

**ALASKA STATE LEGISLATURE**  
**HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, INTERNATIONAL**  
**TRADE AND TOURISM**  
February 13, 2006  
6:05 p.m.

**MEMBERS PRESENT**

Representative Mark Neuman, Co-Chair  
Representative Jay Ramras, Co-Chair  
Representative John Coghill  
Representative Bob Lynn  
Representative Harry Crawford

**MEMBERS ABSENT**

Representative Nancy Dahlstrom  
Representative Beth Kerttula

**COMMITTEE CALENDAR**

HOUSE BILL NO. 389

"An Act relating to tourist accommodations permits and to penalties for failing to comply with permitting requirements; removing a requirement that persons operating tourist accommodations post certain laws and regulations on the premises; and providing for an effective date."

- MOVED HB 389 OUT OF COMMITTEE

HOUSE BILL NO. 416

"An Act relating to the amount of the state business license fee."

- MOVED CSHB 416(EDT) OUT OF COMMITTEE

TESTIMONY ON PROPOSED COMMITTEE RESOLUTION - ALASKA ASSOCIATION OF FUTURE FARMERS OF AMERICA

- HEARD BUT NOT SCHEDULED

**PREVIOUS COMMITTEE ACTION**

BILL: HB 389

SHORT TITLE: REGULATION OF TOURIST ACCOMMODATIONS

SPONSOR(S): REPRESENTATIVE(S) COGHILL

01/23/06 (H) READ THE FIRST TIME - REFERRALS  
01/23/06 (H) EDT, L&C  
02/13/06 (H) EDT AT 6:00 PM CAPITOL 106

BILL: HB 416

SHORT TITLE: BUSINESS LICENSE FEE  
SPONSOR(S): REPRESENTATIVE(S) RAMRAS

02/01/06 (H) READ THE FIRST TIME - REFERRALS  
02/01/06 (H) EDT, L&C, FIN  
02/13/06 (H) EDT AT 6:00 PM CAPITOL 106

**WITNESS REGISTER**

KAREN LIDSTER, Staff  
to Representative John Coghill  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Testified that HB 389 is in response to a request by the Department of Environmental Conservation (DEC) to repeal legislation regarding the permitting requirements for tourist accommodations and identified the sections that will be repealed by it.

KRISTIN RYAN, Director  
Division of Environmental Health  
Department of Environmental Conservation (DEC)  
Anchorage, Alaska

POSITION STATEMENT: Testified that permitting tourist accommodations is not helpful in the mission of the Division of Environmental Health and the Department of Environmental Conservation (DEC).

JIM POUND, Staff  
to Representative Jay Ramras  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Testified that HB 416 will repeal the increase in the business license fee made by House Bill 162 in 2003.

REPRESENTATIVE BILL STOLTZE  
Alaska State Legislature  
Juneau, Alaska

POSITION STATEMENT: Speaking as a sponsor, testified in support of HB 416.

RICK URION, Director  
Division of Occupational Licensing  
Department of Commerce, Community, & Economic Development  
(DCCED)  
Juneau, Alaska

POSITION STATEMENT: Testified that HB 416 would generate a significant fiscal note and discussed the current allocation of business license fee funds and the potential effects of a decreased business license fee.

HANNAH HARRISON, President  
Alaska Association of Future Farmers of America (FFA)  
Homer, Alaska

POSITION STATEMENT: Testified that potential legislation regarding marketing Alaska Grown produce to the Alaska tourism industry would have a positive effect on the FFA.

#### **ACTION NARRATIVE**

**CO-CHAIR MARK NEUMAN** called the House Special Committee on Economic Development, International Trade and Tourism meeting to order at [6:05:12 PM](#). Representatives Neuman, Ramras, Coghill, Lynn, and Crawford were present at the call to order.

#### HB 389-REGULATION OF TOURIST ACCOMMODATIONS

[6:05:35 PM](#)

CO-CHAIR NEUMAN announced that the first order of business would be HOUSE BILL NO. 389, "An Act relating to tourist accommodations permits and to penalties for failing to comply with permitting requirements; removing a requirement that persons operating tourist accommodations post certain laws and regulations on the premises; and providing for an effective date."

[6:06:32 PM](#)

KAREN LIDSTER, Staff to Representative John Coghill, Alaska State Legislature, informed the committee that [HB 389] is in response to a request by the Department of Environmental Conservation (DEC) to repeal legislation regarding the permitting requirements for tourist accommodations. Currently, [DEC] doesn't enforce the statute, and tourist accommodations are regulated by annual water testing, health inspectors, fuel tank inspections, and the number of toilets that have to be in a

[bathroom]. She added that tourist accommodations are heavily regulated as public accommodations.

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MS. LIDSTER identified the sections that will be repealed by [HB 389]: AS 18.35.040, which relates specifically to [tourist accommodation] permits that DEC no longer requires; AS 18.35.050, which is the penalty for noncompliance for the permit requirement; and AS 44.64.030(a)(16), with AS 44.64.030 relating to the adjudicatory authority and jurisdiction of DEC and AS 44.64.030(a)(16) specifically relating to AS 18.35.040 tourist accommodations.

[6:08:36 PM](#)

REPRESENTATIVE COGHILL requested that Ms. Lidster inform the committee as to what [the State of Alaska] isn't going to do [when HB 389 is enacted].

MS. LIDSTER remarked that [the State of Alaska] isn't going to require a permit for tourist accommodations [when HB 389 is enacted].

[6:09:41 PM](#)

KRISTIN RYAN, Director, Division of Environmental Health, Department of Environmental Conservation (DEC), explained that the Food Safety and Sanitation Program regulates hotels and tourist accommodations through 18 AAC 30. She noted that these regulations were last drafted in 1982 and need to be updated. The [DEC] has not permitted tourist accommodations since 1982.

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MS. RYAN informed the committee that [the Division of Environmental Health] conducts complaint investigations as well as inspections if/when a complaint arises. She remarked that the requirement of permitting [tourist accommodations] adds a layer of paperwork that isn't helpful in the mission of [the Division of Environmental Health]. She added that the risk of [tourist accommodation noncompliance] is extremely low compared to other facilities that [the Food Safety and Sanitation Program] inspects. The kitchens, for example, in [tourist] accommodations, are still inspected and regulated under the Food Safety Regulation.

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MS. RYAN explained that tourist accommodations sanitation statutes and regulations address the rooms of the facility to ensure that they are clean and sanitary. She informed the committee that [HB 389] does not remove or eliminate [DEC]'s obligation to set sanitary standards for tourist accommodations and [DEC] will continue to do so. However, [HB 389] removes [DEC's] requirement to permit, post the permit, and fine [tourist accommodations] if/when a permit is not posted, which [DEC] is currently not doing and hasn't done since 1982.

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CO-CHAIR NEUMAN inquired as to what constitutes a tourist accommodation.

MS. RYAN responded that [a tourist accommodation] provides lodging for the public for a fee. She added that a tourist accommodation includes hotels, lodges, and RV parks. In further response to Co-Chair Neuman, she informed the committee that [DEC] has a special permit for camps and/or transients that's geared toward guides and hunters. It's an all-encompassing permit that includes food, wastewater, garbage disposal and drinking water - everything that DEC regulates to varying degrees.

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CO-CHAIR NEUMAN, upon determining that no one else wished to testify, announced the closure of public testimony.

[6:14:23 PM](#)

REPRESENTATIVE COGHILL moved to report HB 389 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 389 was reported out of the House Special Committee on Economic Development, International Trade and Tourism.

HB 416-BUSINESS LICENSE FEE

[6:14:56 PM](#)

CO-CHAIR NEUMAN announced that the next order of business would be HOUSE BILL NO. 416, "An Act relating to the amount of the state business license fee."

[6:15:10 PM](#)

JIM POUND, Staff to Representative Jay Ramras, Alaska State Legislature, explained that HB 416 will [repeal] the [increase in the business license fee] made by [House Bill 162] in 2003, which was at a time when [the State of Alaska] was seeking additional sources of revenue due to low oil prices. He opined that [HB 416] sends a message that Alaska is open for business, especially for small business. He further opined that by reducing [the State of Alaska's] business license fee from \$100 back to \$25 per year, Alaskans will be more willing to pursue business ideas.

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MR. POUND remarked that HB 416 removes the burden placed on small business by the [State of Alaska]. With [the cost of] oil currently at an all-time high and not expected to ever drop to record lows and with natural gas "on the horizon," HB 416 is good for the Alaska economy by supporting "Mom and Pop" businesses in Alaska.

CO-CHAIR NEUMAN commented that as a small business owner, he appreciates the intent of [HB 416]. He opined that reducing [the business license fee] would encourage more people to obtain a business license.

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CO-CHAIR RAMRAS noted that the accompanying fiscal note is significant - \$4.25 million per year. He further noted that 90 percent of Alaska's revenue is a result of the oil and gas industry and that one of the primary reasons Alaska doesn't have a sales tax is because it's still growing. He remarked that some Alaskans maintain multiple businesses and [the business license fee of \$100 per year] hinders non oil- and gas-related growth in [Alaska's] economy.

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REPRESENTATIVE LYNN moved [to adopt] CSHB 416, Version 24-LS1555\F, Bannister, 2/10/06, as the working document. There being no objection, Version F was before the committee.

[6:19:59 PM](#)

REPRESENTATIVE CRAWFORD recalled his opposition to [increasing] the business tax [in 2003]. He said, "I thought it was the wrong idea at the time and I think it's a good thing that we're repealing it today."

REPRESENTATIVE LYNN commented that [a bill is a good] when the government can lower taxes. He added that [CSHB 416] sends a good message that when a tax is no longer needed, [the legislature] will reduce it.

[6:20:58 PM](#)

REPRESENTATIVE BILL STOLTZE, Alaska State Legislature, informed the committee that he voted for the [business license fee] increase in [2003]. He commented that due to the circumstances with which [the legislature] was faced at that time, it was a "close call" whether it was the right thing to do. [House Bill 162] was a revenue measure to fill a significant gap. He added that [the business license fee] effects commerce and business in Alaska.

[6:23:08 PM](#)

CO-CHAIR RAMRAS remarked that he hadn't been able to determine how many business licenses have been sold in Alaska.

REPRESENTATIVE STOLTZE relayed that dealing with the Department of Revenue (DOR) has been a frustrating [process]. He added that for something that was a significant state policy enacted just three years ago, it should be very clearly delineated in the revenue sourcebooks.

REPRESENTATIVE COGHILL inquired as to whether 74,000 business licenses is as close as Representative Stoltze has been able to [approximate].

REPRESENTATIVE STOLTZE responded that there's no clear delineation in the revenue sourcebooks.

[6:26:32 PM](#)

RICK URION, Director, Division of Occupational Licensing, Department of Commerce, Community, & Economic Development (DCCED0, assured the committee that the division is able to inform the committee as to the number of business licenses it has sold this year, last year, and every year.

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MR. URION informed the committee that [CSHB 416] is going to cost money. With the Murkowski Administration, DCCED was charged with trying to generate more revenue to pay for the services it provides. The DCCED has very few sources of revenue, although one of them is the business license fee. He explained that [the business license fee] is a tax - it is a source of revenue. [The business license fee] was increased from \$25 to \$100 per year. It was the first and only time [the business license fee] has been increased since 1949, "when the license law went on the books." He noted that there has never been a person in the history of the state or territory that's been fined for not having a business license.

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MR. URION, in response to Co-Chair Ramras, clarified that the business license fee was increased by 400 percent [in 2003]. He informed the committee that [with the business license fee increase], the number of business licenses [sold] essentially remained the same. He added that if [the business license fee] is decreased to \$25, the Division of Occupational Licensing will not be effected. The biggest recipient of the funds from [the business license fee] is the Alaska Travel Industry Association (ATIA), which receives \$2.5 million. Other recipients include: the Office of Economic Development, the Division of Community Advocacy, the Division of Occupational Licensing, legislative grants, the Office of the Governor, and the Tax Division within the DOR.

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REPRESENTATIVE LYNN inquired as to the point of having a [business] license if a noncompliance fine is never collected.

MR. URION explained that the Division of Occupational Licensing doesn't want to punish those who aren't in compliance, but would rather have them be in compliance. In further response to Representative Lynn, he informed the committee that the division doesn't have the means to "go after" those who aren't in compliance. Therefore, he asked the legislature to change that. The fine for noncompliance is \$2,000. If [the business license fee is decreased] to \$25, he asked that the legislature make [not having a business license] a misdemeanor. He opined that if the division was able to collect a [noncompliance] fine, [business license fees] would be a lot easier to enforce.

[6:31:56 PM](#)

MR. URION added that another thing the legislature would be able to do if it decided not to [decrease the business license fee] to \$25, is allow [Alaskans] with multiple lines of business to [conduct business with] one business license. Currently, the law reads that the Division of Occupational Licensing has to sell business licenses for every line of business.

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CO-CHAIR RAMRAS referred to Section 1, lines 5-7, which read: "If a person knowingly engages in a business in the state without having a current license issued under (a) of this section, the person is guilty of an infraction and may be fined up to \$50." He asked, "Is that severe enough, in your estimation?"

MR. URION replied yes.

CO-CHAIR RAMRAS related his understanding that Mr. Urion would recommend that a member make a conceptual amendment to further consolidate business licenses.

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MR. URION answered that it depends on whether the committee is going to [decrease the business license fee] to \$25, in which case [consolidating business licenses] "probably won't make that much of a difference." He added that he would be able to bring the committee the amendment that would allow one business license for multiple lines of business, as long as he/she operates under the same business name.

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CO-CHAIR RAMRAS, in regard to when the business license fee was increased and the funds were [allocated] to ATIA and other agencies, inquired as to from where ATIA and other agencies [previously received] funding.

MR. URION answered that it was a new funding source.

[6:35:33 PM](#)

REPRESENTATIVE COGHILL opined that when [the legislature] voted for [House Bill 162 in 2003] it was a "pretty good sized jump." He expressed his reluctance to "rapid change" with the justification based on inflation, for example. He added, "I don't think we're probably going to have the money to reimburse them."

[6:38:19 PM](#)

REPRESENTATIVE CRAWFORD discussed the difference between a fee and a tax. A fee is supposed to be the amount of money the government charges to run a program or department. A tax is a revenue measure that's designed to [generate] money and run the general fund. He expressed his belief that [the business license fee] isn't truly a fee. He said, "It's a tax - a revenue measure - and we just didn't call it that."

[6:39:58 PM](#)

CO-CHAIR NEUMAN, upon determining that no one else wished to testify, announced the closure of public testimony.

[6:40:19 PM](#)

REPRESENTATIVE LYNN moved to report CSHB 416, Version 24-LS1555\F, Bannister, 2/10/06, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 416(EDT) was reported out of the House Special Committee on Economic Development, International Trade and Tourism.

TESTIMONY ON PROPOSED COMMITTEE RESOLUTION - ALASKA ASSOCIATION OF FUTURE FARMERS OF AMERICA

[6:40:47 PM](#)

CO-CHAIR NEUMAN announced that the final order of business would be testimony on a proposed House Special Committee on Economic Development, International Trade and Tourism resolution from the Alaska Association of Future Farmers of America (FFA).

[6:41:29 PM](#)

CO-CHAIR RAMRAS informed the committee of his intent to introduce a resolution on behalf of the House Special Committee on Economic Development, International Trade and Tourism in regard to [marketing] Alaska produce to the [tourism] industry.

Approximately 1 million cruise ship [passengers] travel through Alaska per year. The majority of the [Alaska] produce is a product of the Delta [Junction] and Matanuska-Susitna regions. He noted that he's been working with the Alaska Hotel Lodging Association as well as the Alaska Travel Industry Association (ATIA) to coordinate an effort to elevate [the status of] Alaska produce to that of wild Alaska salmon. He added that Alaska carrots and potatoes have a higher sugar and water content, which makes them much sweeter than other [carrots and potatoes].

[6:44:12 PM](#)

HANNAH HARRISON, President, Alaska Association of Future Farmers of America (FFA), opined that [marketing Alaska produce to the tourism industry] is an incredible opportunity to broaden Alaska's economic and industrial future as well as [form] a partnership with youth of Alaska, such as those in the FFA. The FFA is an organization that's based upon three key objectives: premier leadership, personal growth, and career success in Alaska's economy and industry. She relayed that the FFA will be an unwavering partner.

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MS. HARRISON characterized the idea of [marketing Alaska produce for the tourism industry] as a seed that needs the support [of the legislature] in order that the idea flourish into a new opportunity for Alaska's economy and youth.

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MS. HARRISON, in response to Co-Chair Neuman, relayed that she's involved in [FFA] leadership opportunities - public speaking, civic leadership, and civic involvement. The FFA is often known for its cattle, livestock, and poultry, although it extends far beyond that, especially in Alaska. [Members of the FFA in Alaska] have opportunities to explore careers and growth in agriculture and natural resources. She added that career success is a "really big part" of the FFA program as it wants to ensure that Alaska's future job force is educated and able to make intelligent decisions to lead Alaska into the future.

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REPRESENTATIVE LYNN commented that the concept of marketing Alaska produce because of its uniqueness is a fantastic idea and has some real potential.

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CO-CHAIR RAMRAS informed the committee that he had a meeting with [management] from Princess [Cruises]. He added that travel writers will like [the Alaska produce idea] because they're so fascinated with it. Alaska produce is complimentary to [Alaska] seafood. [The idea] is a "win-win" for the Matanuska-Susitna Valley and Delta [Junction] areas as well as the [tourism] industry.

6:49:30 PM

CO-CHAIR RAMRAS remarked that he, Representative Stoltze, and Co-Chair Neuman have been working on being able to present to ATIA at the April meeting in Juneau. He opined that the Alaska Grown program has been "wildly successful" in Safeway and Fred Meyers. However, most tourists aren't exposed to Alaska produce because they are eating on [cruise] ships.

6:54:08 PM

**ADJOURNMENT**

There being no further business before the committee, the House Special Committee on Economic Development, International Trade and Tourism meeting was adjourned at 6:54 p.m.