

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

April 10, 2003

1:35 p.m.

MEMBERS PRESENT

Senator Con Bunde, Chair
Senator Ralph Seekins, Vice Chair
Senator Gary Stevens
Senator Bettye Davis

MEMBERS ABSENT

Senator Hollis French

COMMITTEE CALENDAR

SENATE BILL NO. 128

"An Act relating to licensing common carriers to dispense alcoholic beverages; and providing for an effective date."

MOVED SB 128 OUT OF COMMITTEE

SENATE BILL NO. 111

"An Act relating to the submission of payroll information by contractors and subcontractors performing work on a public construction contract; and providing for an effective date."

HEARD AND HELD

SENATE BILL NO. 114

"An Act increasing the fee for a state business license; and providing for an effective date."

HEARD AND HELD

PREVIOUS ACTION

SB 128 - No previous action to record.

SB 111 - See Labor and Commerce minutes dated 3/25/03.

SB 114 - See Labor and Commerce minutes dated 3/18/03.

WITNESS REGISTER

Mr. Richard Schmitz
Staff to Senator Cowdery
Alaska State Capitol
Juneau, AK 99801-1182
POSITION STATEMENT: Commented on SB 128.

Mr. Irving Bertram
General Counsel
Alaska Airlines
No address provided
POSITION STATEMENT: Supported SB 128.

Mr. Doug Griffin
Alcoholic Beverage Control Board
550 W 7th, No. 540
Anchorage AK 99501
POSITION STATEMENT: Supported SB 128.

Commissioner Greg O'Claray
Department of Labor & Workforce
Development
PO Box 21149
Juneau, AK 99802-1149
POSITION STATEMENT: Supported SB 111.

Ms. Paula Scavera, Program Specialist
Department of Labor & Workforce
Development
PO Box 21149
Juneau, AK 99802-1149
POSITION STATEMENT: Commented on SB 111.

Mr. Dick Cattanach
Association of General Contractors
8005 Schoon St.
Anchorage AK 99518
POSITION STATEMENT: Opposed SB 111.

Mr. Rick Urion, Director
Division of Occupational Licensing
Department of Labor & Workforce
Development
PO Box 21149
Juneau, AK 99802-1149
POSITION STATEMENT: Commented on SB 114.

ACTION NARRATIVE

TAPE 03-20, SIDE A

SB 128-COMMON CARRIER LIQUOR LICENSE

CHAIR CON BUNDE called the Senate Labor and Commerce Standing Committee meeting to order at 1:35 p.m. and announced SB 128 to be up for consideration.

MR. RICHARD SCHMITZ, staff to Senator Cowdery, sponsor, explained that the purpose of SB 128 is to streamline some of the permitting requirements in situations where a common carrier (airplane or boat) also sells liquor as part of its function and is, therefore, regulated. Alaska Airlines, for instance, has to get a separate license for every airplane that it owns, because it can't separate out which planes may or may not come to Alaska. The purpose of the bill is to allow those carriers to instead license a certain number of planes, probably 10, and pay a fee for each plane beyond that. It also affects planes that serve cruise ship passengers that go to McKinley Park from Anchorage or Seward and it would allow trains that have bar cars to get one license.

MR. IRVING BERTRAM, general counsel, Alaska Airlines, said that licensure requires filling out a lot of paperwork and is a bit of an administrative burden for Alaska Airlines and the Alcoholic Beverage Control Board (ABC). Alaska Airlines hopes to eliminate that process as its fleet continues to grow. Currently it has 100 licenses and would like to simply pay a minor fee for additional planes without having to go through the administrative hassle and expense of posting and publishing. They would also like to see their overall licensing fee be reduced and pay the regular fee for the first 10 licenses and \$100 for each additional license.

MR. BERTRAM explained that the fee structures in other states are significantly different from Alaska's. Arizona charges \$275 and in California, Alaska Airlines pays a \$400 fee and \$12 per aircraft for duplicate licenses. In Oregon it pays \$203 and in Washington has a \$1,200 cost with \$750 for the fee, plus \$5 for each aircraft. Alaska Airlines pays over \$40,000 in Alaska, which it feels is a little bit inequitable given the nature of its business and what the state has to do in terms of regulation for them as a licensee. While Alaska Airlines prefers the fee structure of California and Oregon, it is satisfied with what's in SB 128.

CHAIR BUNDE commented that many Alaskans would like to have airfares between Alaskan cities priced similarly to airfares in the Lower 48 as well.

MR. BERTRAM agreed that was a good point, but added that he wished Alaska Airline's costs were the same, too.

CHAIR BUNDE asked if he would support the bill if it were revenue neutral.

MR. BERTRAM replied yes.

MR. DOUG GRIFFIN, ABC Board, concurred with Mr. Bertram's remarks and supported SB 128. He said this is an area where state law has not kept up with modern times in terms of logistics of aircraft. These fees could be acting as a deterrent for other airlines to come into Alaska. The duplicate licensing concept is used in other states.

CHAIR BUNDE asked if this would also apply to Era and Penn Air.

MR. GRIFFIN replied it would if they provide that service.

SENATOR STEVENS asked what the state does in terms of regulation and whether inspections are involved.

MR. GRIFFIN replied the state does very little. The main concern is safety and bad behavior caused by alcohol consumption.

SENATOR FRENCH asked if all airlines who do business in the state, specifically those who are not based here, have Alaska liquor licenses.

CHAIR BUNDE replied they do if they serve Anchorage and Fairbanks, but for Anchorage and Seattle, no.

SENATOR SEEKINS moved to pass SB 128 from committee with individual recommendations and its attached fiscal note.

The roll was called. SENATORS SEEKINS, FRENCH, STEVENS, DAVIS and BUNDE voted yea and it passed from committee.

SB 111-PUBLIC CONSTRUCTION PROJECT REQUIREMENTS

CHAIR BUNDE announced SB 111 to be up for consideration and that the Department of Labor had worked on a committee substitute (CS).

SENATOR SEEKINS moved to adopt the CS. There were no objections and it was so ordered.

COMMISSIONER GREG O'CLARAY, Department Of Labor And Workforce Development, said the department was looking for revenue that would offset general funds that are now being spent to operate the Labor Standards and Safety Division.

CHAIR BUNDE asked him to explain the changes in sections 4 - 8.

COMMISSIONER O'CLARAY explained that there is a new section under AS 36.05.045 - Notice of Work and Completion and Withholding of Payment. In concept, they tried to figure out a way to withhold payment for those subcontractors that might be in violation of the prevailing wage rate without having an adverse impact on the general contractor.

CHAIR BUNDE asked if this would take care of the concern that someone might do a half-day of work, make \$500 and have to pay the state \$200.

The Commissioner answered that is true. He added a new section attempts to resolve the problem of the department withholding the final payment on a project to the general contractor because of one employee. It says that the department can only withhold the amount it estimates is necessary to compensate employees under a Title 36 investigation. It also sets a timeline for the notice and filing of fees no later than 14 days after work has commenced. Section 3 is identical to the original bill. Another change was about a concern over tenant improvements in public buildings.

SENATOR FRENCH asked if the records will be retained within the Department of Labor.

COMMISSIONER O'CLARAY said they would be and the department would start using on-line filing by July 1, 2004 and instead of every week, require a filing every second week.

SENATOR STEVENS said municipalities were concerned that they would have to keep records and request an exemption. He asked if that had been dealt with.

MS. PAULA SCAVERA, Program Assistant, answered that in Section 1 of the CS, recordkeeping is retained in the Department of Labor.

SENATOR STEVENS asked if the municipalities are required now to keep records.

MS. SCAVERA said they are not. She added that municipalities were also concerned about emergency response work, such as the recent windstorm in Anchorage. The notice of filing fee may be filed after work has begun if the public construction contract is for work undertaken in immediate response to an emergency and the noticing fees are not filed later than 14 days after the work has begun.

MR. DICK CATTANACH, Association of General Contractors (AGC), said the AGC understands the department needs to raise revenue and AGC has consented to the first portion, which allows the department to capture up to \$5,000, but the AGC still has problems with the rest of the bill - the reporting requirements in section (2)(c) and withholding payment because a [subcontractor] didn't comply with what they legally agreed to do. He thought there were already remedies in law to deal with that so he didn't see the need to add more paperwork to what the contractors have to do.

MR. CATTANACH said he had just seen this new CS and hadn't had a chance to talk to the commissioner about it.

CHAIR BUNDE said Legislative Legal and Research had not reviewed this version yet and he was going to keep it until the next meeting. That would give him the opportunity to have conversations with the department and the commissioner.

SB 114-INCREASE BUSINESS LICENSE FEE

CHAIR BUNDE announced SB 114 to be up for consideration.

SENATOR SEEKINS gave everyone a printout of the different options.

CHAIR BUNDE asked Mr. Urion if he was concerned about returning to a one-year licensing requirement as opposed to the current two-year.

MR. RICK URION, Director, Division of Occupational Licensing, said he thought the additional cost would not be significant.

CHAIR BUNDE asked if it would complicate things to make it optional.

MR. URION replied that he thought it would.

SENATOR STEVENS said there are 330 businesses and they are just talking about \$6,000, but a lot of businesses don't sell tobacco, like Burger King and McDonald's.

MR. URION explained that most of the franchises are separate businesses.

SENATOR STEVENS asked if he had figured the cost to the department in any of his calculations.

SENATOR SEEKINS replied that he had not; he thought the multiple location approach would offset the additional cost of the annual renewal fee.

MR. URION added if they go to an annual license, the law for tobacco endorsement that passed a few years ago says the endorsement is good for the length of the term of the license it accompanies. An annual license renewal would automatically make the tobacco endorsement an annual license, which is \$100. That would generate an additional \$125,600 per year for the state.

CHAIR BUNDE asked for Mr. Urion's thoughts on adopting option 4 with \$100 for 0 to 4 employees up to \$100,000 gross.

MR. URION replied that he had been around awhile and was in business when Alaska had a gross business tax. People in business today get really upset when you talk about a gross business tax. He noted, "That's something that doesn't exist anymore."

There was a general discussion on the issues.

TAPE 03-20, SIDE B

CHAIR BUNDE said his concern was about generating less revenue and he was seeking direction from the committee.

SENATOR SEEKINS responded in his opinion, the committee should go with \$100 for the 0 to 4 annually and a minimum of \$200 to \$300 for the 5 to 19 and 20 plus requiring individual licenses with multiple locations, but he thought they could get away with \$100, \$300 and \$500 without causing undue harm and get closer to some of the revenue goals.

CHAIR BUNDE said they would hold the bill for further work and adjourned the meeting at 2:29 p.m.