

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

March 10, 2017

3:15 p.m.

**MEMBERS PRESENT**

Representative Sam Kito, Chair  
Representative Adam Wool, Vice Chair  
Representative Andy Josephson  
Representative Louise Stutes  
Representative Chris Birch  
Representative Gary Knopp  
Representative Colleen Sullivan-Leonard

**MEMBERS ABSENT**

Representative Mike Chenault (alternate)  
Representative Bryce Edgmon (alternate)

**COMMITTEE CALENDAR**

HOUSE BILL NO. 2

"An Act relating to a voluntary preference for veterans by private employers."

- MOVED CSHB 2(MLV) OUT OF COMMITTEE

HOUSE BILL NO. 108

"An Act adopting and relating to the Revised Uniform Fiduciary Access to Digital Assets Act."

- MOVED HB 108 OUT OF COMMITTEE

HOUSE BILL NO. 141

"An Act relating to allocations of funding for the Alaska Workforce Investment Board; and providing for an effective date."

- MOVED HB 141 OUT OF COMMITTEE

HOUSE BILL NO. 132

"An Act relating to transportation network companies and transportation network company drivers."

- HEARD & HELD

SENATE BILL NO. 14

"An Act relating to transportation network companies and transportation network company drivers."

- BILL HEARING CANCELED

**PREVIOUS COMMITTEE ACTION**

BILL: HB 2

SHORT TITLE: PRIV EMPLOYER VOLUNTARY VET PREFERENCE

SPONSOR(S): REPRESENTATIVE(S) TUCK

01/18/17	(H)	PREFILE RELEASED 1/9/17
01/18/17	(H)	READ THE FIRST TIME - REFERRALS
01/18/17	(H)	MLV, L&C
01/24/17	(H)	MLV AT 1:00 PM GRUENBERG 120
01/24/17	(H)	Heard & Held
01/24/17	(H)	MINUTE(MLV)
01/31/17	(H)	MLV AT 1:00 PM GRUENBERG 120
01/31/17	(H)	Moved CSHB 2(MLV) Out of Committee
01/31/17	(H)	MINUTE(MLV)
02/03/17	(H)	MLV RPT CS(MLV) NT 6DP
02/03/17	(H)	DP: RAUSCHER, REINBOLD, LEDOUX, SADDLER, PARISH, TUCK
02/22/17	(H)	L&C AT 3:15 PM BARNES 124
02/22/17	(H)	Heard & Held
02/22/17	(H)	MINUTE(L&C)
02/24/17	(H)	L&C AT 3:15 PM BARNES 124
02/24/17	(H)	Scheduled but Not Heard
03/10/17	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 108

SHORT TITLE: FIDUCIARY ACCESS TO DIGITAL ASSETS

SPONSOR(S): REPRESENTATIVE(S) CLAMAN

02/08/17	(H)	READ THE FIRST TIME - REFERRALS
02/08/17	(H)	L&C, JUD
03/08/17	(H)	L&C AT 3:15 PM BARNES 124
03/08/17	(H)	Heard & Held
03/08/17	(H)	MINUTE(L&C)
03/10/17	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 141

SHORT TITLE: AK WORKFORCE INVESTMENT BOARD;FUNDS

SPONSOR(S): REPRESENTATIVE(S) FANSLER

02/22/17	(H)	READ THE FIRST TIME - REFERRALS
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02/22/17 (H) L&C, FIN  
 03/06/17 (H) L&C AT 3:15 PM BARNES 124  
 03/06/17 (H) Heard & Held  
 03/06/17 (H) MINUTE(L&C)  
 03/10/17 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 132

SHORT TITLE: TRANSPORTATION NETWORK COMPANIES

SPONSOR(s): REPRESENTATIVE(s) WOOL

02/15/17 (H) READ THE FIRST TIME - REFERRALS  
 02/15/17 (H) TRA, L&C  
 02/23/17 (H) TRA AT 1:30 PM BARNES 124  
 02/23/17 (H) <Bill Hearing Canceled>  
 02/28/17 (H) TRA AT 1:30 PM BARNES 124  
 02/28/17 (H) Heard & Held  
 02/28/17 (H) MINUTE(TRA)  
 03/02/17 (H) TRA AT 1:30 PM BARNES 124  
 03/02/17 (H) Heard & Held  
 03/02/17 (H) MINUTE(TRA)  
 03/06/17 (H) L&C AT 3:15 PM BARNES 124  
 03/06/17 (H) Scheduled but Not Heard  
 03/07/17 (H) TRA AT 1:30 PM BARNES 124  
 03/07/17 (H) Moved CSHB 132(TRA) Out of Committee  
 03/07/17 (H) MINUTE(TRA)  
 03/08/17 (H) TRA RPT CS(TRA) 1DP 4NR 2AM  
 03/08/17 (H) DP: WOOL  
 03/08/17 (H) NR: SULLIVAN-LEONARD, NEUMAN, DRUMMOND,  
 STUTES  
 03/08/17 (H) AM: CLAMAN, KOPP  
 03/10/17 (H) L&C AT 3:15 PM BARNES 124

**WITNESS REGISTER**

VERDIE BOWEN, Director  
 Office of Veteran Affairs  
 Department of Military & Veterans Affairs  
 Anchorage, Alaska

**POSITION STATEMENT:** During the hearing of HB 2, testified in support of the legislation.

ROBERT DOEHL, Deputy Commissioner  
 Department of Military & Veterans Affairs (DMVA)  
 Anchorage, Alaska

**POSITION STATEMENT:** During the hearing of HB 2, offered support for the legislation.

JON DUFENDACH, Treasurer  
Partners for Progress in Delta  
Delta Junction, Alaska

**POSITION STATEMENT:** During the hearing of HB 141, offered support for the legislation.

DON ETHERIDGE, Lobbyist  
Alaska American Federation of Laborers - Congress of Industrial Organizations (Alaska AFL-CIO)  
Juneau, Alaska

**POSITION STATEMENT:** During the hearing of HB 141, offered support for the legislation.

GRETA SCHUERCH, Liaison  
Governmental and External Affairs  
NANA Regional Corporation  
Anchorage, Alaska

**POSITION STATEMENT:** During the hearing of HB 141, offered support for the legislation.

PALOMA HARBOUR, Director  
Central Office  
Division of Administrative Services  
Department of Labor & Workforce Development (DLWD)

**POSITION STATEMENT:** During the hearing on HB 141, answered questions.

REPRESENTATIVE ZACH FANSLER  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** During the hearing of HB 141, answered questions.

LAURA STIDOLPH, Staff  
Representative Adam Wool  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** During the hearing of HB 132, answered questions.

ANNABEL CHANG, Director  
Public Policy  
Lyft  
San Francisco, California

**POSITION STATEMENT:** During the hearing of HB 132, explained the functions of Lyft.

MITCHEL MATTHEWS, Senior Northwest Operations Manager  
Uber Technologies  
San Francisco, California

**POSITION STATEMENT:** During the hearing of HB 132, explained the functions of Uber Technologies.

JARED EBER, Attorney  
Uber Technologies  
San Francisco, California

**POSITION STATEMENT:** During the hearing of HB 132, answered a question.

#### **ACTION NARRATIVE**

[3:15:27M](#)

**CHAIR SAM KITO** called the House Labor and Commerce Standing Committee meeting to order at 3:15 p.m. Representatives Stutes, Josephson, Wool, Birch, Sullivan-Leonard, and Kito were present at the call to order. Representative Knopp arrived as the meeting was in progress.

#### **HB 2-PRIV EMPLOYER VOLUNTARY VET PREFERENCE**

[3:16:48 PM](#)

CHAIR KITO announced that the first order of business would be HOUSE BILL NO. 2, "An Act relating to a voluntary preference for veterans by private employers." [Before the committee was CSHB 2(MLV).]

[3:17:21 PM](#)

VERDIE BOWEN, Director, Office of Veteran Affairs, Department of Military & Veterans Affairs, offered support for HB 2 due to the effects it will have on communities when private employers provide [voluntary preference for members of the National Guard and veterans], and because it also provides legal cover that employers may need in providing this preference. This law, if passed, would fall in line with 37 other states also providing this coverage, he offered.

[3:18:40 PM](#)

ROBERT DOEHL, Deputy Commissioner, Department of Military & Veterans Affairs (DMVA), said he would like to reiterate Mr. Bowen's comments, and that the Department of Military & Veterans

Affairs (DMVA) strongly supports this legislation in removing a legal impediment to private employers that public employers are currently allowed to provide.

CHAIR KITO closed public testimony on HB 2.

[3:19:20 PM](#)

REPRESENTATIVE WOOL moved to report CSHB 2, labeled 30-LS0071\D out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, CSHB 2(MLV) passed from the House Labor and Commerce Standing Committee.

[3:19:40 PM](#)

The committee took a brief at-ease.

**HB 108-FIDUCIARY ACCESS TO DIGITAL ASSETS**

[3:23:22 PM](#)

CHAIR KITO announced that the next order of business would be HOUSE BILL NO. 108, "An Act adopting and relating to the Revised Uniform Fiduciary Access to Digital Assets Act."

CHAIR KITO opened public testimony, and after ascertaining no one wished to testify, closed public testimony on HB 108.

[3:24:16 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD commented that she supports the legislation because it is important that people understand the full ramifications of putting together a will and making sure the family has all of the necessary information.

CHAIR KITO said he concurred, as it is the one piece missing from his personal will.

REPRESENTATIVE KNOPP commented that the legislation itself does not cause him concern in getting out of the "dark ages," except he has concerns about "how this thing will evolve."

REPRESENTATIVE BIRCH related that he is unsure "exactly how this all works," but he is supportive of the bill. He mentioned that he recently received a Facebook request from a deceased individual.

[3:26:07 PM](#)

REPRESENTATIVE WOOL moved to report HB 108, labeled 30-LS0210\J, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 108 passed from the House Labor and Commerce Standing Committee.

[3:26:24 PM](#)

The committee took an at-ease from 3:26 p.m. to 3:28 p.m.

**HB 141-AK WORKFORCE INVESTMENT BOARD;FUNDS**

[3:28:50 PM](#)

CHAIR KITO announced that the next order of business would be HOUSE BILL NO. 141, "An Act relating to allocations of funding for the Alaska Workforce Investment Board; and providing for an effective date."

[3:29:29 PM](#)

JON DUFENDACH, Treasurer, Partners for Progress in Delta, referred to a 2/6/17 letter directed to Governor Bill Walker from Commissioner Heidi Drygas, with regard to non-resident employment, and he read as follows:

We know it's not enough to encourage Alaska hire only on state projects, but we have looked for creative solutions to address the high rates of residential/non-residential hire in other industries. Administrative Order 278 is part of that effort and it incorporates apprenticeship targets in oil and gas projects. Research shows that apprenticeships are a powerful tool to encourage Alaska hire rates, in addition to their workforce development benefits for employers.

MR. DUFENDACH noted that employment rates in the area of non-residency are over 40 percent in the oil industry, and 25 percent in the Operating Engineers Union. He said, "We operate a construction trade academy here in Delta" in an effort to train Alaskans and offer access to jobs in the construction and oil industries. He offered appreciation that the Delta Mine Training Center is now part of the University of Alaska system and is working with Partners for Progress in Delta. He urged

the committee to consider an extension of the UA Technical Vocational Education Program (TVEP) and to continue providing training for Alaska's young resident workers.

3:32:18 PM

DON ETHERIDGE, Lobbyist, Alaska American Federation of Laborers - Congress of Industrial Organizations (Alaska AFL-CIO), said the Alaska American Federation of Laborers - Congress of Industrial Organizations (Alaska AFL-CIO) supports HB 141, and advised that the organization funds its own training. He commented that when this program first began, he worked with the Alaska Works Partnership Program, AFL-CIO, and several people to put this program "into business" and they would like to see it continue. He remarked that the only benefit "we get out of it" is we go out and cherry pick some of the top students for its apprenticeship programs which has furthered these students' careers over the years. The main issue is local hire, and if Alaska does not have the people trained to take the oil and gas and construction jobs, then there is no argument when people start coming in from outside to take the jobs. The goal, he offered, is to train Alaskans for these jobs, and the Alaska AFL-CIO is in support of these programs.

3:33:56 PM

REPRESENTATIVE BIRCH offered concern that the dollars come out of the unemployment insurance slice of an existing employee's pay, such that a piece of every hour of their paycheck goes to unemployment insurance. He commented that it appears these are being syphoned off or reallocated to this program, and asked how that benefits the individual whose paycheck it comes out of ostensibly for unemployment insurance.

MR. ETHERIDGE suggested that when looking at the issue as per person, "it doesn't." Although, he explained, it is still not causing harm either because the program is solvent and if a person is out of work they can draw unemployment funds. His view, he advised, is that it saves the overall fund money, to leave it out there for other people to use without having to increase it, if the unemployed people get enough training to go to work. Also, he explained, in the event the person has an opportunity to go to work and not draw unemployment, that saves money, and "they" don't have to increase the rates later on in order to make the program solvent.

3:35:48 PM

REPRESENTATIVE BIRCH pointed out that it appears \$12 million is coming out of the paychecks of working Alaskans identified as unemployment insurance. Therefore, he said, there's a \$12 million slice of unemployment insurance basically going to train someone else, and he said, "we're trying to figure out whether that could be increased, decreased, put into vocational schools in the school district, and so forth." It appears, he said, to not be a truthful representation to the working individual when they think they are paying unemployment insurance and, in fact, \$12 million is being redirected. He pointed out that there is no question it is for a worthy purpose, but money is taken out of a working person's pocket to train someone else to possibly come in and take their job, for instance.

[3:36:50 PM](#)

MR. ETHERIDGE responded that most of the individuals going through [TVEP programs] have paid into the funds and are reusing some of their own funds in many cases. He commented that it is probably not absolutely fair that it only goes to these few programs, but those are the programs "we picked out when we first started it." Initially, he said, there were only four to five programs and with each allocation "the pie got smaller" for each group. Speaking as someone who has paid unemployment insurance all of his life, he said that he does not begrudge any of that money training someone else to further their career and enhance local hire in Alaska. He stressed that if the state has to spend a bit of money to train these people so Alaskans are able to get those jobs, "I think we need to do it."

[3:38:42 PM](#)

GRETA SCHUERCH, Liaison, Governmental and External Affairs, NANA Regional Corporation, advised that the UA Technical Vocational Education Program (TVEP) has served as an essential funding source to the Alaska Technical Center based in Kotzebue, and it serves as a catalyst for individuals to develop various career tracks. The Alaska Technical Center (ATC) is an adult vocational and technical school for all Alaskans, she described, which has been an essential player in the advancement of the collective workforce development efforts within the region. She commented that it benefits employers, such as the Northwest Arctic Borough School District, NANA Regional Corporation, and the Red Dog Mine through core programs, and it includes tracks and business technology, health occupations, construction trade technology, culinary arts, process technology, and offers a

variety of short courses meeting the needs of local employers and business partners. In 2016, she offered, 696 individuals graduated, and 81 percent of whom are currently employed. The TVEP has had a tremendous positive impact statewide, and she pointed to the Youth Learning Center in Bethel, which serves a key role in the dental health aide therapy program benefiting all areas of the state through its rigorous dental training program, and whose graduates provide mid-level dental care in small rural communities throughout Alaska. The NANA Regional Corporation shareholders also benefit from other programs funded through TVEP at the University of Alaska, the Galena Interior Learning Academy, Alaska Vocational Technical Center, and the Iñisagvik College. The NANA Regional Corporation appreciates the legislature's continued support for secondary, post-secondary, and adult education that prepares Alaskans for future jobs in Alaska, she said.

[3:41:28 PM](#)

CHAIR KITO, after ascertaining no one wished to testify, closed public testimony on HB 141.

[3:42:02 PM](#)

PALOMA HARBOUR, Director, Central Office, Division of Administrative Services, said she was available for questions.

REPRESENTATIVE SULLIVAN-LEONARD asked Ms. Harbour whether the funding dispersed from 2000 to present was \$142.5 million.

MS. HARBOUR responded that the cumulative total through FY 2017 was \$142.5 million.

[3:42:51 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD asked the amount of dollars, per employee, which has been paid into the system from 2000 to 2016.

MS. HARBOUR advised that she did not have that analysis with her, but the Research and Analysis Section of the department calculates the total number of employees in Alaska, how many employees are resident/non-resident, and she could go back and prepare that analysis.

[3:43:44 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD noted that she was looking for a ball park figure. She asked whether other pieces are taken out of unemployment insurance for government funding.

MS. HARBOUR answered that the department funds two different programs: the State Training and Employment Program (STEP) which performs competitive workforce development grants; and the Technical and Vocational Education program is designated to the recipients in statute.

REPRESENTATIVE SULLIVAN-LEONARD explained that she would like to know whether additional money is taken from unemployment insurance that would go toward these types of grants.

MS. HARBOUR reiterated that the STEP and TVEP programs are the two programs that come out of employee contributions to unemployment insurance. She referred to the previous response she provided to Chair Kito's office and explained that it shows the employee's contribution to unemployment insurance, the STEP and TVEP contribution, how much money is deposited into the UI Trust Fund, and how much money is deposited into the STEP and TVEP accounts.

[3:45:15 PM](#)

REPRESENTATIVE JOSEPHSON asked whether the other 49 states have technical training assistance for these two programs, such as Alaska.

MS. HARBOUR responded there are other funding mechanisms in other states for training, but they do not originate from employee contributions to unemployment insurance. Alaska, New Jersey, and Pennsylvania, are the only three states in the nation that collect employee contributions for unemployment insurance, and New Jersey and Pennsylvania do not have a similar program for training out of that funding.

[3:45:58 PM](#)

REPRESENTATIVE JOSEPHSON asked for clarification that there are only three states in the union requiring the employee to contribute to unemployment insurance.

MS. HARBOUR answered that Representative Josephson was correct.

REPRESENTATIVE JOSEPHSON said, notwithstanding Alaska being one of the three states, Alaska has low unemployment insurance benefits relative to sister-state Washington State.

MS. HARBOUR responded, "Correct," and she opined that Alaska has a 30 percent wage replacement rate in its maximum unemployment insurance payment to Alaskans, but she did not have the exact figure with her today.

REPRESENTATIVE JOSEPHSON asked whether she knew the 30 percent number to be lower than the mean.

MS. HARBOUR responded "Yes," and she said she did not want to misspeak because she is not an expert on unemployment insurance, but opined that Alaska is on the very bottom in states' maximum weekly benefit payments.

[3:47:09 PM](#)

REPRESENTATIVE KNOPP asked how Alaska compares as far as contributions rates to the other states.

MS. HARBOUR asked whether Representative Knopp was asking about the employer and employee contribution rates.

REPRESENTATIVE KNOPP referred to the percentages "we pay on payroll," and asked how Alaska compares to other states because obviously less benefits are received under a claim. He inquired as to how Alaska stands as far as the contribution rates compared to the other states with revenue versus expenditure.

MS. HARBOUR answered that she could speak to TVEP, but she could not speak to the unemployment insurance program, and she did not know the answer to that question.

REPRESENTATIVE KNOPP reiterated his request for the unemployment rates, employee/employer total contribution rates, and how Alaska compares to the other states. Obviously, he commented, Alaska is substantially low in the benefits section. He asked how Alaska rates in terms of contribution.

MS. HARBOUR said she would look into the contribution rates. In response to Representative Josephson, she said she received a message that Alaska is 39th in the United States per maximum weekly benefits.

[3:48:52 PM](#)

REPRESENTATIVE WOOL surmised that Alaska is one of the three states wherein the employee pays into the unemployment insurance contribution, and asked whether the other states are all employer only.

MS. HARBOUR said that Representative Wool was correct, for all of the other states it is solely employer contributions.

[3:49:22 PM](#)

REPRESENTATIVE BIRCH referred to STEP and TVEP, and asked whether STEP is the same dollar magnitude, for example, if it was \$142 million for employee unemployment insurance contributions going to TVEP, and whether it was roughly the same for STEP.

MS. HARBOUR answered that she did not run those numbers, but opined that it is less. The STEP contribution is 0.1 percent and TVEP is 0.16 percent, possibly two-thirds, she said.

[3:50:37 PM](#)

REPRESENTATIVE ZACH FANSLER, Alaska State Legislature, in response to Representative Knopp, said that a quick internet search indicated Pennsylvania employees contributes 0.07 percent, and New Jersey employees contribute 0.3825 percent according to the 2016 Fast Wage and Tax Facts.

[3:51:26 PM](#)

REPRESENTATIVE KNOPP asked what Alaska's employee/employer combined contribution rate is.

REPRESENTATIVE FANSLER replied that the Alaska employee contribution is 0.5 percent, and the employer contribution is 1.01 percent.

[3:52:31 PM](#)

REPRESENTATIVE JOSEPHSON commented that he agrees with Representative Birch and said the line item on a paycheck has the unemployment insurance, and it should say "UI, TVEP STEP." That would be truth in description, he described, but it is a policy call about whether, why, or how much to fund through this. This legislation is about something quite different, he related that it is about extending a program that does many

things besides TVEP. He noted that he does not have children, but as part of the social compact, he invests some of his property taxes in public schools, police officers, and so forth, "and I am okay with that." This is the way the world often works, and he described it as a sharing of responsibility.

[3:54:08 PM](#)

REPRESENTATIVE STUTES offered that she is in full support of the bill and opined that the committee members have paid into unemployment insurance as an employee or employer. She said she is happy to know that at least some of that money is going to retrain people that she could possibly use in her business. Alaska is "pulling up the rear" in trained individuals, and vocational training particularly, such as plumbers, or refrigeration operators for the seafood processing plants, she commented.

[3:55:19 PM](#)

REPRESENTATIVE KNOPP related that he is also a fan of vocational training, especially because Alaska is large and diverse, and the local communities decide which type of vocational training best suits its needs geographically. He said he does not disagree with Representative Birch and the funding mechanism could be debated at another time, but in some manner it will be funded and right now he doesn't see a better option.

[3:56:01 PM](#)

REPRESENTATIVE WOOL moved to report HB 141, labeled 30-LS0551\A, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 141 passed from the House Labor and Commerce Standing Committee.

[3:56:49 PM](#)

The committee took an at-ease from 3:56 p.m. to 4:00 p.m.

### **HB 132-TRANSPORTATION NETWORK COMPANIES**

[4:01:00 PM](#)

CHAIR KITO announced that the final order of business would be HOUSE BILL NO. 132, "An Act relating to transportation network companies and transportation network company drivers."

[4:01:26 PM](#)

REPRESENTATIVE WOOL, as prime sponsor, presented HB 132 and described the bill as timely after passing HB 108 out of committee today wherein the members agreed it is time to get onboard with the modernization of society. He explained that "ridesharing" is a platform used to obtain a ride somewhere through an application (app) on a smart phone and passengers hire private individuals to drive them from point A to point B. Other aspects of society have modernized due to digital technology, which includes: Airbnb is accessed through a smart phone and people pay the homeowner to stay in their home for a certain amount of time for a certain amount of money; Car2go parks cars in different areas and with the appropriate card a person is able to get into that car, drive it around, park it later, and not go to a typical car rental counter; traveling is conducted online; and ridesharing. Ridesharing companies can include: Uber, Lyft, Side Car Rentals, Car Rental at Geraldton (GET), and many more with different specialties. He pointed out that these drivers are independent contractors and do not receive worker benefits, similar to taxi cab drivers. Ridesharing is available in 49 states, 20,000 people in Alaska have the Uber app on their phone, and 60,000 people coming into Alaska last year attempted to open their app.

[4:05:23 PM](#)

REPRESENTATIVE WOOL advised that the upside is that transportation network companies (TNCs) will help the economy, as follows: it will provide more income to people looking to supplement their income; it is one of the few jobs the military can be involved in during their off-time; it stimulates the economy especially in downtown areas; it is good for public safety because less people are driving under the influence; and people are more prone to go out and spend money. He described as follows: it is better service than conventional taxis and studies have shown that where ridesharing has come in, more people are taking rides and more areas are served because drivers tend to drive where they live; ridesharing is generally 50 percent less than conventional taxis; ridesharing is convenient and easy because the app is used rather than a phone call. He explained that combined with ridesharing are other products, such as a parent app wherein the parents enable their children to get a ride and the children can be tracked.

[4:07:29 PM](#)

REPRESENTATIVE WOOL advised that carpooling is convenient with the ridesharing app because a person can opt to share the ride with another individual so both rates go down, and it is good for the elderly or disabled individuals who may not be able to handle money because it is set up on a person's individual phone and cash is not involved. The purpose of this is not in any manner to end taxi cabs, he stressed, having transportation network companies (TNCs) in an area will increase paid riders and it actually augments taxis cabs. Currently, he offered, many taxis cabs are adapting and using similar apps with the same technology as ridesharing, and possibly taxi cabs will specialize and perform certain types of rides. He added that taxi cabs can still be hailed which cannot happen with TNCs, and taxi cabs will always be needed. He described that TNCs are in every other state in the country, and this is part of the evolution of technology and modernization of society.

[4:09:29 PM](#)

REPRESENTATIVE BIRCH commented that this legislation is well-timed and from a security standpoint, the traveler is able to see the driver, when they will be picked up, and so forth. Pushback in some circles has been the quality of the ride, security, and timeliness, he said.

[4:10:17 PM](#)

REPRESENTATIVE KNOPP referred to the comment that TNCs existed in Anchorage, and asked why it was no longer available. He also asked why legislation is needed at the state level to allow TNCs.

REPRESENTATIVE WOOL said he does not live in Anchorage and he read in the newspaper that [Uber] came in as a trial project with the Municipality of Anchorage, which has a regulated taxis cab system, and Anchorage tried it out as a pilot project. As far as the statewide legislation, he noted, there is statewide legislation in 38 states and Wyoming just passed the legislation a week or so ago. He opined that Washington State just passed a version on their Senate side and, hopefully, it is about to pass the legislature. He related that it is just too hard for the ridesharing companies to have different rules and regulations in every single municipality; therefore, a uniform system throughout the state was preferred.

[4:12:26 PM](#)

LAURA STIDOLPH, Staff, Representative Adam Wool, Alaska State Legislature, advised that when Uber had the pilot program in Anchorage, it was operating without an exemption from the Alaska Workers' Compensation Act, and this legislation takes care of that issue.

REPRESENTATIVE KNOPP asked if the issue at that time was whether TNC drivers were independent contractors or employees.

MS. STIDOLPH answered yes, and she said this bill clarifies that they are independent contractors exempt from the Alaska Workers' Compensation Act, much like taxi cab drivers.

[4:13:15 PM](#)

REPRESENTATIVE KNOPP asked whether taxi cabs are regulated at the state or local level.

MS. STIDOLPH replied that taxi cabs are municipally regulated in Anchorage and "they do have harder regulation there." She said that there is some regulation in Juneau and Fairbanks, but not as much as in Anchorage where there are medallions. A state policy rather than municipal policy is necessary because the new technology requires a clear set of rules that is not patch worked around the state. She explained that TNC drivers cross municipal borders from community to community and multiple municipal regulations could cause problems.

REPRESENTATIVE KNOPP asked how to level the playing field, how would the committee allow municipalities to not regulate one travel group and regulate the other group. He said he likes the bill and would like to see TNCs here, but only on a level playing field.

MS. STIDOLPH advised that Anchorage is de-regulating its taxi cab system in five years and this bill aims to state regulate. In a year or two, if municipalities are "having that much of a problem with TNCs then we can go back into statute and perhaps change it," she said.

[4:15:22 PM](#)

REPRESENTATIVE JOSEPHSON surmised that part of the hope is to have a system that mirrors a taxi cab system, in the respect of not being an employee but rather self-employed. The Municipality of Anchorage, for example, requires that taxi cabs have a \$100,000 per person bodily injury coverage, \$300,000

aggregate, and \$50,000 per occurrence. He referred to HB 132, page 6, lines 7-8, wherein "there is an opportunity where a person could be not on a prearranged ride but sort of in a position, I guess psychologically or physically, to take a prearranged ride." He asked whether the insurance rates, given that this is a form of commercial carry, shouldn't be somewhat higher than is indicated on page 6, lines 9-11.

[4:16:43 PM](#)

REPRESENTATIVE WOOL opined that Representative Josephson was referring to the different periods of the status of a driver for a TNC, such as period 1, period 2, period 3. Period 1, he explained, means the driver has the app on their phone open and they can be in their car, parked in the parking lot, driving, or at their house. Period 2, he explained, is when someone requests a ride and the driver accepts the ride. At that point the coverage goes up to \$1 million liability and \$1 million insured/under-insured motorists, which is considerably higher than the requirement for a taxi cab in Alaska. Period 3, he explained, is when the passenger gets into the car and the car is still covered at the \$1 million level. Any driver for a TNC company must have their own valid and verified insurance, and if the driver loses their insurance for some reason, they lose their driving privileges with the TNC. That being said, he commented, the TNC will provide, if needed, the state minimum requirement for all drivers in the State of Alaska.

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REPRESENTATIVE JOSEPHSON asked why TNCs would purchase insurance for people who are not their employees.

REPRESENTATIVE WOOL responded that the contracted drivers must purchase their own insurance, the TNCs have a policy above and beyond the driver's insurance, especially in periods 2-3. Drivers must meet the state insurance minimum but some may purchase in excess of that requirement, and insurance companies offer a product specifically for TNC drivers. He said that Ms. Stidolph received a letter from her insurance company inquiring as to whether she was a TNC driver, and if so, it would charge an extra of \$5 - \$8 per month. He opined that TNCs buy the insurance for extra protection in the event extra insurance is necessary.

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REPRESENTATIVE JOSEPHSON commented that it is curious that TNCs would afford this benefits to someone they want to be detached from. He asked whether there are regulations in other states allowing the drivers to organize, and whether the TNCs have essentially tolerated that sort of regulation and worked consistent with the regulation.

REPRESENTATIVE WOOL, in response to Representative Josephson's first question, advised that taxi cab companies also buy insurance for their independent contractor drivers. He opined that the City of Seattle passed an ordinance allowing drivers to organize and he does not believe they have yet organized. A sub-group of drivers in New York City, Uber Black for example, are employees of a separate company that uses the Uber platform so they may be organized in a different manner. Technically, he said, they are employees of a different company and are more professional drivers.

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CHAIR KITO surmised that Uber Black is not your grandparent's Uber.

REPRESENTATIVE WOOL agreed, and he said that only a small percentage of the drivers in Seattle actually want to organize. An issue about organizing these drivers is that many are part-time, and as far as all of the issues that go into organizing employees, such as sick time and vacation time, which is usually ascribed to full-time employment. He opined that there are not any organized TNC drivers, but representatives from the companies can validate his statement.

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CHAIR KITO opened invited testimony and advised that public testimony would not be taken today.

[4:23:53 PM](#)

ANNABEL CHANG, Director of Public Policy, Lyft, offered support for the legislation and explained that the Lyft ridesharing app technology connects people with efficient and safe rides by downloading, and registering the app on a person's smart phone, and requesting a ride with the tap of a button. She said that Lyft utilizes technology to provide consumers with new levels of transparency and accountability. Every Lyft ride is tracked via GPS, she explained, and once the app is open, passengers are

provided with the driver's picture, user ratings of the driver, the license plate, make and model of the vehicle, and passengers can track the car; the drivers receive a photo and the name of their passenger. She remarked that there is a function in the app where an ETA can be sent to the passenger, and the passenger can send an ETA to their family or colleagues in a business meeting. Payments through Lyft are entirely digital, thereby enhancing security; every passenger automatically receives a digital receipt with the information of their driver, and no cash changes hands. Subsequently, she said, every passenger and driver have, the opportunity to rate each other, and after every ride there is instantaneous feedback. Lyft is more than simply a ridesharing app because it offers unique and flexible economic opportunities, such that, in 2016 drivers on the Lyft platform earned \$1.5 billion and over \$150 million in tips, and Lyft passengers increased their consumer spending by \$750 million in one year. Currently, 39 states across the nation have passed comprehensive statewide legislation to regulate Lyft in a safe and robust manner, almost identical to HB 132. Lyft hopes that Alaska will join that effort and requests the committee's support for HB 132, she said.

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MITCHEL MATTHEWS, Senior Northwest Operations Manager, Uber Technologies, offered support for the legislation and the opportunity to return its flagship product back to Alaska. He explained that over 20,000 Alaskans currently have the Uber app downloaded on their smart phone, and in 2016, 60,000 individuals opened that app seeking a ride using the Uber platform, be it tourists, residents, or visitors to the state. This legislation provides appropriate safeguards for consumers and a clear, precise, and predictable operational framework for transport network company (TNC) drivers and riders across the State of Alaska. The legislation contains an insurance model that has been adopted in essentially the same form in over 40 states, and that language has the support of the largest property and casualty insurance trade groups in the United States. Further, he said, this bill provides a clear framework to ensure public safety because it creates a certainty to conduct business without the need to navigate a patchwork of local regulations that may differ from city to city. It further enhances access to transportation in and around rural communities as well as creating new small businesses and an income stream for families and individuals, he said.

[4:29:23 PM](#)

MR. MATTHEWS explained that residents in the Matanuska-Susitna Valley who commute and travel from Anchorage would benefit from the bill's clear and concise framework. Uber riders request a ride with the touch of a button and after a trip match is made between the rider and driver, the name, photograph, license plate and contact details, which are anonymized, are shared between each individual. During the ride a rider may share their location and trip with their family members, thereby, providing an enhanced safety feature, and there is an accountability component wherein each rider and driver rate each other through the app with direct feedback. Independent contractors value the flexibility of Uber's model, and he said that over 80 percent of the drivers drive less than 10 hours per week because it allows drivers to work when they want for as long as they want, drivers can work with competitors, and drivers can drive in the area of their choice. He explained that Uber's driver verification process includes an extensive screening process for each applicant via a third-party approved by the National Association of Background Check Screeners. The screening process includes: social security numbers; driving records; personal information - full name, date of birth, social security number, valid driver's license, bank account information, vehicle registration; and Uber does not allow anyone on the National Sex Offender Public Website maintained by the United States Department of Justice to drive for the company.

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REPRESENTATIVE SULLIVAN-LEONARD asked whether a ridesharing driver would be required to sign up through the City and Borough of Juneau (CBJ) for a business license, background check, and drug testing, and further asked whether the drivers would be applicable for a sales tax application.

MR. MATTHEWS responded that the legislation itself provides background check language and requirements so when an individual signs up to drive with Uber, Lyft, or others, the third-party the TNC works with would be responsible for conducting that background check and adjudicating the information. He advised that drivers are independent business owners and a business license for Juneau, for example, would be the state business license where they register their intent to operate in Juneau, or a CBJ business license would be theirs to obtain.

REPRESENTATIVE SULLIVAN-LEONARD surmised that the drivers would have to follow the rules as to sales tax, collections, and payment to the CJB.

MR. MATTHEWS opined that the bill sponsor is crafting language with respect to sales tax.

[4:33:29 PM](#)

CHAIR KITO requested Mr. Matthews to describe the vehicle inspection requirements for a driver, and how the requirements might be accomplished in an area without a mechanic, for example.

MR. MATTHEWS answered that Uber requires a 19-point vehicle inspection to ensure that the vehicles are mechanically able to provide a service, and "we would review it again. In areas of Alaska, as takes place in areas of Montana, Uber may require individuals signing up to take photographs or videos of their vehicles, Uber would then have the photographs and videos reviewed by an individual who would ensure that the vehicle does meet the requirements to drive and pass an inspection. The statewide framework is important, he described, because it allows a person who signs up in a community without a mechanic the opportunity to drive.

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REPRESENTATIVE JOSEPHSON surmised that the TNCs have a means in other jurisdictions to pay a sales tax.

MR. MATTHEWS related that in some jurisdictions there would be no taxes levied against the TNC, and a state sales tax exists in other areas of the state. He deferred to the bill sponsor for clarity.

REPRESENTATIVE JOSEPHSON asked what percentage of people screened for background checks that are rejected.

MR. MATTHEWS advised that he does not have data on that issue. The requirements listed in the bill, he explained, are the requirements people would be adjudicated against, the determining factor as to whether a person could drive on the Uber platform.

REPRESENTATIVE JOSEPHSON referred to personal insurance policies and the insurance policies provided by the TNC, and asked

whether both policies would cover an accident. He further asked which insurance policy would take priority.

MR. MATHEWS deferred to Jared Eber.

[4:36:45 PM](#)

JARED EBER, Attorney, Uber Technologies, explained that individual drivers purchase specific insurance through carriers offering a ridesharing product, and in addition, TNCs are required to have their own insurance as well. The driver's specific ridesharing insurance policy would respond first, and Uber's insurance policy would respond on top of that for any additional amounts the driver's specific ridesharing insurance would not cover, he explained. The TNCs coverage would be primary in the event the driver's insurance did not provide coverage, he said, and would start at dollar one.

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REPRESENTATIVE KNOPP noted that the drivers would be independent contractors and would go to the Division of Licensing for business licenses, and asked how many applications Representative Wool expected to be submitted.

REPRESENTATIVE WOOL said he was unaware of the projection for the number of TNC drivers, but there were 80 drivers in the pilot program in Anchorage.

REPRESENTATIVE KNOPP offered that the Division of Licensing would be substantially busy with the licensing of these independent contractors. He then reiterated concern regarding little to no local control, and asked whether, when complaints are filed, the person would most likely call the local police or someone at the state level. He asked how the complaints would be addressed, especially when the local municipalities do not have authority to regulate and yet get stuck handling some of the complaint calls.

REPRESENTATIVE WOOL answered that there had not yet been a discussion regarding an abundance of complaints. He referred to the local control issue and said that Anchorage has a medallion system which will expire. He commented that he was unsure whether the Anchorage control system was working well and that he assumed those working with the control system possibly would prefer to be out of the taxi cab business.

REPRESENTATIVE KNOPP explained that he was just putting his thoughts out there for future conversations. He referred to the Kenai Peninsula Borough's sales tax and commented that the Kenai Peninsula Borough "does not do business licensing," but the drivers would still be required to register and collect a sales tax as independent contractors. He said that he assumed under this bill there is no exemption.

REPRESENTATIVE WOOL related that the language is currently being crafted incorporating local municipal sales tax in a form that the driver will pay to the municipality.

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REPRESENTATIVE BIRCH offered his understanding that if there is a complaint with a driver or any issue, it is loaded up immediately and is shared to whoever is handling that ride distribution. He opined that it is a two-way street and if a passenger is overly drunk, the driver has protections in that "they can basically measure up the potential cab ride as well."

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REPRESENTATIVE WOOL explained that the rating is mandatory and before a person's next ride, they have to rate [the last ride]. He said that the ratings and comments are taken seriously for the driver and the passenger, and if someone receives bad ratings "they take them off the system" for drivers and passengers.

REPRESENTATIVE BIRCH surmised that from a business standpoint, there is always accountability through the business model.

REPRESENTATIVE WOOL agreed, and he said that he was unaware how often complaints go to the local or state government level, as mostly they are handled internally.

[4:44:18 PM](#)

CHAIR KITO commented that society will see an adaptation for any of these types of new technologies coming forward.

[HB 132 was held over.]

[4:45:09 PM](#)

**ADJOURNMENT**

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 4:45 p.m.