

SENATE FINANCE COMMITTEE  
March 3, 2014  
5:05 p.m.

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CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 5:05 p.m.

MEMBERS PRESENT

Senator Kevin Meyer, Co-Chair  
Senator Anna Fairclough, Vice-Chair  
Senator Click Bishop  
Senator Mike Dunleavy  
Senator Lyman Hoffman

MEMBERS ABSENT

Senator Pete Kelly, Co-Chair  
Senator Donny Olson

ALSO PRESENT

Heather Shadduck, Staff, Senator Pete Kelly; Nancy Meade, General Council, Alaska Court System; Susanne DiPietro, Alaska Alaska Judicial Council; Mr. Walter Carpeneti, self, Juneau; Senator Cathy Giessel; Forrest Wolfe, Staff, Senator Giessel.

PRESENT VIA TELECONFERENCE

Alison Arians, Self, Anchorage; Daniel Cheyettee, Sealaska Federation of Natives, Anchorage; David Landry, Self, Anchorage; George Pierce, Self, Kasilof; Amy Erickson, Director, Division of Motor Vehicles, Department of Administration; Tim Toth, Vice President, Alaska Auto Dealers Association, Anchorage; Troy Jarvis, Alaska Auto Dealers Association, Anchorage; Melissa Cucullu, Alaska Tags and Titles, Wasilla; Aves Thompson, Alaska Trucking Association, Anchorage.

SUMMARY

SJR 21 CONST. AM: MEMBERSHIP OF ALASKA JUDICIAL COUNCIL

SJR 21 was HEARD and HELD in committee for further consideration.

SB 127 VEHICLE TRANSACTION AGENTS

SB 127 was REPORTED out of committee with a "do pass" recommendation and with one new fiscal note from Department of Administration.

SB 169 STATEWIDE IMMUNIZATION PROGRAM

SB 169 was SCHEDULED but not HEARD.

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#sjr21

SENATE JOINT RESOLUTION NO. 21

Proposing amendments to the Constitution of the State of Alaska to increase the number of members on the Alaska Judicial Council and relating to the initial terms of new members appointed to the Alaska Judicial Council.

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HEATHER SHADDUCK, STAFF, SENATOR PETE KELLY, introduced the bill. She explained that the bill placed the constitutional amendment to the state voters if passed. She stated the goal of adding more public members to the Alaska Judicial Council. She pointed out that the Alaska Constitution stated that three attorney members would be appointed by the bar association to the Alaska Judicial Council along with three non-attorney members. The members were appointed by the governor and confirmed by the legislature. She mentioned article 4, section 8 which stated that members "shall be appointed for 6 year terms by the governor subject to confirmation and vacancies shall be filled for the unexpired term in a like manner and appointments shall be made with due consideration to area representation and without regard to a political affiliation."

Ms. Shadduck informed the committee that Senator Kelly wished to see more public members on the Alaska Judicial Council because the goal of area representation had not yet been reached. The historical makeup of the Alaska Judicial Council included attorneys from four locations: 14 from Fairbanks, 12 from Anchorage, 10 from Juneau and 3 from Ketchikan. The public members originated from the same four cities. Senator Kelly hoped to reach regional diversity across the state. Additionally, current practice allowed a tie to be broken by the Alaska Supreme Court justice. She noted that Senator Kelly viewed the practice as a conflict of interest. She pointed out the last two years from June 22, 2012 through October 10, 2013, when the last five attorney/non-attorney vote splits occurred. All three public members voted to send a name on to the governor, but the Chief Justice sided with the attorney members to avoid sending the name. Two of the votes were for the Supreme Court.

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Ms. Shadduck explained that the CS allowed three additional public members to serve on the Alaska Judicial Council as a compromise adopted by the Senate Judiciary Committee. She stated that the odd number of members would help to prevent soliciting an opinion from the Chief Justice in the event of a tie.

Co-Chair Meyer opined that he was sensitive to the notion of conflict of interest as presented in Ms. Shadduck's testimony. He disagreed that the Chief Justice had a conflict of interest. He agreed with the need for additional public input in the process. He wondered about utilizing 4 public members and 3 attorney members to limit the amount of members and save the state money for travel expenses.

Ms. Shadduck replied that the constitution demanded area representation for the appointments. With only three public members, proper representation of Alaska's regions was impossible.

Senator Hoffman opined that more members would be optimal.

Co-Chair Meyer asked about more members from Bethel.

Senator Hoffman replied that Bethel had not yet contributed a member to the Alaska Judicial Council.

Ms. Shadduck agreed and commented that the idea of representation by judicial district had been explored, since Fairbanks was in the fourth judicial district with Bethel.

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Co-Chair Meyer asked how often the Chief Justice had to vote.

Ms. Shadduck replied that the Chief Justice voted 68 times; 15 times when attorneys and non-attorneys split their vote.

Vice-Chair Fairclough believed that an increased frequency in participation of the Chief Justice was noted in the recent past; leading to the interpretation of a problem of frequency.

Ms. Shadduck concurred. She noted that the last five attorney and non-attorney splits resulted in a vote for an attorney by the Chief Justice.

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Senator Dunleavy asked about the fiscal note.

Ms. Shadduck replied that the updated fiscal note reflected a cost of approximately \$1500 or \$12 thousand. The estimates were reduced from the original request of \$32 thousand.

Co-Chair Meyer pointed out the updated fiscal note. He stated that the expansion would increase the travel costs. He OPENED public testimony. He stressed that a constitutional amendment weighed heavily in importance.

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NANCY MEADE, GENERAL COUNCIL, ALASKA COURT SYSTEM, stated that the Alaska Court System rarely defined a position on proposed legislation. A bill would be opposed only if it impacted a core aspect of the judicial branch. The Court System opposed SJR 21 for that reason. The court only opposed a bill at the express direction of the Supreme

Court. She pointed out that the judicial branch was comprised of three entities: the court system, the Alaska Judicial Council and the Commission on Judicial Conduct. She stated that the court system was used interchangeably with the judicial branch because the other two entities were relatively small. The court system was separate from the council, yet depended on the work of the council in screening applicants for judicial positions and making recommendations in judicial retention. The court system required qualified judges for the maintenance of the public's trust and confidence. She testified against the resolution because the court system relied on the council's work.

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Ms. Meade noted that the resolution had the potential to change the judicial screening process significantly despite its 50 years of proven effectiveness. The current council would select the most qualified applicants based on their merit. Merit selection of judges was considered the gold standard across the country. The judges were chosen as the best professionals in their field.

Ms. Meade addressed points made by Senator Kelly's staff. The council's diversity issue was supported by the court system. If a proposal demanded or required additional area representation or diversity among council members, the court system would not oppose the change. The court system attempted to attract diverse applicants to the bench with methods such as outreach and education.

Ms. Meade stated her problem with the proposed balance of the council. The court system believed that the current makeup of the council chosen by the constitutional founders with three attorneys and three public members worked well by allowing for the balance of differing views. The balance assured that no one group had a greater voice. The attorneys likely had a greater understanding of the skills required to be a judge. The lay members had valuable views related to communication and character of applicants. She stated that both types of opinions were valuable during a screening process. She stressed that the balance between attorney and non-attorney members was crucial. A consensus would be better obtained with a balance.

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Ms. Meade believed that the bill could lead to selection on basis other than pure merit. She stated that the Alaska Court System opined that the bench was strong with lawyers that were the best in their field. She argued that the balance forced the council to act on a consensus basis and listen to the views of the other group. The bench was viewed as strong with lawyers that were deemed the best in their field.

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Ms. Meade offered to answer questions. She mentioned over 1100 votes with splits 68 times. Only 15 of the splits were divided evenly among attorney and non-attorney members. She agreed that 5 out of 200 votes occurred in a row over the last several years where the attorneys and public members were split and the Chief Justice voted with the attorneys. She stated that the numbers in comparison were very small. Out of the four votes, two were for the same applicant who applied twice. She argued that the votes could not be considered a trend or sign of council dysfunction. She noted that unanimous voting occurred 80 percent of the time.

Co-Chair Meyer understood the concern that the public members may not have to listen to the attorneys. He stated that the Chief Justice was also an attorney.

Ms. Meade replied that while differing views existed, the vast majority of the times, votes were unanimous. She believed that the data proved that public member's voices were indeed heard.

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Vice-Chair Fairclough asked if the Supreme Court requested that the Alaska Court System oppose the bill.

Ms. Meade replied yes.

Vice-chair Fairclough asked if the Supreme Court decision was divided or unanimous.

Ms. Meade replied unanimous.

Senator Hoffman asked about the potential for a system in which neither party was disenfranchised. He wondered about the process of the Chief Justice making the final selection in the event of a tie. He stated that without that practice, the lay members and attorneys would have equal opportunity for candidate selection.

Ms. Meade agreed with the Senator. She stated that the balance could be maintained with the Senator's suggestion.

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SUSANNE DIPIETRO, EXECUTIVE DIRECTOR, ALASKA ALASKA JUDICIAL COUNCIL testified about the council's merit selection and retention system. The council served two functions. The council members screened applicants for judicial nominations and sent them on to the governor for his appointment. The council also evaluated sitting judges and provided information to the voters about the judge's performance for retention evaluations. The founders created the methods of selection and retention of judges. Two methods of selection were established: election and gubernatorial appointment. The merit selection procedure allowed involvement from all branches; the Alaska Judicial Council screened on merit and sent names on to the governor who then appointed the selected candidate. The election occurred later when the judge stood for retention. The concern about public involvement was addressed in light of the fact that the voters were directly involved in the retention of the judges.

Ms. DiPietro mentioned public involvement as related to diversity on the Alaska Judicial Council. The Alaska Judicial Council was among 38 states employing the same type of merit selection for judges. She mentioned the practices of press releases and comment solicitation from members of the public. The council published the names of applicants, which was not done by the majority of selection committees. When bar survey evaluations arrived, the council made them public. Many of the practices were unique to the Alaskan selection agency. Alaska Judicial Council members traveled to the vacancies when the time came to interview applicants. She stated that multiple interviews occurred in Bethel in tandem with a public hearing prior to the vote or interview. The purpose was to solicit information directly from townspeople to gather data regarding community preferences.

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Ms. DiPietro discussed the deliberation process with the council. She noted that the process was not public, but the vote was. The interviews could occur in public if the applicants wished. She mentioned the upcoming Anchorage Superior Court vacancy where three of the six applicants wished to have public interviews. She conveyed the collegial nature of the interview and deliberation processes; each council member was called upon to ask the questions of the candidate and provide reviews of the merits of each candidate.

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Ms. DiPietro discussed the chart: "Alaska Judiciary Council, Judicial Nomination over time" (copy on file). She emphasized that the council members had a high rate of agreement with applicant selection. She noted that 62 percent of votes were unanimous. Another 19 percent of the time, only one person had a different vote from the majority. She explained that attorney/non-attorney vote splits leading to a vote from the Chief Justice were rare with 68 votes out of 1100, which she deemed as a very high rate of agreement. She added that the Chief Justice traditionally voted to send additional names to the governor (73 percent of the time).

Ms. DiPietro pointed out that the council often presented more than the minimum of two names for the governor (62 percent). She mentioned that the selections in Bethel were often for minimal applicants; oftentimes only two. She highlighted the importance of the data in the chart. The trends were made obvious. Less than 6 percent of the total votes were shown to be attorney/non-attorney splits over the last two years. She noted that the council was busier in the last two years than at any other time in its history.

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Ms. DiPietro discussed the attorney versus non-attorney members. She pointed out the merit selection system in other states. She informed the committee that the majority of states (18) had even splits of attorney/non-attorney members. She mentioned five states with more attorney

members, but four of the five had the additional requirement that no more than half of either group may be of the same political party. Alaska's system was without regard to political affiliation. The other states created balance by prohibiting a majority of people in one political party.

Ms. Dipietro quoted the founders from the Constitutional Convention, "the whole theory of the Missouri Plan is that in substance, a select and professional group licensed by the state can best determine the qualifications of their brothers." She noted that the select group was the Alaska Bar Association, which was created by the legislature by statute. Another quote, "the intent of the Missouri Plan was in substance to give a predominance of the vote to professional men who knew the foibles, the defects and the qualifications of their brothers, it is unquestionably true that in every trade and every profession, the men who know their brother careers the best are the men engaged in the same type of occupation." Lastly she quoted, "the theory on the lay members on the confirmation, they represent the public and they represent the predominant political thought, the theory on the lawyer members of the council, they represent the profession, they represent a desire to have the best judges on the benches."

Co-Chair Meyer appreciated the data in the charts.

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MR. WALTER CARPENETI, SELF, JUNEAU, gave a brief personal history. He testified as a former judge that there was not a demonstrated need for a change in the constitution, which had served the state well for 55 years. He believed that the system balanced the competing interests in judicial selection and he saw a number of problems with the proposed legislation. He mentioned a letter to the Senate Judicial Committee (copy on file) related to the problems with the proposal.

Mr. Carpeneti discussed the state's constitution and its wide administration. He served as Chief Justice for three years and attended multiple national conferences. He reported that Alaska's method of judicial selection was widely lauded by judges around the country. The constitution was amended infrequently and only done so with great need. He did not see a need to amend the

constitution. He appreciated the presentation from Ms. Shadduck stating two reasons to change the constitution. The first was to increase geographic representation and the second was the perceived conflict position of the Chief Justice when called upon to vote.

Mr. Carpeneti acknowledged that the governor made appointments with due regard for geographic representation. He suggested that a problem may exist in the method in which the appointments were executed versus an issue in the constitution itself. He did not see how the proposed legislation would alter the existing process. He argued that the legislation failed to address the issue of geographic representation.

Mr. Carpeneti discussed the argument that the Chief Justice's vote constituted a conflict of interest. He broke ties rarely during his time as Chief Justice, but he never felt a conflict position. He mentioned one occasion where he cast a vote where the applicant was a Superior Court judge. He could not see an opportunity for a conflict of interest. He stressed that the conflict was not attorney versus non-attorney. He noted over 1100 votes over the last 30 years where 1 percent of the time a split vote was broken by the Chief Justice. He urged the committee to refrain from amending the constitution for a recent history comprised of very few votes.

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Mr. Carpeneti discussed the need to send the best candidate to the governor. He cautioned the committee about amending the constitution that produced a judiciary that was the envy of other states. The Alaska judiciary was not the subject of scandal, corruption, kick-backs or other problems seen in more politically selected judiciaries. The focus of the bill was narrow, and he worried that the proposed changes would not benefit the state.

Mr. Carpeneti stated that he served as a council member in the early 1980s. He concluded then, that Alaska had a two-step process with a merit/political plan. He used the term political as it related to policy and its proper formulation. He stated that the merit portion included the Alaska Judicial Council who polled every lawyer in the state including judges that the applicants appeared in front of and lawyers on the other side of specific cases.

The council requested a writing sample, credit reports and criminal records. Candidates were rated on competence, intellect, temperament, integrity and fairness. At least two names must be submitted by the council.

Mr. Carpeneti noted that the governor was elected by the people and would account for the candidate's general philosophy and their approach to problems. He worried about an unbalanced proposal as it ran the risk of losing the merit aspect of the process. He opined that Article IV of the constitution served the state well over the years. He urged caution in changing the system.

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Vice-Chair Fairclough recalled that eight states had a system similar to Alaska's. She asked to know more about the predominate systems.

Mr. Carpeneti replied that he was poorly informed about the process in other states. He noted that approximately half of the states with merit-based election systems had commissions that were evenly split between attorneys and non-attorneys. He stated that he had not felt compelled to research other state's systems because Alaska's worked so well.

Vice-Chair Fairclough corrected that 38 states had similar systems to Alaska's.

Co-Chair Meyer limited public testimony to two to three minutes.

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ALISON ARIANS, SELF, ANCHORAGE (via teleconference) testified as a small-business owner against SJR 21. She stated that she appreciated efficiency, limited bureaucracy and expert advice. She agreed with the process of the Alaska Judicial Council and opined that adding members would increase the travel budgets. She stated that she was comfortable with attorneys evaluating their peers. She respected the opinion of the Chief Justice if needed for a vote. She stated that the citizen members of the group deserved credit for their ability to make good decisions. She cited that only 15 out of 1100 votes resulted in the Chief Justice siding with the attorney group against the

public members. She spoke about her volunteer work as a guardian ad litem for children. She wanted to feel sure that she would vote for well-qualified judges.

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DANIEL CHEYETTEE, SEALASKA FEDERATION OF NATIVES, ANCHORAGE (via teleconference), testified in opposition to the legislation. He echoed reasons for the opposition from prior testifiers. While his group would like to see more Alaska natives on the bench as members of the judiciary, the solution would be to encourage native Alaskans to attend law school and become judges. The Alaska Federation of Natives (AFN) believed that the current Alaska Judicial Council system worked well. He mentioned the state court system with multiple talented and respected judges. He disagreed with the effort to change the system. He worked as an attorney and noted the incredible time commitment offered by members of the Alaska Judicial Council. He feared that an increase in the size of the council would require too great a commitment from the members. He suggested that the proposed expansion might lead to a system with less responsibility.

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DAVID LANDRY, SELF, ANCHORAGE (via teleconference) testified against SJR 21. He explained that he worked as a small-business general contractor. He stated opposition to the resolution because of the devaluing of professional opinion exhibited in the bill. He assumed that each case presented before a judge had an attorney with an opposing side of an issue or lawsuit. He believed that the attorneys operated as business people without monolithic political views. He mentioned his own practice of seeking advice from other contractors about his peers for the most valuable business partners. He stressed the importance of the Bar Association in the selection of judges. He argued that the resolution was a solution in search of a problem.

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GEORGE PIERCE, SELF, KASILOF (via teleconference) testified in opposition to the legislation. He opposed the resolution because the current system worked so well. He commented on the data presented and noted that 15 instances of a Chief Justice voting in favor of attorneys did not mandate a

constitutional change. He stated that the bill would allow the governor to have control of the Alaska Judicial Council, which would provide the opportunity for political seeding. He noted the lack of evidence for the need to change the system. He stressed the lack of evidence of discrimination in the votes. He found it concerning that the judges would be selected by the governor versus by the people. He argued against the need to amend the constitution.

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Co-Chair Meyer CLOSED public testimony. He asked how long the members were appointed.

Ms. Shadduck replied that members were appointed for six years with staggered terms.

Co-Chair Meyer discussed the concern that a conservative governor could appoint conservative members and vice versa.

Ms. Shadduck replied that the terms would be staggered when additional members were added via the resolution.

Vice-Chair Fairclough asked if the bill would change the vote of the people for judicial retention.

Ms. Shadduck replied that the resolution did not address the judicial retention election process. She pointed out that the public currently had a voice when judges were already appointed. The resolution would allow for a greater public voice in the beginning of the selection process.

SJR 21 was HEARD and HELD in committee for further consideration.

#sb127

SENATE BILL NO. 127

"An Act authorizing the commissioner of administration to enter into agreements with agents to perform for compensation certain transactions related to vehicles; relating to the duties of those agents; and providing for an effective date."

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SENATOR CATHY GIESSEL, introduced the bill. She stated that the bill was simple. She explained that the bill was modeled after a business partnership in Alaska. She mentioned the business arrangement involved in selling hunting and fishing licenses in retail stores through the Department of Fish and Game, which she compared to the proposal in SB 127. The businesses retained 15 percent of the fee paid for the license. The business partners sold a vast majority of licenses saving the state in personnel costs. She stated that SB 127 applied the same business model to the Division of Motor Vehicles.

Senator Hoffman believed that the Department of Fish and Game agents received a 5 percent fee.

Senator Giessel appreciated the correction.

Senator Hoffman asked why the Department of Fish and Game and the Division of Motor Vehicles (DMV) would receive different percentages of the fees.

Senator Giessel replied that she would have her staff provide the legislation's details.

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FORREST WOLFE, STAFF, SENATOR GIESSEL, stressed that visits to the DMV were often unpalatable as they required a sacrifice of time from a person's work day. In the interest of reducing public cost in lost time and wages, the bill was introduced. Advanced Business Partnerships (ABP) were created and contracted to perform certain transactions statutorily mandated to DMV, outsourcing certain services to the private sector. The business offered citizens more locations to receive DMV services and expanded business hours so that citizens would not be required to sacrifice their work day for a visit to the DMV. He stated that businesses offering the services received no compensation from the state, while incurring costs associated with the transactions, including credit card fees and purchasing of equipment and supplies.

Mr. Wolfe explained that SB 127 allowed businesses to retain 15 percent of the fees to cover administrative costs for the transactions conducted. The concept was used by the Department of Fish and Game to allow private businesses to sell and issue hunting and fishing licenses while retaining

a percentage of the proceeds. In 2013, the private sector sold approximately five times the number of hunting and fishing licenses as the Department of Fish and Game. The bill would result in a reduction in the size of state government. The 15 percent retained by the business partners was actually reinvested in the economy and the private sector that brought in 26 percent of DMV's current revenue.

Mr. Wolfe informed the committee that allowing businesses to retain the percentage to offset costs provided an incentive for businesses to offer additional services. In the interest of reducing the size of government and increasing efficiency, strategies like SB 127 would provide an effective way to reduce government through an innovative use of the private sector. The Department of Fish and Game found the process of working with the private sector effective for the sales of licenses and tags. He responded to Senator Hoffman's question by stating that 15 percent was more appropriate than 5 due to the higher cost of equipment and supplies required for provision of the DMV services.

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Co-Chair Meyer stated that the he had used the satellite offices discussed in the testimony and found them to increase convenience. He noted that the cost would increase by 25 percent for the department without the option of the satellite offices.

Mr. Wolfe replied that the transactions in the private sector represented the work of approximately 32 DMV employees. He stated that more incentive allowed by a greater retention of fees could increase the amount of business conducted in the private sector.

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Vice-Chair Fairclough asked if the bill allowed a fee in addition to what the state would pay for the individual organization.

Senator Giessel replied no, the bill had no mandate or comment related to a fee. She stated that the public would be more inclined to choose the service if a fee was not incurred. A fee for administrative costs was currently

charged. She was unsure about the charge of the additional fee; the question would be answered by the private sector. She imagined that fees would decrease if the private sector was able to retain 15 percent to cover overhead.

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Vice-Chair Fairclough wished to ensure that the consumers benefited from the credit offered by the state. She supported the bill and its concept. She asked about the fees collected from municipalities for administrative overhead.

Mr. Wolfe replied 8 percent was collected as a municipal tax.

Senator Giessel clarified that DMV collected municipal taxes and retained 8 percent. A similar situation was proposed in the legislation via the business partners and DMV.

Vice-Chair Fairclough wondered about the 15 percent cost recovery plus the fee to consumers. She mentioned the fiscal note and the cost of approximately \$2 million. She wished to understand the investment in the private sector. She pointed out that the businesses received additional benefit from providing the service in the convenience offered to their customers.

Senator Giessel discussed that private business partners utilized the license tag, collected the municipal tax and presented the money to DMV. The division then retained 8 percent of the municipal tax forwarded on. She stated that DMV did not sell the tag, yet retained the 8 percent as a middle-man.

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AMY ERICKSON, DIRECTOR, DIVISION OF MOTOR VEHICLES, DEPARTMENT OF ADMINISTRATION (via teleconference), discussed the business partnerships related to license and title registration transactions since the early 2000s. The partnerships were comprised of DMV services storefronts, car and snow machine dealerships, credit unions and banks; all of which were eligible to collect up to 15 percent of DMV proceeds if the legislation was enacted. She stated that DMV provided the supplies needed to conduct title and

registration transactions including license plates, month and year tabs, forms, commercial, noncommercial, motorcycle driver manuals and handicap placards, all free of charge.

Ms. Erickson mentioned that the DMV also provided free training and free access to its database. The business partners charged fees for services that were not regulated or disclosed to the division. She stated that the business partners comprised approximately 26 percent of DMV's revenues; the businesses did not function autonomously. Each DMV had three separate components for completion prior to close-out. The initial transaction included the collection of fees; the second included an audit to verify receipt of all required information. The third transaction included the reconciliation process, which verified that all monies were received and placed into fee codes.

Ms. Erickson explained that DMV had a seven-person staff dedicated to supporting the everyday operations of the business partners. The staff spent hours reviewing, approving and correcting documents. When errors were found, the division used its resources to resolve them. The business partners were paid regardless of the accuracy of their transactions.

Ms. Ericson pointed to the fiscal note. She stated that the division presented a less expensive note in the Senate State Affairs Committee. Initially it was believed that the bill applied to the eleven business partners serving as storefronts for the services, but the legislation indeed extended to the auto dealerships and financial institutions leading to the revenue loss shown in the fiscal note. She mentioned the idea of modeling the fish and game fees who was prohibited from adding a service fee. The fees obtained by the Department of Fish and Game were from the state alone, which was 5 percent for the fee or 25 cents for the license, whichever were greater. The department also received compensation of \$50 per year or \$1 per license, whichever was greater.

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Co-Chair Meyer asked if the division supported the bill.

Ms. Erickson replied that the administration had no position on the bill. She expressed her availability to answer questions.

Co-Chair Meyer asked if the satellite offices were an asset or a hindrance.

Ms. Erickson replied the satellite offices were mostly an asset. She highlighted the convenience provided to Alaskans related to location and volume. She noted that lines at the DMV offices would be longer without the satellite operations.

Co-Chair Meyer clarified that the satellite offices saved the division money, time and staff while providing a convenience to Alaskans.

Ms. Erickson agreed.

Co-Chair Meyer appreciated that one DMV office remained open until six o'clock in Anchorage.

Ms. Erickson stated that two additional DMV offices in the Anchorage area were also open until six o'clock.

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Vice-Chair Fairclough understood that no incentive existed for accuracy on the part of the businesses.

Ms. Erickson replied that more frequent errors were made by the businesses partners than by the DMV employees.

Vice-Chair Fairclough asked if the partners were cooperative with the division.

Ms. Erickson replied that the division had the obligation to fix the errors. She mentioned one problematic error made by a satellite business that landed in the Alaska Supreme Court.

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Senator Bishop requested a written copy of her testimony. He asked if any of the satellite providers were located in rural Alaska.

Ms. Erickson replied that Kenai and North Pole were the most rural locations.

Senator Bishop pointed out that the Tok DMV office remained open until 9:00 pm in the summer.

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Co-Chair Meyer asked if Ms. Erickson would provide written testimony to Senator Bishop.

Ms. Erickson agreed.

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TIM TOTTH, VICE PRESIDENT, ALASKA AUTO DEALERS ASSOCIATION, ANCHORAGE (via teleconference) testified about the auto industry's part in the proposed legislation. He discussed the expense of the bill. He noted that the larger dealerships required additional employees for full-time efforts related to DMV services. He was unaware of a franchised dealer charging extra fees to the customer. The dealer absorbed all labor costs associated with the service. He noted that DMV provided one week of free training for the dealerships. He noted the difficulty filling the positions in his office. Some dealers were unable to handle the volume in their offices and were forced to hire storefront DMV units for an additional charge. Some dealerships processed 3000 to 6000 DMV transactions per year at an annual cost of approximately \$75,000.

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Vice-Chair Fairclough asked if Mr. Toth had access to DMV records.

Mr. Toth replied that he logged into the DMV website to access their records. He stated that the employee training was offered at a DMV office.

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TROY JARVIS, ALASKA AUTO DEALERS ASSOCIATION, ANCHORAGE (via teleconference) testified that the service at DMV offices was poor 12 years ago when the division proposed the idea of partnerships with the dealers. He stated that his business agreed to partner with the division to increase customer service for both the dealer customers and the retail customers. He stated that the process worked

well for 10 years at no expense to the state. Dealer expenses had risen while margins decreased over the last five years. He suggested that the state had responsibility to help the businesses offset expenses. He provided an example of a business's payroll expenses related to DMV services.

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MELISSA CUCULLU, ALASKA TAGS AND TITLES, WASILLA (via teleconference), testified that 11 privately owned business partners in Alaska during the 2012-2013 fiscal year processed an excess of 193,000 transactions on behalf of the DMV. She stated that the private sector provided the staffing, facilities, required technology and office supplies to process the transactions that generated millions of dollars in revenue for the state. She stated that the legislation would allow Alaskan-owned businesses to hire additional employees and provide extended hours for the creation of greater options for Alaskan residents. She stressed that SB 127 addressed the issue of fairness for Alaskan residents, the private sector and state government.

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AVES THOMPSON, ALASKA TRUCKING ASSOCIATION, ANCHORAGE (via teleconference), testified in support of the legislation. He stated that his association was a statewide organization representing the interests of approximately 200 member companies from Barrow to Ketchikan. The association operated as a DMV business partner issuing titles and registrations along with additional DMV services. He noted that his association provided the services to their members and to members of the general public. The association members benefitted from the partnership in time and savings and convenience. The general public shared similar benefits. He noted that the association charged a service fee for each transaction. He pointed out that the business partners were contractually obligated to post their service fees for customer awareness. He stated that the fees were also disclosed to DMV and had been requested recently by the division.

Mr. Thompson discussed the expenses incurred when conducting DMV business including bank and credit card fees. Compensation for services became an issue for the association as business increased. He noted that the costs

increased and the association processed more than 11,000 transactions in 2013 generating revenue of \$1.6 million for the state. He noted that local taxes were passed through to DMV; the association therefore generated revenue for both the state and municipalities. He calculated that the association generated approximately \$1.1 million in in fee revenue for DMV. He stated that Alaskans would benefit from the proposed legislation. He believed that the amount proposed in the fiscal note would not cover the cost of DMV operations in the absence of the business partnerships.

[6:39:23 PM](#)

Co-Chair Meyer asked about the higher rate of errors in the satellite offices.

Mr. Thompson replied that a few errors were committed by the association, but he felt that the error rate was within acceptable limits. He mentioned a couple of incidents of more serious errors, but the contractual obligation to cooperate with DMV regarding the errors allowed the association to take responsibility.

Co-Chair Meyer CLOSED public testimony.

[6:41:03 PM](#)

Senator Bishop referred to the sponsor statement. He noted personal use of a satellite office for DMV services, but he wondered if a driver's license could be obtained through the business partnership.

Mr. Wolfe replied no.

Senator Bishop asked if the statement referred to license plates.

Mr. Wolfe answered in the affirmative.

[6:42:06 PM](#)

Co-Chair Meyer understood that the satellite offices were an asset to the division. He asked if the error rate was within acceptable limits.

Ms. Erickson responded that the division worked directly with those businesses operating outside of the acceptable

error limit. She stated that the case of the Alaska Trucking Association led to a voluntary discontinuation of some of the services offered by the business for DMV. Those transactions were often prone to errors. She credited the association for making the wise decision. She noted that the quicker transactions involved vehicle renewals and straight title transactions. Complex transactions were best left to the experts at DMV offices.

Co-Chair Meyer asked about the fiscal note.

Ms. Erickson had no further comments related to the fiscal note.

Co-Chair Meyer asked if the new amount was the \$1.979 million.

Ms. Erickson spoke to the motor vehicle registration tax collected by the division. She stated that the division allowed for the collection of the municipal tax. When the registration renewal notices were sent to Alaskans, they came in to renew registration and the collection was provided to the municipality. She did not agree with the proposal that the business partners would retain 8 percent because they would not distribute the tax, the division would.

[6:44:39 PM](#)

Senator Giessel agreed that the 8 percent was collected and passed to the municipality; the business partners would not retain the money. She appreciated the gravity of the fiscal note. She stated that 32 employees would be necessary to replace the private business partnership efforts in the division, which was calculated at approximately \$1.976 million annually. She mentioned that she interacted with a constituent in Cooper Landing related to a misspelled name.

Co-Chair Meyer agreed that the bill could be classified as cost-neutral.

Vice-Chair Fairclough MOVED to REPORT SB 127 out of committee with individual recommendations and the accompanying fiscal note.

SB 127 was REPORTED out of committee with a "do pass" recommendation and with one new fiscal note from Department of Administration.

SB 169 was SCHEDULED but not HEARD.

#

ADJOURNMENT

[6:51:31 PM](#)

The meeting was adjourned at 6:48 p.m.