

SENATE FINANCE COMMITTEE

April 13, 2014

1:43 p.m.

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CALL TO ORDER

Co-Chair Meyer called the Senate Finance Committee meeting to order at 1:43 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

None

ALSO PRESENT

Representative Mia Costello, Sponsor; Charles Guinchard, Staff, Representative Mia Costello; Sara Chambers, Director, Division of Corporations, Business and Professional Licensing, Department of Commerce, Community and Economic Development; Representative Shelley Hughes, Sponsor; Ginger Blaisdell, Staff, Representative Shelly Hughes.

PRESENT VIA TELECONFERENCE

Peggy-Ann McConnochie, National Federation of Independent Business, Juneau.

SUMMARY

CSHB 32(FIN)

LINES OF BUSINESS ON BUSINESS LICENSE

CSHB 32(FIN) was HEARD and HELD in committee for further consideration.

CSHCR 15(FIN)

TASK FORCE ON UNMANNED AIRCRAFT SYSTEMS

HCR 15 was HEARD and HELD in committee for further consideration.

#hb32

CS FOR HOUSE BILL NO. 32(FIN)

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

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REPRESENTATIVE MIA COSTELLO, SPONSOR, introduced the legislation. She explained that the bill would allow individuals operating multiple businesses who apply for a business license to list several lines under one license. She believed that HB 32 reduced "burdensome government involvement in the licensing process." She supported the issuance of licenses by the Department of Commerce, Community and Economic Development (DCCED) but felt that paying for multiple business licenses was onerous. The legislation allowed for multiple business activities under one license if licensed under the same name.

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CHARLES GUINCHARD, STAFF, REPRESENTATIVE MIA COSTELLO, provided sectional information. He explained that Section 1 beginning on page 1, line 4 amended existing statute to require one business license for multiple lines of business. He cited page 1, line 12 that authorized the primary and secondary business listings on the license. He referenced Section 2, page 2 that inserted new language which specified that one business license covered multiple lines of business. He noted that Section 3 allowed for two types of changes to a business license. One change permitted an individual to make changes to a business license within the thirty days of issuance. The second type of change allowed any clerical error corrections at any time the license was valid. Lastly, Section 3 specified that if any changes were made to the license the expiration date remained unchanged. He reported that Section 4 added a new definition to statute for "line of business." The existing

definition of "business" would work in concert with the definition of "line of business" with the definition of "line of business" meaning a singular activity that a business was engaged in. He cited Section 5, line 18 and offered that the provision referred to transition language and required DCCED to advance measures to implement the legislation.

Co-Chair Meyer pointed to the letters of support in the bill packet (copies on file). He asked whether there was any opposition to the bill.

Mr. Guinchard replied that when the bill was first introduced any number of lines of business could be listed on a single business license. The provision carried a significantly higher fiscal note and would create problems for DCCED with data base recording. The current version of the bill was amended to record the primary and secondary lines of business, which greatly reduced the fiscal cost. The department had one concern that it would not have the records of businesses running three or more lines of business under one license. He noted that currently 85 businesses would fall under the category. The issue could be addressed through regulations.

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Senator Olson asked what type of businesses the 85 businesses were and how that would impact revenue.

Representative Costello replied that currently over 700 businesses would be affected by the legislation and tended to be small businesses. The 85 businesses with more than three lines of business required professional licenses.

Co-Chair Meyer OPENED public testimony.

PEGGY-ANN MCCONNOCHIE, NATIONAL FEDERATION OF INDEPENDENT BUSINESS, JUNEAU (via teleconference), spoke in support of the legislation. She thanked Representative Costello for introducing the bill. She related that she was a real estate broker and owner of a consulting business and the legislation affected her negatively as a small business owner. She was required to have a real estate license and another license for teaching real estate classes. She relayed that the National Federation of Independent Business was in strong support of the legislation and she

urged the committee to pass the bill. She believed that HB 32 would benefit all small businesses in the state.

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Co-Chair Meyer CLOSED public testimony.

Vice-Chair Fairclough requested to hear from the department. She supported the legislation.

SARA CHAMBERS, DIRECTOR, DIVISION OF CORPORATIONS, BUSINESS AND PROFESSIONAL LICENSING, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, conveyed that the bill streamlined business practices to create a business friendly environment. She expressed concern that the current database captured only two lines of business. The department's data base did not have the capability to track multiple business lines and additional funding via a fiscal note was necessary to address the issue. An individual could have more than two lines of business under the new business license but the state would be unaware of the other businesses, which carried two important impacts for the state. She related that one concern was the inability for the department to track more than two lines of business. The department would not be able to track the professional license of an individual with either three professional licenses or one professional license not claimed as the primary or secondary line of business. She hypothesized a scenario where a person wanted to open a hair stylist and manicure salon and was unaware that professional licenses were required for both activities, the department could not ensure that the professional license was acquired if it could not determine all of the lines of business, which threatened public safety. The department worked to educate the public on the needs for professional licensing but the database acted as an additional failsafe to identify people who believe that a business license was all they needed to do business in the state. She pointed to another concern related to research into the department's licensing database. The department regularly received requests for information from the database to quantify numbers of people engaged in various business activities throughout the state. The information was helpful to the Department of Labor and Workforce Development (DOL) and any industry research. The department would not be able to respond to requests for information because the information would not be accurate. Ms. Chambers

proposed that a limited solution could be addressed in regulation. The department could require an individual to list a professional license as primary or secondary. The solution did not address an individual with multiple businesses and professional licenses and the department lost the ability to capture the information.

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Vice-Chair Fairclough wondered why the department had not devised a solution to the problem. She asked whether the department was confined by hardware issues that would prevent reporting multiple licenses. She queried why DCCED could not "link" multiple business licenses together and issue the others without a fee to the business owner.

Ms. Chambers answered that the issue was related to technological capacity. The business licensing database had not been updated for many years. The original fiscal note estimate was approximately \$94,000 from the department's information technology (IT) staff in order to capture or link the data. She shared that the department had no philosophical concerns with the bill. The problem was the aging database that prevented DCCED to adequately meet the requirements of the law.

Vice-Chair Fairclough relayed that she would be working with Ms. Chambers during the summer addressing licensing issue on the Legislative Budget and Audit Committee (LBA). She supported providing \$94,000 to fix the database issue. She shared other problems with the licensing division related to auto leasing companies and tax issues due to inappropriate business licensing. She asked for an example of a line of business.

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Ms. Chambers pointed to Ms. McConnochie's testimony as an example. Additionally, another example was business licenses issued to a sole proprietor who had a nail salon and wished to perform manicures and hair stylist services and were all listed under the same business name but were three different lines of business but the department could only capture two of the lines. She offered another example of one media services company that included computer services, printing services, tele production services, legal services, and motion picture services under the same

business name. The department could only capture two businesses in the database.

Vice-Chair Fairclough deduced that if someone opened a business and some of the business activities were regulated separately and qualified as separate lines of a business that the state was piecemealing out annually in order to charge a licensing fee and keep track of professional licensing to protect the public.

Ms. Chambers answered that business licensing and professional licensing were regulated separately through statute. She detailed that business licensing employed the NAICS [North American Industry Classification System] code system that had over one thousand codes. The code was utilized for business and labor statistical purposes. Businesses in the state required a business license. A professional licensing required a level of competency with different gateways to become licensed for the thirty-nine different licensing programs that was regulated by the department and twenty licensing boards. A business person would need to pass through the professional licensing gateway prior to doing business in an area that required a professional license. The failsafe mechanism of the database was engaged when someone wanted a license that required a professional license. The department required proof that the person met the requirements of licensure in the profession. She communicated that at times a person mistakenly thought that only a business license was required for a professional service and the department was able to provide proper information on what the requirements were. She noted that not all professionals required a business license and exemplified a nurse that worked at a hospital only required a professional license but a doctor with an independent doctor's office would need both licenses. The departments professional licensing and business licensing worked together.

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Vice-Chair Fairclough asked whether the technology was available to accomplish the mandates in the legislation and if so, was the legislation attempting to merge professional and business licensing.

Ms. Chambers answered that DCCED was currently upgrading the professional licensing system. The department's goal

was for the data systems to "talk" together in the future. The fiscal note would allow the application process and the database that supported the application could "capture" all of the codes in the background and gather the information.

Vice-Chair Fairclough asked for verification that the bill did not impact professional licensing. Ms. Chambers answered in the affirmative.

Ms. Chambers discussed the fiscal note FN2 (CED). The department requested an additional \$8,500 in order to make regulatory changes; there was a revenue loss of \$37,500 due to lost licensing revenue.

Vice-Chair Fairclough asked how the revenue loss will be distributed. Ms. Chambers replied that business licensing operated separately from professional licensing; therefore the revenue loss would only impact business licensing.

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Vice-Chair Fairclough asked whether the department "used the costs of the department to spread indirect costs over the other [professional licensing] division."

Ms. Chambers responded that she would like to do additional research on the issue. She surmised that if the costs of the 85 multiple business lines were spread between professional and business licensing (combine 120,000 licenses) the "impacts would be minimal."

CSHB 32(FIN) was HEARD and HELD in committee for further consideration.

#hcr15

CS FOR HOUSE CONCURRENT RESOLUTION NO. 15(FIN)

Relating to the Task Force on Unmanned Aircraft Systems.

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REPRESENTATIVE SHELLEY HUGHES, SPONSOR, introduced the legislation. She explained that the legislation extended the length of the task force. She stated that in the United States one in four homes owned a drone because of the smaller size and affordability. As the use increased the

public's concerns also increased. Setting "structures" in place with "inherent protections," reduced the impacts on the public. She detailed that Alaska was selected by the Federal Aviation Administration (FAA) to be a test site. The FAA continued to address the safety conditions for the use of drones. The role of the task force was to examine the privacy issues and Unmanned Aircraft Systems (UAS) applications. The task force was very concerned with privacy issues and misuse of UAS. She remarked on the state's vast roadless areas and noted the potential of UAS in the state. The task force performed well in the prior year and had issued a report to the legislature on January 14, 2014 and will issue a final report on July 1, 2014. The task force brought forward HB 255 (Unmanned Aircraft Systems) that set the parameters for law enforcement use.

Representative Hughes related that the reason the task force should continue its work was further address concerns over privacy. The technology was fast growing and the integration of UAS into national air space was expected in late 2015. She anticipated additional issues emerging from the integration. One of the duties of the task force would be to continue to conduct public hearings and identify issues on privacy and data collection, evaluate and recommend solutions. The task force had spent much time focusing on law enforcement use and issues in the past year. Currently, commercial and business use was imminent. She anticipated that the impending use of commercial UAS would bring new challenges. The task force dealt with Fourth Amendment rights and would begin to First Amendment rights regarding business and media use. She believed the task force was "timely and necessary" and stressed the importance for Alaskans to know that the issue was being monitored and addressed through policy. The task force was comprised of 7 members and the legislation added a public member, two industry members, and the commissioners of DCCED, and Department of Transportation and Public Facilities (DOT). The task force wanted more industry members and the public to be more involved. She noted that Senator Olson had been on the task force. She believed that the task force needed to be "a central point of contact for the public."

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Representative Hughes spoke to the desire for increased economic development in the state. She believed the state

was a prime location for the UAS industry. Other states took a more restrictive and hesitant approach and the UAS industry was interested in the state. She shared that an individual in the industry was looking forward to growing his business to 100 people and felt the UAS industry provided more opportunity for Alaskans. She urged the committee to advance the legislation.

Co-Chair Meyer asked for verification that one in four households owned a drone. Representative Hughes answered in the affirmative.

Co-Chair Meyer pointed to the sponsor statement (copy on file). He asked about the single point of contact noted in the document. He inquired whether a single point of contact was currently in place.

Representative Hughes answered that the single point of contact was not assigned to any specific department. The task force was the acting point of contact.

Co-Chair Meyer asked whether the task force was expanding its membership. Representative Hughes replied in the affirmative; by 5 additional members.

Senator Dunleavy questioned whether drones had the audio and visual capacity that caused concerns and how a drone was defined.

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Representative Hughes responded that a UAS with a camera was unrelated.

GINGER BLAISDELL, STAFF, REPRESENTATIVE SHELLY HUGHES replied that the term "drone" had been adopted by the military for weaponized unmanned aircraft. She explained that more professional sounding names were in use; however, drone was easier to say. A drone was the same as an unmanned aircraft and was not related to weapons use.

Senator Dunleavy elucidated that for many years individuals used recreational aircraft without weaponry. He wondered if the recreational individuals' rights were being rolled into the larger discussion on UAS. He wondered whether a distinction existed between model airplane enthusiast and the commercial and visual audio use of UAS.

Ms. Blaisdell answered that one of the functions of the task force would define "where the line was drawn." Currently the FAA had rules stating that UAS use for commercial purposes a certificate of authorization was required. Most UAS operators with camera equipment were unaware that they may be operating illegally and received fines. Some of the fines had been dropped and some had been pursued. She indicated that another role of the task force was public education.

Senator Dunleavy asked if he had a model airplane and was flying it on his property he wondered if he was violating any new laws since UAS came into use.

Ms. Blaisdell replied in the negative. She reported that unless the individual wanted to sell and photography from unmanned aircraft the individual was not in violation of any law. The Academy of Model Aeronautics worked closely with the FAA and set out the guidelines and rules for hobbyists. She reiterated that most users were unaware of the rules. She believed that "mass education" was necessary.

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Senator Olson commented that the FAA continued to revise regulations related to model aircraft and UAS in relation to sharing airspace with manned aircraft. He was in favor of the legislature.

Co-Chair Meyer CLOSED public testimony.

Vice-Chair Fairclough pointed to page 3 and noted the absence of the definition of a drone and what was regulated. She hoped that the task force developed recommendations concerning recreational and camera use.

Representative Hughes replied that the issue had been discussed in the last report of the task force and discussions would continue along with implementation of public education.

HCR 15 was HEARD and HELD in committee for further consideration.

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ADJOURNMENT

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The meeting was adjourned at 2:27 p.m.