

SENATE FINANCE COMMITTEE

March 7, 2017

9:02 a.m.

9:02:55 AM

CALL TO ORDER

Co-Chair MacKinnon called the Senate Finance Committee meeting to order at 9:02 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 Donny Olson
Senator Natasha von Imhof

MEMBERS ABSENT

None

ALSO PRESENT

Representative Adam Wool, Sponsor; Juli Lucky, Staff, Representative Anna MacKinnon; Gene Therriault, Energy Policy Assistant, Alaska Energy Authority, Department of Commerce, Community and Economic Development; Sean Skaling, Deputy Director, Alternative Energy and Energy Efficiency, Alaska Energy Authority, Department of Commerce, Community and Economic Development; Kathy Wasserman, Alaska Municipal League, Juneau; Senator Mia Costello, Sponsor; Weston Eiler, Staff, Senator Mia Costello.

PRESENT VIA TELECONFERENCE

Rob Hill, Genesis Energy Systems, Anchorage; Brittany Smart, Fairbanks North Star Borough, Mayor's Office; Annabel Chang, Lyft, San Francisco; Mitchel Matthews, Uber, Seattle.

SUMMARY

SB 14 TRANSPORTATION NETWORK COMPANIES

CSSB 14(FIN) was REPORTED out of committee with "no recommendation" and with one new zero fiscal note by the Department of Administration; and three previously published zero fiscal notes: FN1(LWF), FN2(LWF), and FN4(CED).

HB 80 MUNI ENERGY IMPROVEMNT:ASSESSMNTS/BONDS

HB 80 was HEARD and HELD in committee for further consideration.

#hb80

CS FOR HOUSE BILL NO. 80(ENE)

"An Act adopting the Municipal Property Assessed Clean Energy Act; authorizing municipalities to establish programs to impose assessments for energy improvements in regions designated by municipalities; imposing fees; and providing for an effective date."

9:03:37 AM

REPRESENTATIVE ADAM WOOL, SPONSOR, presented HB 80, which was known as the "C-PACE" or "PACE" bill. He understood that the committee had previously heard SB 39, which was identical to the bill being considered. He explained that "C-PACE" meant commercial property-assessed clean energy. The bill would allow municipalities (or any place with a property tax) a mechanism to finance commercial buildings for the purposes of clean or more efficient energy conversion. The financing would be put as a line item on individual businesses property tax. The bill would allow access to low-interest or zero-interest loans, and encouraged businesses and those with commercial buildings to convert to a cleaner or more efficient energy source. He specified that the program was voluntary, and municipalities would have the opportunity to opt in.

Representative Wool continued to discuss the bill, and explained that the program was flexible for different kinds of fuel conversions. He shared that businesses in Fairbanks were being encouraged to covert to natural gas. The loans would stay with the building, and if the building was sold the new owner would assume the loan and continue to make payments through the property tax. He commented that banks and municipalities were supportive of the PACE program

because of the low default rate and low interest. Thirty-three states had adapted PACE legislation, and there was a zero fiscal note.

Senator Dunleavy asked if the program was for cleaner energy, more efficient energy, or both.

Representative Wool answered in the affirmative.

Senator Dunleavy asked if there was a possibility that if a business focused on cleaner energy, it could cost more than a legacy energy method that was being abandoned.

Representative Wool answered in the affirmative, and continued that it was possible to convert to clean energy that was not economically advantageous. He detailed that there was language in a committee substitute that would possibly be discussed later in the meeting, that would give a municipality the option to assess the subject. He detailed that the price of natural gas was not known in Fairbanks, but he wanted to encourage conversion. He considered that there was the option to go with cleaner energy, or cheaper energy.

Senator Dunleavy asked if PACE could be qualified as a "different" energy program. He asked if the program would allow a business that was using coal to move to natural gas; which would cost more.

Representative Wool answered in the affirmative.

[9:08:04 AM](#)

Senator von Imhof stated she had received a letter from the Alaska Bankers Association that had indicated it supported SB 39, but had reservations about the residential aspect of PACE.

Representative Wool clarified that the bill did not address residential properties in any way.

Senator von Imhof noted that each municipality set its own parameters for loan-to-value ratio and debt-to-equity ratio. She asked what assurances there were that municipalities had the expertise to properly vet credit risk for each property.

Representative Wool was unsure who would vet the financial liability of projects. He noted that the municipality could function in different roles; such as loan facilitator, lending agent, or as a loaning entity.

Senator von Imhof asked about defaults in the program and wondered who would absorb the liability.

Representative Wool informed that the municipality would absorb any liability, as the funding was connected to property tax. If there was a default, the municipality would take over the property, as with any default on property tax. He reiterated that the program had a very low default rate.

Senator Olson asked about a default scenario in which a bank was the first financier of a property.

Representative Wool stated that a bank would take second place to the loan. He furthered that commercial buildings were enabled in the legislation and residential buildings were not; because banks were not willing to give up the first position.

Co-Chair MacKinnon asked if there was a requirement that a bank sign off on each individual property before it went forward in the bill.

Representative Wool answered in the affirmative.

Senator Olson asked if banks were hesitant to lend a six-figure amount for commercial building purchases, while knowing they were in second position.

Representative Wool believed that banks had success with loans and a low default rate in states that had enabled the PACE program.

[9:11:50 AM](#)

Senator Dunleavy asked if there was any default scenario under which the state or local would be liable.

Representative Wool informed that the state would not be liable, and detailed that the municipalities would assume the property if the loan was defaulted.

Co-Chair MacKinnon asked if it was fair to say that municipalities would vet the projects and assess the risk, and not loan over the assessed value of the property so that all parties would be protected by the sale of the property.

Representative Wool answered in the affirmative, and stipulated that banks would not loan an amount greater than the assessed value of the property. All projects were vetted and had an energy rater evaluate consider the costs and savings.

Senator Dunleavy asked if there was language in the bill that would compel a municipality to adopt the program.

Representative Wool stated that the program was totally optional for municipalities.

Senator Micciche referred to Section 5, line 14 through line 28. He thought the waiver under subsection H was stronger than the requirements subsection G. He thought there was usually more pressure to demonstrate value.

Representative Wool thought that Senator Micciche was referring to language from the committee substitute (CS).

Co-Chair MacKinnon confirmed that the committee had a CS. The version of the bill brought to the committee was version U. She informed that the committee was allowing the sponsor to introduce the bill. The committee had previously heard the bill and had multiple questions on protection for municipalities and local taxpayers. She asked for a pause before consideration of a CS.

[9:15:47 AM](#)

AT EASE

[9:17:20 AM](#)

RECONVENED

Vice-Chair Bishop MOVED to ADOPT proposed committee substitute for CSHB 80(FIN), Work Draft 30-LS0337\R (Shutts, 2/20/17).

Co-Chair MacKinnon OBJECTED for discussion.

[9:18:12 AM](#)

JULI LUCKY, STAFF, REPRESENTATIVE ANNA MACKINNON, discussed the CS, and noted that it was crafted based on concerns that arose in previous discussions of the bill. Language was drafted based on recommendations from a program in Texas, which was the genesis for the bill.

Ms. Lucky read from the document "Explanation of Changes" (copy on file):

Throughout the bill: the terms "eligible property," "qualified improvement," and "qualified project" have been replaced with more descriptive terms. The definitions for these terms have been deleted from the definitions section, §29.55.160, as they are no longer used in this legislation.

Page 3, lines 15-22: New language in §29.55.100 (a) clarifies the intent and limit of the program.

Page 4, line 9: the requirement to "prepare the report" is added to §29.55.100 (b)(2), which previously only required providing notice of the report.

Page 6, lines 4-8: New §29.55.105(d)(3) expands the list of items that cannot use C-PACE financing to include improvements made by utilities to "generate electricity, provide thermal energy, or otherwise furnish a service to the public for compensation."

[9:20:58 AM](#)

Ms. Lucky continued to discuss the explanation of changes document:

Page 6, lines 11-13: New section 29.55.105(f) limits the period of assessment to 20 years or the useful life of the project. This required a technical change on page 7, lines 25-26.

Page 6, lines 14-28: New sections 29.55.105(g) and (h):
(g)(1) limits the amount that can be financed for a project to 20% of the total assessed value of the property.

(g)(2) requires the Savings to Investment Ratio be greater than 1. In other words, the amount of estimated monetary savings resulting from the project over the term of the financing must be more than the amount financed.

(h)(1) allows a waiver to the requirements specified in (g)(1) and (2) if there is "reasonable justification" and both parties acknowledge it in writing.

(h)(2) requires a waiver for a project that doesn't meet the Savings to Investment Ratio specified in (g)(2) to also address the interests of potential tenants and future property owners.

Ms. Lucky explained that if a business was not saving enough money (via the energy project) to pay for an assessment, then (h)(2) would kick into effect. The provision came from model language from previous iterations of the program. She continued to address the summary of changes:

Page 7, lines 25-26: §29.55.110(a)(7) has been reworded to conform to new time limits imposed by §29.55.105(f).

Page 8, lines 24 & 27: In §29.55.115, replaced "the" with "each" to ensure that all mortgage holders are notified and required to consent to an assessment.

Ms. Lucky expanded that there had been concern about the potential for more than one lienholder, so section 8 had been re-worded and cited an existing mortgage definition.

Ms. Lucky continued to discuss the explanation of changes:

Page 8, line 31: Adds language to §29.55.120 to require the independent, third-party review be done by a "qualified energy auditor."

Page 10, lines 27-28: Reworded §29.55.140(d) to ensure that the municipality confirms that bonds or notes issued under the authority of this chapter meet the goals of this program.

Page 11, lines 21-23: §29.55.160 (definitions section) was amended by removing the terms "eligible property,"

"qualified improvement," and "qualified project" and adding "mortgage."

[9:25:52 AM](#)

Senator Dunleavy asked why the bill was needed for municipalities to do something that was optional. He wondered what was preventing municipalities from engaging in the program.

Ms. Lucky thought the sponsor could better answer the question or the Alaska Industrial Development and Export Authority (AIDEA).

Senator Dunleavy reiterated that he wanted to understand why the bill was needed.

Senator von Imhof referred to page 8 of the bill, and assumed that a municipality would provide whatever information a mortgage holder asked for in order to allow it to sign off on the loan. She thought there might need to be a second credit analysis, particularly if several years had passed since the original mortgage was performed. She hoped that there would be a level of cooperation between the community bank and the municipality.

Ms. Lucky confirmed that there was no requirement in the bill to provide additional paperwork. She posited that if an individual wanted to move forward with a loan, that individual would provide all the necessary information needed.

Vice-Chair Bishop referred to line 31, "qualified energy auditor" and wondered if the language referred to an individual that was certified by Alaska Housing Finance Corporation (AHFC).

Ms. Lucky noted that the definition had been provided by the Alaska Energy Authority (AEA).

Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO further OBJECTION, it was so ordered. The Senate Committee Substitute for CSHB 80 was ADOPTED.

Senator Dunleavy asked why the bill was necessary.

GENE THERRIAULT, ENERGY POLICY ASSISTANT, ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, stated that the legislation allowed a local government to use its tax collecting power to collect the payments to satisfy a PACE loan. He thought it was a powerful tool for a local government, which could not do so without clear statutory authority.

[9:30:24 AM](#)

Vice-Chair Bishop referred to his previous question about a third-party independent qualified rater. He wondered if the definition pertained to a person that was certified by AHFC.

SEAN SKALING, DEPUTY DIRECTOR, ALTERNATIVE ENERGY AND ENERGY EFFICIENCY, ALASKA ENERGY AUTHORITY, DEPARTMENT OF COMMERCE, COMMUNITY AND ECONOMIC DEVELOPMENT, stated that AEA had been hesitant to embed qualifications in statute when the standards frequently changed. He noted that AEA had further parameters in regulation for a commercial energy audit program, and AHFC had program guidance defining "energy auditor" as well. The definitions were currently under review, as the standards were changing. He shared that AEA had thought the definition should be put in statute at a general level and let municipalities define it further.

Senator Dunleavy asked if Mr. Therriault could describe a worst-case scenario for a municipality or taxpayer if the bill were to pass.

Mr. Therriault thought if a taxpayer had an obligation on its property and was unable pay, there was a risk that the property would go into default. If a local government were to come into control of the property, it could satisfy taxes owed as well as whatever PACE obligation was owed on the property. In order to cover any potential defaults, a local government was able to establish a loan default fund by charging a fee on lending. He stated that the municipality's power to collect all taxes and assessments resulted in a very low default rate.

Senator Dunleavy asked about a hypothetical scenario in which an unviable "white elephant" project ended up being inherited by the local government through default. He

wondered if such a project, if unable to be sold or dispersed, would be absorbed by the general tax base.

Mr. Therriault posited that ultimately a property would retain some value. He considered that a number of the sidewalls that the CS put into place (such as the loan to value ratio capped at 20 percent of the assessment) would be limiting factors. If there was an existing mortgage owned by a lender, in order to take second position via the PACE program, the lender would consider the proposed project for viability.

[9:34:17 AM](#)

Senator Micciche liked the changes in the CS. He inquired about a hypothetical scenario under which a \$2 million strip mall that had a failed PACE project and a \$450,000 lien from the municipality. If the municipality took possession of the property, he mused that it would likely get the full value of the lien. He was concerned about an aggressive administration that might push energy projects that were less economically feasible because it was aggressive on the renewable and clean energy front. He wondered about a larger lien and was concerned that a distressed property often did not sell for 50 percent of its value. He wondered if there should be a cap of some kind.

Mr. Therriault relayed that AEA had information from the program in Texas that advised there was a percentage above which it was not wise to proceed on a project. He thought even if a municipality was pushing for a project, it could not force a property owner to utilize the program. He was not sure that the additional sidebars added in the CS were enough to keep projects under control. He thought it was possible to set an absolute upper limit. He added that in the case of a foreclosure, the only thing that had to be paid off entirely was the current year's PACE assessment. He reminded that the entire PACE loan would not have to be paid off, as the obligation continued with the property, much like a water and sewer assessment would in the case of a default.

[9:37:52 AM](#)

Co-Chair MacKinnon asked if there were other questions on the structure of bill.

Senator Dunleavy asked why a bank would ever deny a project if it was guaranteed its money via the taxpayer.

Mr. Therriault thought a bank might not approve a project if it thought the project unwise or that it did not improve the value of a property. If a PACE modification would make a building more efficient or more effective in the present or future, a bank would likely allow itself to be bumped into a second position as lienholder. He thought banks were willing to do so since the properties themselves were viewed as collateral for the mortgage, and the collateral was made more attractive by any improvements being made.

Senator Micciche thought if a commercial lender had 85 percent of a building's value, it would be difficult to get the value after default if it was second in line. He thought if it was early in a loan, a bank would be less likely to approve an assessment that was above the remaining value of the property. He commented on the conservative nature of banks.

Vice-Chair Bishop added to Senator Micciche's comments by saying hypothetically a commercial entity could be the first and second lienholder.

Mr. Therriault answered in the affirmative. He stated that the existing mortgage holder might be interested in providing funding for the PACE loan, because it improved the collateral on the mortgage.

[9:41:20 AM](#)

Co-Chair MacKinnon OPENED public testimony.

ROB HILL, GENESIS ENERGY SYSTEMS, ANCHORAGE (via teleconference), testified in support of the bill. He stated he had an Anchorage-based business that specialized in survey analysis and specifications of commercial and government buildings. He stated that his company was one of the auditors that had been previously referred to in committee. He noted that his company had been working on significant energy-efficient retro-fits in the last seven years varying in scope from \$5,000 to \$900,000. He gave examples such as the Golden Valley power plants, numerous hospitals, and the Department of Transportation and Public Facilities. He understood the value of meeting high

performance standards and meeting green solutions that had a return on investment. He was supportive of the PACE program, and had created numerous project models using the PACE finance mechanism format. He had found that most of the projects had shown immediate savings and positive cashflow for owners.

Mr. Hill continued, explaining that the driver for the PACE program was to decrease power consumption and cost; as well as to reduce emissions, especially in cold-weather climates. He thought another critical aspect of the program was the high cost of imported energy in the North and Western parts of the state. He saw the PACE program as a finance bridge to the energy efficiency projects. He thought many former approaches to energy-efficiency projects would put the savings in the hands of profiteers, rather than the owners. He thought the CS was an improvement to the bill.

[9:45:58 AM](#)

KATHY WASSERMAN, ALASKA MUNICIPAL LEAGUE, JUNEAU, testified in support of the bill. She noted that the Alaska Municipal League (AML) had been following the bill for a number of years. The reason the AML supported the bill was that it was for a voluntary program that gave municipalities the option to weigh in if they so choose and provided a tool to do things better. She thought most of the first-class cities or smaller boroughs would not be able to take advantage of the program, but larger boroughs would. She thought the larger boroughs had the expertise to run the program. She thought there were safety checks along the way to preclude bad projects taking part in the program.

[9:47:38 AM](#)

BRITTANY SMART, FAIRBANKS NORTH STAR BOROUGH, MAYOR'S OFFICE (via teleconference), testified in support of the bill and the changes incorporated in the CS. She was supportive of the concept of a waiver if there was not a perceived energy cost-savings. She mentioned that the borough was most interested in the project for its natural gas conversion project, in which there might not be an immediate cost savings. The waiver would allow for assessment of conversion projects on each individual project values. She addressed concerns about a possible cap in the bill. She stated that PACE financing throughout the

nation was being used for a number of different projects to achieve public interest. She recounted that the program was being used in the State of Florida to alleviate flood insurance costs and mitigate flood challenges. She urged the committee to keep the bill as broad as possible to allow for flexibility of the municipalities to establish a good program administration that fit its needs.

[9:49:51 AM](#)

Co-Chair MacKinnon CLOSED public testimony.

Co-Chair MacKinnon asked for the committee to provide amendments by 5:00pm the following day.

Co-Chair MacKinnon remarked that the bill was a new way to finance improvements to a piece of commercial property that would carry a loan for 20 years. She relayed that the CS tried to address banking concerns and best practice borrowing, but the program was a new way to finance improvements on a piece of commercial property. The program was voluntary. She noted that debt incurred in the program would not be reflected in the credit rating of the entity engaged in the project.

Senator von Imhof understood the purpose of the bill, and thought it importantly presented opportunities to municipalities and property owners to improve properties for energy efficiency. She thought it helped communities monetarily, as well as with carbon dioxide emissions. She thought that while the committee could add safeguards to the program, but thought it was important not to suffocate the program. She thought that the legislature needed to have faith that each municipality and local bank that would be signing off on the loan would make the necessary good decisions to move forward with the program. She discussed the potential risk to small communities, but thought there were many properties that could be significantly improved through the program. She thought the committee had a robust discussion on the matter, and was supportive of the bill moving from committee.

Senator Dunleavy wondered if cities within a borough municipality that had adopted the program would be able to opt out.

Mr. Therriault stated that the bill language would allow a local government to establish areas for the program. He used the Fairbanks Northstar Borough as an example, as it contained two independent cities within the borough boundary. The borough would be able to craft a program that would apply to any city that wanted to participate, and would remit the tax to the city.

[9:54:40 AM](#)

Co-Chair MacKinnon thought it was fair to say that other states were using a program like PACE. She noted that the other bills required energy cost savings to backstop the ability for an individual to make payments on the improvements. She referenced comments by Senator von Imhof about in the context of community needs. She referred to a change in the CS that allowed debt financing based on air quality.

Vice-Chair Bishop thought there could be a wash on savings with a PACE project, but considered that Fairbanks had a real air quality issue to consider. He thought the monetary implications for potential non-compliance with air quality were significant.

Senator Micciche appreciated the public testimony. He referenced testimony about floodwater control in Florida. He had remaining concerns about a cap, without which the program could be abused and put properties at risk.

Co-Chair MacKinnon set HB 80 aside. She reiterated that amendments were due by the following day at 5:00pm.

HB 80 was HEARD and HELD in committee for further consideration.

[9:58:02 AM](#)

AT EASE

[10:04:49 AM](#)

RECONVENED

#sb14

SENATE BILL NO. 14

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

10:04:58 AM

Vice-Chair Bishop MOVED to ADOPT proposed committee substitute for SB 14, Work Draft 30-LS0250\I (Wallace, 3/1/17).

Co-Chair MacKinnon OBJECTED for discussion.

Co-Chair MacKinnon read the bill title.

Ms. Lucky discussed the Explanation of Changes (copy on file):

Page 1, line 11 - Page 2, line 4: New section 2: enacts §09.65.350 which explicitly asserts that the state and municipalities are not liable for a Transportation Network Company's failure to follow the law. This clarifies the sponsor's intent for the regulatory authority over this program.

Ms. Lucky noted that that intent of the legislation was not to have active regulation by departments of the state. If the transportation network companies (TNCs) did not follow the law, they would be held civilly liable, and the recourse would be a civil suit. She noted that there had been some confusion with the previous version of the bill as to how much regulation a department would have to do, which had led to a large fiscal note discussed at a previous meeting. Since the bill was last heard, the co-chair's office had been working with departments to find a way to ensure that the sponsor's intent for regulation was met. The language that was agreed upon was to provide immunity.

Ms. Lucky continued discussing the summary of changes document. She explained that the state did currently enjoy general immunity, however it was thought that having the explicit immunity in statute would make it clear that the state departments were not actively regulating the TNCs by checking insurance certificates or law compliance.

Ms. Lucky continued to discuss the changes:

Page 7, lines 26-29: Rewords §28.23.050(i) for clarity.

Page 9, line 29: Rewords §28.23.110 to require adopted policies regarding nondiscrimination and accessibility to conform to existing state law.

Page 12, line 2: New section 9: immediate effective date. This required a conforming title change.

Ms. Lucky explained that new language in the CS was more clear about how payment should be applied in the event that there was a lien on a damaged car.

[10:08:44 AM](#)

Co-Chair MacKinnon WITHDREW her OBJECTION. There being NO further OBJECTION, it was so ordered. The Committee Substitute for SB 14(FIN) was ADOPTED.

Co-Chair MacKinnon noted that the public hearing for the bill was opened and closed on February 13, 2017; and re-opened and closed on February 15, 2017.

Ms. Lucky discussed the fiscal notes for the bill. She explained that when the bill was moved from the Senate Labor and Commerce Committee, there had been four zero fiscal notes: two from the Department of Labor and Workforce Development; one from the Division of Motor Vehicles (DMV); and one from the Department of Commerce, Community and Economic Development, Division of Insurance. She detailed that FN1 and FN2 still applied. There had been questions about the DMV language in FN3. After discussion with the department, it had re-worded the fiscal note. The new fiscal note from DMV was still a zero fiscal note. There was a fiscal note from the Division of Insurance that had been produced too late to move from the previous committee along with the bill - FN4 was a zero fiscal note. She summarized that previously published FN1, FN2, and FN4 would apply to the bill; as well as a new zero fiscal note from DMV that would replace FN3 that came with the bill.

Ms. Lucky pointed out that her office had been in constant contact with the departments regarding the bill, and she had been assured that the zero fiscal notes all applied to the CS being considered.

[10:11:16 AM](#)

SENATOR MIA COSTELLO, SPONSOR, had examined the Committee Substitute for SB 14, and had worked closely with committee staff on the updates to the fiscal notes. She thought FN3 had caused confusion in the public, and was appreciative of multiple committee hearings for the bill.

WESTON EILER, STAFF, SENATOR MIA COSTELLO, spoke to a memo from Senator Costello that summarized questions from committee members after the first hearing of the bill (copy on file). He commented that many of the questions pertained to comparisons with regard to TNC drivers or ride-shares. He had worked with the companies Lyft and Uber.

Mr. Eiler addressed a question from Senator Micciche on page 2 of the memo:

Senator Micciche

Does the \$1 million dollar insurance coverage in the bill mirror the coverage taxi cabs carry for riders and drivers?

The insurance provisions of Senate Bill 14 exceed the coverage requirements for many Alaskan taxi cabs. While local laws vary, municipal regulation in Anchorage, Fairbanks, and Juneau all require taxi cabs to carry the following coverage:

\$300,000 - aggregate injuries sustained in an accident

\$100,000 - per personal injury

\$50,000 - property damage per occurrence

Please see:

Anchorage - Municipal Code 11.20.100

Fairbanks - Ch. 86, Article II, Division 2, Sec. 86-52

Juneau - 20 CBJAC 40.580

Mr. Eiler discussed Senator Micciche's question about comparative insurance coverage of TNC drivers and taxicabs. There were further questions in the memo pertaining to coverage throughout the course of a ride-share ride. He informed that TNCs provided commercial insurance from the moment a driver turned the application on to the moment when a passenger exited a rideshare vehicle. Coverage varied according to the course of the ride. Once a driver had been matched with a passenger, the higher levels of coverage were activated for the course of the ride.

[10:15:16 AM](#)

Mr. Eiler continued discussing insurance coverage of ride-share drivers. He referred to 'Period 1,' a circumstance under which a driver was driving but not yet matched with a rider. He noted that a driver was able to purchase additional insurance.

Mr. Eiler addressed questions pertaining to safety concerns and background checks. He informed that both Lyft and Uber adopted local and national background checks, did a social security trace, and cross-referenced the national sex offender registry. There was a variety of jurisdictions and levels at which a background check was taken.

Mr. Eiler referred to a question by Senator Dunleavy that was addressed in the memo:

Please explain the difference between Uber Pool and the standard Uber product.

Both Uber and Lyft offer carpooling options that riders can select through the apps. This option allows riders to match with another heading the same direction and share the trip and the cost. It's an optional feature riders can elect to use at their choice.

Mr. Eiler continued discussing ride shares, and spoke to the benefits of carpooling ride-shares. He considered the structure of the bill to have a statewide framework. Much of the carpooling and transit could cross municipal boundaries. In crossing municipal boundaries, ride share cars did what local taxis could not, which necessitated a statewide framework for regulation. He recalled that over 30 other states in the country had adopted similar statutes.

[10:18:07 AM](#)

Mr. Eiler noted that he had worked with stakeholders regarding protections for lienholders, which were addressed on page 3 of the memo. He noted there were two provisions by which lienholders were protected during ride-shares. He furthered that TNCs were required to inform drivers that not maintaining physical damage insurance coverage may violate the contract with the vehicle's lienholder. He referred to Section 28.23.05 (i), which also provided for

how lienholders were compensated in the event of damage or loss to a vehicle.

Mr. Eiler stated that financial institutions had a variety of mechanisms by which they managed risk; including collateral protection insurance, which covered financial institutions exposure to loss for incidental professional use of personal vehicles. He used the examples of individuals using a personal vehicle for small business outings, such as home health aides and real estate agents. He assured that there was existing contract law that protected lienholders as the new area of technology and commerce was developed.

Senator Micciche asked about the insurance levels, and thought Mr. Eiler had mistakenly combined three levels into two levels. He understood that when the app was not on, drivers were required to have the same insurance as any driver. When a TNC driver was logged in to the app and available to receive transportation requests, there was a second level of insurance. He thought there was a third level of coverage when the driver was engaged in a pre-arranged ride.

Mr. Eiler referred to an insurance diagram (copy on file) that defined the three periods of commerce. When a driver had accepted a trip and was in period 2 and 3, TNCs provided primary insurance coverage that would respond first in the case of an accident. The insurance coverage was \$1 million in liability and \$1 million for uninsured or underinsured motorist injury per incident. He stated that drivers should be in contact with banks or lienholders to purchase additional insurance for period 1. Throughout an entire ride, there was not a possibility for a gap in coverage. Under SB 14, TNCs were required to have insurance as a backstop.

Senator Micciche thought the \$1 million insurance was not required when a driver was available to receive a transportation request; but kicked in when the driver was engaged in a prearranged ride.

Co-Chair MacKinnon asked if Senator Costello was supportive of the changes in the Committee Substitute.

Senator Costello answered in the affirmative.

Co-Chair MacKinnon noted that there were representatives from other companies available to answer questions. She wanted to hear comments from operators.

[10:23:34 AM](#)

ANNABEL CHANG, LYFT, SAN FRANCISCO (via teleconference), testified in support of the CS that was adopted.

[10:24:19 AM](#)

MITCHEL MATTHEWS, UBER, SEATTLE (via teleconference), testified in support of the Committee Substitute.

[10:24:47 AM](#)

AT EASE

[10:25:16 AM](#)

RECONVENED

Senator Olson noted that the committee had heard from sizable metropolitan carriers. He wondered if the service would be available in areas outside Anchorage and Fairbanks.

Senator Costello relayed that Co-Chair Hoffman had asked a similar question in a previous meeting. She thought an individual interested in being a driver could participate as an independent contractor if they had a car, a phone, and passed a background check. As soon as the bill was signed in to law, Alaska would be joining the other 49 states in offering the opportunity to potential drivers. She reiterated that the bill had a statewide approach.

Senator Olson asked if Senator Costello had heard any testimony supporting the bill.

Senator Costello stated that the bill represented a paradigm shift that looked to the future. She thought it was an innovative approach to providing transportation options. She shared that there was opposition to the bill from the taxi industry. She referred to studies that demonstrated that jobs had expanded and the pool of individuals using transportation had expanded. She knew that no other jurisdiction had resulted in a taxi company going bankrupt. She thought people were using a greater variety of transportation options.

Co-Chair MacKinnon recalled that someone had testified that there were 60,000 individuals within the state that possessed apps that could access services such as Lyft and Uber.

[10:29:54 AM](#)

AT EASE

[10:31:27 AM](#)

RECONVENED

Co-Chair MacKinnon stated that SB 14 had been in the committee for three weeks, and there had been multiple public hearings. She asked the committee if there was any further questions or concerns related to the bill.

Vice-Chair Bishop MOVED to report CSSB 14(FIN) out of Committee with individual recommendations and the accompanying fiscal notes. There being NO OBJECTION, it was so ordered.

CSSB 14(FIN) was REPORTED out of committee with "no recommendation" and with one new zero fiscal note by the Department of Administration; and three previously published zero fiscal notes: FN1(LWF), FN2(LWF), and FN4(CED).

[10:32:29 AM](#)

AT EASE

[10:35:16 AM](#)

RECONVENED

Co-Chair MacKinnon discussed the schedule for the following day, which included three bills that concerned the Permanent Fund and use of the Permanent Fund earnings. She asked that the members provide any amendments as soon as possible. She noted that the committee would consider a comparison of how each bill functioned.

#

ADJOURNMENT

[10:36:45 AM](#)

The meeting was adjourned at 10:36 a.m.