

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

February 18, 2013

3:21 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Mike Chenault
Representative Bob Herron
Representative Charisse Millett
Representative Dan Saddler
Representative Andy Josephson

MEMBERS ABSENT

Representative Lora Reinbold, Vice Chair

COMMITTEE CALENDAR

HOUSE BILL NO. 32

"An Act providing for the issuance of one business license for multiple lines of business; and providing for reissuance of a business license to correct a mistake on the license."

- HEARD & HELD

HOUSE BILL NO. 71

"An Act extending the termination date of the Alaska regional economic assistance program; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 32

SHORT TITLE: LINES OF BUSINESS ON BUSINESS LICENSE

SPONSOR(S): REPRESENTATIVE(S) COSTELLO, HUGHES

01/16/13	(H)	PREFILE RELEASED 1/7/13
01/16/13	(H)	READ THE FIRST TIME - REFERRALS
01/16/13	(H)	L&C, FIN
02/18/13	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 71

SHORT TITLE: AK REGIONAL ECONOMIC ASSISTANCE PROGRAM

SPONSOR(s): REPRESENTATIVE(s) HUGHES

01/16/13 (H) READ THE FIRST TIME - REFERRALS
01/16/13 (H) L&C, FIN
02/18/13 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

REPRESENTATIVE MIA COSTELLO

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified and answered questions as a prime joint sponsor of HB 32.

MARY SCHLOSSER, Staff
Representative Mia Costello
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified on behalf of Representative Mia Costello, as a prime joint sponsor of HB 32.

REPRESENTATIVE SHELLEY HUGHES

Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified as a prime joint sponsor of HB 32.

DON HABEGGER, Director
Division of Corporations, Business, and Professional Licensing
(DCBPL)
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Provided information on HB 32

CATHIE ROEMMICH, Chief Executive Director (CEO)
Juneau Chamber of Commerce (JCC)
Juneau, Alaska

POSITION STATEMENT: Testified in support of HB 32.

PEGGY ANN MCCONNOCHIE, Owner
ACH Consulting; Real Estate Broker
Juneau, Alaska

POSITION STATEMENT: Testified during the discussion of HB 32.

SHERRILEE BULLER, Owner
Upstream Mobile
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion HB 32.

REPRESENTATIVE SHELLEY HUGHES
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Testified as a joint prime sponsor of HB 71.

SHELLY WRIGHT, Executive Director
Southeast Conference
Alaska Regional Development Organization (ARDOR)
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Testified during the discussion of HB 71.

ANDY VARNER, Executive Director
Southwest Alaska Municipal Conference
(SWAMC)
Alaska Regional Development Organization (ARDORS)
Department of Commerce, Community & Economic Development (DCCED)
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 71.

ACTION NARRATIVE

[3:21:39 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:21 p.m. Representatives Chenault, Herron, Saddler, Josephson, and Olson were present at the call to order. Representative Millett arrived as the meeting was in progress.

HB 32-LINES OF BUSINESS ON BUSINESS LICENSE

[3:22:01 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 32, "An Act providing for the issuance of one business license for multiple lines of business; and providing for reissuance of a business license to correct a mistake on the license."

[3:22:27 PM](#)

REPRESENTATIVE MIA COSTELLO, Alaska State Legislature, Juneau, Alaska, stated Alaska can do a better job of creating a business

friendly environment. Small business represents one of the fastest ways to grow Alaska's economy.

REPRESENTATIVE SADDLER moved to adopt the proposed committee substitute (CS) for HB 32, labeled 28-LS0192\0, Martin, 2/16/13, as the working document. There being no objection, Version 0 was before the committee.

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REPRESENTATIVE COSTELLO stated that HB 32 will do two things. First, it would allow people who apply for business licenses to include multiple lines of business in the license. Second, it would allow a business license holder to add a new line to their current license. She said she introduced the bill when a constituent made a change to her business and was required to reapply for a business license.

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MARY SCHLOSSER, Staff, Representative Mia Costello, Alaska State Legislature, stated that under current law a separate business license is required for each line of business or business activity. First, this bill would allow a business to obtain a license to cover all lines of business. It would establish an application process to allow for multiple lines of business on a single license application with one fee charged. Second, HB 32 would make the process more consumer friendly by smoothing the process for changing the business licenses. She related this bill would also require the division to correct any errors at no charge while the business license is active. Additionally, if the consumer needs to make a change the consumer can do so without incurring fees within 90 days of the business license application. Finally, this bill provides for a transition between one type of licensing system and the new one. She related that after working with the Division of Corporations, Business, and Professional Licensing (DCBPL), the joint prime sponsors are requesting some minor modifications, included in Version 0.

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MS. SCHLOSSER related the first change [on page 1, line 8] would emphasize that the bill pertains to multiple lines of business and not just a single line. The second change in Section 3, [page 2, lines 8-11] would clarify the correction of errors process and that the change process is limited to a 90-day grace

period. The third change would require an altered bill title to reflect that the changes to the business license can also be permitted due to mistakes or for other reasons. She concluded that Representative Costello's goal in introducing HB 32 is to make it possible to license a business, rather than the lines of business, which could help make the state consumer friendly. In closing, she mentioned that Alaska is ranked 49th by [MSNBC] and 42nd by Forbes in terms of business-friendly practices.

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REPRESENTATIVE SHELLEY HUGHES, Alaska State Legislature, remarked on the importance of anything that can be done to move Alaska up in the ranking. She said she wants Alaska to be business friendly and small businesses are the heart and soul of the folks in Alaska. She concluded that HB 32 is an important bill. She urged members to move the bill out of committee.

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REPRESENTATIVE SADDLER referred to page 2, line 10 of Version 0. She asked for the type of change a person may wish to make on a license.

REPRESENTATIVE COSTELLO answered a constituent made a mistake on the type of business and realized it after she had submitted the application. In response to a question, she said she was unsure of the time that had transpired.

[3:28:26 PM](#)

REPRESENTATIVE HERRON asked whether any known opposition.

MS. SCHLOSSER answered no.

[3:28:43 PM](#)

REPRESENTATIVE HERRON understood that this bill would allow a single license if the business consists of several lines of business with the same owners to have a single license.

MS. SCHLOSSER answered that is correct as long as the owners and name of the business is the same.

[3:29:13 PM](#)

REPRESENTATIVE JOSEPHSON remarked he plans to cosponsor the bill, but has some questions for the Department [of Commerce, Community & Economic Development.]

[3:29:30 PM](#)

DON HABEGER, Director, Division of Corporations, Business, and Professional Licensing (DCBPL), Department of Commerce, Community, & Economic Development (DCCED), introduced himself.

CHAIR OLSON asked if department has any position on the bill.

MR. HABEGER answered the department does not have a position on the bill. He said that certainly anything to streamline business friendliness is a good goal.

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REPRESENTATIVE JOSEPHSON asked whether the department has any idea of revenue loss it would sustain with passage of HB 32.

MR. HABEGER related he just found out the sponsor intends the owner and business name must be the same. Thus, the department was not sure how to define the number. He clarified that the some business owners have the same last name with multiple lines of business, with different licenses. He was unsure if those business owners were included; however, he just heard clarification from testimony that those businesses would not be included. He was unsure of the number of businesses affected, but he offered to provide the data to the committee.

[3:31:36 PM](#)

CHAIR OLSON asked for clarification on the fiscal note.

MR. HABEGER answered that the fiscal note refers to a prior version of the bill, although he wasn't sure which bill version. Currently, the department would require a business applicant to name a primary and secondary line of business or the North American Industries code. The division's database is built around that code, he said. He suggested that if the business opens up any new lines of business it may require some modifications to the division's database since the division would need to track more moving pieces.

[3:32:29 PM](#)

REPRESENTATIVE JOSEPHSON asked whether monies received from business licenses fees is deposited to the general fund.

MR. HABEGER agreed business license revenue is deposited to the general fund.

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REPRESENTATIVE SADDLER said he went to the online business license database and noticed the primary and secondary business lines are listed. He asked whether a business license is currently limited to two lines of businesses.

MR. HABEGER answered no, that a business must choose a primary line of business. Currently, he said the state offers 19 lines of business. A business may further choose a specialty, for example, a primary line of business may be agriculture, but the business may declare potato growing as a specialty. The division uses the North American Industry Classification System (NAICS) codes to track this information. The NAICS code listing that the DCCED has adopted for Alaska is approximately 16 pages in length and help a business refine the type of services it is offering.

REPRESENTATIVE SADDLER asked whether it would be primary, followed by a more explicit detail about the primary business.

MR. HABEGER answered yes, that is correct. In further response to a question, he answered yes the explicit detail could be considered a secondary business line.

3:34:20 PM

REPRESENTATIVE SADDLER asked how many people who have licenses have multiple business licenses. He said he is trying to determine the number of businesses that could collapse into one business to help determine the potential revenue loss.

MR. HABEGER, based on the department's current understanding of the intent in Version 0, estimated that about 700 businesses may fall under this category and hold a single business license. In further response to a question, he clarified that the database covers name, address, line of business. The division records the date the business license is issued, the expiration date, and the business name. He related 700 businesses have the same business name but hold different licenses. In further response

to Chair Olson, he answered that currently about 60,000 business licenses have been issued.

3:36:22 PM

CATHIE ROEMMICH, Chief Executive Director (CEO), Juneau Chamber of Commerce (JCC), offered to read a letter she wrote to Representative Costello, sponsor of HB 32. The Juneau Chamber of Commerce (JCC), representing over 400 Alaskan businesses, would like to add its support for the passage of HB 32. As a chamber of commerce, the JCC sees firsthand the frustrations and red tape that the very small businesses must go through in order to survive, to stay in business, and to feed their families. Only one in five small businesses survive, as it is, and these hard working Alaskans know the value of the dollar and are not asking for a handout, but just a fair shake.

MS. ROEMMICH understood that a business license is necessary for every line of business operated by a business, even though essentially it could be one business doing various seasonal jobs to support their family as many Alaskans do. These extra fees can be a huge burden and may in fact be one of the reasons so many businesses fail.

MS. ROEMMICH said the proposed bill, HB 32, will require one fee to be paid and allow a business to register all its lines of business on one license and also allow for a business license to be corrected or changed once, without charge. She stated this is good for businesses in Alaska and supports their success. She concluded that the Juneau Chamber of Commerce supports HB 32 and will encourage others to do so as well.

3:38:53 PM

PEGGY ANN MCCONNOCHIE, Owner, ACH Consulting; Real Estate Broker, stated she is a working realtor. She said she is a real estate broker and the owner of a company, ACH Consulting. Her business performs both real estate consulting and real estate education, but she holds two separate business licenses, in addition to her professional broker's license. She reported she holds one business license for her company and one for teaching real estate courses. She also said the State of Alaska requires her to hold two separate business licenses as the state views her as having two separate lines of business. She viewed this requirement to be burdensome and unreasonable. She emphasized that her consulting and teaching are both centered in real estate. For the state to require two separate licenses for what

she views as one line of business is onerous, she said. She stated that small businesses have a tough enough time without being made to pay unnecessary fees. She urged members to pass HB 32.

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SHERRILEE BULLER, Owner, Upstream Mobile, stated that she opened her business one and a half years ago doing trade shows and conventions on behalf of Alaska Communications. She said she also is an authorized agent for another business, the Satellite Guy. She explained that her overhead for trade shows was very little, but she unexpectedly had an opportunity to open a retail store. She had mailed off her business license renewal to continue her business license for two years, but one week later she discovered her retail store opportunity. However, she had decided she was no longer considered a sole proprietor, but should be a single member limited liability corporation (LLC). Unfortunately, the department could not make the change to the LLC, even though the business license renewal period had not yet begun. She said she contacted Representative Costello, who introduced HB 32.

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MS. BULLER, speaking as a small business owner, said she finds she must run multiple lines of business. While she works for herself, she also represents the two aforementioned companies. She expressed concern about how a new national telecommunications provider moving into Alaska might affect her business. She offered her belief that the national company will likely hurt her major income earned through representing Alaska Communications. She said this bill would be a help to her establish a new line of business. She referred to statistics she received from the U.S. Small Business Administration [Alaska District Office] in February 2012. She said that 64 percent of net new jobs come from small firms and 43 percent of all high-tech employment is created by small businesses. On the flip side, she learned from classes with the Alaska Small Business Development Center (SBDC) that one in five new businesses have a chance of surviving as entrepreneurs. She said, "I'm going to be one of the ones. I'm gonna be it. I will be her." She concluded by stating the more that the state partners together with small businesses, the more it helps small businesses to succeed.

CHAIR OLSON held public testimony open on HB 32.

[HB 32 was held over.]

[3:45:36 PM](#)

The committee took an at-ease from 3:45 p.m. to 3:49 p.m.

HB 71-AK REGIONAL ECONOMIC ASSISTANCE PROGRAM

[3:49:16 PM](#)

CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 71, "An Act extending the termination date of the Alaska regional economic assistance program; and providing for an effective date."

[3:49:31 PM](#)

REPRESENTATIVE SHELLEY HUGHES, Alaska State Legislature, stated HB 71 would extend the Alaska Regional Development Organization (ARDOR). She explained this bill would extend the ARDOR program from 2013 - 2018. She highlighted that the ARDOR program was established in 1988, and will celebrate its silver jubilee this year. The DCCED has been encouraged to formation of these organizations. The department offers grants each year to qualifying ARDOR organizations that provide technical assistance to communities. Currently, 12 ARDOR organizations exist statewide, at a cost of approximately \$62,000 per year per ARDOR. The ARDORS require one-third in matching funds, including 20 percent from local sources, she stated. The ARDORS have been successful in leveraging state funding by a three to one ratio, with some ARDORS obtaining an eight to one funding ratio. Since inception in 1988, the ARDORS have not been audited. Thus she is currently requesting an audit be performed, which will go to the Legislative Budget & Audit Committee for consideration. She offered her belief that the ARDORS are working well, but there may be some ways to improve the organization's functions. ARDORS were formed, based on the belief that a locally driven initiative, partnering with state and other entities would be the best combination to figure out good economic development ideas. Surely this would allow for healthier communities, and for stronger local sustainable economies, she also said. She related an audit could be completed in about two years.

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REPRESENTATIVE SADDLER asked for the number of staff for the program.

REPRESENTATIVE HUGHES answered that the ARDOR program has one coordinator although was not certain about additional staff since each ARDOR is governed by its own board.

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REPRESENTATIVE HERRON asked whether it would be appropriate to change the sunset date to two years in the bill since it would take two years to conduct the audit.

REPRESENTATIVE HUGHES agreed.

CHAIR OLSON suggested an audit might take three years and he offered to further discuss this with the LB&A committee.

[3:54:24 PM](#)

SHELLY WRIGHT, Executive Director, Southeast Conference, Alaska Regional Development Organization (ARDOR), Department of Commerce, Community & Economic Development (DCCED), said the Southeast Conference is the ARDOR for Southeast Alaska. She asked to speak briefly about the advantages of ARDORs, noting each region is different. She emphasized the value of having ARDORs is the ability to partnership with the state in planning processes and in collaboration efforts. She highlighted that the state helps organize the ARDORs and assists them in getting together periodically, which is very valuable for regional development organizations statewide. She reported the funding for ARDORs is unrestricted funding and most funding is received through the grant process and is project-oriented funding. The Southeast Conference receives grants and contracts on specific projects for the program to keep the administrative costs low, and allow the project funding to be spent on the specific project.

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MS. WRIGHT related that Southeast Conference has been in existence since 1958. She said she is privileged to serve in a seasoned organization, noting the Southeast Conference is a membership organization. She pointed out information in members' packet that more fully describes the funding process, how the money is leveraged, and lists ARDOR's top ten priorities. She characterized the Southeast Conference as a

very active development organization that works with 23 incorporated and 21 unincorporated communities. The group meets biannually to work on annual and five-year plans. She asked to speak in favor of the five-year extension to the ARDOR program since the additional time would provide security for planning purposes for the ARDORs. She further asked members to consider funding ardors to the maximum limit.

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REPRESENTATIVE MILLETT asked her to speak to successes of the Southeast Conference. She said she is most familiar with the energy projects that the Southeast Conference has worked on, but would like her to speak to the relationship with the DCCED.

MS. WRIGHT answered that the Southeast Conference has been able to keep the Kake Petersburg Intertie project moving forward despite the numerous roadblocks. She said the ARDOR works to keep the environmental impact statement moving forward and to keep organizations informed, including the U.S. Forest Service and the DOT&PF. She related that Southeast Alaska Power Agency (SEAPA) - the utility that will run the project - and Inside Passage Electric Cooperative (IPEC) - the current utility - have signed an agreement through facilitation of Southeast Conference. She mentioned the energy coordinator has also assisted Reynolds Creek Hydroelectric Project in moving forward, with a project manager and business plan. She reported that the Southeast Conference created the Integrated Resource Plan to help Southeast Alaska communities develop their energy projects. She stated the Southeast Conference is very interested in the Alaska Marine Highway System (AMHS), and serves as a communications conduit between the governor's office and the 180 Southeast Conference members. Additionally, the ARDORs work with the state agencies, such as the DCCED, on regional development plans and energy plans. The ARDORs also share information between organizations. In fact, the Department of Labor & Workforce Development also uses the ARDORs to provide them with a link of what is happening in the regions. The Alaska Workforce Investment Board (AWIB) also works with the ARDORs to assess what is happening on the ground. She concluded that the ARDORs support HB 32 and are happy to do so from the ground up.

[4:01:46 PM](#)

REPRESENTATIVE SADDLER asked whether the executive director of Southeast Conference is paid from federal or state funds.

MS. WRIGHT answered that state and federal funding provides operational funding and covers expenses for staff, rent, and utilities.

REPRESENTATIVE SADDLER, after reviewing the fiscal note, remarked that the funding comes from grants and benefits to the ARDOR organization.

MS. WRIGHT answered yes.

[4:02:36 PM](#)

ANDY VARNER, Executive Director, Southwest Alaska Municipal Conference, (SWAMC), Alaska Regional Development Organization (ARDORS), Department of Commerce, Community & Economic Development (DCCED), stated that the SWAMC serves three subregions of Southwest Alaska: the Aleutian/Pribilofs, Bristol Bay, and Kodiak. He said the SWAMC is a large ARDOR and district about the size of Oregon. He stated that Ms. Wright described the ARDORS quite well and the SWAMC uses its funding similarly. The ARDOR grant makes up 20 percent of its operating budget but it also receives federal funds as well as in-kind support. Besides functioning as an ARDOR, the SWAMC has also been designated as an economic development district by the Federal Economic Development Administration. The Alaska Workforce Investment Board (AWIB) and the ARDORS are figuring out how to work best together to resolve workforce issues in regions, noting that the ARDORS are willing partners. The SWAMC has been working on an upcoming three day summit in Anchorage and will also hold two board meetings this week. Aside from economic development planning, SWAMC and other ARDORS have been working on regional energy planning and signing contracts with Alaska Energy Association (AEA). He recalled that several years ago the Southeast Conference began working on energy planning and signed a contract with AEA in the last year or so. He reported that SWAMC currently has a contract with AEA on Bristol Bay and Aleutian regional plans and has also been discussing the Kodiak regional energy plan. Thus SWAMC may do three energy plans. He reported that on Wednesday the SWAMC will hold an energy workshop to discuss energy planning, priorities, and projects. Further, the SWAMC conducted a Broadband telecommunications strategy for the Southwest region that addresses access and adoption issues to improve telecommunications, infrastructure, and usage. He characterized this effort as being a big economic linchpin for the regions.

In fact, the SWAMC will attend numerous statewide broadband task force meetings to ensure the rural regions are covered.

4:07:00 PM

MR. VARNER emphasized that SWAMC concentrates on thinking big and small, such that by thinking small he means helping mom and pop businesses, tourism operators, and bed and breakfast (B&B) operators bridge the digital divide. For example, SWAMC helps bridge the digital divide by conducting workshops and by providing support with the current Vista volunteer's expertise. This effort helps small businesses and the local economy thrive; however, this region is large that SWAMC must also think bigger and focus more on the region as a whole. In doing so, SWAMC focuses on the energy planning previously mentioned, as well as on infrastructure planning. He pointed out two subregions are served by the AMHS planning so SWAMC works to communicate the regional needs to the DOT&PF. The SWAMC has also considered transshipment in terms of the opening up of Arctic region, which will be discussed at the economic development summit later this week. Further, SWAMC has worked to help Southwest Alaskans participate in fisheries, noting SWAMC's economist is also a fisherman and researches the region's fisheries. Additionally, SWAMC participates in the fishery maritime initiative the University of Alaska is working on to enhance the fisheries industry. To summarize, the SWAMC works with other ARDORS on economic development issues, such as food and agriculture, energy planning, or education programs. For example, SWAMC partnered with the Anchorage Economic Development Corporation (AEDC) to tour the Kodiak launch facility with a Lockheed Martin representative. In conclusion, the ARDORS have been working together to leverage expertise to move the economy forward and partner on projects, especially given tighter funding, to move the economy forward. He emphasized that the ARDOR funding is extremely important to SWAMC since it "keeps the lights on." The SWAMC has been an ARDOR for 25 years, which means this year the ARDORS celebrate their Silver Jubilee. Finally, the SWAMC has enjoyed working with DCED to make the program as good as it can be.

4:10:32 PM

REPRESENTATIVE MILLETT asked how much of the \$807,539 in funding SWAMC receives.

MR. VARNER answered \$62,122. He explained the funds are evenly divided among the 12 ARDORS.

[4:10:55 PM](#)

REPRESENTATIVE JOSEPHSON asked for the nature of the energy plans and whether the SWAMC is working on thermal, hydroelectric, or wind power.

MR. VARNER answered the SWAMC has taken a comprehensive look at available options and alternatives for communities. For example, SWAMC traveled to Adak recently with an energy engineer and two SWAMC staff to meet with different leaders to assess options and help the community map out an energy future. He pointed out the area has enormous hydroelectric potential, but it has never been developed. One thing SWAMC can do is to help the community and the region prioritize energy projects and pathways to help the local energy situation, which should also help the region's economy. In fact, the main reason SWAMC has been involved is to create economic development opportunities. Thus, SWAMC will help with resource assessment and to prioritize projects and alternatives in order to map out an energy future for the region.

[4:12:29 PM](#)

CHAIR OLSON stated that public testimony would be held open.

[HB 71 was held over.]

[4:12:56 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:12 p.m.