

**ALASKA STATE LEGISLATURE  
HOUSE STATE AFFAIRS STANDING COMMITTEE**

February 21, 2002

8:02 a.m.

**MEMBERS PRESENT**

Representative John Coghill, Chair  
Representative Hugh Fate  
Representative Gary Stevens  
Representative Peggy Wilson  
Representative Harry Crawford  
Representative Joe Hayes

**MEMBERS ABSENT**

Representative Jeannette James

**COMMITTEE CALENDAR**

HOUSE BILL NO. 344

"An Act increasing fees for driver's licenses, instruction permits, and identification cards; and providing for an effective date."

- MOVED CSHB 344(STA) OUT OF COMMITTEE

HOUSE BILL NO. 346

"An Act relating to concealed handgun permittees."

- MOVED HB 346 OUT OF COMMITTEE

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 254

"An Act relating to the teachers' retirement system, the judicial retirement system, and the public employees' retirement system and to the tax qualification under the Internal Revenue Code of those systems; amending the definition of 'actuarial adjustment' in the teachers' retirement system and the public employees' retirement system; repealing certain provisions of the teachers' retirement system and the public employees' retirement system; and providing for an effective date."

- MOVED SSHB 254 OUT OF COMMITTEE

HOUSE BILL NO. 300

"An Act relating to the procurement of certain travel services."

- MOVED HB 300 OUT OF COMMITTEE

HOUSE BILL NO. 314

"An Act relating to service in the peace corps as an allowable absence from the state for purposes of eligibility for permanent fund dividends; and providing for an effective date."

- BILL HEARING POSTPONED TO 2/28/02

**PREVIOUS ACTION**

BILL: HB 344

SHORT TITLE: INCREASE DRIVER'S LICENSE FEES

SPONSOR(S): RLS

Jrn-Date	Jrn-Page		Action
01/18/02	2008	(H)	READ THE FIRST TIME - REFERRALS
01/18/02	2008	(H)	STA, FIN
02/05/02		(H)	STA AT 8:00 AM CAPITOL 102
02/05/02		(H)	Heard & Held MINUTE(STA)
02/21/02		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 346

SHORT TITLE: CONCEALED HANDGUN PERMITTEES

SPONSOR(S): REPRESENTATIVE(S) MASEK

Jrn-Date	Jrn-Page		Action
01/22/02	2029	(H)	READ THE FIRST TIME - REFERRALS
01/22/02	2029	(H)	STA, JUD
02/04/02	2152	(H)	COSPONSOR(S): CROFT
02/21/02		(H)	STA AT 8:00 AM CAPITOL 102

BILL: HB 254

SHORT TITLE: TAX-QUALIFIED STATE RETIREMENT SYSTEMS

SPONSOR(S): REPRESENTATIVE(S) JAMES BY REQUEST

Jrn-Date	Jrn-Page		Action
04/24/01	1162	(H)	READ THE FIRST TIME - REFERRALS
04/24/01	1162	(H)	STA, FIN
02/15/02	2281	(H)	SPONSOR SUBSTITUTE INTRODUCED
02/15/02	2281	(H)	READ THE FIRST TIME - REFERRALS
02/15/02	2281	(H)	STA, FIN

02/21/02 (H) STA AT 8:00 AM CAPITOL 102

BILL: HB 300

SHORT TITLE:PROCUREMENT OF TRAVEL SERVICES

SPONSOR(S): REPRESENTATIVE(S)HAYES

Jrn-Date	Jrn-Page		Action
01/14/02	1953	(H)	PREFILE RELEASED 1/4/02
01/14/02	1953	(H)	READ THE FIRST TIME - REFERRALS
01/14/02	1953	(H)	STA, FIN
02/14/02		(H)	STA AT 8:00 AM BUTROVICH 205
02/14/02		(H)	<Bill Postponed to 2/21/02> - - Location Change --
02/21/02		(H)	STA AT 8:00 AM CAPITOL 102

**WITNESS REGISTER**

LINDA SYLVESTER, Staff  
to Representative Pete Kott  
Alaska State Legislature  
Capitol Building, Room 204  
Juneau, Alaska 99801

POSITION STATEMENT: Testified on behalf of Representative Kott,  
chair of the House Rules Standing Committee, sponsor of HB 344.

JENNIFER YUHAS, Staff  
to Representative Beverly Masek  
Alaska State Legislature  
Capitol Building, Room 128  
Juneau, Alaska 99801

POSITION STATEMENT: Testified on behalf of Representative  
Masek, sponsor of HB 346.

JULIA GRIMES, Lieutenant  
Division Operations Unit  
Alaska State Troopers  
5700 East Tudor Road  
Anchorage, Alaska 99507-1225

POSITION STATEMENT: Testified regarding reciprocity and  
answered questions during the hearing on HB 346.

PATTY OWEN, Alaska Chapter  
Million Mom March  
7677 North Douglas Highway  
Juneau, Alaska 99801

POSITION STATEMENT: Testified on HB 346.

BRIAN JUDY, Northwestern Government Affairs Manager  
National Rifle Association (NRA)  
555 Capitol Mall, Suite 625  
Sacramento, California 95814  
POSITION STATEMENT: Testified in support of HB 346.

JESSE VANDERZANDEN, Executive Director  
Alaska Outdoor Council (AOC)  
PO Box 73902  
Fairbanks, Alaska 99709  
POSITION STATEMENT: Testified in support of HB 346.

EDDIE GRASSER  
(No address provided)  
POSITION STATEMENT: Testified in support of HB 346.

BARBARA COTTING, Staff  
to Representative Jeannette James  
Alaska State Legislature  
Capitol Building, Room 214  
Juneau, Alaska 99801  
POSITION STATEMENT: Testified on behalf of Representative  
James, sponsor of SSHB 254 by request.

GUY BELL, Director  
Division of Retirement & Benefits  
Department of Administration (DOA)  
PO Box 110203  
Juneau, Alaska 99811-0203  
POSITION STATEMENT: Answered questions regarding SSHB 254.

GAYLE PAUL JANECEK, Accounting Supervisor  
ABC Travel Time, Inc.  
PO Box 878825  
Wasilla, Alaska 99687  
POSITION STATEMENT: Testified on HB 300 regarding what the  
travel agencies do for state agencies and urged enactment of the  
legislation.

DAVID BERG, Representative  
Viking Travel  
PO Box 787  
Petersburg, Alaska 99833  
POSITION STATEMENT: Testified concerning service fees and  
contracting in regard to HB 300.

KIM GARNERO, Director  
Division of Finance  
Department of Administration  
PO Box 110204  
Juneau, Alaska 99811-0204

POSITION STATEMENT: Testified on behalf of the department and answered question in regard to HB 300.

KARA ALTMAN, Owner  
Kara's Cruise and Travel  
6590 Glacier Highway Number 280  
Juneau, Alaska 99801

POSITION STATEMENT: During testimony on HB 300, testified regarding the effects of the commission decreases on the travel industry.

CYNDI ISAAK, Owner  
Cyndi's Cruise and Travel  
415 Fifth Street  
Douglas, Alaska 99824

POSITION STATEMENT: During the hearing on HB 300, testified essentially on behalf of the state-worker clientele who want to use her services.

RAMONA OXENDINE  
Vagabond Travel  
805 Airport Way  
Fairbanks, Alaska 99701

POSITION STATEMENT: Testified regarding HB 300.

YULANDA JOHANSEN  
Northern Lights Travel  
505 Old Steese Highway, Suite 117  
Fairbanks, Alaska 99701

POSITION STATEMENT: Asked the committee to give consideration to HB 300.

SHANNON WILEY, Manager  
Goldbelt Family Travel  
9097 Glacier Highway, Suite 100  
Juneau, Alaska 99801

POSITION STATEMENT: Testified regarding HB 300.

#### **ACTION NARRATIVE**

TAPE 02-14, SIDE A  
Number 0001

CHAIR JOHN COGHILL called the House State Affairs Standing Committee meeting to order at 8:02 a.m. Representatives Fate, Stevens, Wilson, Crawford, Hayes, and Coghill were present at the call to order.

HB 344-INCREASE DRIVER'S LICENSE FEES

CHAIR COGHILL announced that the first order of business would be HOUSE BILL NO. 344, "An Act increasing fees for driver's licenses, instruction permits, and identification cards; and providing for an effective date."

Number 0175

REPRESENTATIVE WILSON moved to adopt the proposed committee substitute (CS), version 22-LS1301\F, Ford, 2/16/02, as the working document. There being no objection, Version F was before the committee.

CHAIR COGHILL indicated there was a fiscal note for Version F.

Number 0231

LINDA SYLVESTER, Staff to Representative Pete Kott, Alaska State Legislature, testified on behalf of Representative Kott, chair of the House Rules Standing Committee, sponsor of HB 344. Ms. Sylvester pointed out that Version F reflects intent language and findings. Those [changes] were done in order to draw a fiscal note. She recognized the concerns regarding privacy. The need to convert to a digital driver's license system is practical, she told members. Currently, Alaska uses Polaroid technology for the driver's license system; however, the cameras aren't available anymore. Furthermore, Polaroid has filed for [bankruptcy], which means it is selling off its assets and [its technology] won't be available.

CHAIR COGHILL referred to a national identification (ID) system and indicated his concern is that this might become "the de facto national ID." He said the Division of Motor Vehicles (DMV) has offered assurance that the coding would only be for those things [listed] on the face of the card. He cautioned DMV to make sure it stays that way.

Number 0430

REPRESENTATIVE FATE moved to report CSHB 344, version 22-LS1301\F, Ford, 2/16/02, out of committee with individual recommendations and the accompanying fiscal note. There being no objection, CSHB 344(STA) was moved out of the House State Affairs Standing Committee.

CHAIR COGHILL announced that he would be requesting a [House Finance Standing Committee] referral.

HB 346-CONCEALED HANDGUN PERMITTEES

Number 0520

CHAIR COGHILL announced the next order of business, HOUSE BILL NO. 346, "An Act relating to concealed handgun permittees."

CHAIR COGHILL called a brief at-ease at 8:07 a.m. He called the meeting back to order at 8:09 a.m.

Number 0545

JENNIFER YUHAS, Staff to Representative Beverly Masek, Alaska State Legislature, testified on behalf of Representative Masek, sponsor of HB 346. She read from the sponsor statement:

A statutory revision is needed to further clarify the recognition of concealed handgun permits from other states. The 21st legislature passed ... Senate Bill 294, which provides for the recognition of permits: (1) from the states with permit requirements similar to Alaska; and (2) from states which recognize Alaska's permits. Senate Bill 294 also directed the Department of Public Safety to determine which states and political subdivisions grant reciprocity to Alaska permit holders and distribute the list to each law enforcement agency in this state. The department has yet to fully implement this statutory requirement, some 16 months later.

This legislation will simplify the process by plainly recognizing all permits issued by other states. In so doing, the burden on the department of having to evaluate all the other state's laws to determine which ones recognize Alaska's permits and the subjectivity on the part of the department in determining which other states' statutes are similar to Alaska law will

be removed. House Bill 346 will better serve the public and permit holders.

MS. YUHAS noted that Brian Judy was available from the National Rifle Association (NRA) to testify regarding statutory revisions and impacts.

Number 0773

JULIA GRIMES, Lieutenant, Division Operations Unit, Alaska State Troopers, testified via teleconference. She noted that the proposed legislation doesn't specify a time period similar to that imposed for vehicle registration and driver licensing, after which a person would be required to apply for an Alaska permit. She said current statute provides for a 120-day period, after which out-of-state permit holders who are in Alaska would be required to obtain an Alaska permit.

MS GRIMES indicated a concern that the legislation, while allowing permit holders from other states to come up to Alaska, does not back its Alaska permit holders. She mentioned efforts made to get reciprocity for Alaska permit holders to go Outside, but acknowledged that the legislation doesn't necessarily help with that.

Number 0899

MS. GRIMES offered an update regarding reciprocity. She said, "We now have 11 states listed on our web site that offer what I will call 'true reciprocity,' and that's based on the statute, paragraph (2), that if they recognize our permits, we will recognize their permits." She called Georgia, Connecticut, and Indiana "reciprocity-able" - once those states give written confirmation of an agreement, they will be included on the web site list.

MS. GRIMES indicated there are ten states, under "paragraph (1)," whose permits [Alaska] will honor; however, because the requirements of their permit programs are dissimilar to Alaska's, true reciprocity is not currently possible. She said she is in the process of changing that limitation. She told the committee this is an ongoing process, because the laws in various states change frequently.

Number 1034

MS. GRIMES named the following difficulties regarding attempts to provided reciprocity: some states have no concealed handgun permit programs, and two states, to her belief, cannot abide Alaska's 120-day rule because their own limits are much shorter.

CHAIR COGHILL asked: "Is that 2 out of the 25 possible that are similar?"

MS. GRIMES answered yes. She said New Hampshire is one of the states that had a problem with the 120-day limit.

CHAIR COGHILL related his understanding, then, that at least 23 states are similar, although the list only contains 11 states.

MS. GRIMES agreed, but pointed out that paragraph (1), which lists the similar requirements, merely says Alaska will honor permits from other states that are similar. However, that paragraph doesn't provide for those states to honor Alaska's permittees in the other state. Therefore, she reiterated that she has been negotiating in regard to whether these states could offer Alaska's permittees reciprocity. Under paragraph (2) there is true reciprocity.

CHAIR COGHILL asked if there has been some notification to these other states in regard to Alaska's qualifications.

MS. GRIMES answered yes. She explained that although all states have been contacted, not all have returned the contact. Furthermore, letters have been sent to Arkansas and Louisiana because there has been indication that reciprocity could probably be arranged through a letter to the attorney general or department of public safety in those states. The possibility of reciprocity from quite a few states is pending.

CHAIR COGHILL related his understanding, then, that HB 346 merely recognizes the permits from other states and thus allows those permittees to carry [concealed handguns] in Alaska.

MS. GRIMES agreed. In further response to Chair Coghill, Ms. Grimes agreed that those permit holders from other states have gone through that state's requirements for a concealed-carry permit. She specified that permit holders from other states have been subject to only their state's background requirements. She related her belief that almost all of the states have some background check.

CHAIR COGHILL commented, "I think we're talking about a very safe segment of society here." He further commented that he believes this refers to a small segment of society.

MS. GRIMES agreed.

Number 1469

PATTY OWEN, Alaska Chapter, Million Mom March, informed the committee that the Million Mom March is a grassroots organization that advocates for sensible gun laws and safe children. The Million Mom March has recently united with the National Brady Campaign, which recently released report cards for safe gun laws and assigned Alaska a "D-minus." Ms. Owen expressed her fear that HB 346 will bring Alaska's rating down to an all-time low.

MS. OWENS said it appears HB 346 eliminates all the safety standards that were kept as safeguards for dealing with reciprocity of permits for concealed weapons from other states. Therefore, she expressed concern that [HB 346] would make it easier for strangers or nonresidents with unknown backgrounds to carry guns in Alaska. Although she acknowledged that negotiations are taking place regarding standardization of training and background checks, Ms. Owen said she didn't get the feeling those were in place. She concluded, "I just think the impatience here isn't worth throwing everything out the window. ... I would hope that Alaska - the Alaska legislature - would want to be in control of its own laws and not leave it up to other states to set those standards for us."

REPRESENTATIVE WILSON inquired as to the rating of other states.

MS. OWEN said she could provide the committee with that information, and noted that there are some states with higher ratings and others with lower ratings. She specified that this rating is not only in reference to the concealed handgun laws, but to other laws as well.

Number 1648

REPRESENTATIVE FATE inquired as to the criteria the rating system uses.

MS. OWEN replied that some of the [areas reviewed] are the age at which a firearm can be purchased and the age at which juveniles can be in possession of a firearm. The [rating

system] places heavy emphasis on the safety of children, such as [the requirement that] guns which are sold must have safety locks.

REPRESENTATIVE FATE asked if the criteria include the injuries or fatalities of youth.

MS. OWEN replied no.

CHAIR COGHILL surmised that part of the Million Mom March's [goal] is to promote gun control at many levels.

MS. OWEN clarified that the organization [promotes] common-sense gun laws. "It's not to take away people's rights to have guns," she specified.

Number 1753

REPRESENTATIVE WILSON asked if [the rating system] takes into consideration the fact that Alaskans carry guns for safety.

MS. OWEN said she would have to show the committee the criteria.

CHAIR COGHILL asked if Ms. Owen had a concealed-carry permit.

MS. OWEN replied no. In further response to Chair Coghill, Ms. Owen said she had a basic understanding of [the requirements], although she recognized that there have been changes since the law's inception.

CHAIR COGHILL remarked that by the time an individual has gone through screening, the individual is fairly well known.

MS. OWEN said she understood that, which is why she would want Alaska to maintain its standard rather than allow another state to dictate those criteria.

Number 1860

BRIAN JUDY, Northwestern Government Affairs Manager, National Rifle Association (NRA), began by informing the committee that in 1994 the Department of Public Safety (DPS) issued a white paper entitled "To Conceal or Not to Conceal, That is the Question," in response to the original right-to-carry legislation. That [report] was full of alarmist suggestions that there would be more guns at grocery stores and on ball fields, and that fender-benders would become shootouts. These

were the same warnings heard in every other state that has passed concealed-carry legislation.

MR. JUDY noted that DPS, during a recent Senate Judiciary Committee hearing, said there haven't been any problems, as has been the case in every other state, regardless of the level of qualification and training standards. The outcome is that law-abiding citizens becoming licensed by the government are exercising their constitutional right to bear arms and their natural right to defend themselves with the utmost responsibility.

MR. JUDY commented that self-defense is a fundamental right that doesn't stop at state borders. Just as people have a driver's license, right-to-carry permit holders should be allowed to carry a firearm for self-defense during travel. He said studies have shown that crime rates drop when law-abiding citizens have the means to provide self-defense and are able to carry firearms.

Number 2015

MR. JUDY said the newly named National Brady Campaign, formerly named Handgun Control, Inc., is attempting to ban handguns in other states. He announced that banning handguns in Alaska won't be attempted in Alaska yet. In regard to the ratings of the states, Mr. Judy said those ratings don't take into account statistics relating to death and crime, and that most states receiving "D-minus" and "F" have extraordinarily low crime rates. He surmised that those states receiving "D-minus" and "F" would receive "A-plus" when ranked according to their crime rate. Mr. Judy said the states with the most gun control laws have the highest crime rates.

MR. JUDY recalled that the warnings of 1994 were heard again in 1998 in regard to SB 141. The outcome was the same when nonresidents were allowed to carry firearms in Alaska as when Alaskans were licensed, and that was, nothing happened. "Lo and behold, law-abiding citizens who go through the process in whatever state, whatever the process is, and get that permit come to Alaska, they carry, they go home, and they don't cause problems," he said.

MR. JUDY suggested that legislation to clarify and broaden the number of states Alaska would recognize was passed in 2000 due to inactivity on the part of DPS to comply with the provisions of the law and provide the listing. There was very little

opposition to that bill. However, DPS has been unable to provide a complete and accurate listing of all the states which Alaska recognizes. As the department stated earlier, there are two types of states that Alaska recognizes: states with similar laws, as defined in the statute, and states that recognize Alaska permits.

Number 2149

MR. JUDY recalled that the department had indicated there are 25 states that Alaska recognizes, and therefore he wondered why those states are listed. He also wondered whether Alaska law enforcement has been notified which 25 states Alaska recognizes, which is critical because it's important for local law enforcement to know which permits from other states are valid. Mr. Judy guessed that there has been no notification to local law enforcement regarding those 25 states with valid permits in Alaska.

MR. JUDY offered that by recognizing permits from other states, HB 346 will relieve DPS of the burden of having to evaluate all the other states' laws. Furthermore, it will place local law enforcement on notice that any law-abiding citizen with that permit from another state [has a permit that] is valid in Alaska. With regard to the concern that [HB 346] would require Alaska to recognize permits from states with lower standards, Mr. Judy highlighted that every state law is different. He said 44 states issue concealed-weapon permits, and consistent across those 44 states is that law-abiding citizens in those states are exercising their rights with the utmost responsibility. He remarked, "The State of Alaska should not have any concerns or reservations about welcoming the law-abiding citizens of other states, and honoring their permits."

MR. JUDY returned attention to the 1994 DPS white paper, which pointed out that in Alaska anyone who can lawfully possess a firearm can carry openly practically anywhere in the state. This can occur now. Therefore, it makes no sense not to allow those who have gone through the process to carry concealed [firearms] if they can [already] carry openly. Mr. Judy concluded:

Law-abiding citizens should be able to choose whether or not they have a need to provide for their own protection. They should be able to choose if they want to carry, and the manner in which they carry - whether it be open or concealed. So, the National

Rifle Association, our 20,000 members in Alaska, urge your support for HB 346.

Number 2319

CHAIR COGHILL asked if Mr. Judy has discussed with DPS the issue of getting reciprocity under the present agreement.

MR. JUDY replied yes. Although the discussions with DPS have been cordial, he said, they have been totally unproductive. He pointed out that immediately after the passage of the 1998 law, DPS published a list of 17 states that would be recognized. At that time, [NRA] felt that was about right. Within the next year, however, DPS repealed that list and decided that no permits from other states would be recognized. Beginning in May 1999, Mr. Judy said he has been in contact with DPS, and the department hasn't gotten to it. However, in the last week and a half, the list has increased from 7 to 11. He surmised that the movement on the list is due to HB 346. He reiterated his preference to just recognize permits from all other states and thus he urged the committee's support for HB 346.

MR. JUDY, in response to Chair Coghill, pointed out that he only knew of one other state, Utah, that provides a time limit; Utah's time limit is 60 days. He related his belief that what DPS testified to [in regard to the time limit] isn't correct. He stressed his belief that Texas would recognize Alaska if HB 346 passes because it eliminates the 120-day time limit. Texas has no time limit, as is the case in most states. Mr. Judy related his [firsthand] knowledge that Texas will not recognize permits from Utah or Alaska because of the time limits. Therefore, elimination of the time limit will increase the number of states that will recognize Alaskan permits. He also predicted that with passage of HB 346, Georgia would recognize permits from Alaska.

Number 2530

CHAIR COGHILL related his understanding, then, that Alaska's permittees would benefit from the passage of HB 346 as it is. Chair Coghill asked whether the [existing] rule of requiring the permittees to announce they are [carrying a handgun] is standard practice.

MR. JUDY reiterated that the existing law recognizes those states with similar laws, which is defined in Alaska code. He specified that currently permittees from other states have to be

21 years of age, go through a fingerprint-based background check, go through a course, and be eligible to possess [a firearm] under state and federal law. Those requirements would be repealed by HB 346, and therefore Alaska would recognize permits from all other states. In regard to notifying police, many states have that same requirement. Anyone carrying in Alaska with an out-of-state permit would still be required under Alaska law, and under this law, to notify law enforcement that he/she is carrying a firearm.

CHAIR COGHILL again expressed his assumption that these permit holders are a very conscientious and disciplined group of people. He said he would be inquiring as to the problems that have been experienced with permitted carriers.

Number 2685

JESSE VANDERZANDEN, Executive Director, Alaska Outdoor Council (AOC), testified in support of the passage of HB 346. Mr. VanderZanden informed the committee that the AOC has about 50 clubs statewide and is the state affiliate of NRA in Alaska. He pointed out that AOC's policies, bylaws, and articles of incorporation clearly state the organization's belief in the right to keep and bear arms as guaranteed by the constitution. The member clubs and individual memberships comprise over 12,000 in the state. Many members have encouraged AOC to assist passage of HB 346. He highlighted that many of the members are responsible, law-abiding citizens who actually teach these concealed-carry permits [classes]. Mr. VanderZanden concluded by reiterating AOC's support of HB 346.

Number 2800

REPRESENTATIVE STEVENS asked if Mr. VanderZanden saw any reason to be concerned with the criteria used by other states in that some states may have a less stringent concealed-carry requirement than Alaska.

MR. VANDERZANDEN acknowledged that it varies, although he stressed that it doesn't vary significantly. He recognized that Alaska's requirements are very thorough and take time and money. He expressed the need for local law enforcement to [know] what states Alaska recognizes.

REPRESENTATIVE STEVENS asked whether there should be concern that allowing people from other states to carry concealed weapons in Alaska lowers [Alaska's] standards.

MR. VANDERZANDEN said he didn't think so. He echoed earlier testimony that those going through the concealed-carry process are upstanding citizens. The data doesn't show that these folks are the ones who might do something detrimental to society.

Number 2930

EDDIE GRASSER informed the committee that he is a Native-born Alaskan who grew up in a family business involving guiding.

TAPE 02-14, SIDE B

Number 2961

MR. GRASSER acknowledged that there are concerns that the Second Amendment may not provide an individual right to keep and bear arms. However, he said the documents of the Founding Fathers make it clear that the Second Amendment was intended for individuals. The Alaska constitution is also quite clear that the right to keep and bear arms is an individual right. Therefore, this discussion is surrounding a fundamental right, not a privilege.

MR. GRASSER discussed his belief that the government's duty is to protect those fundamental rights rather than look for ways to take them away. He charged that governmental agencies and legislative bodies discuss how these rights can be eroded. Mr. Grasser stressed his belief that it isn't the government's business to tell him where and when he can carry a firearm, although he recognized the need to regulate it [to some degree]. Therefore, he related his belief that it is incumbent upon legislative bodies to act in the spirit of the Founding Fathers and ensure that those rights [relating to the right to keep and bear arms] are protected to the extent possible, which he believes HB 346 does. He urged the committee to pass HB 346.

Number 2835

REPRESENTATIVE STEVENS asked if Mr. Grasser has any concern with allowing people from other states to carry concealed firearms in Alaska.

MR. GRASSER replied no; these are Americans, and he views the right to carry [firearms] as one that extends beyond borders. Mr. Grasser specified that he wasn't concerned with the requirements of other states because he believes the constitution provides the right [to carry firearms] to these

individuals beyond the scope of the state's authority to specify the exact rules.

REPRESENTATIVE WILSON informed the committee that she has a permit to carry a concealed firearm and feels that she is a much safer person [in regard to handling firearms].

CHAIR COGHILL reminded the committee that HB 346 allows for reciprocity for those who have gone through some background check. Although there are dissimilarities in laws across the nation, there is a heightened awareness of responsibility compared with Alaska's ability to carry openly without regard to responsibility. Chair Coghill acknowledged that there are constitutional issues.

Number 2656

MS. GRIMES informed the committee that her research has found that five states don't require a fingerprint-based criminal history for permittees; six states don't require a handgun safety course of any kind. Ms. Grimes maintained that this research should be accurate. She highlighted that the Alaska concealed-handgun permit program is responsible for making sure that permits aren't issued to folks who are prohibited under federal firearm laws, for which the fingerprint-based criminal history is the best method to avoid issuing permits to such persons. Therefore, states not requiring that background check could issue permits to citizens who aren't eligible to own or possess firearms under federal law.

MR. JUDY reiterated his position that evidence has shown that regardless of the standards, those who go through the process don't cause problems. He also reiterated that every person who can lawfully possess a firearm in the other 49 states can openly carry a firearm in Alaska. Therefore, he felt it didn't make sense to allow everyone to carry openly, while the small percentage of the population who goes through the permitting process [can't carry a concealed firearm].

Number 2520

CHAIR COGHILL pointed out that [HB 346] deletes a lot [from statute]; he requested that the rationale be explained.

MR. YUHAS responded that the deleted language is language that [the sponsor] believes encumbers DPS in its process for granting reciprocity.

CHAIR COGHILL noted that [HB 346] does maintain language regarding notification when stopped by a police officer.

REPRESENTATIVE FATE informed the committee that in reviewing the rating of the states by [the National Brady Campaign], he found that every state with a "D" or lower - except for two states - is a hunting state. Twenty-nine of the fifty states received a "D" or less. Representative Fate commented:

Something's wrong here. Basically, it looks as though the states that are hunting states have been graded the lowest, and you'd have thought that because of the amount of hunting, and the gun activity in those states, and the protection, and the knowledge of carrying weapons, that they would've been the highest states.

Number 2405

REPRESENTATIVE STEVENS ascertained from the [the National Brady Campaign] rating that 31 states had received a "D" [or lower] in regard to concealed-carry laws. He pointed out that those states that prohibit concealed-carry [permits] received an "A."

REPRESENTATIVE WILSON pointed out that those states with low scores from [the National Brady Campaign] rating are [states with low crime rates].

MS. YUHAS addressed concerns stated in regard to permittees with unknown backgrounds. To that, she echoed earlier testimony that those [permittees from other states] have gone through a background check, although it may not be as extensive as Alaska's.

MS. YUHAS offered the following statistics regarding people with concealed-carry permits: licensees are 5.7 percent less likely to be arrested for violent offenses; licensees are 13.5 times less likely to be arrested for nonviolent offenses; and the general public is 1.4 times more likely to be arrested for murder. Furthermore, states that allow people to conceal and carry firearms have an average of 24 percent lower total violent crimes, 26 percent lower homicides, 39 percent lower robberies, and 19 percent lower aggravated assaults. She also highlighted that concealed-handgun laws reduce murder by 8.5 percent, rape by 5 percent, and severe assault by 7 percent. Ms. Yuhas related that she personally took the concealed-carry class, but

refused to do the paperwork because she felt the only piece of paper she needed [to carry a firearm] was the constitution. Ms. Yuhas concluded by urging the committee to pass HB 346.

Number 2230

REPRESENTATIVE FATE moved to report HB 346 out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, HB 346 was moved out of the House State Affairs Standing Committee.

The committee took an at-ease from 9:07 a.m. to 9:09 a.m.

HB 254-TAX-QUALIFIED STATE RETIREMENT SYSTEMS

Number 2198

CHAIR COGHILL announced the next order of business, SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 254, "An Act relating to the teachers' retirement system, the judicial retirement system, and the public employees' retirement system and to the tax qualification under the Internal Revenue Code of those systems; amending the definition of 'actuarial adjustment' in the teachers' retirement system and the public employees' retirement system; repealing certain provisions of the teachers' retirement system and the public employees' retirement system; and providing for an effective date."

Number 2176

BARBARA COTTING, Staff to Representative Jeannette James, Alaska State Legislature, presented SSHB 254 on behalf of Representative James, sponsor. She said Chair Coghill had described [SSHB 254] aptly when he called it complex; however, its purpose is simple. Ms. Cotting emphasized the importance of passing the bill this year. Developed over the past year, the bill would keep the retirement system of the state employees in compliance with the Internal Revenue Service (IRS). She deferred to Guy Bell, who was responsible for writing the sectional analysis, to address technical aspects.

Number 2142

GUY BELL, Director, Division of Retirement & Benefits, Department of Administration (DOA), thanked Representative James for sponsoring SSHB 254. He said the legislation would bring the statutes for public employees, teachers, and the judicial

retirement system up-to-date with the Internal Revenue Code, which is important for the continued tax qualification plans of the division. He explained: "Basically, it means that we can take employee contributions, pretaxed, and that ... taxation doesn't occur until the benefits are received." He said the legislation would not increase or reduce retirement benefits under any provisions of the aforementioned systems. Simply a compliance bill, [SSHB 254] would bring the statutes into compliance with the Internal Revenue Code.

MR. BELL noted that the legislation would allow [retirement system] members to take advantage of recent federal pension-reform legislation that is beneficial to teachers and other public employees. It would allow those members to purchase service credit using pretax dollars. He listed the following service credit options: military time, Outside teaching time, and temporary time. Currently, members may buy that time, but only with post-tax dollars.

MR. BELL told the committee this proposed legislation would allow members to buy that time either with pretax payroll deductions or with tax-deferred savings allowed under the Internal Revenue Code, including the following: public employees; deferred compensation 457-plan monies offered by the state and many political subdivisions to employees; or, offered by most school districts to teachers, 403(b) money, a tax-deferred savings. He said, "This will be a direct benefit to those folks who want to purchase time, which effectively adds to their defined benefit at retirement." He added that it reduces the cost of purchasing that service.

CHAIR COGHILL asked Mr. Bell to clarify the meaning of "buying time."

MR. BELL offered the following explanation:

Alaska Statutes allow ... members to buy [a] certain kind of time, which effectively adds to their defined benefit. For instance, a person who has military time can buy up to five years of military time by paying the actuarial cost. ... What that means is ... a person who has ... military service can claim an additional ... five years of service toward ... the retirement benefit. And remember that retirement benefits are calculated using a formula, and part of that formula includes years of service. ...

Let's say, ... depending on your multiplier, ... if you were retiring after 30 years that would be an extra 12.5 percent retirement benefit, and that costs something. [The] individual has to pay to receive that. They pay to receive that for the rest of their life through the defined benefit, currently, either by taking an actuarial reduction to their benefit or by paying cash or taking payroll deductions - post-tax. With the change in the federal pension reform, they can now do that, ... subject to [the] legislature incorporating the new provision, by taking pretax payroll deductions or using their 457-plan money or 403(b)-plan money.

CHAIR COGHILL indicated he thought that aspect of the issue was important, because the committee would be addressing it "in another venue, in a little different angle."

MR. BELL added that this legislation would not cost the employers or change employer contribution rates to the retirement system, because it is the member who would be paying. The difference, he highlighted, would be that the member would be paying with pretax dollars, versus post-tax dollars.

Number 1773

REPRESENTATIVE WILSON asked Mr. Bell to confirm that [the proposed legislation] would not add a cost to the employer or state and would not jeopardize the retirement plan for anybody else.

MR. BELL said, "That's correct."

Number 1745

REPRESENTATIVE STEVENS, having retired from the university in TRS [Teachers' Retirement System], said he was paying a substantial amount of money to "buy in" his military service. He asked Mr. Bell if there would be any retroactive provisions.

MR. BELL replied that there are retroactive provisions in the bill; however, once a person is receiving a benefit, he didn't think a retroactive adjustment could be made.

CHAIR COGHILL concurred that retroactive provisions were provided in the bill for those "buying in" to get the pretax

benefit for previous time [worked]. He said he believed this issue to be important.

MR. BELL said he would follow up on the topic to be certain of the answer.

MR. BELL told the committee the Alaska Government Finance Officers Association - a group of finance officers from the political subdivisions around the state - has endorsed [SSHB 254]. He noted that the retirement systems are not only for state employees, but also for teachers and employees of most of the political subdivisions in the state.

Number 1646

CHAIR COGHILL stated, "Certainly, there are practices that have pushed the limits of our ability of the law to respond to [the] IRS." He asked if there had ever been any penalty to the State of Alaska for "doing a practice that wasn't necessarily lined out in statute."

Number 1632

MR. BELL answered no. He said letter rulings had been submitted to the IRS, asking for its approval of the plan [for legislation], and [the IRS] was in the final stages of that process. He explained that one reason for the repeated drafting of the bill is that there has been some "give and take" between the tax consultants and the IRS regarding specific language in the bill. He said there have been no penalties; furthermore, he stated his belief that the IRS may appreciate the continued efforts of [the division] to bring the statutes up-to-date. He clarified that the division has not been out of compliance in terms of its practice; rather, the law doesn't match the current requirements of the IRS. He concluded that [the IRS] is "happily accepting our request for that letter ruling, and that letter ruling effectively incorporates this legislation."

Number 1555

CHAIR COGHILL confessed that the language of the bill was, at times, difficult to comprehend. His study of the proposed legislation did raise a question regarding flexibility and new IRS rulings. He said there would be changes in various benefits programs in the future, and he asked Mr. Bell if there is flexibility in [the language of SSBH 254] to allow for that.

MR. BELL responded, "There is some flexibility, because it doesn't make indication to ... the broad provisions of the Internal Revenue Code." He clarified that those provisions may change, but "we" would still be in compliance, because the changes are made by reference. He noted that the IRS requires a plan document and that [the division's] plan document is [Alaska Statute], which specifies benefits, requirements, and provisions.

MR. BELL said he thinks some states give broader leeway to the "retirement entity" to develop those rules or plan documents by regulation, or by some other means, through a board process. Because the division's plan document is the state statutes, however, it is subject to legislative oversight and review. Although he surmised the division could, alternatively, add a one-line provision in statute to change that, he noted that it was not doing so with this legislation.

CHAIR COGHILL asked if the actuarial adjustments were designed by the IRS or [the division].

MR. BELL answered that [the division] designed the actuarial adjustments. Provisions of Alaska law determine the cost of purchasing certain types of service. Although laws relating to purchasing military service have changed over time through the legislative process, for example, that isn't what is being changed [in this legislation]. Mr. Bell clarified that how it is purchased is the issue, not how it is calculated.

CHAIR COGHILL stated his intention a little later on to discuss the actuarial "makeup" [as it pertains to the retirement system]; however, he clarified that the present discussion was regarding the "pre-post-tax trigger."

Number 1350

REPRESENTATIVE FATE moved to report SSHB 254 out of committee with individual recommendations and the accompanying zero fiscal note. There being no objection, SSHB 254 was moved out of the House State Affairs Standing Committee.

HB 300-PROCUREMENT OF TRAVEL SERVICES

Number 1305

CHAIR COGHILL announced the next order of business, HOUSE BILL NO. 300, "An Act relating to the procurement of certain travel services."

Number 1296

REPRESENTATIVE HAYES, sponsor of HB 300, explained that the proposed legislation would allow businesses in the state to have equity. Currently, the state executive branch doesn't allow travel agencies to charge a fee to certain entities such as the court, transportation, and administration.

REPRESENTATIVE HAYES explained that [prior to the terrorist activities] of September 11, 2001, airlines were paying travel agencies approximately 5 percent for each ticket sold. After September 11, 2001, that price [was capped at] \$10-\$20 for a one-way or roundtrip airfare, respectively. Because of the cap, it became necessary to request that the state actually pay for the services it receives.

REPRESENTATIVE HAYES noted that currently the travel agencies have to sign a waiver saying they won't charge the state a fee, in order for state agencies to use their services. Representative Hayes said it seemed unacceptable because the agencies are providing a service to the State of Alaska and, therefore, should be paid for those services.

Number 1145

REPRESENTATIVE HAYES indicated two letters. The first, from a travel agency in Fairbanks, read in part:

The state should not be exempt from paying for services from any business. We provide a valuable service. I do not want to see our public servants wasting time and money trying to be travel agents, when a call to professional and efficient travel agent can have a state employee off the phone and the Internet in minutes.

Currently, the state does not pay for a service of ticket deliveries, or the additional cost if the ticket has to be changed and reissued.

REPRESENTATIVE HAYES pointed out the final paragraph of a letter [dated August 29, 1991] from [then-Representative] Fran Ulmer to then-Governor Walter Hickel, which read in part, "While I

applaud your efforts to find efficiencies, it is no benefit to Alaskans to pinch pennies while taking away jobs." Representative Hayes said while he also applauds efforts to find efficiencies, the result has been to hurt the [travel] industry in Alaska. He stated his belief that [the legislature] needs to find ways to pay for the services that the industry provides to the state and its citizens.

Number 1045

REPRESENTATIVE WILSON mentioned "that waiver that they signed." She said in [Wrangell] the agency gets paid. She asked why the agency would get paid in one town and not another.

REPRESENTATIVE HAYES replied that the university, the Alaska Railroad [Corporation], and the state legislature can pick and choose which agencies to use. He continued:

We, in effect, subsidize the other part of state government, because we pay for those services and the State of Alaska executive [branch] does not. ... I do believe in 1988, when this was actually put into place, ... all the officers received a memo stating that we should use travel agencies that do not charge the State of Alaska. And a lot of our legislators were upset by this, and they'd say, "I will prefer to ... use whatever travel agency I've always used." So, they couldn't enforce the provision on us, so we could use whatever travel agency we choose to use as legislators. But for the executive branch - courts, administration, corrections - (indisc.) they did not have that purpose.

Number 0925

REPRESENTATIVE WILSON referred to the fiscal note and questioned whether the amount paid will be only \$8 a ticket, instead of the \$10, \$15, or \$20 being charged. She requested an explanation.

Number 0882

REPRESENTATIVE HAYES said that was the amount the administration determined would be fair and equitable.

CHAIR COGHILL suggested that there were people present to testify who might be able to answer the question [of whether the \$8 on the fiscal note is for a one-way or roundtrip ticket].

Number 0752

REPRESENTATIVE FATE asked Representative Hayes to clarify that this doesn't speak to the charges of the travel agent, but solely to the availability.

REPRESENTATIVE HAYES replied that he didn't think that was the case. He stated that the purpose of the legislation is to exempt travel agencies from the procurement code, so that individual agencies can choose which [travel] agency they would like to use. By doing so, he explained, those [state] agencies would have to pay a [fee] to those travel agents. Currently, he reminded the committee, the work done is subsidized by "other portions of state government."

REPRESENTATIVE FATE remarked that his interest in this is because over the last several years there has been a "pullback" on the amount of travel agents' commissions from the airlines. He asked if that commission would be standardized throughout the entire industry, including the State of Alaska administration, for example, or whether there will be a surcharge on top of that. He suggested it is a huge question because of the current charging practices of the agencies.

REPRESENTATIVE HAYES suggested that question might be better answered by the representatives from travel agency.

Number 0660

REPRESENTATIVE STEVENS asked Representative Hayes if "we" were experiencing any difficulty finding travel agents willing to take on the responsibilities of making arrangement for the State of Alaska.

REPRESENTATIVE HAYES responded that he did not know of any [difficulties in that regard] previous [to September 11, 2001]; however, after that date, and after the airlines reduced their fees from 5 percent of the total ticket to [\$10 to \$20], he said, "You're looking at businesses that ... are working on very thin margins." He continued:

By the airlines' reducing that margin even more, ... what I fear is that we're going to run businesses out of business in ... Alaska, all over the point that ... [there is] \$285,000 that travel agents would be receiving from the State of Alaska for providing a

service that they currently provide to the state. And, again, my ultimate problem with this is: If you receive a service, you should ... pay for that service that you're receiving. And that's ultimately why I brought this forward.

Number 0554

GAYLE PAUL JANECEK, Accounting Supervisor, ABC Travel Time, Inc., testifying via teleconference, told the committee that company has been serving Alaska for 24 years, with offices in Palmer and Wasilla. She surmised that the days of travel agents' being paid airline commissions will soon be over, partly because airlines are "operating on the edge of [impoverishment]." Ms. Janecek told the committee that on the national level, almost all remaining agencies are charging service fees or reservation processing fees to their clients in order to continue providing "a reliable, nonbiased source of travel information."

MS. JANECEK noted that in her 14 years with [ABC Travel Time] she has tracked several loyal, local Alaskan state employees who rely on the agency to "go the extra distance" for their travel arrangements and who pay the agency's service fees out of their own pockets. She said, "Doing business on a local level assures them that they are trusted people who can quickly and efficiently handle the state's routine or problem travel."

MS. JANECEK said she could understand the difficulty in reconciling the state's travel-credit-card account to determine which charges align with which state employees for what dates of travel, for example. She suggested perhaps the process could be streamlined by e-mailing the information as transactions occur, thereby alerting the "finance department" of the pending charges. Denying economic opportunity to serve the State of Alaska because of "reconciling problems," she said, seems discriminatory against small, local businesses. Ms. Janecek urged enactment of this legislation. She indicated this is not a handout or monetary relief as a result of September 11, 2001, but is about being paid for work performed and services rendered.

CHAIR COGHILL told Ms. Janecek he appreciated her testimony.

Number 0325

DAVID BERG, Representative, Viking Travel, Petersburg, testified via teleconference. He informed the committee that Viking Travel has represented the State of Alaska for approximately 20 years and presently has a contract to provide travel services for state agencies in Petersburg. The contract allows the agency to charge modest service charges to cover its cost of doing business, "in light of reduced airline commissions and caps." Mr. Berg said the experience of [Viking Travel] is that many state agencies refuse to pay service charges. He remarked, "When agency employees use our services, the agency requires that the employee pay services charges out of their own pocket."

MR. BERG explained that under its existing contract [Viking Travel] is paid by the state to provide the lowest-cost travel arrangements for the employee. He said, "If the traveler does not decide to use the contract agent, the state has no guarantee or impartial source of information that travel is being obtained at the lowest cost to the state." He opined that a bill proposing that state agencies procure travel services should contain language requiring state agencies to use contractors for travel where contracts are in place, to ensure that the state is getting the lowest-cost travel services in the market.

CHAIR COGHILL said he thought the state would be considering how it might take advantage of Internet bookings. He asked Mr. Berg whether that is an issue of concern for travel agents and, if so, how it is being addressed.

MR. BERG replied that he sees almost daily examples of airlines "telling you what they want to" on their web sites. He noted that there are mistakes in pricing of transactions. He said he has known individuals who have bought tickets from Petersburg to Sitka, for example, and the airline system will not (indisc.) the connections that are necessary; consequently, the ticket is issued at twice the value of the appropriate pair. Mr. Berg stated his belief that until these problems are addressed, the state needs an impartial judge, which is what the travel agents can provide.

Number 0085

KIM GARNERO, Director, Division of Finance, Department of Administration, told the committee that while she is no expert on procurement issues, she is familiar with the business relationships between the State of Alaska and travel agencies. She testified as follows:

State government has a long history of relying on a private sector for professional travel services. Until a few years ago, these services were provided for free to travelers, because travel agencies relied on commissions from travel providers such as airlines and hotels. Because no public funds were spent for these services, each state office was able to use a travel agent of their choice, and strong loyalties developed.

In October 1999, airlines cut travel agent commissions from 8 to 5 percent. This 37.5 percent reduction was an early step in a trend that continues to place severe economic pressure on travel agents. With ever-declining commissions from airlines, more and more travel agencies are responding by initiating fees for their services.

When fees are introduced to travel services, the issue of competitive procurement arises. The State of Alaska spends over \$16 million a year on airline tickets, so a fee as low as 1 percent results in \$160,000 a year spent for these services.

[The end of the tape cut off a portion of Ms. Garnero's testimony; however, the content was later provided to the secretary and read as follows: "Current procurement law requires formal competitive bids for purchases of this size. The result is that all state travel purchases are then made from the successful bidder."]

TAPE 02-15, SIDE A  
Number 0001

MS. GARNERO continued as follows:

Our policy has been to obtain travel agent services without paying fees wherever possible. Toward that end, the Department of Administration has maintained a web site listing travel agents willing to provide services free of charge to state agencies. State agencies may use any of the listed travel agencies, or any other travel agency willing to waive fees for their service.

But in communities where no travel agencies are willing to provide free services, we competitively

established a travel agent contract in accordance with the procurement code. This has resulted in single-award contracts for the communities of Juneau, Wrangell, Petersburg, Haines, Cordova, Seward, and Dillingham. Fees paid under these contracts range from \$5 to \$20 for an airline ticket.

Number 0098

MS. GARNERO informed members that she was responsible for writing the fiscal note. She explained that the \$8 is not necessarily "reasonable" amount, but rather an assumption "based on what we've seen in these contracts we've picked out so far." She continued as follows:

If the legislation passes, travel-related services would be exempted from the procurement code. In that case, the Department of Administration will meet with industry representatives to establish a reasonable fee schedule, which would become the benchmark for doing business with the state. Any travel agency willing to provide services at or below the benchmark would be eligible to do business with the state, and state employees could then choose to use any eligible travel agency.

But to sum up, passage of HB 300 will eliminate the requirement for competitive procurement in order to pay fees, but it would not prevent establishing [a] future travel agency contract when that's in the state's best interest. It also will have no effect on our existing ... travel agency contracts, since they are preexisting and legally binding.

MS. GARNERO offered to answer questions.

Number 0207

REPRESENTATIVE STEVENS asked what benefits exist to travel agents to provide services free of charge to the state.

MS. GARNERO answered that the travel agents still receive 5 percent from the airlines; she mentioned that she thinks hotels and rental car agencies are paying them. She admitted that she doesn't fully understand the travel agency revenue structure. She said there are still commissions left; however, she referred

to previous testimony regarding the inevitable trend of reducing commissions.

REPRESENTATIVE STEVENS asked if Ms. Garnero was finding disinclination on the part of travel agents to continue this arrangement with [the state] at no charge.

CHAIR COGHILL commented, "I think the testimony to a bill is pretty resounding."

MS. GARNERO mentioned the October 1999 reduction. She said after that reduction, [the department] wrote letters to 170 travel agencies around the state, asking if they were willing to waive fees for their service, "after we first put that web site together." Noting that perhaps more than 80 travel agencies were listed at that time, she said many have gone out of business, and the number is now 40. She mentioned the following numbers of travel agents currently listed: 13 in Anchorage, 9 in Fairbanks, and "1 or 2 shops around the state."

Number 0344

REPRESENTATIVE WILSON indicated the fiscal note and asked if [the \$8] reflected [a fee] for one-way or roundtrip travel.

MS. GARNERO answered that her intention at the time she wrote the fiscal note was that [the \$8] was for a roundtrip ticket. She reiterated that she didn't know if that was reasonable. She said [the determination] would come from discussion with the travel industry representatives.

Number 0400

REPRESENTATIVE FATE asked if his understanding - that this would take out procurement and open the door to agency competition - was correct.

MS. GARNERO replied, "I'm not sure that it opens the door to agency competition, because what we're speaking of doing is setting some benchmark at which we would pay, and I don't know that we would get many that would charge us less than that."

REPRESENTATIVE FATE noted that there are many factors which are hurting the [travel] agencies, including the cutback of commissions and the increasing acceptance of Internet ticketing and electronic ticketing. He asked what would happen to the

system when, inevitability, several of these agencies go out of business for one reason or another.

MS. GARNERO responded that her mother owned a travel agency for 20 years, which closed 2 years ago; so she herself is aware of what is going on in the industry. She explained that when she procured the information for the fiscal note, 23 percent of the tickets bought last year were purchased directly from Alaska Airlines. She added that she was certain many of those were purchased over the Internet. She said she didn't have data for early years, but was sure the numbers for next year would be higher than 23 percent.

MS. GARNERO noted that the macroeconomics of travel agencies is changing because of the consolidation of smaller agencies into bigger ones, for example, and because many agencies are closing their doors.

REPRESENTATIVE FATE asked if that would make ticketing by the state more difficult.

MS. GARNERO answered as follows:

Last year in Juneau, our last few travel agencies that were waiving fees for us said they could no longer do it. We did a procurement. We had several bidders and ended up with a contract with a large statewide agency. We're paying ... \$5 for a ticket to Anchorage roundtrip, and \$8 for a ticket anywhere else roundtrip, on that contract. I would imagine in our larger urban areas, procurements would yield similar results.

MS. GARNERO noted, "The only community we were not able to get a contract in - that wouldn't waive fees - was Bethel."

CHAIR COGHILL commented, "With this law, it would allow us some flexibility in discussing things with travel agencies, but it would not mandate it. I mean, we could look for other areas for cost savings if we had to."

MS. GARNERO said yes. She added that it would also put the choice back in state agencies, which she said they like.

Number 0758

KARA ALTMAN, Owner, Kara's Cruise and Travel, told the committee she is a lifelong Alaskan and a Juneau resident who has worked for most of the last 15 years of her career in the travel industry at Southeast Executtravel. She noted that Southeast Executtravel was forced to close its doors on December 8, 2000; eight employees lost their jobs that day, with about two days' notice. She said this was a direct result of the state's refusal to compensate the travel agency for work done on its behalf.

MS. ALTMAN said no agency in town could absorb eight agents suddenly out of work; some of those out-of-work agents had to rely upon state public assistance to provide for their families - yet another cost to the state. She recounted that she and her colleague [Cyndi Isaak] had set up home-based travel agencies at their own expense. Not charging a fee would be the death of their businesses and livelihood, she emphasized.

MS. ALTMAN said she knows of no other professional in the world that offers services at no charge. She explained that [the travel agency] was able to do that when commissions were 10 percent, but they have been cut to 5 percent over the years, which means a 50 percent cut in pay. In regard to capping tickets at a \$20 maximum, she said it costs an agent approximately \$35 in overhead costs; therefore, the agents lose \$15 minimum for each ticket issued.

MS. ALTMAN referred to an aforementioned comment regarding [commissions paid] on cars and hotels. She told the committee, "Cars generally do pay us 10 percent, but not for the state; for the state, we only get 5 percent." Hotels, she said, will often say that government fees are non-commissionable, after the travel agent has made a long-distance phone call at his/her own expense to book the reservation.

MS. ALTMAN said the \$8 charge is per ticket, whether "a roundtrip to Timbuktu or a one-way to Anchorage," no matter how many segments are in the itinerary. She noted that when booking travel for "regular citizens," many agencies charge \$20, but she said, "Our fee is \$10." She pointed out that charging \$8 to the state would be, in effect, giving the state a discount. She added that [travel agents] can and always have been able to issue electronic tickets, so that is not an issue of concern.

Number 1020

CHAIR COGHILL asked Ms. Altman to describe some of the areas in which her work can "overrule the e-ticket world."

MS. ALTMAN replied that a travel agent has access to all airlines, cars, and hotels at once, and can get the client the best rates. A person can e-mail the travel agent and spend very little time working on travel plans. She said all [agents] know that for the State of Alaska, Avis Car Rental Agency has the contract, for example. If an employee has to go on the Internet or hold on the phone with an airline, the airline will give that person its rates, but not the rates of other airlines. She mentioned the time involved in making one's own reservation. She said, "You're going to pay your state employees for one or two hours booking their own travel, when you could pay a travel professional a - in my opinion - miniscule \$8 to do it for you and have it done."

CHAIR COGHILL said he was looking for that answer and told Ms. Altman she'd done a good job in representing her industry.

Number 1103

CYNDI ISAAK, Owner, Cyndi's Cruise and Travel, told the committee she'd previously worked for 12 years with [Southeast] Executtravel and "saw what happened with that agency." A mother of two who'd worked out of her home for the last six years, she said that when her employer's business folded, she was encouraged by her large clientele to open her own business.

MS. ISAAK noted that she has run her own agency since April 2001. When she opened her business, she offered to make travel arrangements for the state at no charge because she knew the state wouldn't pay a fee for the large clientele who wanted her to continue her services. She added that she did charge her "other" customers fees [to avoid the same fate as Southeast Executtravel]. She remarked, "When the state went out to contract, I actually was not included on that contract, because the person who put out the bid used the old phone book." She clarified that it wasn't to say that she'd have bid on the entire State of Alaska, because she'd have had to hire more employees and probably have a storefront agency.

MS. ISAAK said she has "extended that" to a few other agents who want to work out of their homes in order to be with their children. She noted that although she doesn't have high overhead, rents, and salaries, the fee is still necessary. She told members, "If you read all the travel agency trade, they

will eventually go to zero. I mean, we have been forced into this position."

MS. ISAAK said she guessed she was before the committee on behalf of her clients who don't like being in a contract with one agency in town and don't have a choice. She continued:

I have some who say, "I'm a little rebellious; I don't want to use them, I want to use you." They can't even use me if they want to pay the fee out of their pocket. I had somebody try yesterday, and because they have a contract with another agency in town, they can't, even if they want to pay the fee themselves. So, what they're doing is using state time and spending hours on the Internet trying to figure out their own travel.

MS. ISAAK recalled that one of her clients had booked the same flight that she herself was booking, while on the phone together, and the price quoted to the client was higher. She said [a travel agent's] job is to search for the greatest rates [from immediately available sources] and that it is imperative to charge "the little fee."

MS. ISAAK said because the airlines have capped "us," she would agree to the state's saying, "Okay, we will use you if you only charge us \$8, or \$10, or whatever it turns out to be." Then, she noted, there would be the flexibility to say "yes" to taking on the state. She told members it isn't fair for one agency to be able to "have the entire State of Alaska." Furthermore, not all the little agencies that exist now can handle the entire state. In conclusion, she said, "I'd love to have my people back, and I know that they would like their choice, as well."

Number 1317

RAMONA OXENDINE, Vagabond Travel, testifying via teleconference, told the committee she thought [travel agents] had been well represented [by the previous testimony]. She said all she could add is, "Ditto, ditto, ditto, ditto." Stating her hope that [the committee] could see the writing on the wall, she remarked, "I do not think the Internet is your friend." If the time comes when [travel agents] are gone - which will happen unless there is a realization that the fees are necessary - people will be a captive audience with the airlines, Ms. Oxendine said, and airlines will give people [only] the information online that they want people to see.

Number 1409

YULANDA JOHANSEN, Northern Lights Travel, testifying via teleconference, concurred that everyone had spoken well. She said, "I do hope the state realizes the valuable service that we, as travel agents - professionals - do offer." She asked the committee to consider the bill.

Number 1447

SHANNON WILEY, Manager, Goldbelt Family Travel, told the committee she has worked in the industry in Juneau for approximately 15 years, formerly with American Express. She pointed out that the airlines' move to cut commissions has, basically, "put the consumer on peg there, to have to carry the cost of the distribution," which she explained, is "what is happening with the fee structure that most companies have come up with." Ms. Wiley noted that travel agencies don't provide services solely to the State of Alaska and its employees; the wide range of services includes those for the tourism industry, "the third-largest economic factor" in the state. It hurts the entire industry when so many agencies are going out of business, she concluded.

Number 1622

REPRESENTATIVE HAYES moved to report HB 300 from committee with individual recommendations and the accompanying fiscal note. There being no objection, HB 300 moved out of the House State Affairs Standing Committee.

#### **ADJOURNMENT**

Number 1657

There being no further business before the committee, the House State Affairs Standing Committee meeting was adjourned at 10:01 a.m.