

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

March 24, 2017

3:17 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. 144

"An Act extending the termination date of the Board of Veterinary Examiners; and providing for an effective date."

- MOVED HB 144 OUT OF COMMITTEE

HOUSE BILL NO. 86

"An Act relating to nonrenewal of occupational licenses for default on a student loan."

- MOVED HB 86 OUT OF COMMITTEE

HOUSE BILL NO. 170

"An Act relating to securities, registration, exempt securities, exempt transactions, broker-dealers, agents, investment advice, investment advisers, investment adviser representatives, federal covered securities, federal covered investment advisers, viatical settlement interests, small intrastate security offerings, Canadian broker-dealers, and Canadian agents; relating to administrative, civil, and criminal enforcement provisions, including restitution and civil penalties for violations; relating to an investor training fund; establishing increased civil penalties for harming older persons and vulnerable adults; relating to corporations organized under the Alaska Native Claims Settlement Act; amending Rules 4, 5, 54,

65, and 90, Alaska Rules of Civil Procedure, and Rule 602, Alaska Rules of Appellate Procedure; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 132

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

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 144

SHORT TITLE: EXTEND BOARD OF VETERINARY EXAMINERS

SPONSOR(s): REPRESENTATIVE(s) KITO

02/24/17	(H)	READ THE FIRST TIME - REFERRALS
02/24/17	(H)	L&C, FIN
03/22/17	(H)	L&C AT 3:15 PM BARNES 124
03/22/17	(H)	Heard & Held
03/22/17	(H)	MINUTE(L&C)
03/24/17	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 86

SHORT TITLE: STUDENT LOAN DEFAULT/OCC. LICENSE RENEWAL

SPONSOR(s): REPRESENTATIVE(s) CLAMAN

01/27/17	(H)	READ THE FIRST TIME - REFERRALS
01/27/17	(H)	EDC, L&C
03/01/17	(H)	EDC RPT 7DP
03/01/17	(H)	DP: TALERICO, PARISH, KOPP, SPOHNHOLZ, JOHNSTON, FANSLER, DRUMMOND
03/01/17	(H)	EDC AT 8:00 AM CAPITOL 106
03/01/17	(H)	Moved HB 86 Out of Committee
03/01/17	(H)	MINUTE(EDC)
03/22/17	(H)	L&C AT 3:15 PM BARNES 124
03/22/17	(H)	Heard & Held
03/22/17	(H)	MINUTE(L&C)
03/24/17	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 170

SHORT TITLE: AK SECURITIES ACT; PENALTIES; CRT. RULES

SPONSOR(s): LABOR & COMMERCE

03/10/17	(H)	READ THE FIRST TIME - REFERRALS
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03/10/17 (H) L&C, JUD
03/24/17 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 132

SHORT TITLE: TRANSPORTATION NETWORK COMPANIES

SPONSOR(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
03/10/17 (H) Heard & Held
03/10/17 (H) MINUTE(L&C)
03/17/17 (H) L&C AT 3:15 PM CAPITOL 106
03/17/17 (H) Heard & Held
03/17/17 (H) MINUTE(L&C)
03/18/17 (H) L&C AT 12:30 AM CAPITOL 106
03/18/17 (H) -- Continued from 3/17/17 --
03/22/17 (H) L&C AT 3:15 PM BARNES 124
03/22/17 (H) Heard & Held
03/22/17 (H) MINUTE(L&C)
03/24/17 (H) L&C AT 3:15 PM BARNES 124^

WITNESS REGISTER

CHRYSTAL KOENEMAN, Staff
Representative Sam Kito, III
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: During the hearing of HB 144, offered an overview of the legislation.

DOCTOR RACHAEL BERNGARTT, Veterinarian
Alaska Board of Veterinary Examiners
Juneau, Alaska

POSITION STATEMENT: During the hearing of HB 144, answered questions.

DOCTOR ERIC JAYNE, Veterinarian
Unknown City, Hawaii

POSITION STATEMENT: During the hearing of HB 144, testified as a veterinarian who previously worked in rural Alaska.

OWEN PHILLIPS, Staff
Representative Matt Claman
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: During the hearing of HB 86, presented an overview of the legislation.

JANEY HOVENDEN, Director
Corporations, Business, and Professional Licensing (CBPL)
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: During the hearing of HB 86, answered questions.

KEVIN ANSELM, Director
Division of Banking & Securities
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: During the hearing of HB 170, presented a PowerPoint titled, Alaska Securities Act, HB 170.

DEB ETHERIDGE, Deputy Director
Central Office
Division of Senior and Disabilities Services
Department of Health and Social Services (DHSS)
Juneau, Alaska

POSITION STATEMENT: During the hearing of HB 170, answered questions.

ANNABEL CHANG, West Coast Director
Public Policy
Lyft
San Francisco, California

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

MITCHEL MATTHEWS, Senior Global Operations Manager
Uber
San Francisco, California

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

JARED EBER, Associate Counsel
Uber
San Francisco, California

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

ACTION NARRATIVE

[3:17:53 PM](#)

CHAIR SAM KITO called the House Labor and Commerce Standing Committee meeting to order at 3:17 p.m. Representatives Kito, Stutes, Josephson, Wool, Birch, Knopp, and Sullivan-Leonard were present at the call to order.

HB 144-EXTEND BOARD OF VETERINARY EXAMINERS

[3:19:19 PM](#)

CHAIR KITO announced that the first order of business would be HOUSE BILL NO. 144, "An Act extending the termination date of the Board of Veterinary Examiners; and providing for an effective date."

[3:19:35 PM](#)

CHRYSTAL KOENEMAN, Staff, Representative Sam Kito, III, Alaska State Legislature, advised that HB 144 extends the Board of Veterinarian Examiners eight full years until 2020, at the request of the Division of Legislative Audit.

[3:20:22 PM](#)

The committee took an at-ease from 3:19 p.m. to 3:21:21 p.m.

[3:21:03 PM](#)

CHAIR KITO, after ascertaining no one wished to testify, closed public testimony on HB 144.

[3:21:38 PM](#)

DOCTOR RACHAEL BERNGARTT, Veterinarian, Alaska Board of Veterinary Examiners, said she was available for questions.

REPRESENTATIVE JOSEPHSON asked what the board could do about improving veterinary medicine in rural Alaska.

DR. BURNGARTT answered that the Alaska Board of Veterinary Examiners are charged with regulating licensees and it does not specifically know where licensees will practice. She suggested that an appropriate resource to work with in increasing veterinary care in rural Alaska would be the Alaska State Veterinary Medical Association, which speaks to all veterinarians. Historically, people submit their credentials, the board reviews it, "and that's it." She opined that the board has never denied a courtesy license, commenting that it recently completed more than 20, less than 50, courtesy licenses for the Iditarod and veterinarians were stretched out into very remote areas of Alaska. She reiterated that the board simply looks at credentials to be certain license applicants adhere to the regulations, and while she understands the need to increase veterinary assess in rural Alaska, she expressed that that is not the job of the Alaska Board of Veterinary Examiners.

[3:24:29 PM](#)

REPRESENTATIVE STUTES asked Dr. Burngartt to explain a courtesy license.

DR. BURNGARTT answered that a courtesy license is issued for special events such as, the Iditarod, a spay/neuter clinic, a marine mammal conference, and such, where the desire is to draw in outside experts or more manpower. The courtesy license is issued for a specific event only, at a reduced rate, with an Alaskan veterinarian as a sponsor. The board also offers temporary licenses up to 60 days to help folks that may only need short-term coverage.

[3:26:21 PM](#)

REPRESENTATIVE STUTES surmised that courtesy licenses are issued to existing veterinarians, who may not be Alaskan residents.

DR. BURNGARTT responded that the veterinarians who are issued courtesy licenses are not Alaska residents.

[3:26:43 PM](#)

REPRESENTATIVE KNOPP asked whether the people who have expressed opposition to HB 144 believe the role of the board is other than what it is, that maybe the board's role should provide services, or whether they oppose HB 144 because they view the board as an impediment to more rural services.

DR. BURNGARTT responded that she could not speculate why they are unhappy, but the board has not denied a license to any veterinarian meeting the credentials.

[3:27:51 PM](#)

REPRESENTATIVE KNOPP asked whether it would be fair to say [the unhappy people] were unsure of the board's role, which is not uncommon.

DR. BURNGARTT speculated, "Yes," and commented that they do not understand the role of the board and the folks living in rural Alaska want care for their pets. She said she would like to see a cardiologist in rural Alaska, and many other things, but that is not the job of the Alaska Board of Veterinary Examiners.

CHAIR KITO advised Representative Knopp that one of the challenges is that there does not appear to be a place where people can call when they do not receive adequate service. He further advised that that issue is definitely something his office is interested in working on over the interim and invited the members of the committee to participate in collecting information as to different ways the state could help facilitate additional care for animals in rural Alaska.

CHAIR KITO reopened public testimony on HB 144.

[3:29:23 PM](#)

DOCTOR ERIC JAYNE, Veterinarian, advised he is the veterinarian who worked throughout rural Alaska for 10 years, 1999-2009, and is intimately knowledgeable about the issues. He advised that he prepared a 2004 survey through the University of Alaska Fairbanks, looking at veterinary needs and asking people for solutions. One recommendation was to increase education because people in the villages were performing veterinary care for

animals with zero training and simply guessing about the procedures. The University of Alaska tried to start a training program and even though the board's only described role was approving or denying of licenses, he pointed out that the board actually did intervene in that training. He stressed that the board will intervene in issues, and the issue at that time was training people how to perform emergency care, and the board did not feel the training was appropriate. The 2004 survey found that a "crazy number" of animals died every year in rural Alaska due to the lack of veterinary care, and he estimated the number was in excess of 50,000 animals dying from lack of care, or being shot. He explained that a huge issue for him in these small isolated villages is that the individuals caring for animals have no choice, and when there is an excess of strays, or animals that cannot be treated, the animal are shot. The call goes out in the villages for people to tie up their dogs, which means any loose dogs will be shot. During that time, he articulated, the children may not actually see the dogs being shot, but they hear the gunshots which is a source of trauma for the children in villages. He expressed that the board should be more involved because there is a rule in the veterinarian board regulations calling for the board to perform surveys, and the board has never performed a survey. Also, he pointed out, a rural member should be admitted to the board, so the needs of rural Alaskans can be heard, except there are policies now that are tweaked against rural veterinarians. He clarified that by rural veterinarians, he meant non-profit veterinarians.

[3:31:42 PM](#)

DR. JAYNE related that there is a real hesitation on the part of Alaska to allow outside non-profit veterinarians into the state, which is happening all across America, and whether the board wants to admit it or not, it is a resource being denied Alaskans. He acknowledged that the board is fine with everything up to a point, except the survey suggested that at least 10,000 spays and neuters are necessary in rural Alaska just to stay even, and when rising up to that number of spays and neuters, a lot of veterinarians will feel threatened economically. The manner in which the board's rules are interpreted currently, "allows easy access to harass a veterinarian, which is exactly what happened to me." He explained that he recently withdrew his application "so this could be talked about, I guess this was keeping the issue from being talked about, and I'd be happy to talk with anybody about what has happened to me," and there are many things in the "vet board rules" allowing the problems to happen. For example, he

said, there is no time limit to file a complaint, and in reapplying for a license, he actually had a complaint brought forward from 12-years prior and he was asked to respond to the complaint, "which is crazy," he expressed.

[3:33:08 PM](#)

DR. JAYNE explained that among the many things that are actually legal in Alaska, the state allows a veterinarian to euthanize a pet if the owner cannot pay the bill, which happens oftentimes in rural Alaska. For example, in Chalkyitsik, an elderly woman sent her little white dog into town to have one small front tooth removed, the veterinarian removed it, and told her the cost would be \$500 or they would euthanize the dog. She came up with the money, paid the fee and paid for both flights. The veterinarian put one stitch in that tooth - the empty socket, and Dr. Jayne said he had never seen a stitch put in that location. The veterinarian "literally told her she could not take the stitch out herself, that that was against the law, that she had to fly the dog back in to have the stitch removed." Fortunately, he said, he was in Chalkyitsik at the time and removed the stitch, the elder was frantic and almost in tears, he related. There are stories such as that happening all of the time. Also, he advised, he has seen many cases where rural Alaskans do not feel protected by the board because they have received poor quality medicine, were sent drugs without the correct labeling, and such. Dr. Jayne stressed that there were so many things the board could do if it took an interest in rural Alaska, and the best way to accomplish that result would be to add a true rural Alaska member.

[3:34:50 PM](#)

CHAIR KITO encouraged Dr. Jayne to allow Chair Kito's staff to work with him over the interim to try to come up with different ideas to bring back before the committee next year.

DR. JAYNE said, "That would be great," and advised that the reason he reapplied was absolutely to bring this issue out because he is "haunted by the memory of the children in rural Alaska and the effect this has on them."

CHAIR KITO closed public testimony on HB 144.

[3:35:38 PM](#)

REPRESENTATIVE WOOL moved to report HB 144, Version 30-LS0596\A, out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, HB 144 was moved from the House Labor and Commerce Standing Committee.

[3:35:58 PM](#)

The committee took an at-ease from 3:35 p.m. to 3:39 p.m.

HB 86-STUDENT LOAN DEFAULT/OCC. LICENSE RENEWAL

[3:39:09 PM](#)

CHAIR KITO announced that the next order of business would be HOUSE BILL NO. 86, "An Act relating to nonrenewal of occupational licenses for default on a student loan."

[3:39:43 PM](#)

OWEN PHILLIPS, Staff, Representative Matt Claman, Alaska State Legislature, advised that HB 86 repeals current statutes allowing the Alaska Commission on Postsecondary Education (ACPE) to threaten non-renewal of occupational licenses for individuals who have defaulted on student loans. Repealing this authority will allow licensed individuals to continue their work in order to earn an income and pay back their defaulted loans without fear of losing their license.

[3:40:33 PM](#)

REPRESENTATIVE KNOPP noted that the bill read that the commission must notify the Division of Corporations, Business and Professional Licensing that a loan was in default and, AS 14.43.148 actually denies renewal and does not revoke a license. He noted this provision had not been utilized in eight years, and asked whether the commission had notified the Division of Corporations, Business, and Professional Licensing at any point in the last eight years as to the amount of default, and whether it was an issue.

[3:41:42 PM](#)

JANEY HOVENDEN, Director, Corporations, Business, and Professional Licensing, Department of Commerce, Community & Economic Development (DCCED), responded that she could only speak to how the legislation impacts the Division of Professional Licensing under Title 08. The Alaska Commission on

Postsecondary Education (ACPE) had not provided a list [of default] since 2002, and there had been no impact on the division from this law.

REPRESENTATIVE KNOPP asked Mr. Phillips whether the list exists and ACPE had not notified the division, or whether the list does not exist.

MR. PHILLIPS commented that as Ms. Hovenden had not received a list, he offered his understanding that there was not a list because current statute read that if the commission reaches out with a list, then the license must be revoked through this department.

[3:43:06 PM](#)

REPRESENTATIVE BIRCH advised that it appears the state has approximately \$240 million in outstanding debt, and 17,000 borrowers at approximately \$14,000 a piece, out of that number there are only 46 individuals with an occupational license hold, and commented that it sounded like an incredibly small percentage of the 17,000 borrowers. He asked whether the State of Alaska can recover student debt owed by an individual out-of-state.

MR. PHILLIPS advised that Ms. Butler was not available for this hearing, and he did not know the answer to that question.

REPRESENTATIVE BIRCH said he was curious as to how much of that \$240 [million] in liability is recoverable if someone lives out-of-state.

CHAIR KITO responded that that debt is still owed, and this is a matter of whether the state has the tools to collect, which is definitely a question for the Alaska Commission on Postsecondary Education (ACPE).

CHAIR KITO, after ascertaining no one wished to testify, closed public testimony on HB 86.

[3:45:10 PM](#)

REPRESENTATIVE WOOL moved to report HB 86, Version 30-LS0382\A, out of committee with individual recommendations and the accompanying fiscal notes. There being no objections, HB 86 moved from the House Labor and Commerce Standing Committee.

[3:45:28 PM](#)

The committee took an at-ease from 3:45 p.m. to 3:52 p.m.

HB 170-AK SECURITIES ACT; PENALTIES; CRT. RULES

[3:51:51 PM](#)

CHAIR KITO announced that the next order of business would be HOUSE BILL NO. 170, "An Act relating to securities, registration, exempt securities, exempt transactions, broker-dealers, agents, investment advice, investment advisers, investment adviser representatives, federal covered securities, federal covered investment advisers, viatical settlement interests, small intrastate security offerings, Canadian broker-dealers, and Canadian agents; relating to administrative, civil, and criminal enforcement provisions, including restitution and civil penalties for violations; relating to an investor training fund; establishing increased civil penalties for harming older persons and vulnerable adults; relating to corporations organized under the Alaska Native Claims Settlement Act; amending Rules 4, 5, 54, 65, and 90, Alaska Rules of Civil Procedure, and Rule 602, Alaska Rules of Appellate Procedure; and providing for an effective date."

[3:52:33 PM](#)

KEVIN ANSELM, Director, Division of Banking & Securities, Department of Commerce, Community & Economic Development (DCCED), presented PowerPoint presentation "Alaska Securities Act, HB 170" and reminded the committee that she had spoken to the need to update the Alaska Securities Act in late January. While a portion of the presentation may be a bit redundant, she said she does not want to confuse anyone by leaving out any steps.

[3:53:08 PM](#)

MS. ANSELM turned to slides 2-3, and explained the Securities Act provides the legal framework for offering and selling securities to Alaskans, including the registration of firms and sales persons, registration or filing of securities, and enforcement. Currently, the Securities Act also regulates the Alaska Native Claims Settlement Act (ANCSA) Corporation and shareholder proxy related provisions. Securities, she offered, is the largest of the division's 12 programs and includes registering and monitoring over 95,000 securities registered

salespersons, over 1,000 firms which are mostly out-of-state. She referred to HB 170, [Sec. 45.56.900(32), page 103, lines 9-31, and page 104, lines 1-8] and noted the definition of security was not changed, it includes a long list of investments including stocks, bonds, limited partnerships, investments in common enterprises, investment contracts, and viaticals.

[3:54:33 PM](#)

MS. ANSELM turned to slide 4, and advised that HB 170 updates the Alaska Securities Act by adopting many of the most recent model act provisions while retaining the Alaska centric provisions. The bill proposes to lift the Alaska Securities Act out of the Native Claims Settlement Act, the ANCSA provisions, which would highlight the vast differences between the programs and allow ANCSA constituents a clear view of the applicable law. Also, she explained, the bill's new provisions are included to protect older and vulnerable Alaskans from financial exploitation and give those investment professionals who make those reports immunity from administrative and civil liability.

MS. ANSELM pointed out that currently, there is no provision in the law regarding restitution, and the civil penalty is capped at \$25,000. The bill asks the legislature to designate civil penalties funds toward consumer protection and education because currently there is no requirement for continuing education of industry professionals, and those provisions are included in HB 170.

[3:56:02 PM](#)

MS. ANSELM turned to slide 5, and reiterated that ANCSA provisions remain unchanged under AS 45.55. The new statute would be located under AS 45.56, the references to exempt ANCSA securities transactions are also included in the new Act under AS 45.56.210, Sec. 27.

MS. ANSELM turned to slide 6, pointed to the top four highlights in HB 170, and advised as follows: the bill eliminates filings for all Alaska-based exemptions from registration, except crowdfunding; updates entity and law references; includes "bad actor" disqualifiers (coughing) basically states that anyone with certain types of crimes such as dishonesty or theft cannot be licensed as an Alaska salesperson; and improves enforcement and investor protection and education provisions.

[3:57:27 PM](#)

MS. ANSELM turned to slide 7, and explained the slide depicts the general articles of the Alaska Securities Act. The first 14 pages of the bill would change the statute number and other statutes that reference the Securities Act; and Secs. 15-24 repeal and modify statutes under AS 45.55 relating to the ANCSA Corporations and proxy solicitations.

MS. ANSELM turned to slides 8-10, and reminded the committee that the division does take enforcement actions: in FY2016, it issued 36 final orders, and 17 of those orders were securities related. She explained most of the division's orders are posted online, and the division is in the process of making sure all of its orders are posted "back to the beginning of time." In calendar year 2016, the division issued 27 final orders, and 13 of those orders were securities related.

MS. ANSELM turned to slide 9, and explained some of the scams and subsequent orders. Mr. Michael Scow took money from an Alaskan for his Arizona-based insurance firm, wherein an order for \$25,000 was issued by the division, and Mr. Scow has not paid the Alaskan or the division. She advised that when she discussed the Fortune Oil and Gas scam during her testimony in January, at that time the division was awaiting a court order. She reminded the committee that people from Texas came to Alaska, sold Alaskans approximately \$3.1 million worth of worthless limited partnerships. The division issued an order for the maximum amount possible of \$25,000, the judge agreed and issued his order in March of 2016, granting \$25,000 in civil penalty on losses of \$3.1 million. She commented, "We're out of date." The SOS Disasterplan.com scam and the Troy Stafford and Patrick Williams scam were two different sorts of scams, wherein SOS Disasterplan.com had a website and issued approximately \$540,000 in worthless securities, again, with the maximum civil penalty limit being \$25,000. She related that it is the same with Troy Stafford and Patrick Williams, except their scam was a bit different because they were in Alaska and sold another Alaskan a business opportunity with an employment opportunity in a bogus Alaska company. Subsequent to the division speaking with the two men, the men agreed to rescind and return the money, except they did not return any money. She explained that there are provisions in the new HB 170 that would resolve some of those issues.

[4:00:57 PM](#)

MS. ANSELM advised that the Global Arena Capital Corp. is a New York firm that found Mr. Burk, a retired halibut fisherman, on a call list, called him at home, and sold him junk bonds. This firm had advised Mr. Burk that he would make 16-18 percent, except he did not. The division was able to get his money back, but the maximum penalty was \$25,000, she said.

[4:01:40 PM](#)

MS. ANSELM presented oral testimony from Mr. Burk who had since passed, and noted that, ultimately, the case was settled.

[Mr. Burk's oral testimony 4:01:40 through 4:03:41. See pages 13-15 of the PowerPoint presentation for written testimony.]

[4:03:41 PM](#)

MS. ANSELM advised that the division took action against six individuals and was able to get Mr. Burk's money back because it found a salesperson with a conscience. Stronger tools are necessary in order to deal with bad actors and this type of fraudulent activity should make everyone in the state angry. She then described Mr. Burk as angry and smart because when he received another call from someone trying to sell him Bio-Technology stock, he called the division, and it was able to put another firm in a different state out of business and take away its license. As far as fines, she reiterated, that the maximum fine was \$25,000, and the only way to hurt the firms that hurt Alaskans is usually in the pocketbook. She stressed that it is the division's hope the legislature help the division through enacting the new Alaska Securities Act, HB 170.

[4:05:00 PM](#)

REPRESENTATIVE STUTES asked how the Alaska Native Claims Settlement Act (ANCSA) Corporations feel about the separation.

MS. ANSELM responded that the corporations have advised they have no objection to separating the statutes.

[4:05:27 PM](#)

REPRESENTATIVE KNOPP referred to the Troy Stafford and Patrick Williams scenario, and asked how it falls under securities.

MS. ANSELM answered that the two men were selling the Alaskan stock in a company and the gentleman would become part owner;

therefore, it was a common enterprise. She said that for a while he was not directly involved in that enterprise, but part of the fraud was that he would be a manager of the company.

REPRESENTATIVE KNOPP referred to slide 4 and the last two bullet points, noting concern about the creation of an investor education fund, and asked why it is the role of state agencies to educate the public in investments. He referred to the last bullet point requiring continuing education, and asked whether it means the state is not providing the continuing education for investment advisors. He further asked whether there are investment advisors registered in Alaska who do not perform continuing education.

[4:07:21 PM](#)

MS. ANSELM responded that as far as education, it is not required in Alaska currently, and there are a number of representatives that do not perform continuing education whether they are stock brokers or investment advisors. The division would like to be more synthesized with the rest of the nation, and the division would require the continuing education and not provide the continuing education. As to why the division would want to have investor education, she responded that it is part of the division's mission which read is to:

Protect consumers of financial services and promote safe and sound financial systems. The division also supports the department's mission, which is to: Promote a healthy economy, support strong communities, and protect consumers in Alaska.

MS. ANSELM explained that the division's mission is to protect consumers of financial services, and promote safe and sound financial systems. In supporting the department's mission, the department is promoting a healthy economy, supporting strong communities, and protecting consumers in Alaska. Therefore, she said, when protecting consumers, they must be given the tools to protect themselves, and the Investor Education Funds would be set up so approximately one-third of the civil penalties could be put into another account which would have consumer education on the account. However, she noted, it would be at the legislature's behest whether or not the funds would be spent on consumer education because the legislature controls the budget. Currently, consumer education is performed in partnership with other states and sometimes federal organizations. The Securities and Exchange Commission came to Alaska and performed

joint outreach events with the division for the military, government workers, and the public. There have been joint-"scam-jams" with the Department of Justice, U.S. Attorney's Office, FBI, Better Business Bureau, and others to reach out to the public so it knows what is going on and can be forewarned and forearmed. She said that Alaska was able to use some investor protection funds from the Investor Protection Trust, which came from a settlement with some large stock brokerage firms in the 1990s. Those funds are almost depleted, and Alaska used those funds primarily to partner with AARP and perform a series of instructive television shows on 360 North. The instructive television shows were on various topics relating to seniors and everyone in the state in order to understand how to protect themselves when working with investments, knowing what they needed to know about social security and other issues affecting their livelihood. She said the division speaks in schools, speaks at civic organizations, and will do pretty much anything when it can advise people about how they can protect themselves and hold onto their hard-earned money.

REPRESENTATIVE KNOPP acknowledged that Alaska's aging population are targets, and as the economy tightens up people get creative.

[4:11:31 PM](#)

REPRESENTATIVE JOSEPHSON asked whether there was a draft of HB 170, or some type of reform in the [Twenty-Ninth Alaska State Legislature].

MS. ANSELM responded that within the [Twenty-Ninth Alaska State Legislature] House Bill 194 and Senate Bill 108 were similar to HB 170, there were a couple of additions, including the vulnerable adult provisions for reporting financial exploitation.

[4:12:15 PM](#)

REPRESENTATIVE WOOL noted his surprise that the education programs are performed through the Department of Health and Social Services (DHSS) and asked Ms. Anselm to explain navigating through the healthcare system, but also through securities fraud. He asked whether the same people offer the training on health issues and securities fraud.

MS. ANSELM explained that the new provision, protection for vulnerable and older Alaskans, read that if there is a suspicion of financial exploitation, a report is required to be filed with

the division or Adult Protective Services. She deferred to the Division of Senior and Disabilities Services.

[4:14:20 PM](#)

DEB ETHERIDGE, Deputy Director, Central Office, Division of Senior and Disabilities Services, Department of Health, and Social Services (DHSS), opined that Representative Wool was asking how the system responds to allegations of financial exploitation currently.

REPRESENTATIVE WOOL said she was correct within the discussion of investor education and prevention of fraud.

[4:15:23 PM](#)

MS. ETHERIDGE answered that the Division of Senior and Disability Services oversees the adult protection unit, and the authority and requirement in adult protection is to investigate all allegations of financial exploitation. She explained there are civil investigations, partnering with law enforcement if there is a crime, but the adult protection unit also receives reports of financial exploitation from a mandatory reporters or citizens, family members, or neighbors. In the event the person is deemed a vulnerable adult, through that reporting, the division performs investigations and makes findings, and also performs protective services. Oftentimes, she said, when the division receives these reports the money has already been spent and the division is actually cleaning up, and "this is an opportunity to receive the reports prior to."

CHAIR KITO opened public testimony on HB 170.

[HB 170 was held over.]

HB 132-TRANSPORTATION NETWORK COMPANIES

[4:17:00 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."

[4:17:30 PM](#)

REPRESENTATIVE JOSEPHSON moved to adopt Amendment 1, Version 30-LS0522\J.3, which read as follows:

Page 10, line 4, following "**Records.**":

Insert "(a)"

Page 10, following line 11:

Insert new material to read:

"(b) Except for specific information about a transportation network company rider, including the rider's name, address, and telephone number, a transportation network company shall provide a transportation network driver information for each ride the driver completes, including global positioning data, the fare and tip paid by the rider, and the rate charged.

Sec. 28.23.130. Collective bargaining agreement.

To the extent allowed by federal law and notwithstanding AS 28.23.080,

(1) transportation network company drivers may organize for the purpose of mutual aid and protection and may designate a bargaining agent;

(2) a transportation network company and an organization of transportation network company drivers may negotiate, enter into, and administer a collective bargaining agreement concerning wages, benefits, and other terms and conditions relating to work performed by the transportation network company drivers;

(3) a municipality where a transportation network company operates may regulate conduct allowed under (1) and (2) of this section.

Sec. 28.23.140. Prohibitions. A transportation network company may not

(1) take adverse action against a transportation network company driver, including restricting the driver's tips or suspending or terminating the driver's participation in the company's digital network, as a result of the driver

(A) organizing or joining a driver association or labor organization, including an organization under AS 28.23.130, or participating in a driver association or labor organization or the activities of the driver association or labor organization;

(B) decreasing the driver's participation in the company's digital network; or

(C) generating less fare or tip income;

(2) change a compensation rate or other material term of a contract with a driver without the driver's voluntary prior consent, if the contract is based on the driver providing a ride to a transportation network company rider."

REPRESENTATIVE WOOL objected.

[4:17:38 PM](#)

REPRESENTATIVE JOSEPHSON explained that he had consulted with labor lawyers and the legislature's lawyers, and although it is not conventional, there is nothing prohibiting the option for transportation network companies (TNC) workers in the state to organize, even as independent contractors. He noted a First Amendment right of association, mutual aid, and protection.

[4:19:09 PM](#)

REPRESENTATIVE JOSEPHSON continued that the National Labor & Relations Act concerns itself with employees, but it does not speak to independent contractors. He explained his concern is for the TNC drivers who may come to learn it is not the lucrative profession they may have believed because they have to pay for gasoline, any injuries sustained on the job, and any repairs. This amendment gives drivers an option to organize, and there is the potential for a much larger pool of people statewide than taxi drivers. Frankly, he said, drivers need authority to work collectively because individual drivers working separately will have a hard time asking the TNCs for anything.

[4:21:04 PM](#)

REPRESENTATIVE BIRCH spoke against the amendment noting a lot of communication from AKTeamsters.com objecting to ridesharing and TNCs, and this effort to propose an organizational structure is a wrench in the works at this late date. He described that the amendment was not constructive because, otherwise, there would be organized taxi drivers everywhere. He said he could not support the amendment because it is not reasonable or constructive in the path forward enabling TNCs in Alaska.

[4:21:56 PM](#)

REPRESENTATIVE WOOL related that he does not support the amendment and opined that under federal law collective

bargaining with independent contractors is not allowed. Seattle, Washington did pass an ordinance about TNC drivers organizing and he noted that the drivers have not successfully organized at this point.

[4:23:00 PM](#)

CHAIR KITO commented that the discussion to organize TNC drivers should encompass a larger discussion from actual drivers, and since Alaska does not have drivers, there is not an opportunity for TNC drivers, or possibly taxi drivers, to weigh in as to whether or not they would prefer to organize. He suggested with this larger discussion there should be in a more independent piece of legislation, and because there had not been sufficient discussion on this issue, he does not support this amendment, he said.

[4:23:57 PM](#)

REPRESENTATIVE STUTES questioned whether or not it needed to be put in statute because drivers would have the opportunity to organize if they chose to go that route, without it being in statute.

REPRESENTATIVE WOOL maintained his objection.

[4:24:27 PM](#)

A roll call vote was taken. Representative Josephson voted in favor of adopting Amendment 1. Representatives Stutes, Wool, Birch, Knopp, Sullivan-Leonard, and Kito voted against it. Therefore, Amendment 1 failed by a vote of 1-6.

[4:24:53 PM](#)

REPRESENTATIVE JOSEPHSON moved to adopt Amendment 2, Version 30-LS0522\R.1, which read as follows:

Page 11, line 25:
Delete "or"
Insert "and"

Page 11, line 27, through page 12, line 13:
Delete all material and insert:
"* **Sec. 8.** AS 29.35 is amended by adding a new section to read:

Sec. 29.35.148. Regulation of transportation network companies. (a) Notwithstanding AS 28.01.010, a municipality may by ordinance

(1) prohibit a transportation network company or driver from conducting activities under AS 28.23 within the municipality; or

(2) regulate the operation of a transportation network company or driver in a manner that is at least as restrictive as or more restrictive than the provisions of AS 28.23.

(b) This section applies to home rule and general law municipalities.

(c) In this section, "transportation network company" and "driver" have the meanings given in AS 28.23.180."

REPRESENTATIVE WOOL objected

[4:25:06 PM](#)

REPRESENTATIVE JOSEPHSON advised that less than 72-hours ago, the Anchorage Assembly passed a 23-page ordinance with "much more detail than the bill," by a vote of 8-3. The ordinance listed any manner of things the assembly wanted to regulate in the event this bill does become law. The ordinance requires that: customers would be informed when they are riding under dynamic or surge pricing; the Municipality Inspection Division would inspect cars annually; insurance would be cancelled, and an application would cease to operate if any of the regulations promulgated in the ordinance were not complied with; TNC would have an insurance schedule comparable to the taxi insurance schedule. In addition, there would be an agent for service of process, a system for lost and stolen items; a system for handling complaints, a system to handle post-incident drug and alcohol testing, and issues of violations of alcohol and drug testing. The ordinance requires that: TNCs would be required to check that the driver is not included on National Sex Offender Registry; the city would receive a list of all TNC drivers; there would be drug and alcohol testing if there is an accident or incident; the city would be notified of any report of traffic accidents or injuries; the city would preclude the use of a vehicle for solicitation or prostitution; TNCs could not be used to tow or carry a trailer. The ordinance also stipulates that for vehicles that can carry more than seven people, there would be a higher rate of insurance. Page 20 of the ordinance describes that in the event of an accident or litigation, there would automatically "be all this discovery." He stated that the

ordinance: requires a process for hearings of appeals of denials of licensure; establishes that disabled [riders] could not be charged more; and lists a 27-item fine schedule, similar to a bail schedule.

[4:28:56 PM](#)

REPRESENTATIVE JOSEPHSON offered that local governments, due to its taxis and "boots on the ground," are in a better position to regulate. Local governments are cut out and that is the problem with the bill, he said.

[4:30:02 PM](#)

REPRESENTATIVE BIRCH spoke against Amendment 2, noting that while it is encouraging that the Anchorage Assembly and community is supportive of TNCs, there was significant prior testimony pointing out the problems in having a patchwork of different nuances in every different community. He said that during his ten years on the assembly, it had long standing issues in trying to accommodate public transportation requirements into Chugiak, Eagle River, and the Matanuska-Susitna areas. The patchwork problem comes to a head when it becomes necessary to direct the service areas into different nuances on how services could be delivered. He described the bill as a good workable product to carry forward and stated that the safety and security issues have been addressed, and Amendment 2 would get the committee needlessly "tangled up."

[4:31:31 PM](#)

REPRESENTATIVE KNOPP spoke in support of Amendment 2, expressing that unique issues arise in the various communities "they operate in" and there is no better place to fix the issues. The rules written in the bill are lenient and not especially restrictive, yet in reality, people do not get to operate without some type of rules. He stated concern about rating passengers, such as in the instance of a passenger not being a big tipper and therefore rated a "one," leading to those people waiting a long time for the next Uber ride. Also, he noted concern about the "mini-suite" application as to buying 12 cars and putting drivers in them because now they are actually employees and he stated that he was unsure how that would work. The point, he said, is that there will be issues that arise, and this amendment provides the opportunity for those issues to be addressed.

[4:33:46 PM](#)

REPRESENTATIVE STUTES spoke in support of Amendment 2, and that she is in favor of seeing Uber come into communities and commented that her rural Alaska community is confined to an island. She said that both the borough manager and city manager are "exceedingly concerned" about these drivers coming in with no regulation, when Kodiak's taxi cabs are seriously regulated. She has heard from many of her constituents, living in both the city and the borough, who believe that it is alarming to think there would be no regulation and they would have no input as to what went on with these drivers, she said.

[4:34:54 PM](#)

REPRESENTATIVE WOOL spoke in opposition to Amendment 2, and said he understands the concern of municipalities, although, the case in point is that three individuals on the committee support municipal regulations, all of which are from different municipalities, and patchwork is part of the problem. He referred to Lyft, noting that it will not go into a state without statewide legislation, and stressed that Alaska wants to be current and innovative, and this technology platform is used in 49 states, with 38 or 39 states under statewide legislation. Some Alaskans can practice exceptionalism, and not care how things are run outside of Alaska, and be without the TNC service except, he said, most Alaskans want the TNC service. He referred to the Anchorage ordinance and advised that the Lyft or Uber contract contains much of what was listed, and drug and alcohol tests are performed by law enforcement following an accident. As far as suites, he opined, a group of drivers are not allowed to work under a driver. The rating system is a very good system, he described, because rating makes the TNC service far superior to the experience of people riding in taxis, and pointed out that over many hours of testimony, not one testifier complained about TNC service. Historically, larger cities had local control when the service was rolled out, but that is not going to happen in Alaska. He offered that statewide control is good and more language could be added to the bill in addressing some of these concerns, but he stated that he does not intend to make the bill basically a contract for TNCs. He asked that Annabel Chang address the issue of suites.

[4:39:04 PM](#)

REPRESENTATIVE KNOPP offered a point of order, noting that the committee is addressing the amendment, and asked whether Chair Kito planned to open it up to public testimony.

CHAIR KITO ruled that there is a question as to the impact of the amendment and Lyft is being asked to respond.

[4:39:28 PM](#)

ANNABEL CHANG, West Coast Director, Public Policy, Lyft, asked that the question be repeated.

REPRESENTATIVE WOOL asked about drivers subcontracting with other drivers.

MS. CHANG explained that each individual driver on the Lyft platform must go through an individual background check process, including the vehicle they drive. For example, in the event a family shares a vehicle and the wife wants to drive for Lyft and it is under her husband's name, she must be approved to drive that vehicle and must be listed on the insurance. The wife's husband cannot drive that vehicle because he was not approved to drive on the Lyft platform unless he goes through a separate background check, driving record check, and identity check. Of course, she said, when opening the app, the photo of the actual approved driver pops up so the passenger is aware of who is actually picking them up before they even get into the vehicle.

[4:41:05 PM](#)

CHAIR KITO asked if an individual is operating as a Lyft driver when they activate the app, and whether there is a policy regarding whether or not that has to be the individual that is authorized.

MS. CHANG agreed, and she said it would be against the terms of service to have anyone not approved to drive on the platform using the platform, and the approved person would risk deactivation at that point. Of course, she noted, passengers would have notification because they would know when they are picked up whether the driver matches the photo on the mobile app.

[4:42:07 PM](#)

REPRESENTATIVE KNOPP referred to the last time she spoke to the committee when the issue of "mini-suites" was brought up and Ms.

Chang had agreed that it was possible, and asked how it would work if someone was to buy six cars and put drivers in the cars.

MS. CHANG responded that Lyft partners with General Motors and Enterprise wherein they actually lease out vehicles in partnership with Lyft. In that situation, she explained, an individual can lease out a vehicle for a few weeks at a time to drive on the Lyft platform, and prior to their approval to drive on the Lyft platform, they must go through a background check, driving record check, and their name and face must be linked to that vehicle on the mobile app. There is always a connection between the approved individual and the vehicle before a person is allowed to drive and be activated on the mobile app, she explained.

[4:43:38 PM](#)

REPRESENTATIVE KNOPP offered a scenario wherein someone leases a car from Hertz, Budget, or Enterprise and their names are not on the title or with the insurance company.

MS. CHANG answered that the individual is listed on the insurance, and insurance is provided through General Motors or Hertz.

[4:44:23 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD said she echoes Representative Birch's comments because in the taxi industry their ability to travel through the Matanuska-Susitna Valley, as an example, is rather limited. As to the arrival of TNCs, its freedom of movement and moving passengers in and around the south-central area is an important component, and the thought of actually delineating between each municipality is an incredible patchwork that should be avoided, she said. The current bill contains regulations in place, there will be a requirement for business licensing, sales tax collection, and disbursement to the cities requiring those collections and, she stated, she does not support Amendment 2.

[4:45:55 PM](#)

REPRESENTATIVE STUTES acknowledged that she was mistaken in thinking there was an opt-in clause for a municipality and have the opportunity for local control. She suggested a friendly amendment adding an opt-in clause.

REPRESENTATIVE JOSEPHSON advised that Amendment 2 would allow municipalities to opt-in and referred to Amendment 2, page 1, lines 8-9, which read as follows:

Sec. 29.35.148. Regulation of transportation network companies. (a) Notwithstanding AS 28.01.010, a municipality may by ordinance

[4:46:58 PM](#)

CHAIR KITO referred to Amendment 2, page 1, lines 8-11, Sec. 29.35.148, which read as follows:

(a) Notwithstanding AS 28.01.010, a municipality may be ordinance

(1) prohibit a transportation network company or driver from conducting activities under AS 28.23 within the municipality; or

CHAIR KITO described that Amendment 2 would allow a municipality to opt-out.

REPRESENTATIVE STUTES asked whether that is opposed to opting-in.

CHAIR KITO answered in the affirmative.

[4:47:35 PM](#)

REPRESENTATIVE BIRCH commented that while he appreciates the testimony of Ms. Chang, his concern still stands when looking no farther than the language in this amendment which speaks to prohibiting and regulating a TNC. He opined that it is commendable that there is support for the TNC, and if the committee wants TNCs to operate in Alaska, it needs to be in a uniform manner. That responsibility rests with the legislature and the oversight and regulation would be incumbent upon the legislature, and he does not believe this amendment adds value, he advised.

[4:48:42 PM](#)

REPRESENTATIVE WOOL referred to the opt-out provision, and advised that Fairbanks is a city and a borough, and the city and borough are sandwiched on top of each other, it would be complicated if the city chose to opt-out. For example, he explained, he lives in the City of Fairbanks and if he wanted to

be picked up by a TNC, he must then walk to the city border. He expressed that for that reason alone the amendment is unacceptable, on top of the other previously stated reasons.

[4:49:25 PM](#)

REPRESENTATIVE KNOPP remarked that he did not view it as an opt-out, but rather an opt-in because it read, "a municipality may by ordinance regulate or prohibit." Therefore, it is not inclusive until adopting an ordinance, it does provide the option to address issues when they come up, that is all it does, he said.

[4:50:06 PM](#)

REPRESENTATIVE JOSEPHSON expressed frustration with the legislation because this could be a great victory for everyone and opined that most cities would not prohibit it and would opt for paragraph (a)(2) in the amendment, and would want something more restrictive. Although, he noted, cities could opt for paragraph (a)(1) and be able to prohibit a TNC, local governments want more local control as was reflected in the Anchorage ordinance.

[The committee treated the objection as maintained.]

[4:51:09 PM](#)

A roll call vote was taken. Representatives Stutes, Josephson, and Knopp voted in favor of adopting Amendment 2. Representatives Sullivan-Leonard, Wool, Birch, and Kito voted against it. Therefore, Amendment 2 failed to be adopted by a vote of 3-4.

[4:51:49 PM](#)

REPRESENTATIVE JOSEPHSON moved to adopt Amendment 3, Version 30-LS0522\R.2, which read as follows:

Page 10, line 14:
Delete "one year"
Insert "two years"

Page 10, line 17:
Delete "one year"
Insert "two years"

REPRESENTATIVE WOOL objected for the purposes of discussion.

[4:52:07 PM](#)

REPRESENTATIVE JOSEPHSON remarked that under the bill, records are to be retained for one year, yet there is a statute of limitations in tort law, or personal injury, of two years and the bill should match that statute. For example, let us say a TNC driver assaulted a passenger by hitting them on the jaw, the passenger believed he would heal; except one year and one day passed and the passenger required jaw surgery. That passenger would not have access to the records that otherwise would have been available, yet he would be allowed to sue for another 364 days because the statute of limitations runs for a full two years. The records could be information that would exculpate or exonerate the driver, records are retained in other cities for three years, and the TNCs would accommodate, he opined.

[4:54:14 PM](#)

REPRESENTATIVE WOOL commented that Representative Josephson made good points and he removed his objection.

MS. CHANG, in response to Representative Birch, advised that Lyft has no objection to this amendment.

[4:55:10 PM](#)

CHAIR KITO noted that the objection had been removed, there being no objection, Amendment 3 was adopted.

[4:55:13 PM](#)

REPRESENTATIVE JOSEPHSON moved to adopt Amendment 4, Version 30-LS0522\R.3, which read as follows:

Page 11, lines 11 - 12:
Delete "and related services"

REPRESENTATIVE WOOL objected.

[4:55:44 PM](#)

REPRESENTATIVE JOSEPHSON referred to CSHB 132, Version R, page 11, lines 11-12, and said some stakeholders are concerned that the language "and related services" is vague. As written, TNCs could work in connection to potential passengers and related

services and, he said, stakeholders do not know the meaning of that language. For example, could a person with a semi-truck, without a CDL, be hired at a reduced rate because this becomes a pebble thrown in the preverbal pond that moves further and further into the workplace.

[4:56:58 PM](#)

REPRESENTATIVE BIRCH remarked that there was testimony regarding passengers potentially ordering up a driver, for instance, to deliver a teen-age child from a junior high school to an appointment. In this instance, the person may not be the passenger but they have ordered up the TNC to provide a service. One of the benefits of ridesharing is the potential for a scheduled and known person and vehicle to transport someone who may not be "yourself" to an appointment. Therefore, he said he has concerns and is not comfortable with Amendment 4.

[4:58:14 PM](#)

REPRESENTATIVE SULLIVAN-LEONARD reminded the committee that this issue was discussed previously with Ms. Chang, and she asked Ms. Chang to reiterate aspects of what "other related services" would be with regard to a TNC.

MS. CHANG reiterated that Lyft often works with hospitals or senior centers and someone at the front desk who is not the passenger will order a Lyft for a patient or a resident. For instance, an 85-year-old grandmother, not familiar with smart phones, can receive a ride through a Lyft ordered by the front desk attendant, or her granddaughter, for instance.

[4:59:24 PM](#)

REPRESENTATIVE WOOL noted other services in ridesharing, such as carpooling and such. He referred to the concern about trucks and hauling freight being considered part of the "other related services" and stressed that that certainly was not his intent with this legislation. In the event that were to happen, he described that he would certainly draft a new bill to make sure that did not happen, but at this point that is a bit preemptive.

CHAIR KITO turned to Mr. Matthews of Uber, referred to related services, and asked whether calling a ridesharing service to deliver a birthday cake from one location to another location and not actually carrying a passenger, was possible with the Uber platform.

5:00:57 PM

MITCHEL MATTHEWS, Senior Global Operations Manager, Uber, responded that Chair Kito's scenario was possible, but not intended. From Uber's perspective, the "other related services" relates more to activities relating to the transportation of passengers. For example, Uber's view on related services is that TNCs help facilitate the payment stream or facilitate communication between riders and drivers through its anonymized channels.

CHAIR KITO surmised that Uber's related services are related to what the app provides in facilitating passenger and driver activity.

MR. MATTHEWS answered in the affirmative, and he reiterated that it would be helping to facilitate payments or communications between rider and driver at the time they were connected for a trip.

REPRESENTATIVE WOOL maintained his objection.

5:02:39 PM

A roll call vote was taken. Representative Josephson voted in favor of adopting Amendment 4. Representatives Knopp, Sullivan-Leonard, Stutes, Wool, Birch, and Kito voted against it. Therefore, Amendment 4 failed to be adopted by a vote of 1-6.

5:03:04 PM

CHAIR KITO clarified that Amendment 5, Version 30-LS0522\R.4 had been noticed but was not being offered at this time.

5:03:28 PM

REPRESENTATIVE JOSEPHSON moved to adopt Amendment 6, Version 30-LS0522\R.6 which read as follows:

Page 6, line 17:
Delete "\$50,000"
Insert "\$100,000"
Delete "\$100,000"
Insert "\$300,000"

Page 6, line 18:

Delete "\$25,000"
Insert "\$50,000"

Page 6, lines 19 - 20:

Delete "as required under AS 21.96.020 and AS 28.20.440"

Insert "in the amount of at least \$100,000 for death and bodily injury for each person, \$300,000 for death and bodily injury for each incident, and \$25,000 for property damage"

Page 6, line 31, through page 7, line 1:

Delete "as required under AS 21.96.020 and AS 28.20.440"

Insert "in the amount of at least \$1,000,000 for death and bodily injury for each person, \$1,000,000 for death and bodily injury for each incident, and \$25,000 for property damage"

REPRESENTATIVE WOOL objected.

[5:03:32 PM](#)

REPRESENTATIVE JOSEPHSON explained that the amendment read that a driver will pick up a passenger who presumably the driver has no relationship. "But, remember, we're not calling them commercial carriers so it's a whole new relationship." He opined that during period one, the driver is not at home thinking about engaging the application, the driver could actually be driving and looking for the next ride. Therefore, the driver could be a distracted driver, except the insurance in that period is the same as for private individuals in the State of Alaska, and yet the legal duty is there. The vehicle could be moving and passenger-less and, he explained the first part of Amendment 6 mirrors the \$100,000 for each injury and \$300,000 for aggregate injuries, of which is located in the taxi code of the municipality. He said that taxi cab drivers are independent contractors, TNC drivers are independent contractors, "so do that for the insurance as well." The \$25,000/\$50,000 reflects property damage which mirrors the taxi rates required in Anchorage. He referenced uninsured motorists and noted that rather than defaulting to the statute, which would only mirror this smaller \$50,000/\$100,000 number, the latter part of Amendment 6 language would instead mirror what Uber itself wants to offer, \$1 million for periods two and three, and \$100,000 and \$300,000 for period one. Essentially, he said, this is designed to insure people in a more legitimate manner, noting that the

\$50,000 and \$100,000 numbers had not increased over a long period of time. There will be accidents, he said, and the Anchorage ordinance read that if there are seven passengers in the vehicle the insurance would be even higher, stressing that he wants this "new thing" properly insured.

[5:07:49 PM](#)

REPRESENTATIVE WOOL referred to Representative Josephson's statement that a TNC driver might be driving around looking for a fare and explained that TNC drivers do not drive around looking for fares. He further explained that according to the contract, fares only arrive to the driver through their phone app; he expounded that a forthcoming committee substitute will state that the only way a passenger can get a ride on a TNC is through a phone app, and not through a phone call or being waved down on the street. He pointed out that during period one, the driver could be doing anything, such as being parked and drinking a cup of coffee. Basically, he remarked, the limits set in the proposed statute are as high as any other area in the country, and as high as required by the state for any individual driving in the State of Alaska. The \$1 million requirement far exceeds what the state requires of taxi drivers, and he commented that the committee has already had this discussion many times and he maintained his objection.

[5:09:50 PM](#)

REPRESENTATIVE KNOPP surmised the numbers in the draft are the state minimum requirements, and between his work trucks and personal vehicles he probably has 13, maybe 14 vehicles covered in damages. He related that he has never had an insurance agent recommend the minimum the state requires because the agents advise it is just too low, and the amount is not anywhere close to what would truly be necessary. He referred to Amendment 6, page 1, line 14 and line 19, and suggested deleting \$25,000, and inserting \$50,000 for property damage on both lines. He asked whether that was Representative Josephson's intent.

[5:10:56 PM](#)

REPRESENTATIVE JOSEPHSON moved to adopt Representative Knopp's Conceptual Amendment 1 to Amendment 6, page 1, line 14 and line 19, to delete \$25,000 and insert \$50,000 on both lines.

CHAIR KITO noted there being no objection to Conceptual Amendment 1 to Amendment 6, Conceptual Amendment 1 was adopted.

5:12:07 PM

REPRESENTATIVE WOOL noted that he owns vehicles through his business and insures them for more than the minimum requirement, and anyone driving for a TNC can certainly insure their car for more than the minimum. In the event the vehicle is new, the driver has to have full coverage, and this is just a fallback because in the event someone does not have insurance, the TNC will cover everyone in all phases.

5:13:09 PM

CHAIR KITO clarified that the discussion now is regarding the three periods of operation as follows: period one is when the driver is in the vehicle and the app is not engaged; period two is when the driver is in the vehicle and the app is engaged but no passengers are being transported; and period three is when the driver has accepted a fare and is engaged in the transport of that individual. He noted that the insurance changes recommended by Amendment 6 appear to be for period two, when the vehicle is not occupied by a passenger but the app is engaged.

REPRESENTATIVE SULLIVAN-LEONARD advised that Chair Kito's clarification was incorrect.

5:14:48 PM

JARED EBER, Associate Counsel, Uber, responded as follows: during period one, the driver is engaged in the app but has not yet accepted a ride; period two is when the driver has accepted the ride until the point they pick up the passenger; and period three is when the passenger is actually in the vehicle until they exit the vehicle. Amendment 6 would raise the insurance limits for period one when there are no passengers in the vehicle and the driver has the app turned on but has not yet accepted a ride. He noted that during that period, over 40 states have adopted statewide legislation for insurance being at the same limits as in the bill, \$50,000 for an injury to one individual, \$100,000 for more than one individual, which is third-party liability, and \$25,000 for property damage. Other than the States of Alaska and Vermont, every other state has significantly less limits, at roughly \$15,000 - \$20,000 per injury for one person, \$25,000 - \$40,000 for multiple individuals per accident, and \$15,000 - \$25,000 for property damage. He pointed out that the limits listed in the bill have been accepted by the National Conference of Insurance

Legislatures together with the largest insurance trade groups in the country agreeing that those limits are sufficient for period one. He said that someone drinking a cup of coffee with the app on is one piece, but the other piece is the moral hazard wherein if raising limits that are not the minimum limits in Amendment 6, then the driver can turn the app on 100 percent of time they are in their vehicle, even if they have no intention whatsoever of accepting a ride. The would put the liability on the transportation network company (TNC) regardless of whether the driver actually has any intention of accepting a ride. Therefore, the driver knows they have higher limits they are not paying for which, inherently, makes them a more dangerous driver because they have no risk.

[5:19:05 PM](#)

REPRESENTATIVE JOSEPHSON remarked that another way to view this is that a driver could transport a passenger to Eagle River and not have a passenger driving back to Anchorage and this driver could be under a great incentive to make a living, and in that window of time hurry back up the Glenn Highway just as fast as they can travel. He described that "You're taking on this mantle" of effectively being a commercial carrier, and even if the committee carved out and pretended that drivers are not really commercial carriers, "they are this other thing." He commented that the drivers and passengers do not know each other, but the drivers are making money driving passengers around and it appears reasonable to charge the same rate as the Municipality of Anchorage. He argued that the limits in the bill are not sufficient.

[5:20:55 PM](#)

REPRESENTATIVE BIRCH spoke against the amendment, and he referred to prior discussions regarding an established acceptable base rate. There was a comment about a driver transporting a passenger from Eagle River to Anchorage and driving back without a passenger and, he said, that is the current practice which is part of the problem. In the event someone drives to Anchorage from the Matanuska-Susitna Valley, they are prohibited from "a back haul." Certainly, he offered, the TNC option preserves that ridesharing and makes good use and utility of the equipment and resources available.

REPRESENTATIVE WOOL maintained his objection.

[5:22:10 PM](#)

A roll call vote was taken. Representatives Knopp and Josephson voted in favor of the adoption of Amendment 6, as amended. Representatives Birch, Sullivan-Leonard, Stutes, Wool, and Kito voted against it. Therefore, Amendment 6 failed to be adopted by a vote of 2-5.

[HB 132 was held over.]

[5:23:11 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:23 p.m.