

ALASKA STATE LEGISLATURE
SENATE LABOR AND COMMERCE STANDING COMMITTEE

February 9, 2017

1:39 p.m.

MEMBERS PRESENT

Senator Mia Costello, Chair
Senator Shelley Hughes, Vice Chair
Senator Kevin Meyer
Senator Gary Stevens
Senator Berta Gardner

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

SENATE BILL NO. 14

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

- MOVED CSSB 14(L&C) OUT OF COMMITTEE

PRESENTATION: ADMINISTRATIVE ORDER 281

- HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 14

SHORT TITLE: TRANSPORTATION NETWORK COMPANIES

SPONSOR(s): SENATOR(s) COSTELLO

01/09/17	(S)	PREFILE RELEASED 1/9/17
01/18/17	(S)	READ THE FIRST TIME - REFERRALS
01/18/17	(S)	L&C, FIN
02/02/17	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)
02/02/17	(S)	Heard & Held
02/02/17	(S)	MINUTE(L&C)
02/09/17	(S)	L&C AT 1:30 PM BELTZ 105 (TSBldg)

WITNESS REGISTER

NANCY ALLRED, Senior Counsel
Uber

San Francisco, California

POSITION STATEMENT: Answered questions related to SB 14.

WESTON EILER, Staff
Senate Labor & Commerce Committee
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Explained the changes between version U and version A of SB 14.

BRIAN GEBHARDT, Uber
Portland, Oregon

POSITION STATEMENT: Answered questions related to SB 14.

MEGAN WALLACE, Legislative Council
Division of Legal and Research Services
Legislative Affairs Agency
Juneau, Alaska

POSITION STATEMENT: Answered questions related to SB 14.

SHELDON FISHER, Commissioner
Department of Administration (DOA)
Juneau, Alaska

POSITION STATEMENT: Introduced Administrative Order 281.

DANNY ACOSTA, Partner
Boston Consulting Group (BCG)
Boston, Massachusetts

POSITION STATEMENT: Presented information on "State of Alaska: Economic Context and Agency Review" related to Administrative Order 281.

NICOLE BENNETT, Principal
Boston Consulting Group (BCG)
Boston, Massachusetts

POSITION STATEMENT: Presented information on Alaska Housing Finance Corporation (AHFC), Alaska Industrial Development and Export Authority (AIDEA, and Alaska Energy Authority (AEA) findings related to the lower cost of housing, energy, and large enterprise economic development.

ACTION NARRATIVE

[1:39:59 PM](#)

CHAIR MIA COSTELLO called the Senate Labor and Commerce Standing Committee meeting to order at 1:39 p.m. Present at the call to order were Senators Hughes, Meyer, Stevens, Gardner, and Chair Costello.

SB 14-TRANSPORTATION NETWORK COMPANIES

[1:40:14 PM](#)

CHAIR COSTELLO announced the consideration of SB 14 and noted it is the second hearing. She stated the intent is to conclude public testimony, adopt a committee substitute (CS), and look to the will of the committee. She asked if anyone wanted to testify.

[1:41:15 PM](#)

NANCY ALLRED, Senior Counsel, Uber, San Francisco, California, offered to answer questions related to SB 14.

[1:41:38 PM](#)

CHAIR COSTELLO closed public testimony.

[1:41:50 PM](#)

SENATOR HUGHES moved to adopt the CS for SB 14, labeled 30-LS0250\U, as the working document.

CHAIR COSTELLO objected for discussion.

[1:42:23 PM](#)

WESTON EILER, Staff, Senate Labor & Commerce Committee, Alaska State Legislature, explained the changes in version U for SB 14 on behalf of the sponsor. He said the committee substitute makes several changes after consultation with stakeholders, insurance companies, the Department of Law, Uber, Lift, and a variety of others. Many of the changes are technical and based on model language from the National Council of Insurance Legislators.

He described the following changes:

Page 1, line 13, changing "offered" to "afforded," and adding the language "notwithstanding any requirement under AS 28.20." is added.

Page 2, the first sentence on lines 9-10 is deleted, and language is added in the new subsection (b)(2)(A) and (B) on lines 17-22 of version U. It reads: "may be construed to require an insurer to use specific policy language or to refer to this section in order to exclude any and all coverage for any loss or

injury that occurs while a driver (A) is logged onto the digital network of a transportation network company; or (B) provides a prearranged ride."

Page 3, line 10, adds the language "Insurers potentially providing coverage" and deletes "to one another a clear description" and adds "upon request of any insurer involved in the claim, the applicable coverages".

Page 5, line 1, is a change made at the request of the Department of Law. It moves the regulation of rideshare companies under the Department of Commerce because they are technology companies, not transportation companies.

Page 8, lines 12-17, provides certificate of insurance.

Page 9, line 8, [Sec 28.23.100. Transportation network company driver requirements] adds the language "or a third party,".

[1:47:11 PM](#)

SENATOR STEVENS asked Mr. Eiler if he was referring to version U, adding that he was having trouble following the changes.

MR. EILER answered yes. He continued to say the final changes are in Sections 6 and 7 on page 11. Section 6 amends AS 2910.200 by adding a new paragraph (66). It reads, "AS 29.35.148 (regulation of transportation network companies or drivers). Section 7 adds a new Sec. 29.35.148. Regulation of transportation network companies or drivers.

CHAIR COSTELLO asked Mr. Eiler to go over the memo that provides follow up answers to questions members posed during a previous hearing.

[1:49:55 PM](#)

MR. EILER read the following questions and answers:

Senator Stevens:

What is the cause and effect of rideshare companies entering a municipal transportation market?

A: four-month pilot study in Portland, Oregon showed that despite an initial decline of 16% in taxi traffic, combined for-hire Transportation business grew 40% after the introduction of rideshare services.

Senator Gardner:

What constitutes an Independent Contractor?

A: Alaska law does not define "Independent Contractor" in statute. AS 23.20.230(a) provides a list of job-types/occupations that are exempt from the State's Workers' Compensation program.

Can Uber drivers decline passengers? What are Uber's policies for confirming insurance coverage?

A: Yes - Please see attached letter from Uber regarding their verification procedures and driver protection policies.

Senator Hughes:

Can drivers display proof of insurance electronically?

A: Yes - AS 28.22.019(a) allows for Alaskans to display proof of insurance on a mobile electronic device.

1:53:09 PM

CHAIR COSTELLO noted Senator Gardner had questions for the Uber representative.

SENATOR GARDNER asked if Uber could provide a sample contract and an employee handbook. She also asked how large or small Uber's role is in purchasing cars for drivers.

1:55:16 PM

BRIAN GEBHARDT, Uber, responded that Uber does not have a handbook, but it does have Uber Community Guidelines that lay out expectations for both the rider and the driver. He noted there is also information available on the internet.

To the second question, he explained that Uber does not provide vehicles for its drivers. In some places there is a separate operating entity called Exchange Leasing for driver partners. He did not anticipate having an exchange program in Alaska.

SENATOR GARDNER asked for a sample contract that clarifies whether the drivers are employees or independent contractors.

1:57:37 PM

SENATOR GARDNER referred to a letter the committee received from Daniel McHugh, Senior Vice President of Alaska USA Federal Credit Union. She read:

Comp and Collision coverage works hand in hand to help repair and replace one's car in the event of physical damage. Personal auto insurance carriers exclude

carriers for Comp and Collision when the automobile is being used for ride sharing purposes. (TNC driver) Ridesharing Comp and Collision insurance is available to some, not all, carriers in the Lower 48, only if the TNC driver elects to pay the additional endorsement or rider.

She asked if that issue is addressed in version U.

MR. EILER said he was sure it was. He said they met with Alaska USA and forwarded their language for inclusion in version U.

[1:59:25 PM](#)

MEGAN WALLACE, Legislative Council, Division of Legal and Research Services, Legislative Affairs Agency, pointed to language on page 2, subsection (b), line 9, "Nothing in this section (3) precludes an insurer from providing coverage for the personal vehicle of a transportation network company driver if the insurer chooses to provide coverage by contract or endorsement."

She said this allows insurance companies to exclude or endorse coverage.

[2:01:18 PM](#)

SENATOR GARDNER asked if the language about Uber confirming that drivers have appropriate coverage includes the optional contract or endorsement.

MS. WALLACE replied the insurance provision in Section 2 opens it up for private insurers to either exclude or provide endorsements, but in Section 5, pages 4 and 5, specifically line line 22, sets the coverage requirement for drivers and transportation network companies. The protection for the riders mandates that the driver or the company provide coverage. On page 6, subsection (d), it says if the driver does not have coverage the transportation network company's Insurance must provide it.

[2:04:09 PM](#)

SENATOR STEVENS asked when the driver is plugged in to the digital network.

MR. EILER deferred to Uber to answer.

[2:04:53 PM](#)

MR. GEBHARDT explained that drivers are considered logged in to the app when they have opened the application and declared themselves available. From an insurance perspective, that is when Period I starts.

[2:05:45 PM](#)

At ease

[2:06:12 PM](#)

CHAIR COSTELLO reconvened the committee. She noted Mr. Gebhardt would address Senator Stevens' question about when the insurance kicks in.

MR. GEBHARDT clarified that Period I starts when drivers log in to the platform and make themselves available to provide rides. Once the request has been accepted by the driver and he or she is enroute to pick up the driver, Period II begins. Period III begins when the ride starts, after the passenger enters the vehicle. After the trip concludes, it is back to Period I. He referred to a handout for further details.

MS. ALLRED added that the drivers have a separate app and when they choose to go online, insurance coverage begins.

CHAIR COSTELLO requested that Ms. Allred state the insurance that is provided to drivers in each period.

MS. ALLRED explained that Period I provides primary automobile insurance of about \$50,000 for one person for bodily injury, \$100,000 for all people, and \$25,000 for property damage. For Periods II and III, there is primary automobile liability coverage of \$1 million. The National Conference of Insurance Legislation (NCOIL) has adopted this as model legislation.

[2:08:55 PM](#)

SENATOR MEYER referred to page 7, line 19, "In the event of a loss involving a personal vehicle used in connection with a transportation network company and if the personal vehicle is subject to a lien, the insurance carrier for the transportation network company shall pay a claim covered under collision physical damage coverage or comprehensive physical damage coverage directly to the business repairing the personal vehicle or jointly to the owner of the personal vehicle and the primary lienholder on the covered personal vehicle." He questioned whether the payment should just go to the lien holder who owns the vehicle.

CHAIR COSTELLO clarified that it says, "of the personal vehicle and the primary lien holder."

SENATOR MEYER said he understood that the insurance company would pay both the owner of the vehicle and the lien holder.

CHAIR COSTELLO asked for clarification.

MS. WALLACE responded that the provision requires that the check or money to pay for the collision repair is either sent directly to the repair shop or in a check to the lien holder and the owner jointly to be issued to whoever repairs the vehicle. She recalled that was part of the model language.

[2:11:27 PM](#)

At ease

[2:12:30 PM](#)

CHAIR COSTELLO brought the meeting back to order.

SENATOR MEYER noted if the check is made out jointly it should be ok.

He referred to Section 7, line 19, that says "transportation network drivers is reserved to the state" and line 20 which says that "a municipality may not enact or enforce an ordinance regulating transportation network companies or transportation network drivers." He said he understands the need for a consistent, statewide law. He asked if Anchorage has weighed in, considering the taxicab industry has been in place for so long.

SENATOR GARDNER said she tried to obtain that information, but was unsuccessful.

[2:14:03 PM](#)

SENATOR GARDNER looked at the sectional summary for version U, specifically AS 28.23.010, "Provides that a transportation network company or driver is not a common carrier and may not provide taxicab or for-hire services." She said that area gets to the core of the bill because common carriers are regulated, whereas transportation network companies are not. She summarized that the bill removes TNCs as common carriers and removes Workers Compensation from TNCs

MR. EILER responded that currently there is no definition for independent contractors in statute. He noted that there are additional distinctions between the two transportation modes.

2:15:59 PM

SENATOR HUGHES pointed out in the legislative intent language, the wording "ensure the safety, reliability, and cost-effectiveness of rides" on page 1, line 7. She suggested that the legislature cannot guarantee the safety, reliability, and cost-effectiveness of rides, but instead, could help encourage and promote them. She emphasized that it does not guarantee them.

2:17:00 PM

SENATOR STEVENS commented that insurance is complicated. He asked if taxis can carry less insurance when they are not carrying passengers. He also asked what level of insurance drivers are on when they've ended a trip and what the process is for changing the level of insurance.

2:18:16 PM

MR. EILER explained that the process is done through a computing platform. When the driver is signed in he/she is on the insurance. His understanding is that after a trip is completed, the driver is back under Period I indicating they are available or they can switch off line.

SENATOR STEVENS asked if the driver could end the ride and go off the app and then sign in again if he/she was flagged down.

MR. EILER clarified that Uber drivers cannot be flagged down. All transactions are done through the app.

SENATOR STEVENS commented on the advantage of being able to switch levels of insurance coverage. He asked the Uber representative to address his question.

2:20:34 PM

MR. GEBHARDT clarified that in Period I drivers are logged in and once they completed the ride and Period III ends, they are back to Period I coverage.

2:21:22 PM

SENATOR HUGHES commented that taxicabs are identifiable and Uber cars are not. She wondered if a person could ever flag an Uber car down.

MR. GEBHARDT said there should not be any markings on Uber vehicles. The rider and driver partner by app.

[2:22:31 PM](#)

SENATOR HUGHES moved to report the CS for SB 14, labeled 30-LS0250\U, from committee with individual recommendations and attached zero fiscal notes.

SENATOR GARDNER objected. She said she hasn't had time to read and understand the committee substitute. She said she likes the idea of Uber and many Alaskans want it, but she is reluctant to step into the dispute between taxicabs and Uber and choose between two business models. She removed her objection, and added that it doesn't mean that she would support the bill on the Senate floor.

[2:24:03 PM](#)

CHAIR COSTELLO stated that without further objection, CSSB 14(L&C) is reported from the Senate Labor & Commerce Standing Committee.

[2:24:22 PM](#)

At ease

PRESENTATION: ADMINISTRATIVE ORDER 281

[2:26:42 PM](#)

CHAIR COSTELLO announced that the next order of business would be a presentation from the Boston Consulting Group (BCG) on Administrative Order 281.

[2:27:17 PM](#)

SHELDON FISHER, Commissioner, Department of Administration (DOA), introduced Administrative Order 281. He explained that the Governor requested that the Department of Administration look at the Alaska Housing Finance Corporation (AHFC), the Alaska Energy Authority (AEA), and the Alaska Industrial Development and Export Authority (AIDEA) to see if there were opportunities to be more efficient. In addition, Administrative Order 281 requested strategies to improve economic development if the state.

[2:28:23 PM](#)

DANNY ACOSTA, Partner, Boston Consulting Group (BCG), presented information on "State of Alaska: Economic Context and Agency Review" related to Administrative Order 281. He said that one of the project mandates was to address the economic ecosystem in Alaska and to suggest potential opportunities. He shared the project overview: the economic development landscape, AHFC

summary findings, AEA summary findings, AIDEA summary findings, and the next steps.

He said that there were particular questions for each agency. For AHFC it was understanding its role in Alaska's market compared to the other entities. For AEA, the questions related to its operations, impacts, and importance in supporting rural communities. For AIDEA, the focus was on development finance and the role it plays nationally and internationally, from small investments to larger projects. All throughout, BCG was seeking efficiency opportunities.

[2:31:38 PM](#)

MR. ACOSTA turned to the current financial state in Alaska. He said Alaska scores poorly on national ranking of business attractiveness and is mid-range in regulatory friendliness. BCG considered Alaska's unique circumstances, both in the context of strengths and challenges. Alaska has considerable resources to leverage, but also faces some unique challenges, such as resource dependency, impacts from oil, unique regional needs, and low population density.

[2:32:56 PM](#)

MR. ACOSTA described how Alaska faces a unique set of institutional challenges and opportunities for enterprise economic development. He described challenges such as a sense of de-centralized planning and lack of a common state vision. There are gaps in capabilities and capacity and political cycles limit sustained efforts, and there is a focus on regulation versus commercialization.

[2:34:08 PM](#)

MR. ACOSTA addressed the tremendous opportunities Alaska has for enterprise economic development: a very connected network, leadership, openness to private sector involvement, Native corporation empowerment, local knowledge, and a growing network of support for entrepreneurs.

He showed a diagram of Alaska's current economic development efforts spread across many entities, and noted a need for greater coordination.

[2:35:45 PM](#)

MR. ACOSTA related that BCG looked at other states' core capabilities and recommended that in order to further support enterprise economic development success, Alaska should build additional capabilities.

He turned to lessons from other states, noting there is a range of models between public approaches and private approaches for building an "ecosystem" of entities. He described the pros and cons of public, public-private, and private models.

[2:38:11 PM](#)

He reviewed various other states' economic development approaches, which could provide key lessons for Alaska in order to optimize the institutional environment. He provided examples from Montana, Indiana, Oregon, Utah, and Texas.

[2:39:56 PM](#)

MR. ACOSTA reported that BCG also looked at examples overseas and nation-level models, given Alaska's ownership of key assets and unique resource rich nature.

He compared competitor states to Alaska, pointing out that they actively leverage a broader toolkit of economic development incentives. He said all models are different and target specific sectors.

[2:42:18 PM](#)

MR. ACOSTA maintained that despite a commanding position and some natural advantages, Anchorage's (ANC) airport transit cargo market share is declining. Despite a tremendous amount of flight activity, BCG noted a need to create an aviation cluster. He showed graphs of market share by number of flights and pounds of cargo.

MR. ACOSTA said BCG built a business case for an aviation maintenance business that highlighted the advantages the airport has for maintenance and repair operators. They rigorously tested the business case for aviation maintenance as a path to reverse the decline. The biggest concern was lack of trained labor.

He related that BCG built a business case, tested its viability with operators, and came up with key learnings and success factors. He noted the quote at the bottom right corner of slide 18, "Beyond incentives, I want to see a broader state aviation strategy. I'm not coming for five years, I'm coming for 25 years and I need other players to come along."

He concluded that a comprehensive approach for ANC is required to turn the tide on a challenged cargo business.

[2:46:40 PM](#)

MR. ACOSTA provided a table of how Alaska lags competitor states in job creation, training, and capital investment. He pointed out that many competitor states have maintenance, repair and operations (MRO) or aviation specific incentives.

He summarized the presentation.

[2:47:48 PM](#)

NICOLE BENNETT, Principal, Boston Consulting Group (BCG), presented information on Alaska Housing Finance Corporation (AHFC), Alaska Industrial Development and Export Authority (AIDEA, and Alaska Energy Authority (AEA) findings related to the lower cost of housing, energy, and large enterprise economic development. She said that, collectively, the agencies provide many benefits to Alaska, however, BCG found that there are opportunities for them to increase efficiency and improve Alaska's economic development.

MS. BENNETT first addressed AHFC. She related that BCG was asked by AHFC to focus on several questions. The first question was, "Is their role that they play today appropriate?" BCG's finding was that AHFC's roles within mortgage financing and public housing are quite significant and on par with other states. She shared that AHFC's activities are largely in line with other state housing authorities, with a few exceptions.

She reported that BCG took a closer look at AHFC's role in mortgage financing in today's economy and whether it is competitive with banks. BCG found that AHFC has very low delinquency rates and complements the role of banks; it does not compete with banks.

[2:51:01 PM](#)

MS. BENNETT reported that Alaska's mortgage finance market is estimated at \$20 billion with AHFC commanding 14 percent of the market share. She pointed out that 14 percent is a little on the high side due to the role it played in the 1980s and the high number of rural loans. She explained that AHFC does not compete with banks because AHFC does not originate loans and uses private provider servicing.

[2:53:35 PM](#)

MS. BENNETT showed a table of the seven groups AHFC serves, five of which may qualify for government-sponsored entity (GSE) loans, but find more value in AHFC products. She described each category of which rural loans was the largest and the category served only by AHFC. AHFC can offer a lower rate than many GSE

loans and without AHFC, some of the customers would have to pay a higher rate.

[2:55:03 PM](#)

MS. BENNETT turned to how AHFC's choice of "high touch" servicing may contribute to lower foreclosure rates and a balanced risk portfolio. AHFC has very low foreclosure rates compared to Alaska and U.S. averages. She drew attention to the number of people who would not be able to get a loan if not for AHFC.

She stated that BCG found that AHFC's role in mortgage financing should be maintained to ensure the continuation of associated benefits; providing access to home ownership, providing a consistent flow of funds to Alaska, subsidizing other social programs, contributing to the economy, helping to keep Alaskans in Alaska, and creating jobs.

MS. BENNETT pointed out that at the end of each section of her presentation is a comprehensive list of BCG's core recommendations.

[2:58:14 PM](#)

MS. BENNETT drew attention to BCG's recommendations for the Alaska Energy Authority (AEA). She shared four guiding principles to build recommendations for AEA: carry forward AEA's contributions to rural Alaska, minimize spending and establish a sustainable funding model, broaden the financial toolkit used by AEA, and double-down on areas of core expertise.

She reviewed the four areas of AEA activities: rural energy support, alternative energy technologies, Power Cost Equalization (PCE) payments, and two Alaska Railbelt assets.

[3:00:29 PM](#)

MS. BENNETT stated that energy technology funding through the Renewal Energy Fund (REF) has been fragmented, creating a "long tail" of supported technologies. She detailed the core investments for REF-supported projects. She said BCG recommends that AEA prioritize the areas of REF funding.

She listed the area AEA should focus on - prioritize critical technologies as a push to shift the energy mix to the most effective ones. She showed critical, important, and moderate technology categories. The five key areas are building efficiency, hydro, biomass, wind, and heat recovery. BCG suggested to transition to loans, not state grants, for the

moderately important technologies, and to stop funding technologies of moderate importance. BCG also suggested AEA focus on the sustainability of projects already installed and future projects.

[3:03:06 PM](#)

MS BENNETT discussed three rural energy support programs. Rural Power System Upgrade (RPSU) and Bulk Fuel Upgrade (BFU) focus on diesel fuel, make up the largest of the support programs, and depend on grant funding. She described problems, implications, and potential solutions for these programs recommended by BCG, when looking for sustainability within rural support.

[3:07:02 PM](#)

MS. BENNETT said the potential exists to optimize the value of Power Cost Equalization (PCE), a critical subsidy program that can be leveraged for sustainable energy use. She addressed BCG's findings and takeaways.

She stressed the importance of AEA's engaging four key sets of stakeholders relevant to rural systems: policymakers and funders, contractors, communities, and utilities.

[3:08:35 PM](#)

MS. BENNETT reported on the potential for strategic and financial benefits from consolidation of AEA and AHFC. BCT suggests AIDEA maintain its independence, however, she said all three agencies could be co-located and share some service integration for savings purposes.

She shared detailed reasons why AEA and AHFC should combine because both have expertise in rural Alaska and it could lead to more comprehensive community development.

[3:11:08 PM](#)

MS. BENNETT turned to AIDEA findings. She said Alaska has a unique need for enterprise project and infrastructure financing, given its core industrial focus and need for infrastructure to access critical assets. Today, AIDEA plays an important role in two aspects; small commercial finance in the form of the Loan Participation Program, and investment in small and mid-sized enabling infrastructure through Development Finance. However, there is opportunity in the marketplace for a state player to take a larger role:

Invest in larger enterprise infrastructure projects, targeting key sectors to diversify the overall economy,

such as in commercial finance, project finance, and especially in the large enterprise projects.

Proactively source and select projects targeting specific economic sectors that can foster high potential industries and diversify the economy.

Increase the use of a range of investment vehicles, equity as well as debt, to improve returns.

She concluded that it is important that AIDEA continue its process of making management improvements by tracking and reporting financial and macroeconomic impacts, enhancing project assessment and selection rigor/criteria process, fostering a more risk tolerant culture through governance, and increasing financing and operating budget flexibility.

[3:16:39 PM](#)

CHAIR COSTELLO thanked the BCG presenters. She pointed out that the document is in draft form and asked when the final would be released.

COMMISSIONER FISHER replied it would be released in a few days.

[3:17:53 PM](#)

SENATOR GARDNER asked if this change might threaten funding for AHFC.

MR. ACOSTA said BCG is not recommending significant changes to the integration of agencies and is not anticipating any changes in federal funding.

SENATOR GARDNER asked if BCG worked closely with the Board of Directors for all the agencies.

COMMISSIONER FISHER indicated that they did.

SENATOR GARDNER asked about having access to the analysis of the agency reviews.

[3:19:32 PM](#)

COMMISSIONER FISHER replied the intention is to only provide the summary report and answer questions, not distribute the data.

SENATOR GARDNER inquired about a list of stakeholders BCG worked with during the review.

[3:20:12 PM](#)

MS. BENNETT clarified that they did not do a comprehensive stakeholder engagement nor include all rural governments or tribal entities. They did visit with several rural communities and spoke to representatives from rural areas.

[3:20:45 PM](#)

SENATOR STEVENS said he is under the impression that there is outside representation on the boards.

COMMISSIONER FISHER offered his understanding that all the board members were Alaskans.

[3:21:23 PM](#)

MR. ACOSTA pointed out that specific recommendations for the AIDEA board are to lengthen the terms of board members, stagger terms, and designate spots based on specialty. When pursuing the right talent, there may be some need to look beyond Alaska.

[3:22:26 PM](#)

CHAIR COSTELLO expressed interest in looking at maximizing how AIDEA can help grow Alaska's economy. She opined that things tend to go wrong when the legislature tries to tell AIDEA what to do or how to invest. She asked how to expand AIDEA powers in order to move into larger projects.

MS. BENNETT referred to a list of which statutes would need to change to make that happen. She explained AIDEA is functioning as an infrastructure fund and it should function more like a business with rigorous criteria to avoid political influence. She explained that, currently, the legislature must approve anything over \$25 million that AIDEA does in the area of commercial or development finance. A statutory change could provide more independence to AIDEA. The board changes would also provide more independence.

[3:25:20 PM](#)

SENATOR GARDNER asked if the final report will include board responses and descriptions of the involvement and roles of key stakeholders, as well as a description of the communities visited.

[3:26:03 PM](#)

COMMISSIONER FISHER said he views BCG's recommendations as a starting place and DOT will continue to work with the boards and agencies. One of the core initiatives will be to look at integrating the three agencies and determine the benefits and

savings of doing so. He maintained that it is premature to share agency responses and to include board responses. The involvement of communities is not included in the document, which is more a summary of recommendations. He offered to provide that information. He concluded that the report is less about the process and more about the findings. There was not deep stakeholder engagement on the part of communities.

[3:27:58 PM](#)

SENATOR GARDNER expressed interest in seeing who was contacted and their roles because it affects confidence in the findings.

CHAIR COSTELLO questioned how important it is for the state to have an economic strategy. She used Texas's use of marketing and industry clusters as examples of strategies.

[3:29:29 PM](#)

MR. ACOSTA responded said that BCG consistently heard a desire for clarity of vision and priorities. He said having an economic strategy is a very important tool. There are various ways to get there as long as there is a public/private collaboration.

[3:30:44 PM](#)

MS. BENNETT agreed and added that it is critically important that the state have an economic development strategy. It should come from a statewide comprehensive level, not a community or regional level. It should be a big picture. Enterprising economic development consists of sector strategies.

SENATOR GARDNER requested clarity about the core initiative to integrate.

COMMISSIONER FISHER clarified that he meant "co-locate", not integrate.

SENATOR GARDNER suggested communication via broadband is very important.

CHAIR COSTELLO agreed that broadband is critical infrastructure.

She thanked the presenters.

[3:33:36 PM](#)

There being no further business to come before the committee, Chair Costello adjourned the Senate Labor & Commerce Standing Committee at 3:33 p.m.