

SENATE FINANCE COMMITTEE
February 13, 2017
9:04 a.m.

9:04:23 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:04 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Anna MacKinnon, Co-Chair
Senator Click Bishop, Vice-Chair
Senator Mike Dunleavy
Senator Peter Micciche
Senator Natasha von Imhof

MEMBERS ABSENT

Senator Donny Olson

ALSO PRESENT

Chad Hutchinson, Staff, Senator John Coghill; Senator Mia Costello, Sponsor; Weston Eiler, Staff, Senator Costello; Kathie Wasserman, Executive Director, Alaska Municipal League, Juneau; Mitchel Matthews, Senior Operations Manager, Uber Northwest, Juneau; Anna Latham, Deputy Director, Division of Insurance, Department of Commerce, Community and Economic Development, Juneau.

PRESENT VIA TELECONFERENCE

Colonel Robert Doehl, Deputy Commissioner, Department of Military and Veterans Affairs; Jim Dodson, President, Fairbanks Economic Development Corporation, Fairbanks; Jeff Stepp, Staff, Mayor's Office, Fairbanks North Star Borough, Fairbanks; Christine Nelson, Director, Department of Community Planning, Fairbanks North Star Borough, Fairbanks; Lisa Tse, Uber Technology Inc., San Francisco; Annabel Chang, Director, Public Policy, Lyft.

SUMMARY

SB 9 MILITARY FACILITY ZONES

SB 9 was HEARD and HELD in committee for further consideration.

SB 14 TRANSPORTATION NETWORK COMPANIES

SB 14 was HEARD and HELD in committee for further consideration.

#sb9

SENATE BILL NO. 9

"An Act relating to military facility zones."

9:05:16 AM

Vice-Chair Bishop MOVED to ADOPT the proposed committee substitute for SB 9, Work Draft 30-LS0183\J (Shutts, 2/8/17). There being NO OBJECTION, it was so ordered.

CHAD HUTCHINSON, STAFF, SENATOR JOHN COGHILL, introduced the bill.

9:06:15 AM

AT EASE

9:08:02 AM

RECONVENED

9:09:00 AM

Mr. Hutchinson discussed the PowerPoint, Committee Substitute for Senate Bill 9 By the Senate Finance Committee (CSSB 9)(FIN) - "An Act Related to Military Facility Zones; and Providing for an Effective Date" (copy on file).

Mr. Hutchinson highlighted slide 2, "CSSB 9(FIN) Focuses on Military Facility Zones":

- Potentially important around the state. Especially in communities with a "military industry."
- High degree of focus in Interior Alaska.
 - Eielson Air Force Base
 - Fort Wainwright
 - Clear Air Force Station

- Fort Greely
-
- Military Facility Zones help foster surrounding industry in the community.

Mr. Hutchinson addressed slide 3, "Planned Military Construction Projects in the Fairbanks Area." The slide represented the urgency and the context of the current situation.

Mr. Hutchinson looked at slide 4, "Eielson F-35; Facility Plan." The slide was a closer look at the construction projects.

[9:13:39 AM](#)

Mr. Hutchinson highlighted slide 5, "Reminder: What Are Military Facility Zones?"

- Designated areas
- Established by the Department of Military and Veterans' Affairs (DMVA)
- Close to a military facility
- Where industrial and economic development directly enhance the facility's ability to fulfill its mission (via public/private funding sources, credit, and guarantee programs).
- Currently, DMVA considers a number of factors. One factor includes review of the comprehensive plan of the local municipality/borough.
 - The problem? Comprehensive plans take time. Meanwhile the military construction window is short.

[9:16:22 AM](#)

Mr. Hutchinson looked at slide 6, "Simple Legislative Solution - Simple Fix":

1. The main focus of CSSB 9(FIN) is to allow a military facility zone to be implemented after consideration of a local zoning ordinance. The following was added: "or local zoning ordinances;" in AS 26.30.020(c).
2. Relieves the burden of the local community doing a time-consuming comprehensive plan. The opportunity is now.

9:17:14 AM

Mr. Hutchinson highlighted slide 7, "Anything else?"

- Yes.
- On February 2, 2017 the Senate Community and Regional Affairs Committee accepted an amendment brought to Senate members by the Department of Military and Veterans' Affairs (DMVA). The amendment received no objection.
- The amendment added another layer of protection to the DMVA against civil liability. It makes it clear that DMVA cannot be held liable for civil damages for a military facility zone designation, based on inaccurate or incomplete information provided by the municipality/borough.
- Also added that the legislation would be effective immediately.

9:18:07 AM

Co-Chair MacKinnon remarked that the state already received military construction money. She queried the purpose of the bill. Mr. Hutchinson replied that the bill allowed for the use of grants and loans at low interest rates as it related to construction projects around the military installations. He stressed that the bill affected the businesses that worked on base, helped to reduce their interest rates. He stressed that the low interest for residential construction projects would be beneficial to many companies. He remarked that the legislation also helped the supplemental industries.

Co-Chair MacKinnon requested a Sectional Analysis.

Senator Dunleavy wondered what the bill would change, and queried the ramifications of its passage such as its effect on zoning. Mr. Hutchinson replied the bill maximized the benefit for construction entities that were hoping to take advantage of low interest rates for some of the anticipated construction projects around military installation.

Co-Chair MacKinnon wondered whether there were low rate interest rate loans currently offered by the federal government that required a comprehensive plan approach. Mr. Hutchinson responded that there was a variance. He

explained that each state was different, and flexibility related to military facility zones.

Senator von Imhof wondered who initiated the process. Mr. Hutchinson replied that the process began with the borough, and its coordination with Lockheed Martin. The application came from the borough, submitted to the Department of Military of Veterans Affairs, and upon approval create a zone around the military installation. The companies could work with either Lockheed Martin or the Air Force and submit for grants in ensuring that the military mission moves forward.

Senator von Imhof surmised that the borough designated the land near the military to create an opportunity. Mr. Hutchinson agreed.

[9:23:32 AM](#)

Senator Micciche stated that the bill created flexibility within the process. Mr. Hutchinson agreed.

Co-Chair MacKinnon wondered whether there was a possibility that the plan could be used in reverse. She shared that the state lobbied the federal government to ensure a comprehensive analysis on economic impact should the federal government close military facilities. She wondered whether the legislation would allow for the federal government to go through the local government for the same result. Mr. Hutchinson asked for more information about the question.

Co-Chair MacKinnon wondered whether the bill allowed for a bypass of the federal government to examine economic impact when considering military facility closures. Mr. Hutchinson felt that that the bill would allow for a strong synergy between all the governments to support the underlying military mission.

Co-Chair Hoffman wondered how the legislation would affect construction companies outside of the military zone. Mr. Hutchinson replied that any company could take advantage of the program, if it directly affected the military mission.

Co-Chair Hoffman surmised that the companies within the zone would have a better financial position versus those

outside of the zone. Mr. Hutchinson replied in the affirmative.

Co-Chair MacKinnon queried the difference the original bill and the committee substitute. She also requested a sectional analysis.

[9:27:54 AM](#)

Mr. Hutchinson discussed the Sectional Analysis (copy on file):

Section 1: Simply adds the words "or local zoning ordinances" to Alaska Statute 26.30.020(c)(1).

If added, the Department of Military and Veterans' Affairs (DMVA) has increased flexibility when considering a proposed military facility zone. The zone can be consistent with the local zoning ordinance or the local comprehensive plan.

Section 2: This section was proposed by DMVA. The language ensures that the department will not be held civilly liable for a military facility zone designation based on inaccurate or incomplete information provided by a municipality/borough.

Section 3: Clarifies that this legislation is effective immediately

Vice-Chair Bishop felt that the bill helped to meet the Air Force mission. He remarked that the Air Force hoped for more activity related businesses for their service members.

[9:30:15 AM](#)

AT EASE

[9:30:48 AM](#)

RECONVENED

[9:31:16 AM](#)

COLONEL ROBERT DOEHL, DEPUTY COMMISSIONER, DEPARTMENT OF MILITARY AND VETERANS AFFAIRS (via teleconference), spoke in support of the bill.

Co-Chair MacKinnon requested Mr. Doehl's written testimony.

[9:36:50 AM](#)

JIM DODSON, PRESIDENT, FAIRBANKS ECONOMIC DEVELOPMENT CORPORATION, FAIRBANKS (via teleconference), testified in support of the legislation.

JEFF STEPP, STAFF, MAYOR'S OFFICE, FAIRBANKS NORTH STAR BOROUGH, FAIRBANKS (via teleconference), spoke in support of the bill.

CHRISTINE NELSON, DIRECTOR, DEPARTMENT OF COMMUNITY PLANNING, FAIRBANKS NORTH STAR BOROUGH, FAIRBANKS (via teleconference), spoke in support of the bill. She explained the purpose of the bill.

Co-Chair MacKinnon CLOSED public testimony.

[9:43:09 AM](#)

Vice-Chair Bishop discussed the fiscal note.

Senator Dunleavy queried the difference between the military legislation passed in a previous legislature. Mr. Hutchinson explained that the previous legislation was unworkable because the comprehensive plans took too long. He stated that the bill would ensure the same objective through a zoning ordinance.

Senator Dunleavy that the difference between the 2012 legislation and the current bill, was that it expedited the process. Mr. Hutchinson agreed.

SB 9 was HEARD and HELD in committee for further consideration.

[9:46:19 AM](#)

AT EASE

[9:48:21 AM](#)

RECONVENED

#sb14

SENATE BILL NO. 14

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

[9:48:48 AM](#)

SENATOR MIA COSTELLO, SPONSOR, presented the context of the bill. She stressed that Alaska was in a recession and experiencing job losses. She felt that it was important to diversify the economy, and pass legislation that would create jobs for individuals. She stated that the legislation was transportation services network companies legislation called the "Let's Ride Alaska Act." The companies were platforms that connected riders with drivers. The bill defined and clarified that the drivers were independent contractors and exempted the drivers from the Workers Compensation Act, and other individuals who were exempted from that act. She shared that the legislature had surveyed Alaskans, and 30 percent of people said that they wanted to diversify the economy. She felt that the bill allowed for a job opportunity for a stay-at-home mom or active duty military member.

[9:52:16 AM](#)

WESTON EILER, STAFF, SENATOR COSTELLO, explained the bill.

[10:01:22 AM](#)

Mr. Eiler discussed the Sectional Analysis (copy on file):

Section 1. Describes the legislative intent for the bill.

Section 2. Amends AS 21.96 by adding a new section, AS 21.96.018, relating to transportation network company insurance provisions. This section allows insurers who write automobile insurance in the state to exclude coverage while a driver is logged onto the digital network of a transportation network company or while a driver provides a prearranged ride. However, nothing in the section precludes an insurer from providing coverage for the personal vehicle of transportation network company driver.

Section 3. Amends AS 23.30.230(a) to exclude transportation network company drivers from the Alaska Worker's Compensation Act.

Section 4. Amends AS 23.30.230(c) by adding the definitions for "digital network," prearranged ride," and "transportation network company driver."

Section 5. Amends AS 28 by adding chapter 23, titled "Transportation Network Companies and Driver."

AS 28.23.005. Provides the DCCED administer the chapter.

AS 28.23.010. Provides that transportation network company or driver is not a common carrier and may not provide taxicab or for-hire services and that they may not be required to register as a commercial or for-hire vehicle.

AS 28.23.020. Related to fares collected by transportation network companies for services.

AS 28.23.030. Governs identification required for by transportation network vehicles and drivers.

AS 28.23.040. Requires electronic receipts.

[10:05:46 AM](#)

Co-Chair Hoffman wondered how the legislation interfaced with communities that regulated cabs. Mr. Eiler responded that the bill would set one set policy for rideshare drivers. He explained that many of the services crossed municipalities. He remarked that the platform could operate statewide, and provide clarity for drivers that may move or travel around the state.

Co-Chair Hoffman surmised that the Uber driver could not drop the rider off in a different municipality. Mr. Eiler disagreed. He stressed that the bill did not impact the municipality's authority to regulate taxicabs.

Co-Chair Hoffman queried the parameters of an Uber driver within a community that regulated the licenses. Mr. Eiler responded that the taxicab regulations and Uber were two very different things.

Co-Chair Hoffman remarked that many communities regulated the number of licenses. He wondered what would occur if the legislation were passed. He asked if an Uber driver could operate in a community without that community's license. Mr. Eiler replied in the affirmative. He stated that the legislation complemented the possible reformation in some communities for taxicabs. He stressed that it would be a different service than a taxicab. The legislation related to connecting drivers with riders.

Co-Chair MacKinnon wondered whether the taxicab drivers could drive for the network providers. Mr. Eiler replied in the affirmative.

Senator von Imhof wondered whether the legislation addressed taxicab legislation. Mr. Eiler replied that the legislation did not address taxi regulations.

[10:10:35 AM](#)

Vice-Chair Bishop queried the implementation and protocol for the zero-tolerance drug and alcohol possible. Mr. Eiler replied that the language was broad in the legislation, but deferred to the companies' stringent set of policies.

Senator Micciche surmised that a typical Uber driver would have normal insurance coverage for their own vehicle, that the provider did not need to carry under the normal policy while logged onto a digital network. He noted that there was a separate policy between driving alone and carrying a passenger. He wondered whether the more stringent policy mirrored a taxicab requirement. Mr. Eiler agreed to provide that information. He agreed that there were different insurance coverages throughout the course of a rideshare ride.

Senator Micciche wanted to know whether the insurance mirrored that of taxicabs.

Senator Dunleavy wondered whether the bill required that transportation network companies and its drivers to purchase commercial insurance. Mr. Eiler replied in the affirmative. He noted that there was an exclusion provision was there for the master policies that Uber, Lyft, and other companies held.

Senator Dunleavy asked whether the legislation protected lien holding institutions in the event of damages or loss. Mr. Eiler replied in the affirmative.

Co-Chair MacKinnon remarked that the current conversation was not a debate, rather an attempt to understand the bill.

Vice-Chair Bishop queried the driver payback or fee to the company. Mr. Eiler replied that an Uber driver would pay 25 cents for every dollar for using the service.

[10:15:36 AM](#)

KATHIE WASSERMAN, EXECUTIVE DIRECTOR, ALASKA MUNICIPAL LEAGUE, JUNEAU, addressed concern with Section 7. She stated that there was a concern about removing regulation from municipalities, and only be given to the state. She understood that there would be confusion when crossing jurisdictions, but it could also be confusing to have two types of transportation providers in the municipality that were regulated separately. She stated that there had never been a large issue related to taxicabs crossing between jurisdictions. She urged the committee to remove Section 7. She felt that it should be a local control issue. She remarked that Section 10 of the Constitution gave local control to municipalities.

Co-Chair MacKinnon wondered whether the mayors would support not having a transportation network at all. Ms. Wasserman replied that she did not know the answer to that question.

Co-Chair MacKinnon wondered if there was a concern about low ridership in the state in its entirety. Ms. Wasserman agreed to address that issue with the mayors. She did not know how state regulation would increase ridership.

[10:18:53 AM](#)

MITCHEL MATTHEWS, SENIOR OPERATIONS MANAGER, UBER NORTHWEST, JUNEAU, spoke in support of the legislation. He stated that over 20,000 Alaskans had downloaded the Uber app, and over 60,000 people had opened the app looking to connect with a ride in Alaska. He felt that the legislation provided the appropriate number of safeguards for consumers while allowing for a predictable, clear, and concise operational environment for drivers and riders. He

described the Uber service, which provided a digital network to connect riders with drivers.

[10:24:37 AM](#)

Co-Chair Hoffman queried the implementation of the businesses in rural areas of the state. Mr. Matthews wondered if Co-Chair Hoffman was referring to a driver.

Co-Chair Hoffman asked how the company would start in Unalaska. Mr. Matthews stated that he did not know the licensing requirements for an individual business in Alaska.

Co-Chair Hoffman wondered how an Uber company would start in the state. Mr. Matthews replied that the bill allowed for Uber to operate in the state. He explained that a driver would download the app and operate from there.

Co-Chair Hoffman wondered how the structure was started in a community.

[10:26:26 AM](#)

AT EASE

[10:27:23 AM](#)

RECONVENED

[10:27:31 AM](#)

Mr. Matthews shared that Uber was a digital platform, so the driver was responsible for setting up their company within the community.

Senator Dunleavy queried the classifications of individuals who would be prohibited from the platform. Mr. Matthews responded that driver must submit their full name, date of birth, social security number, valid driver's license, valid vehicle registration, and insurance. Those documents were verified for validity. The individuals were screened using a social security trace and a comprehensive background check for offenses related to alcohol. He stated that there was also an evaluation against the National Sex Offender registry, and those individuals would be excluded from operating on the app.

Senator von Imhof asked whether there was a periodic background check. Mr. Matthews replied that the internal process involved an annual background check. He stated that the compliance at Uber depended on the various expiration dates on the documents.

Vice-Chair Bishop asked for more information about drug testing. He wondered whether there was random drug testing. Mr. Matthews replied that Uber did not do drug testing. He explained that a rider might notify Uber about a suspicious driver, and then Uber would investigate that complaint.

Senator Dunleavy wondered whether the background checks had been "tightened" since September 2016.

[10:31:15 AM](#)

LISA TSE, UBER TECHNOLOGY INC., SAN FRANCISCO (via teleconference), introduced herself.

Senator Dunleavy wondered whether the issues in San Francisco and Los Angeles had been addressed since September 2016. Ms. Tse replied that California had changed its background check requirements.

Ms. Tse restated that in September 2016 the California legislature had adopted new legislation related to background checks. The bill confirmed that criminal background checks conducted by commercial services were permissible. It also modified some of the adjudication criteria. She stated that, as of January 1, 2017, Uber had implemented processes in California to ensure compliance.

Senator Dunleavy surmised that the issue of those who had bypassed the background checks at LAX was addressed. Ms. Tse replied that she was not familiar with that issue, and agreed to provide further information.

Senator Dunleavy stressed that the issue was in the news, so he wanted to know what had changed in the background checks protocol.

[10:33:56 AM](#)

ANNABEL CHANG, DIRECTOR, PUBLIC POLICY, LYFT (via teleconference), spoke in support of the legislation. She stated the number one priority at Lyft was the safety of

its users. She stated that Lyft had national criminal background checks, a motor vehicle record check, and nineteen-point vehicle inspection. She stated Lyft provided consumers with new levels of transparency and accountability. She shared that every Lyft ride was tracked via GPS; and passengers could see a driver picture, user rating of the driver, license plate, and make and model of the vehicle. The drivers also received a photo and name of the passenger. She stated that the app allowed to share real time route information with others, providing for an additional level of security.

Co-Chair MacKinnon CLOSED public testimony.

[10:38:04 AM](#)

Vice-Chair Bishop discussed the fiscal notes.

Co-Chair MacKinnon surmised that there was only an initial request for insurance.

Vice-Chair Bishop continued to discuss the fiscal notes.

Vice-Chair Bishop requested a "scrub" of the vehicle pool, computers, office panels, and furniture.

Co-Chair MacKinnon wondered whether there was new requirements in other states for a network system.

[10:44:39 AM](#)

ANNA LATHAM, DEPUTY DIRECTOR, DIVISION OF INSURANCE, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, JUNEAU, explained that prior to the committee substitute, the division had submitted a zero fiscal note. She stated that the new version would put administration of the legislation under the Department of Commerce, Community and Economic Development (DCCED), which would require the creation of two new positions. She stated that the legislation prohibited municipalities from regulation, so the regulation would be solely on the state.

Senator Dunleavy surmised that there would be a cost to the state. Ms. Latham replied in the affirmative.

Senator Dunleavy wondered whether the cost would be offset by fees collected by the companies. Ms. Latham replied that

the reason for general fund and not receipts was because there was not a mechanism to collect funds for administration of the program.

Co-Chair MacKinnon announced that she planned to recommend zeroing the fiscal note.

Senator Micciche wondered how Uber made its revenue.

Co-Chair MacKinnon stated that Uber made 25 percent of each dollar against the driver's revenue.

Senator Micciche felt that the cost would be handled like any other license in the state.

[10:48:01 AM](#)

Senator Dunleavy wondered whether there could be multiple passengers in one ride. Mr. Matthews responded that there were opportunities to connect individuals who may not know each other through the route of a trip.

Senator Dunleavy asked whether individual passengers may not know each other. Mr. Matthews replied in the affirmative.

Co-Chair Hoffman surmised that the parent companies did not operate in Alaska. Co-Chair MacKinnon agreed.

Co-Chair Hoffman expressed concern that that the 25 percent of the revenue would be leaving the state.

Co-Chair MacKinnon discussed committee business.

Co-Chair MacKinnon wished a happy birthday to her grandson, Mason.

SB 14 was HEARD and HELD in committee for further consideration.

#

ADJOURNMENT

[10:51:04 AM](#)

The meeting was adjourned at 10:51 a.m.