

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

April 10, 2023

3:16 p.m.

MEMBERS PRESENT

Representative Jesse Sumner, Chair
Representative Justin Ruffridge, Vice Chair
Representative Mike Prax
Representative Dan Saddler
Representative Stanley Wright
Representative Zack Fields

MEMBERS ABSENT

Representative Ashley Carrick

COMMITTEE CALENDAR

HOUSE BILL NO. 60

"An Act relating to the licensing of runaway shelters; relating to advisors to the board of trustees of the Alaska Mental Health Trust Authority; relating to the sharing of confidential health information between the Department of Health and the Department of Family and Community Services; relating to the duties of the Department of Health and the Department of Family and Community Services; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 112

"An Act relating to the Board of Pharmacy; relating to the practice of pharmacy; relating to pharmacies; relating to prescription drug manufacturers; relating to prescriptions for epinephrine; relating to the administration of epinephrine; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 87

"An Act relating to record checks for certain employees of the Department of Revenue; relating to permanent fund dividends; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 86

"An Act relating to the business of money transmission; relating to money transmission licenses, licensure requirements, and registration through the Nationwide Multistate Licensing System and Registry; relating to the use of virtual currency for money transmission; relating to authorized delegates of a licensee; relating to acquisition of control of a license; relating to record retention and reporting requirements; authorizing the Department of Commerce, Community, and Economic Development to cooperate with other states in the regulation of money transmission; relating to permissible investments; relating to violations and enforcement of money transmission laws; relating to money transmission license exemptions; relating to payroll processing services; repealing currency exchange licenses; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 88

"An Act relating to work quotas for employees at warehouse distribution centers; and providing for an effective date."

- BILL HEARING CANCELED

HOUSE BILL NO. 100

"An Act relating to teacher and public employee leave."

- BILL HEARING CANCELED

HOUSE BILL NO. 147

"An Act relating to teacher certificates for retired teachers."

- BILL HEARING CANCELED

HOUSE BILL NO. 73

"An Act relating to investigations conducted by the Department of Commerce, Community, and Economic Development."

- BILL HEARING CANCELED

PREVIOUS COMMITTEE ACTION

BILL: HB 60

SHORT TITLE: RUNAWAYS; DFCS/DOH: DUTIES/LICENSING/INFO

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/03/23 (H) READ THE FIRST TIME - REFERRALS

02/03/23 (H) HSS, FIN
 02/28/23 (H) HSS AT 3:00 PM DAVIS 106
 02/28/23 (H) Heard & Held
 02/28/23 (H) MINUTE(HSS)
 03/07/23 (H) HSS AT 3:00 PM DAVIS 106
 03/07/23 (H) Heard & Held
 03/07/23 (H) MINUTE(HSS)
 03/14/23 (H) HSS AT 3:00 PM DAVIS 106
 03/14/23 (H) <Bill Hearing Canceled>
 03/23/23 (H) HSS AT 3:00 PM DAVIS 106
 03/23/23 (H) Moved CSHB 60(HSS) Out of Committee
 03/23/23 (H) MINUTE(HSS)
 03/27/23 (H) HSS RPT CS(HSS) 1DP 5NR
 03/27/23 (H) DP: PRAX
 03/27/23 (H) NR: FIELDS, SUMNER, RUFFRIDGE, SADDLER,
 MINA
 03/27/23 (H) L&C REPLACES FIN REFERRAL
 03/27/23 (H) BILL REPRINTED
 04/03/23 (H) L&C AT 3:15 PM BARNES 124
 04/03/23 (H) -- MEETING CANCELED --
 04/05/23 (H) L&C AT 3:15 PM BARNES 124
 04/05/23 (H) -- MEETING CANCELED --
 04/10/23 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 112

SHORT TITLE: PROFESSION OF PHARMACY

SPONSOR(s): RUFFRIDGE

03/13/23 (H) READ THE FIRST TIME - REFERRALS
 03/13/23 (H) HSS, L&C
 03/23/23 (H) HSS AT 3:00 PM DAVIS 106
 03/23/23 (H) Heard & Held
 03/23/23 (H) MINUTE(HSS)
 03/28/23 (H) HSS AT 3:00 PM DAVIS 106
 03/28/23 (H) Moved HB 112 Out of Committee
 03/28/23 (H) MINUTE(HSS)
 03/29/23 (H) HSS RPT 5DP
 03/29/23 (H) DP: MINA, RUFFRIDGE, SUMNER, FIELDS,
 PRAX
 04/05/23 (H) L&C AT 3:15 PM BARNES 124
 04/05/23 (H) -- MEETING CANCELED --
 04/10/23 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 87

SHORT TITLE: PERM FUND; EMPLOYMENT; ELIGIBILITY

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

02/27/23 (H) READ THE FIRST TIME - REFERRALS
02/27/23 (H) L&C, FIN
03/10/23 (H) L&C AT 3:15 PM BARNES 124
03/10/23 (H) Heard & Held
03/10/23 (H) MINUTE(L&C)
03/17/23 (H) L&C AT 3:15 PM BARNES 124
03/17/23 (H) <Bill Hearing Canceled>
04/03/23 (H) L&C AT 3:15 PM BARNES 124
04/03/23 (H) -- MEETING CANCELED --
04/05/23 (H) L&C AT 3:15 PM BARNES 124
04/05/23 (H) -- MEETING CANCELED --
04/10/23 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 86

SHORT TITLE: MONEY TRANSMISSION; VIRTUAL CURRENCY
SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/27/23 (H) READ THE FIRST TIME - REFERRALS
02/27/23 (H) L&C, FIN
03/08/23 (H) L&C AT 3:15 PM BARNES 124
03/08/23 (H) Heard & Held
03/08/23 (H) MINUTE(L&C)
03/17/23 (H) L&C AT 3:15 PM BARNES 124
03/17/23 (H) Heard & Held
03/17/23 (H) MINUTE(L&C)
04/03/23 (H) L&C AT 3:15 PM BARNES 124
04/03/23 (H) -- MEETING CANCELED --
04/05/23 (H) L&C AT 3:15 PM BARNES 124
04/05/23 (H) -- MEETING CANCELED --
04/10/23 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

HEATHER CARPENTER, Deputy Commissioner
Office of the Commissioner
Department of Health
Juneau, Alaska

POSITION STATEMENT: On behalf of the sponsor, House Rules by request of the governor, gave the sectional analysis of HB 60.

CLINTON LASLEY, Deputy Commissioner
Office of the Commissioner
Department of Family and Community Services
Juneau, Alaska

POSITION STATEMENT: On behalf of the sponsor, House Rules by request of the governor, introduced HB 60.

BRAEDEN GARRETT, Staff
Representative Justin Ruffridge
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of Representative Ruffridge, prime sponsor, gave the sectional analysis of HB 112.

ASHLEY SCHABER, PharmD, MBA, BCPS, Chair
Alaska Board of Pharmacy
Anchorage, Alaska

POSITION STATEMENT: Gave a PowerPoint presentation on HB 112, titled "House Bill 112: Profession of Pharmacy."

JESSE LOGAN, Staff
Representative Jesse Sumner
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: On behalf of the sponsor, House Rules by request of the governor, gave a summary of changes of CSHB 87, Version S.

LAHKA PEACOCK, Owner
QuyanaCard
Nome, Alaska

POSITION STATEMENT: Testified in support of HB 86.

ADAM FLEISHER
The Money Services Roundtable
Washington, D.C.

POSITION STATEMENT: Testified in support of HB 86.

ROB SCHMIDT, Director
Division of Banking and Securities
Department of Commerce, Community, and Economic Development
Anchorage, Alaska

POSITION STATEMENT: Provided invited testimony on HB 86.

ACTION NARRATIVE

[3:16:48 PM](#)

CHAIR JESSE SUMNER called the House Labor and Commerce Standing Committee meeting to order at 3:16 p.m. Representatives Fields, Ruffridge, Saddler, and Sumner were present at the call to order. Representatives Prax and Wright arrived as the meeting was in progress.

HB 60-RUNAWAYS; DFCS/DOH: DUTIES/LICENSING/INFO

[3:18:26 PM](#)

CHAIR SUMNER announced that the first order of business would be HOUSE BILL NO. 60, "An Act relating to the licensing of runaway shelters; relating to advisors to the board of trustees of the Alaska Mental Health Trust Authority; relating to the sharing of confidential health information between the Department of Health and the Department of Family and Community Services; relating to the duties of the Department of Health and the Department of Family and Community Services; and providing for an effective date."

[3:18:50 PM](#)

CLINTON LASLEY, Deputy Commissioner, Office of the Commissioner, Department of Family and Community Services (DFCS), on behalf of the sponsor, House Rules by request of the governor, introduced HB 60. He stated that HB 60 would provide some clean-up of Executive Order 121, which went into effect July 1, 2023. He reminded the committee that Executive Order 121 had reorganized the Department of Health and Social Services into the Department of Health (DOH) and DFCS. He said the changes the proposed legislation would make are minor, but important, and the departments would be able to continue their operations. The proposed legislation would require that DFCS share information with DOH, as this would continue previous procedures. He continued that it would add the commissioner of DFCS as a statutory advisor to the Board of the Alaska Mental Health Trust. Lastly, he said, it would clarify the statute concerning licensing duties as assigned to the departments, specifying that DOH would be responsible for licensure regulations, while DFCS would maintain and register licenses for the programs for runaway youth.

[3:21:21 PM](#)

HEATHER CARPENTER, Deputy Commissioner, Office of the Commissioner, Department of Health, on behalf of the sponsor, House Rules by request of the governor, paraphrased from the sectional analysis of HB 60, [copy included in the committee packet] which read as follows [original punctuation provided]:

Section 1 Amends AS 12.62.400(a) to assign responsibility for criminal history checks for the licensing of runaway shelters to the Department of

Health rather than the Department of Family and Community Services.

Section 2 Amends AS 18.65(f)(1) to amend the definition of "department" to include the Department of Family and Community Services.

Section 3 Amends AS 44.25.260 to add the Commissioner of the Department of Family and Community Services to the list of advisors to Alaska Mental Health Trust Authority board.

Section 4 Amends AS 47.05 by adding a new section: (1) requiring the Department of Health and Department of Family and Community Services share identifiable health information between and within departments as necessary to enable the efficient and effective administration and operation of both departments; (2) establishing that information acquired, used, disclosed, and stored under this section be stored in a confidential and secure environment; (3) establishes the definition of "identifiable health information" with the existing definition in AS 18.15.395.

[3:24:28 PM](#)

MS. CARPENTER continued paraphrasing from the sectional analysis, which read as follows [original punctuation provided]:

Sections 5-9 and 11-14 Amends multiple statues and adds a new subsection (Section 6) to correctly identify the roles of the Department of Health and the Department of Family and Community Services related to programs for runaway minors. Specifically, the Department of Health is responsible for regulation and licensure, while the Department of Family and Community Services maintains a register of licensed runaway programs, awards community grants, and receives notifications related to

Section 10 Amends AS 47.10.396 to clarify that records required by the both the departments that are held by licensed shelters for runaways are considered confidential.

Section 15 Amends AS 47.32.032 to provide clarifying language in licensing statute to identify that the Department of Family and Community Services is responsible for foster home licensing and certain types of variances related to the license.

Section 16-18 Amends AS 47.32 to provide clarifying language in licensing statute about the respective departments having responsibility for actions related to the entities they license.

Section 19 Amends AS 47.32.900 to clarify that the Department of Health determines whether a facility can be considered an "assisted living home."

Section 20 Amends AS 47.32 to add a new definition for "applicable department" in licensing statute to recognize the departments responsibility for actions related to the entities they license.

Section 21 Repeals AS 47.32.010(c)(3) related to the licensure of shelters for runaways. Specifically, this repeal clarifies other provisions (sections 5-14) in this bill that runaway shelters are licensed by the Department of Health and not the Department of Family and Community Services.

Section 22 Establishes an immediate effective date.

[3:27:07 PM](#)

REPRESENTATIVE FIELDS questioned why HB 60 is being heard by the House Labor and Commerce Standing Committee

MS. CARPENTER answered that the House Finance Standing Committee was removed from the schedule because there is not a fiscal note; therefore, HB 60 was reassigned to this committee.

[3:27:47 PM](#)

CHAIR SUMNER announced that HB 60 was held over.

HB 112-PROFESSION OF PHARMACY

[3:27:56 PM](#)

CHAIR SUMNER announced that the next order of business would be HOUSE BILL NO. 112, "An Act relating to the Board of Pharmacy; relating to the practice of pharmacy; relating to pharmacies; relating to prescription drug manufacturers; relating to prescriptions for epinephrine; relating to the administration of epinephrine; and providing for an effective date."

[3:28:22 PM](#)

REPRESENTATIVE RUFFRIDGE, as prime sponsor, introduced HB 112. He stated that the proposed legislation has been worked over for the past several years by multiple chairs of the Board of Pharmacy, and the governor had requested this in regard to the use of "right-touch regulations." He pointed out the legislation is the result of a large rewrite of pharmacy regulations, citing that the pharmacy profession has undergone many changes over the past several decades. For example, he said, it has gone from pharmacists going through a bachelor's degree program to a doctoral degree program, and this produces pharmacists who are capable of clinical work and prescribing some medications. As a result of this change, he insisted that the regulations need to be updated. He noted that some of these changes would need to be statutory. He stated that the proposed legislation is a culmination of many changes, making it a lengthy bill consisting of multiple instances of clean-up language.

[3:30:55 PM](#)

REPRESENTATIVE SADDLER questioned the term "right-touch regulations."

REPRESENTATIVE RUFFRIDGE responded that this is an initiative by the governor to update and alter the law by only regulating "what needs to be regulated, but don't overregulate." This would include clearing up any outdated regulations.

[3:31:58 PM](#)

BRAEDEN GARRETT, Staff, Representative Justin Ruffridge, Alaska State Legislature, on behalf of Representative Ruffridge, prime sponsor, gave the sectional analysis of HB 112. He stated that Section 1 would amend AS 08.08.010(a) by designating that one member of the Board of Pharmacy be a licensed pharmacy technician. He stated that the main proposed changes include: Section 2 would add an epinephrine auto-injector training program, with the remainder of the subsections being clean-up

language; Section 3 would change internship details, along with more clean-up language; Section 4 would add out-of-state pharmacies and manufacturers to the list of entities that must be licensed and inspected; Section 5 would update the compliance requirement of the Drug Supply Chain and Security Act; Section 6 would add "pharmacy and manufacturer" to the list of out of state inspections; Section 7 would remove the word "registration" because the bill would mandate licensure of a facility; Section 9 would add a salary range option for the executive administrator; Section 10 would add the term "apothecary" to a list which cannot be used in media or advertising unless the store employs a licensed pharmacist with regular hours; and Section 11 would add "pharmacist" and "pharmacy technician" to the list of professions where a background check is required.

[3:33:59 PM](#)

MR. GARRETT, continuing the sectional analysis, indicated that [Section 8], Section 12 through Section 16, and [parts of Section 18] would create and regulate the epinephrine autoinjector program. He stated that Section 17 would define the "board" as "the Board of Pharmacy". The remainder of Section 18 would repeal the requirement of the two affidavits attesting to an applicant's "good moral character," and the registration of pharmacies located outside of the state. He stated that Section 19 and Section 20 contain transitional language, with Section 21 and Section 22 pertaining to the effective date.

[3:36:18 PM](#)

ASHLEY SCHABER, PharmD, MBA, BCPS, Chair, Alaska Board of Pharmacy, gave a PowerPoint presentation on HB 112, titled "House Bill 112: Profession of Pharmacy" [hard copy included in the committee packet]. She stated that she has been a practicing pharmacist in Alaska for over 15 years. She began the presentation by describing the Alaska Board of Pharmacy's strategic plan, as seen on slide 2. She stated that the board has seven members, with five being pharmacists and two being public members. She added that the board has been focused on the regulation changes for the past several years. She pointed out that the fourth goal listed on the slide would grow the economy by promoting community health and safety. She stated that many of the proposed changes are related to this particular goal, including the following: reviewing regulations with reduced barriers to licensure without compromising patient

health and safety; advocating for licensure as the profession evolves with improved patient safety; and responding to the changes in the Drug Supply Chain Security Act.

DR. SCHABER expressed the belief that the proposed legislation would align with the board's strategic plan and its mission, which is to promote, preserve, and protect public health, safety, and welfare through effective control and regulation of the practice of pharmacy. She pointed out on slide 3 the four goals that HB 112 would address, which are: streamlining licensure, compliance with the Drug Supply Chain Security Act, alignment with other relevant boards, and clarification of the role of pharmacists in epinephrine access. Moving to slide 4 she stated that streamlining licensure would entail eliminating unnecessary statutory forms, clarifying the Prescription Drug Monitoring Program requirements, and adding national background checks.

[3:40:26 PM](#)

REPRESENTATIVE SADDLER requested examples of the forms which would be eliminated.

DR. SCHABER responded these would be the moral character affidavit forms for pharmacist applicants. These forms currently must be completed by two citizens and submitted to the division to be processed. She explained that it was determined that these forms are redundant and not required by other relevant boards.

[3:42:04 PM](#)

DR. SCHABER moved to slide 5 which addressed compliance with the Drug Supply Chain and Security Act. She stated that the Act is federal legislation to protect the country's drug supply against harmful medication. She stated that pharmacies play a key role in this process. She added that this also addresses internet pharmacies.

[3:43:30 PM](#)

DR. SCHABER, in response to a question from Representative Saddler, stated that harmful drugs mostly include counterfeit medications, and the proposed legislation would enable pharmacies in the state to moderate the drug supply chain.

[3:44:37 PM](#)

DR. SCHABER, moving to slide 6, addressed the goal of aligning the board's statutes with other boards in Alaska and other states. She stated this would also allow one of the seats on the board to be a pharmacy technician, allow the board to adopt language for retired pharmacist status, and clarify the board's executive administrator's salary, allowing for a pharmacist to serve in this role.

DR. SCHABER moved to slide 7, addressing epinephrine access. She stated that epinephrine training programs would be moved from the Department of Health to the Board of Pharmacy. This also would allow pharmacists to administer or prescribe epinephrine. She added that this closely resembles regulations concerning the administration of opioid overdose medication. She concluded the presentation by requesting that the committee support HB 112.

[3:48:51 PM](#)

CHAIR SUMNER announced that HB 112 was held over.

[3:49:03 PM](#)

The committee took a brief at-ease.

HB 87-PERM FUND; EMPLOYMENT; ELIGIBILITY

[3:50:29 PM](#)

CHAIR SUMNER announced that the next order of business would be HOUSE BILL NO. 87, "An Act relating to record checks for certain employees of the Department of Revenue; relating to permanent fund dividends; and providing for an effective date."

[3:50:38 PM](#)

VICE CHAIR RUFFRIDGE moved to adopt the proposed committee substitute (CS) for HB 87, Version 33-GH1337\S, Nauman, 3/13/23, as a working document. There being no objection, Version S was before the committee.

[3:51:10 PM](#)

JESSE LOGAN, Staff, Representative Jesse Sumner, Alaska State Legislature, on behalf of the sponsor, the House Rules Standing Committee by request of the governor, summarized the changes for

the proposed CS for HB 87, Version S. Using a chart [copy included in the committee packet], he addressed the differences between the section numbers used for the proposed legislation in the drafting practices of Legislative Legal Services and the Department of Law (DOL). Addressing the substantive changes, he stated that DOL's Section 1, Section 2, and Section 5 have only been slightly reworded. He continued that the original bill was drafted by the governor's office to give extra exemptions for allowable absences for those applying for the permanent fund dividend (PFD). He stated that these aspects have mostly stayed the same with some extra exemptions, including the addition of merchant mariners in DOL's Section 3, [Section 7 in Version S]. He stated that Section 7 of Version S also addresses allowable absences for the PFD for those in "uniform services". He stated that DOL's Section 4 [Section 7 in Version S] addresses allowable absences for students. He stated that Sections 7, 8, and 9 [in Version S] have transitional language with effective dates.

[3:54:03 PM](#)

MR. LOGAN, on slide 3, paraphrased the summary of changes proposed by Chair Sumner's office, which read as follows [original punctuation provided with some formatting changes]:

Section 2 Page 2 Line 9-28

- Removes the traditional formula for determining the net income of the Permanent Fund for purposes of calculating the amount available for appropriation (which previously had been used only for the distribution of the Permanent Fund Dividend.)
- This section retains the language stating that the amount available for appropriation is 5% of the average market value of the fund for the first five of the preceding six fiscal years.
- The amount available for appropriation cannot exceed the balance of the Earnings Reserve Account (ERA) as described in AS 37.13.145 (Sec 3)

Section 3 Page 2 Line 29 through Page 3 line 3

States that the legislature may appropriate from the ERA to the dividend fund 50% of the amount available for appropriation

Section 4 Page 3 Line 4 through Line 22

Clarifies that under AS 37.13.145(c) the mechanism for inflation proofing the principle of the Permanent Fund is an appropriation by the legislature.

Section 5 Page 3 Line 23 through Page 4 Line 2
Clarifies that proceeds from State v. Amerada Hess, et al is not available for appropriation to the dividend fund, for inflation proofing, or the Mental Health Trust fund but will be deposited annually into the capital income fund (AS 37.05.565)

Section 6 Page 4 Lines 3-6
Clarifies that net income from the Mental Health Trust Fund may not be included in the computation of the amount of the Permanent Fund available for appropriation

Section 8 Page 6 Lines 19-28
Provides a definition of "uniformed Services" for purposes of dividend eligibility under AS43.23.008(a)

Section 9 Page 6 line 29 through page 7 Line 5
Adds a new subsection to AS 43.23.011 to allow a grace period for dependents of Alaskans who experience a medical emergency that prevents them from filing for their dependents' permanent fund dividend by the March 31st filing deadline.

Section 10 Page 7 Lines 6-31
On page 7 line 11. Language change to clarify that the amount in the dividend fund is "appropriated"

Section 13 Page 10 Lines 17-22
Applicability.

[3:56:58 PM](#)

The committee took an at-ease from 3:56 p.m. to 4:01 p.m.

[4:01:55 PM](#)

REPRESENTATIVE PRAX questioned whether the funds would be transferred from the earnings reserve account to the Permanent Fund by an appropriation, as opposed to an automatic transfer.

MR. LOGAN responded that since the early 1980s it has been in statute as a transfer; however, he expressed the understanding

that the Alaska Permanent Fund Corporation has always viewed it as an appropriation. He deferred to the director of the division.

REPRESENTATIVE PRAX concurred and stated that for the purposes of the proposed legislation "that makes sense." He expressed the understanding that there has been discussion about changing the constitutional language so this could be transferred by statute and would not need an appropriation.

CHAIR SUMNER stated that this would require a constitutional change, as currently it is an appropriation.

[4:03:38 PM](#)

REPRESENTATIVE SADDLER expressed the understanding from the sectional analysis under the third bullet in Section 2, the size of PFDs would be limited.

MR. LOGAN responded that this language is standard and already in the statute, and this would make sure the earnings reserve account would not be overdrawn. He reiterated that the language in question is already in existing law.

[4:04:54 PM](#)

REPRESENTATIVE FIELDS expressed support for the proposed legislation. He explained that he is drafting an amendment which would establish a rebate for an income tax equal to the size of the PFD. He explained that this would create a structure where high-income families pay an income tax equal to the dividend while lower-income families would not. He added that nonresidents as well as residents would pay this tax. In response to Representative Saddler, he stated that he has requested an amendment to this effect. He continued that the state does not have enough money currently, and this would be a way to raise revenue. He offered that his constituents support paying for state services in this way.

REPRESENTATIVE SADDLER questioned whether this would be an income tax and part of the proposed legislation.

REPRESENTATIVE FIELDS stated that he is bringing this forward as part of the discussion on whether the proposed legislation would simply update the formula, or whether it would raise new revenue as well.

REPRESENTATIVE SADDLER, for the record, expressed the understanding that regarding income tax the answer to his question was "yes."

[4:07:49 PM](#)

REPRESENTATIVE WRIGHT requested the definition of "high income" in terms of the idea behind the possible amendment.

REPRESENTATIVE FIELDS stated that, as it is drafted in the amendment, it would be \$75,000 for an individual and \$150,000 for a two-income family.

[4:09:19 PM](#)

CHAIR SUMNER advised that the discussion not move toward proposed amendments.

[4:10:20 PM](#)

CHAIR SUMNER announced that CSHB 87, Version S, was held over.

HB 86-MONEY TRANSMISSION; VIRTUAL CURRENCY

[4:10:33 PM](#)

CHAIR SUMNER announced that the final order of business would be HOUSE BILL NO. 86, "An Act relating to the business of money transmission; relating to money transmission licenses, licensure requirements, and registration through the Nationwide Multistate Licensing System and Registry; relating to the use of virtual currency for money transmission; relating to authorized delegates of a licensee; relating to acquisition of control of a license; relating to record retention and reporting requirements; authorizing the Department of Commerce, Community, and Economic Development to cooperate with other states in the regulation of money transmission; relating to permissible investments; relating to violations and enforcement of money transmission laws; relating to money transmission license exemptions; relating to payroll processing services; repealing currency exchange licenses; and providing for an effective date."

[4:10:58 PM](#)

CHAIR SUMNER summarized that HB 86 would repeal the current law which requires currency exchange businesses to obtain a license

from the Department of Commerce, Community, and Economic Development (DCCED) and create a new law which would require money transmission businesses to obtain a license. He continued that the proposed legislation would define money transmission businesses and virtual currency, require money transmission businesses to register with the nationwide-multistate licensing system, and set fees for obtaining a money transmission license. He stated that the proposed legislation would also authorize money transmission businesses to appoint delegates to conduct money transmission on their behalf, require money transmission businesses to maintain a minimum net worth of \$100,000, and require money transmission businesses to maintain an equal balance to its outstanding payments. The proposed legislation would define permissible investments, require money transmission businesses to file annual or quarterly reports, and require records of transactions to be kept for at least three years. It would authorize the DCCED to enforce regulations on money transmission businesses, requiring these businesses to cooperate with other states. It would also establish civil penalties and criminal offenses for violations and provide for an effective date.

[4:13:22 PM](#)

CHAIR SUMNER opened public testimony on HB 86.

[4:13:49 PM](#)

LAHKA PEACOCK, Owner, QuyanaCard, testified in support of HB 86. He shared that QuyanaCard is based in Nome, and it provides services to remote villages that do not have access to traditional banking services. He referenced the reduction of fees in the proposed legislation for such services, in comparison with other money services. He explained that the current law requires QuyanaCard to pay the expenses for examiners who must fly to Nome from the Lower 48. He pointed out that the examiner is the same examiner for larger businesses, such as Google Pay, and he expressed concern that smaller businesses have to provide the same documents and pay the same fees as these larger businesses. He pointed out the difficulty in starting a small business in rural Alaska with the same requirements as larger businesses. He reiterated support for the proposed legislation and urged the committee to support it as well.

[4:16:31 PM](#)

REPRESENTATIVE PRAX expressed the understanding that Mr. Peacock is operating a money transfer service.

MR. PEACOCK, in response to Representative Prax, stated that QuyanaCard is not a bank, but a money service providing reloadable prepaid debit cards. He stated that QuyanaCard has partnered with local stores so individuals can deposit money on their card in these stores. He added that QuyanaCard does not provide loans or other types of these services.

REPRESENTATIVE PRAX expressed the understanding that QuyanaCard is currently under banking regulations, and he suggested that the proposed legislation would clarify that this is not a bank.

MR. PEACOCK responded that the business is regulated under the Division of Banking and Securities. He expressed the understanding that the requirements for banks and money transmission services, like prepaid debit cards, are the same.

[4:19:16 PM](#)

CHAIR SUMNER, after ascertaining that there was no one else who wished to testify, closed public testimony on HB 86. He then he reopened public testimony.

[4:19:54 PM](#)

ADAM FLEISHER, The Money Services Roundtable, Washington, D.C., testified in support of HB 86, on behalf of the Money Services Roundtable. He stated that the Money Services Roundtable is a money transmission service group with members being some of the larger money transmission companies in the U.S., such as Western Union, MoneyGram, and American Express. He stated that the Money Services Roundtable was involved in the development of the model for the Money Transmission Modernization Act (MTMA), and this had informed the drafting of the proposed legislation. He explained that the idea behind MTMA is to make money transmission companies, both large and small, uniform, reflecting the modernized services today. He advised that money transmission companies are not banks and cannot take consumers' deposits; however, these companies are able to provide financial services to customers who are often in locations not served by banks. He pointed out that HB 86 is scaled in terms of size, and this would address the risks and concerns of companies with a significant amount of volume.

[4:23:13 PM](#)

CHAIR SUMNER, after ascertaining there was no one else who wished to testify, closed public testimony on HB 86.

[4:23:34 PM](#)

REPRESENTATIVE PRAX, concerning the proposed legislation, requested clarification between banking and money transfers. He expressed the understanding that there is a significant regulatory burden for money services under the banking clause.

[4:24:13 PM](#)

ROB SCHMIDT, Director, Alaska Division of Banking and Securities, Department of Commerce, Community, and Economic Development, answered that Mr. Peacock operates a small local money transfer business, and it has a disadvantage to larger money transmitters. He added that this business, along with the larger money transfer businesses, such as PayPal and Venmo, are not banks, rather it involves the transmission of money from one institution to another.

CHAIR SUMNER requested a definition of "bank."

MR. SCHMIDT stated that the division regulates financial institutions in two categories. The first category is depository financial institutions, such as banks and credit unions, where paychecks can be deposited, and loans can be obtained. He continued that the second category is non-depository, such as payday and mortgage lenders and money transmission businesses that do not take deposits, hold money, or make loans. He stated that two-thirds of money transmission involves sending money from one person to another via a business facilitating this. This transfer can be anything from a gift to a purchase. He stated that the other third of this type of transmission is through prepaid cards. He gave the example of Visa cards which can be purchased in a store. These cards have a prepaid amount that can be used for anything Visa cards can be used for. He stated that these services are not banks, rather they are in the business of getting money from one person to another. He noted that this industry has exploded in the last five years.

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CHAIR SUMNER expressed the understanding that Venmo or PayPal can hold account balances for individuals. He requested

clarification on the difference between this and balances in a bank. He expressed the understanding that banks hold money as a loan to themselves from individuals.

MR. SCHMIDT concurred. He stated that these institutions are also subject to different regulations. He added that banks and credit unions would have insurance, while money service businesses do not. He stated that "we are starting to get into the deep waters and complexities of the modern financial system." He continued that some money service businesses are partnering with banks to hold funds, and this is mostly in regard to payment applications on smart phones. He noted that this has revolutionized the business.

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REPRESENTATIVE PRAX pointed out the proposed legislation references cryptocurrency, but not as legal tender. He requested an explanation.

MR. SCHMIDT responded that currently the law states that money is issued by the government; however, money transmission can include both money and monetary value. He stated that monetary value is described under the current statute as being a broader representation of a value that does not necessarily have to be money. He stated that it is through this distinction that the division has recently adopted that money transmission includes cryptocurrency, even though it is not issued by the government. He stated that the proposed legislation would require certain disclosures for cryptocurrency exchanges, and it would require a financial liquidity standard, along with other standards concerning consumer protections.

[HB 86 was held over.]

[4:32:02 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:32 p.m.