special designation on a beneficiary form to pay the IRAs over to the trust. All of this is done in Ms. O'Connor's office in one meeting - her clients now have a valid trust. Ms. O'Connor then records the deeds and sends in Mom and Dad's trust registration to the court - this is not required as a condition of formation, but is required for jurisdictional purposes, and that registration reports only Mom and Dad's names, the name of the trust, their address, and the date of their trust.

[4:41:06 PM](#)

MS. O'CONNOR then explained how this same example would be done under HB 405 and HB 406 as drafted: First, the trust would not be enforceable until filing the trust establishment document. What does that really mean? Mom and Dad already signed deeds, assigned property to themselves as trustees, they declared that they were holding property in trust, which is valid and consistent with hundreds of years of trust law, and their trust relationship has been established. What does it mean if it is not enforceable? What happens if the client dies before filing the trust establishment document? What happens to the property if the trust is not valid because of HB 405? Second, Mom and Dad must file the trust establishment apparently with the names and addresses of all their children and grandchildren because they are beneficiaries. Third, the requirement is that any time there is an inaccuracy in the document, which could be caused by a change, Mom and Dad must file an update. This means that every time a grandchild changes a dorm room, or somebody moves, or a grandchild or great-grandchild is born, Mom and Dad must

file an update with the Department of Commerce within 30 days or face a \$500 fine. Fourth, if one of the grandchildren "goes rogue" and ends up on the [Specially Designated Nationals and Blocked Persons List (SDN List)], then the entire trust is no longer valid under HB 406. What does that mean? What happens to the property? Who receives the property? What are the tax consequences? What about all the other children and grandchildren? What about Mom and Dad? What if the trust owns a partnership interest and is subject to a partnership agreement, what happens to those partners? What if the trustees are borrowers on a loan, what happens to the creditor if the trust is now invalid? There are no answers. Fifth, HB 405 somehow renders the trust a reporting company for purposes of the Corporate Transparency Act. As Mr. Lauer testified, under the CTA a trust is not a reporting a company, it is not required to report to the Financial Crimes Enforcement Unit, but HB 405 now says that the trust is a reporting company. So, Mom and Dad must file reports with FinCEN for their revocable trust and follow the CTA rules? But FinCEN is not expecting those reports because trusts are not reporting companies. What happens if Mom and Dad don't comply? Well, under federal law they are not required to report a trust. What is the implication of a state law that fiddles with the federal law? How do they interact? Who enforces it? Is the law even enforceable? Or is it preempted by federal law? Ms. O'Connor said she doesn't know the answers to these questions.

[4:44:13 PM](#)

MS. O'CONNOR continued her testimony. She said Mom and Dad walked in the door to do relatively simple estate planning and now these clients are up to their ears in the DCCED reporting requirement, FinCEN, \$500 penalties, and questions of trust validity for things beyond their control. She said her clients will tell her to forget about the trust, they do not want to risk it or deal with these penalties. Or, she continued, Mom and Dad will ask if there is an alternative and she will tell them yes - another jurisdiction can be used. This means going to another state, forming the trust there, and adhering to the rules of that other state because Alaska will be the only state that has this requirement. This also likely means that some or all the assets in the trust need to move away from the Alaska banks and into the banks in the state where the jurisdiction is. Plus, she noted, her clients will have to get an attorney and possibly other professionals involved in that other state to help advise them. All of this for something that should be very simple and is an everyday occurrence for estate planning clients

in Alaska. She said there is no question that HB 405 and HB 406 have very good intention. But, she advised, the impact on everyday Alaskans for their estate planning will be so significant it is going to turn them away from doing trusts.

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CO-CHAIR FIELDS stated that the committee has been working on some changes based on Ms. O'Connor's recommendations.

REPRESENTATIVE KAUFMAN offered his thanks and appreciation for Ms. O'Connor's testimony.

[4:46:14 PM](#)

LINDA HULBERT, testified in opposition to HB 405 and HB 406. She noted that she has been in the insurance industry for the last 33 years, has offices in Fairbanks and Anchorage, and has clients statewide. She related that over the last six to twelve months she has discussed wills and trusts with her clients about 40-50 times. She explained that when clients come into her office she asks them if they have a will and what kind of planning they have done. She said her job is to help them plan for the future, look at how they are protecting their families, how they are growing their income, how they are protecting their business, and to help them make a plan that is going to last a long time and protect their assets.

MS. HULBERT explained that many people start with a simple "I love you will," but after children appear it suddenly is whether they want secondary beneficiaries with their life insurance and other assets. She said her clients must plan whether they want their children to inherit cash or whether they want to direct how and when their assets can be spent. She said she helps her clients evolve their planning, starting a will and a trust, and ultimately her clients will reach the level discussed by Ms. O'Connor. Many people never get to the level of wealth where they have a cabin and a house and a lot of discretionary assets, she specified, but a trust is still very important to them because they have children and then grandchildren who begin to grow up. She said this is important to her because these are Alaskans who are committed to living in the state and who want to do their planning in the state.

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MS. HULBERT noted that she helps people in their planning through the sale of insurance. She pointed out that, in Alaska, 2.7 percent of every dollar spent on every type of insurance goes to the State of Alaska as revenue. For example, she related, 2.7 percent of every annual life insurance premium goes to the State of Alaska. If trusts and the assets were to move outside the state, a significant amount of revenue to the State of Alaska would subsequently be lost. Therefore, Ms. Hulbert stressed, anything that is done must seriously consider the long-term best interest of Alaska residents who are planning for the basis of their family, not just people with significant assets. As well, she continued, a look must be taken at the revenue stream that comes into Alaska and how that revenue can be used for the benefit of all Alaskans.

MS. HULBERT advised that privacy is critical to everyone she works with. She further advised that many of her clients wish to leave money in their wills and trusts to charity, and being required to disclose that would not be in their best interest either. Plus, she noted, if they changed from one charity to another they would have to file paperwork for that. She urged that a plan be found that will work for everybody, especially Alaskans who prefer to do their planning here, because otherwise she too will be forced to suggest to her clients that they move their planning to another state in the interest of privacy.

[4:52:28 PM](#)

HARRY NEED, testified in opposition to HB 405. He clarified that his testimony is his own and does not represent his employer or the organizations he will be mentioning. He noted he is Senior Director of Philanthropic Services at the University of Alaska Foundation; president of the Anchorage Estate Planning Council, an interdisciplinary association of estate planning professionals; and a past president of the Alaska Chapter of the Association of Fundraising Professionals.

MR. NEED explained that charitable trusts are structured for a donor to either make gifts to charity for several years and leave the remainder to their heirs or, more commonly, support their heirs for several years or a lifetime and then give the rest to charity. Charitable trusts, he related, are responsible for the majority of the five and six figure deferred gifts that he has witnessed over his 15-year career in philanthropy, and they are nearly the exclusive domain of the seven and eight figure deferred gifts from individuals that he has worked with. He expressed his concern that if HB 405 creates a chilling

effect on the trust industry in Alaska it will have a disproportional negative corollary impact on Alaska charity. In the last several years in his current professional role, he shared, he is typically working with about 20 of these trust relationships at any given time and relationships is a crucial word. Trusts are legal relationships between private entities, Mr. Need advised, and private papers between private entities are quintessentially private matters. Charitable trusts involve such things as personal values of community, religious devotion, family pride, altruism, and repayment, and Alaska's state constitution enshrines the right to privacy in Article I, Section 22. The aforementioned, he continued, are examples of the unintended consequences that HB 405 may impose upon the charitable sector first.

MR. NEED, regarding the reporting requirements within HB 405, advised that many Alaskan nonprofit organizations already act as trustees. These nonprofits may not employ sophisticated trust companies or bank departments, he continued, they simply follow the instructions and donative intent outlined in the trust documentation. They are not equipped to track or research dynamic lists of beneficial interests against dynamic lists of sanctioned individuals, he specified. The new regulations and proposed penalties, he said, could price out all but the most well-funded nonprofits from serving their benefactors in a trustee capacity. Second, he continued, ethical standards in the fundraising sector hold donor confidentiality sacrosanct. Registering a list of beneficial interests implies that one is also not registering other potential beneficial interests. The choices of benefactors regarding their legacies are immensely personal and their charitable gifts come at the expense of a gift to someone else. Mr. Need stated that charities need time to reconcile HB 405 with their obligations to donor confidentiality. Meanwhile, he added, he suspects that many charitable donors may not follow through with the formation of a charitable trust.

MR. NEED pointed out that many Alaskan nonprofits are the beneficiaries of trusts. He noted that nonprofit organizations rely upon volunteer boards that periodically cycle directors and that nonprofits without brick-and-mortar locations often change registered addresses, a burden that is placed on trustees. Nonprofits, he advised, will need to understand how to comply with the routine resubmissions of their ever-changing fiduciaries to a regulator. While the bill's objectives come from a good place, experts throughout the state are flagging a multitude of unintended consequences. To that, he added, HB 405

will also likely impact the charitable sector negatively. He urged the committee not to advance the legislation.

[4:56:39 PM](#)

CO-CHAIR FIELDS thanked Mr. Need for providing attention to the charitable sector.

CO-CHAIR SPOHNHOLZ thanked Mr. Need for his service to the Anchorage Estate Planning Council and to the Association of Fundraising Professionals.

[4:57:10 PM](#)

STEPHEN GREER, Esq., testified in opposition to HB 405 and HB 406. He stated that he has devoted his law practice exclusively to estate planning for the last 20 years. He noted he is chair of the Estate Planning and Probate Section of the Alaska Bar Association, a member of the American College of Trust and Estate Counsel (ACTEC), and a director for the Alaska Trust and Estate Professionals (ATEP), but that today he is speaking on behalf of his clients.

MR. GREER related that when he explains this legislation to his average client, the client's first response is, "What right does the government have to intrude into my personal affairs in this manner?" His clients then decide whether they are going to further do estate planning. He said he believes his clients are right - estate planning is a personal affair that comes within [an Alaskan's] right of privacy enumerated in Alaska's constitution, which is even broader than the federal right. The legislation must be carefully tailored to consider that fundamental right, he stated, otherwise the legislation is ineffective and void. His objection to the [proposed] statute, he continued, is that it will impede, intrude, and burden this right of privacy. The legislation is overbroad in its reach and it's going to create many unintended consequences, he added.

MR. GREER suggested that this whole matter could be addressed to the Uniform Law Commission, comprised of lawyers and law professors who are conversant in this area of constitutional law, to determine what if anything should be done to prevent bad actors from using state trust laws to further their purposes. He stated that this legislation should not be hastily passed and urged the committee not to pass these bills.

[5:01:04 PM](#)

JAMIE DELMAN, Esq., testified in opposition to HB 405 and HB 406. He stated he is a past president of the Anchorage Estate Planning Council and has practiced in estate planning for over 11 years. He said he does not want Alaska's beneficial trust laws to be used by bad actors to steal wealth. Therefore, he continued, he strongly supports a review of Alaska's existing statutory framework in conjunction with members of the legislature to identify and improve provisions to safeguard Alaska's statutes against such potential bad actors.

MR. DELMAN said he is concerned that HB 405 and HB 406 could cause substantial harm to Alaskans. He stated that in addition to privacy concerns, he is concerned that [the bills] will create significant open questions that would need substantial review and study to resolve. He noted that HB 405 provides that a trust does not become effective or enforceable until the trust establishment document is filed. But, he cautioned, it is unknown what it means for a trust to be ineffective or enforceable. Is an ineffective or enforceable trust treated like a limited liability company that has been dissolved, in which case the managers still have an ability to wind up affairs and transfer assets? If that were the case with an ineffective trust, he argued, the trust still effectively exists even though it is considered ineffective and unenforceable. Trusts are relationships, he said, so to say that a trust is unenforceable opens the question as to what right cannot be enforced by whom and against whom.

MR. DELMAN noted that HB 406 provides that a trust is not valid if an interested party is on the Specially Designated Nationals and Blocked Persons List (SDN List). He said this similarly creates a question of what it means for a trust to be invalid. If a trust is in existence and has one of several beneficiaries appearing on the list, what happens to the property in the trust deed's possession? Section 2 of HB 406, he pointed out, prohibits recording deeds to a person on the SDN List. However, he advised, if real property is transferred and a deed is delivered, that is considered an effective transfer regardless of whether it is recorded. So, he warned, in a way this would encourage bad actors to make transfers and not record them.

[5:04:28 PM](#)

CO-CHAIR FIELDS closed public testimony on HB 405 and HB 406. He related that former governor Tony Knowles has submitted a letter.

CO-CHAIR SPOHNHOLZ noted that the Division of Banking and Securities is the primary regulator for Alaska trust companies. She requested a description of how oversight is currently managed for trusts in Alaska.

[5:05:28 PM](#)

ROBERT SCHMIDT, Director, Division of Banking and Securities, Department of Commerce, Community, and Economic Development (DCCED), replied that the division represents five trust companies, which are companies whose business it is to administer trusts. The division licenses those trust companies and performs due diligence on licensing them, and once they are licensed they are subject to periodic examination. During that examination, he continued, the division is looking at their operations for safety and soundness, for compliance with the sanctions checklist of the Office of Foreign Assets Control (OFAC), and for compliance with the Bank Secrecy Act to make sure that the trust is looking out for what are called Specially Designated Nationals, persons who are on the sanctions list.

[5:07:10 PM](#)

CO-CHAIR SPOHNHOLZ asked whether, in addition to the five trust companies, other financial institutions are required in Alaska to comply with the OFAC sanctions list.

MR. SCHMIDT responded that every financial institution in Alaska is required to comply with OFAC lists and the Bank Secrecy Act, and he understands that there are criminal penalties for failure to comply. For example, he continued, a person opening a bank account in the state of Alaska must provide identifying information to the bank that establishes who the person is as the bank must follow what are called "know your customers" laws. He said the five trust companies, the four state-chartered banks, and the one state-chartered credit union that the division regulates are all required to perform due diligence whenever they open any account with a new customer.

CO-CHAIR SPOHNHOLZ noted that because a trust is a relationship, not a company, it has its own set of legal documents that must be provided to the bank when creating a new bank account for the trust. She asked whether the bank is then responsible for comparing trustees and beneficiaries of an individual trust against the OFAC sanctions list.

MR. SCHMIDT answered yes.

CO-CHAIR SPOHNHOLZ asked what a bank's responsibility would be and what the routing would be to report something that the bank identified.

MR. SCHMIDT replied that the banks are bound by the Bank Secrecy Act and various federal laws relative to knowing their customers and not making themselves safe havens. He explained that a person might have a common name that shows up on the SDN List or the OFAC list. There are then processes and procedures, he continued, for clearing those false positives that would require confidential information, such as date of birth, driver license number, and Social Security number, that the bank would use to determine whether it is dealing with a false or a true positive.

CO-CHAIR SPOHNHOLZ asked how many times in the past few years the division has identified individuals on the sanctions list.

MR. SCHMIDT deferred to Ms. Tracy Reno to answer the question.

[5:10:51 PM](#)

TRACY RENO, Chief of Examinations, Division of Banking and Securities, Department of Commerce, Community, and Economic Development (DCCED), responded that she oversees examinations, while the identifying factors for OFAC are on the licensing side under a different section. She said she has been with the division for 10 years and is not aware of any positive OFAC hits from a license perspective that would have required enforcement.

[5:11:18 PM](#)

CO-CHAIR SPOHNHOLZ drew attention to the fiscal note for HB 405 and noted that there are thousands of trusts in Alaska. She asked how - if a requirement were created that each of those trusts be filed with the Division of Banking and Securities - the division would be able to check against the sanctions list on every trust for the initial filing plus every time a change was made without additional staffing.

MR. SCHMIDT answered that this substantial undertaking would require additional staffing of at least one position control number (PCN). Also, he continued, a third-party vendor with an automated checking process would need to be utilized for the necessary additional technology because it is impossible to do OFAC checks at scale manually. He further advised that because

the division would be housing sensitive information, the division's systems would need to be adequately hardened so that people's information is not compromised. He said it is difficult to say what the cost of those efforts would be.

CO-CHAIR SPOHNHOLZ commented that it would be a significant undertaking to set up this new structure given it has yet to be undertaken in any other US state. She asked whether the division is closely tracking the adoption of regulations related to the Corporate Transparency Act.

MR. SCHMIDT confirmed that the division is tracking those.

[HB 405 and HB 406 were held over.]

[5:13:30 PM](#)

#### **ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:13 p.m.