

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

March 6, 2024

3:17 p.m.

MEMBERS PRESENT

Representative Jesse Sumner, Chair
Representative Justin Ruffridge, Vice Chair
Representative Mike Prax
Representative Dan Saddler
Representative Stanley Wright
Representative Zack Fields

MEMBERS ABSENT

Representative Ashley Carrick

COMMITTEE CALENDAR

HOUSE BILL NO. 254

"An Act relating to liability for publishing or distributing pornography to minors on the Internet."

- HEARD & HELD

HOUSE BILL NO. 204

"An Act exempting certain employees from overtime pay requirements; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 233

"An Act relating to rates and time allowances for motor vehicle warranty work."

- HEARD & HELD

HOUSE BILL NO. 333

"An Act establishing a corporate income tax credit for certain expenditures on child care services, utility rates, residential housing, and food security and availability; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 189

"An Act relating to the sale of alcohol; and providing for an effective date."

- BILL HEARING RESCHEDULED TO 3/8/24

HOUSE BILL NO. 226

"An Act relating to the Board of Pharmacy; relating to insurance; relating to pharmacies; relating to pharmacists; relating to pharmacy benefits managers; relating to patient choice of pharmacy; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 254

SHORT TITLE: PROHIBIT PORNOGRAPHY TO MINORS

SPONSOR(S): REPRESENTATIVE(S) VANCE

01/16/24	(H)	PREFILE RELEASED 1/12/24
01/16/24	(H)	READ THE FIRST TIME - REFERRALS
01/16/24	(H)	L&C, JUD
01/31/24	(H)	L&C AT 3:15 PM BARNES 124
01/31/24	(H)	Heard & Held
01/31/24	(H)	MINUTE(L&C)
03/06/24	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 204

SHORT TITLE: OVERTIME PAY EXEMPTION

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

05/16/23	(H)	READ THE FIRST TIME - REFERRALS
05/16/23	(H)	L&C, FIN
01/24/24	(H)	L&C AT 3:15 PM BARNES 124
01/24/24	(H)	Heard & Held
01/24/24	(H)	MINUTE(L&C)
03/06/24	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 233

SHORT TITLE: RATES: MOTOR VEHICLE WARRANTY WORK

SPONSOR(S): TOMASZEWSKI

01/16/24	(H)	PREFILE RELEASED 1/8/24
01/16/24	(H)	READ THE FIRST TIME - REFERRALS
01/16/24	(H)	L&C, JUD
03/06/24	(H)	L&C AT 3:15 PM BARNES 124

BILL: HB 333

SHORT TITLE: TAX CREDIT CHILD CARE/UTILITY/HOUSE/FOOD

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

02/20/24	(H)	READ THE FIRST TIME - REFERRALS
02/20/24	(H)	L&C, FIN
02/28/24	(H)	L&C AT 3:15 PM BARNES 124
02/28/24	(H)	-- MEETING CANCELED --
03/06/24	(H)	L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

ERIC FALER, representing self

Cleveland, Ohio

POSITION STATEMENT: Testified during in support of HB 254.

DELAYNA WEST, representing self

Homer, Alaska

POSITION STATEMENT: Testified in support of HB 254.

NICKI KUMFER, representing self

Homer, Alaska

POSITION STATEMENT: Testified in support of HB 254.

BRENDA EDENS, representing self

Homer, Alaska

POSITION STATEMENT: testified in support of HB 254.

MAXINE DOOGAN, President

Community United for Safety & Protection

Fairbanks, Alaska

POSITION STATEMENT: Testified in opposition to HB 254.

STACI YATES, Director

Human Trafficking Recovery Services

My House

Wasilla, Alaska

POSITION STATEMENT: Testified in support of HB 254.

KAREN LEWIS, representing self

Wasilla, Alaska

POSITION STATEMENT: Testified in support of HB 254.

THERESA O'CONNEL, representing self

Anchorage, Alaska

POSITION STATEMENT: Testified in support of HB 254.

WINDY PERKINS, representing self
Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 254.

ASHLEY GREEN, representing self
Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 254.

RAYMOND WALKER, representing self
Homer, Alaska
POSITION STATEMENT: Testified in support of HB 254.

TERRA BURNS, Advocate
Community United for Safety & Protection
Fairbanks, Alaska
POSITION STATEMENT: Testified in opposition to HB 254.

TREVOR MCGEE, representing self
Colorado Springs, Colorado
POSITION STATEMENT: Testified in support of HB 254.

NICOLE THOMAS, representing self
Anchorage, Alaska
POSITION STATEMENT: Testified in support of HB 254.

BELLA ROBINSON, executive Director
Coyote RI
Rhode Island
POSITION STATEMENT: Testified in opposition to HB 254.

RHODA MYERS, Executive Director
Alaska Faith & Family Services
Chickaloon, Alaska
POSITION STATEMENT: Testified in support of HB 254.

SYLIVA FRANCINE TRYGSTAD, representing self
Homer, Alaska
POSITION STATEMENT: Testified in support of HB 254.

BRIAN BERG, Vice President of Operations
HCA Healthcare
Salt Lake City, Utah
POSITION STATEMENT: Testified during the hearing on HB 204.

SHANNON DAVENPORT, President
Alaska Nursing Association
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 204.

FRANK TOMASZEWSKI
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: As prime sponsor, presented HB 233.

DAVID GOFF, Staff
Representative Frank Tomaszewski
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Presented the sectional analysis for HB 233, on behalf of Representative Tomaszewski, prime sponsor.

LES NICHOLS, General Manager
Fairbanks Nissan
Fairbanks, Alaska

POSITION STATEMENT: Gave a PowerPoint presentation, entitled "House Bill 233 Relating to Time Allowances for Warranty Work."

MARTEN MARTENSEN, Owner & General Manager
Continental Auto Group;
Alaska Auto Dealers Association
Anchorage, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 233.

SUSAN HICKS, Service Director
Gene's Chrysler Dodge Jeep Ram
Fairbanks, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 233.

LUKE KINCAIDE, Master Technician
Gene's Chrysler Dodge Jeep Ram
Fairbanks, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 233.

RICH SWENSON, Fixed Operations Director
Continental Auto Group
Fairbanks, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 233.

JERRY HEADSTROM, Master Technician
Honda & Acura

Fairbanks, Alaska

POSITION STATEMENT: Gave invited testimony during the hearing on HB 233.

JEFF PERRY, Director of State & Local Public Policy
General Motors Company
Seattle, Washington

POSITION STATEMENT: Gave invited testimony during the hearing on HB 233.

FADIL LIMANI, Deputy Commissioner
Department of Revenue
Office of the Commissioner
Juneau, Alaska

POSITION STATEMENT: Presented HB 333, on behalf of the House Rules Standing Committee, sponsor by request of the governor.

MICHAEL WILLIAMS, Director
Division of Tax
Department of Revenue
Juneau, Alaska

POSITION STATEMENT: Answered questions during the hearing on HB 333.

ACTION NARRATIVE

[3:17:41 PM](#)

CHAIR JESSE SUMNER called the House Labor and Commerce Standing Committee meeting to order at 3:17 p.m. Representatives Saddler, Wright, Prax, Ruffridge, and Sumner were present at the call to order. Representative Fields arrived as the meeting was in progress.

HB 254-PROHIBIT PORNOGRAPHY TO MINORS

[3:18:05 PM](#)

CHAIR SUMNER announced that the first order of business would be HOUSE BILL NO. 254 "An Act relating to liability for publishing or distributing pornography to minors on the Internet."

[3:18:16 PM](#)

CHAIR SUMNER opened public testimony on HB 254.

[3:18:49 PM](#)

ERIC FALER, representing self, testified in support of HB 254. He invited the committee to consider whether access to pornography on the Internet has affected children today. He shared an anecdote about how exposure to porn affected him as a young adult. He said he supports any effort at the state level to protect citizens from pornography.

[3:21:07 PM](#)

DELAYNA WEST, representing self, Testified in support of HB 254. She said abusers and traffickers use porn to groom kids and encouraged the committee to pass the bill.

[3:22:00 PM](#)

NICKI KUMFER, representing self, testified in support of HB 254. She cited studies on how porn exposure affects adolescents and their development. She opined that prevention, intervention, and protection programs are necessary to address pornography addiction. She reiterated her support for the bill to protect minors.

[3:24:03 PM](#)

BRENDA EDENS, representing self, testified in support of HB 254, explaining that she is totally against the publishing and online distribution of pornography to minors.

[3:24:43 PM](#)

MAXINE DOOGAN, President, Community United for Safety & Protection, testified in opposition to HB 254 because it would create civil liability for adult content creators if a child were to access their content. She opined that the legislature should "deal with" people who steal and resell their content.

[3:27:03 PM](#)

STACI YATES, Director, Human Trafficking Recovery Services, My House, testified in support of HB 254 and shared an anecdote about how exposure to porn at a young age negatively affected her. She cited research on the impact of porn consumption and said there needs to be mandatory age verification for online porn distributors. She noted that there's no way to guarantee

that porn content is consensual, adding that exploitation and trafficking are common experiences in the industry.

[3:29:17 PM](#)

KAREN LEWIS, representing self, testified in support of HB 254. She opined that additional legislation is needed to add liability to teachers, libraries, publishers, vendors, and other adults who allow this content to be put in the hands of children.

[3:30:08 PM](#)

THERESA O'CONNEL, representing self, testified in support of HB 254. She shared an anecdote about how exposure to pornography corrupted the innocence of the kids she grew up with. She advocated for age verification and reiterated her support for the bill.

[3:31:17 PM](#)

WINDY PERKINS, representing self, testified in support of HB 254. She said pornography negatively impacts children because their prefrontal cortex is not fully developed. She said the bill is a "no brainer" and shared a personal anecdote about how exposure to pornography has negatively impacted her family.

[3:32:57 PM](#)

ASHLEY GREEN, representing self, testified in support of HB 254. She shared her understanding that porn negatively impacts child development, encourages children to experiment with sexually explicit behavior, and affects mental health. She opined that the consequences need to be severe and urged support for the bill.

[3:33:48 PM](#)

RAYMOND WALKER, representing self, testified in support of HB 254. He said the bill is a "no brainer," adding "any legislator that votes against bills like this should be tarred and feathered."

[3:34:14 PM](#)

TERRA BURNS, Advocate, Community United for Safety & Protection, testified in opposition to HB 254 and reminded the committee

that is already a serious state and federal crime to distribute pornography to a minor. She said the bill would make adult content creators civilly liable for children consuming their content, which they can't control as people steal, resell, and repost their content on other websites. She asked why the legislature is attacking sex workers and urged a "no" vote on the bill.

[3:36:32 PM](#)

TREVOR MCGEE, representing self, testified in support of HB 254. He noted the traumatic affect that pornography has on the young mind and likened it to drug use. He said allowing pornographic content to be readily accessible to minors should be a crime.

[3:37:23 PM](#)

NICOLE THOMAS, representing self, testified in support of HB 254. She opined that citizens and parents have a moral obligation to protect youth from the harmful effects of unrestricted access to explicit content online. She said HB 254 presents a corrective and necessary step that would mitigate the adverse effects and promote a healthier online experience. She said she put together a petition in support of HB 254 that garnered over 200 signatures.

[3:39:25 PM](#)

BELLA ROBINSON, executive Director, Coyote RI, testified in opposition to HB 254, reiterating that it is already a serious state and federal offense to share pornography with minors. She opined that the bill is discriminatory against an entire sector of workers, adding that age verification has already been ruled unconstitutional in other states. She opined that parents should be responsible for their kids' online activity.

[3:41:53 PM](#)

RHODA MYERS, Executive Director, Alaska Faith & Family Services, testified in support of HB 254, saying that [the legislature] should do everything it can to protect children. She opined that minors should not have access to pornography and urged the committee to pass the bill.

[3:43:29 PM](#)

SYLIVA FRANCINE TRYGSTAD, representing self, testified in support of HB 254. She said children need to be protected from access to pornography and urged the committee to vote "yes."

[3:44:16 PM](#)

CHAIR SUMNER closed public testimony on HB 254 and announced that the bill would be held over.

HB 204-OVERTIME PAY EXEMPTION

[3:44:30 PM](#)

CHAIR SUMNER announced that the next order of business would be HOUSE BILL NO. 204 "An Act exempting certain employees from overtime pay requirements; and providing for an effective date."

[3:44:42 PM](#)

CHAIR SUMNER opened public testimony on HB 204.

[3:44:56 PM](#)

BRIAN BERG, Vice President of Operations, HCA Healthcare, testified during the hearing on HB 204. He said the bill seeks to expand the voluntary flexible work hours plan to allow nurses to work a 12-hour shift by choice. He noted that 10-hour shifts are already available to nurses in many other healthcare settings, and the goal is to expand it to 12.

[3:46:12 PM](#)

SHANNON DAVENPORT, President, Alaska Nursing Association, testified in opposition to HB 204. She said she currently works a 40-hour workweek at 8 hours per day, which allows her more flexibility and a better work/life balance to spend time with family. She said the problem arises when surgeries are scheduled, which only covers 8 hours, and the nurses are assigned to a 12-hour shift. In these instances, nurses must use their own paid time off (PTO) to get paid for the extra 4 hours. Another aspect is that unless a 12-hour contract is signed, nurses lose their job, she said. She added that hospice nurses often work much longer than 12-hour shifts. She maintained her strong opposition to HB 204.

[3:48:32 PM](#)

CHAIR SUMNER closed public testimony and announced that HB 204 would be held over.

HB 233-RATES: MOTOR VEHICLE WARRANTY WORK

[3:48:41 PM](#)

CHAIR SUMNER announced that the next order of business would be HOUSE BILL NO. 233, "An Act relating to rates and time allowances for motor vehicle warranty work."

[3:48:54 PM](#)

The committee took a brief-ease at 3:48 p.m.

[3:49:02 PM](#)

FRANK TOMASZEWSKI, Alaska State Legislature, as prime sponsor, presented HB 233. He shared the sponsor statement [included in the committee packet], which read as follows [original punctuation provided]:

House Bill 233 makes a key change to the auto warranty statute by adding time allowances to the schedule of compensation for warranty work. Thousands of Alaskans benefit from warranty work every year as part of their agreement with auto manufacturers from whom they've purchased their car. By agreeing to sell cars on behalf of certain manufacturers, auto dealers assume the responsibility of coordinating the time and labor spent performing warranty repair work on their cars. Warranty work differs from regular auto work in that the manufacturer compensates the dealer directly. Additionally, qualified dealers do not have the ability to refuse the work. Auto manufacturers compensate dealers for warranty work using rates and time allowances that dictate the maximum amount of time that the dealer may bill for different repairs. The rates and time allowances that manufacturers use to reimburse dealers for warranty work are often much lower than the rates and time allowances that dealers and independent mechanics bill customers for non-warranty work. As a result, dealers are often forced to pay their mechanics more than they are compensated by the manufacturer or risk losing their mechanics to independent auto shops. Across the nation, states have taken varied approaches to addressing how to ensure

fair payment for dealers by manufacturers. Senate Bill 144 takes an approach used by states like Colorado, Montana, and Illinois by requiring that manufacturers compensate dealers for warranty work at the same rates and time allowances that the dealer charges retail customers for similar, non-warranty work.

[3:52:40 PM](#)

DAVID GOFF, Staff, Representative Frank Tomaszewski, Alaska State Legislature, on behalf of Representative Tomaszewski, prime sponsor, shared the sectional analysis for HB 233 [included in the committee packet], which read as follows [original punctuation provided]:

Section 1

AS 45.25.210. Rates for warranty and other work Amends subsection (b) Page 1 Lines 6-8 to state. "The compensation for labor must include the rates and time allowances for warranty work."

Section 2

AS 45.25.210. Rates for warranty and other work Amends subsection (c) Page 1 Lines 11-12 to include "and time allowances" in the schedule of compensation.

Section 3

AS 45.25.210. Rates for warranty and other work Adds new section (j) Page 2 Lines 1-4 which defines "rates" and "time allowance" for the purposes of warranty and other work.

Section 4

AS 45.25.990. Definitions Page 2 Lines 6-8 Amends the definition of "schedule of compensation" to include parts, rates for labor, and time allowances for labor.

[3:54:35 PM](#)

CHAIR SUMNER opened invited testimony on HB 233.

[3:55:02 PM](#)

LES NICHOLS, General Manager, Fairbanks Nissan, gave a PowerPoint presentation, entitled "House Bill 233 Relating to Time Allowances for Warranty Work" [hard copy included in the committee packet]. He began on slide 2, "Alaska Auto Dealers

Association," which read as follows [original punctuation provided]:

- The AADA is a statewide association of auto dealers, both franchise new car dealers and independent used car dealers. We represent our State's auto dealers by promoting best practices, providing communication on the state of the automotive industry in Alaska, and representing dealers' concerns to our elected officials.

MR. NICOLS moved to slide 3, "The Problem," which read as follows [original punctuation provided]:

- Manufacturers help themselves to a massive self-decided discount on the time they will pay dealers and our employees for their warranty repairs.
- Automotive News February 27, 2023
 - 'Mr. White - previously worked as a field service manager for Ford and stated that manufacturers aggressively discount labor time estimates.'
- Technicians are avoiding working for dealerships because they are paid for more hours for the same work when they work for an independent repair facility.
- Their discounts shift the expense of warranty repairs from the manufacturer, directly to Alaskan consumers, employees, and businesses.

MR. NICOLS offered a comparison of J.D. Power Initial Quality Studies (IQS) from 2019 and 2023 on slide 4.

[4:04:16 PM](#)

MR. NICHOLS advanced to slide 5, "Who is Affected," which read as follows [original punctuation provided]:

Automobile Manufacturers take these discounts out of the hands of Alaskan employees, Alaskan businesses, and the Alaskan economy to unfairly pad their bottom line.

- Alaskan Employees - technicians are unable to bill full hours for their work, resulting in lower pay for them and their support staff, including service writers and service managers.

- Alaskan Businesses - Fairbanks lost Buick, Cadillac, Daewoo, Hyundai, Kia (twice), Mazda, Mercedes, and VW. Juneau lost Chevy(once) Ford, Mazda, VW. Ketchikan lost Subaru, Ford, and Chevrolet. Kenai lost Chevrolet, Kodiak lost Ford. Anchorage lost Mitsubishi and Volvo.

- Alaskan Consumers - The burden of manufactures' discounts directly raise prices on the Alaskan consumer.

MR. NICHOLS proceeded to slide 6, "The Solution," which read as follows [original punctuation provided]:

- This bill would require manufacturers to pay the same number of hours for a repair that a customer would be charged for nonwarranty [sic] work by using an industry-wide time guide rather than their discounted time guide.

- This bill would provide protection to Alaskans by requiring manufacturers to pay equal compensation to technicians for doing warranty work versus non-warranty customer work.

- This bill would create a level playing field for the Alaskan consumer by preventing the manufacturer from inflating the cost of repairs on consumers by discounting time from dealers and our service employees.

MR. NICHOLS concluded on slide 7, "Important Points," which read as follows [original punctuation provided]:

- Manufacturers believe they deserve a discount for volume work.

- They have very sophisticated methods to extract discounts
- They are not our biggest customers, the Alaskan consumers are.

- They claim this is a "money grab" by Dealers when we try and level the playing field, but not so when they are taking money from Alaskan workers, businesses, and consumers.

- Manufacturers know that the contracts they offer are contracts of adhesion - where the parties are of such disproportionate bargaining power that the party of weaker bargaining power could not have negotiated for variation in the terms of the contract.
- Manufacturers know their contracts have to be addressed by State Legislatures in order to be compliant with federal anti-trust laws.
- They know these protections can only be provided by state law.

[4:10:17 PM](#)

REPRESENTATIVE PRAX inquired about a previously mentioned "industry standard" for time allowances.

MR. NICHOLS said the four guides that are commonly used are all within 10-12 percent of each other.

REPRESENTATIVE PRAX asked about comparable warranty work on new versus old vehicles and questioned whether companies are setting time standards on new cars.

MR. NICHOLS said not necessarily; however, he acknowledged that the age of the vehicle may be a factor in some instances. He said he had observed discrepancies in the labor time for two different model year vehicles with the same parts and repair, which is not logical. He explained that certain things may be easier with a new car while other things may be more difficult.

[4:12:50 PM](#)

REPRESENTATIVE WRIGHT asked Mr. Nichols to review the pay structure for technicians.

MR. NICHOLS explained that technicians receive an hourly rate multiplied by the book time for each job. He shared an anecdote to illustrate the need for fairness.

[4:15:13 PM](#)

MARTEN MARTENSEN, Owner & General Manager, Continental Auto Group; Alaska Auto Dealers Association, gave invited testimony in support of HB 233, explaining that this bill is meant to address the lack of technicians in Alaska, which results in a

struggle to fix customers' cars in a timely manner. He discussed the shortage of technicians all throughout the U.S. and the inability to pay them a decent wage because they're doing warranty work for which they're underpaid.

[4:16:56 PM](#)

REPRESENTATIVE PRAX sought to confirm that the agreement between dealers and manufacturers sets the rates as well as the time limits.

MR. MARTENSEN said the dollar amount is an average among repair workers and the time allowance is determined by the manufacturer with zero input from the dealers.

REPRESENTATIVE PRAX asked whether dealers in different states charge the same rate.

MR. MARTENSEN answered no. He said rates may vary between states and even cities that are reflective, in part, by different markets and labor costs.

REPRESENTATIVE PRAX asked whether those rates are determined by the legislature.

MR. MARTENSEN said repair orders are analyzed to calculate the average charge to customers, which sets the rate for warranty reimbursement.

[4:19:42 PM](#)

SUSAN HICKS, Service Director, Gene's Chrysler Dodge Jeep Ram, gave invited testimony in support of HB 233 and explained how warranty repair costs and pay rates are calculated. She said warranty repairs times are not based on real world scenarios and do not include time for diagnostics. She said the passage of HB 233 would bridge the gap between what manufacturer-allowed times pay technicians and how long it actually takes to diagnose and repair a vehicle. The discrepancy between warranty and retail labor times negatively impact the dealer's ability to attract and maintain skilled technicians, she said. She reported that the annual turnover rate for technicians is 30 percent nationwide. Passage of the bill would allow Alaska dealers to be more competitive when it comes to hiring and maintaining skilled technicians.

[4:23:45 PM](#)

REPRESENTATIVE WRIGHT asked about the turnover rate for the service writers.

MS. HICKS cited national statistics that ranked service writers in the top 10 most stressful jobs with the highest rates of turnover in the dealership.

REPRESENTATIVE WRIGHT asked whether the bill would help retain service writers.

MS. HICKS answered yes, it would help with retention.

[4:25:25 PM](#)

REPRESENTATIVE PRAX shared his understanding that dealers are not paid for diagnostic time per vehicle.

MS. HICKS confirmed. She explained that Gene's Chrysler Dodge Jeep Ram's manufacturers award dealers a bucket of time per quarter; however, some manufacturers grant zero diagnostic time at all.

REPRESENTATIVE PRAX surmised that the dealer does not pass the diagnostic time onto the customer for warranty work.

MS HICKS said they do not.

REPRESENTATIVE PRAX asked whether non-warranty work is passed onto customers.

MS. HICKS answered explained that service advisors authorize a certain amount of diagnostic time for technicians for non-warranty work which can be extended if authorized by the customer.

REPRESENTATIVE PRAX inquired about extended warranties.

MS. HICKS said they are available through both the manufacturer and independent entities.

REPRESENTATIVE PRAX asked whether the customer pays a flat rate for diagnostic and repair time.

MS. HICKS confirmed that the third party pays a flat rate similar to the manufacturers for the approved diagnostic rate.

[4:28:40 PM](#)

LUKE KINCAIDE, Master Technician, Gene's Chrysler Dodge Jeep Ram, gave invited testimony in support of HB 233. He reported that out of 25 warranty repaid orders, master technicians failed to meet the manufacturer's allotted time 50 percent of the time. At Gene's Chrysler Dodge Jeep Ram dealership, only 2 out of 25 warranty repair orders were completed in the time set forth by the manufacturer. He continued to share anecdotes that exemplified his experience working under current warranty time allotments.

[4:32:52 PM](#)

REPRESENTATIVE PRAX asked where Mr. Kincade received his master certification.

MR. KINKAIDE said he attended the manufacturer's training, which was paid for by his dealership.

REPRESENTATIVE PRAX asked how long it takes to become reasonably proficient.

MR. KINKAIDE said testing can be completed within one year, but it doesn't provide the hands-on experience that comes with time. He added that he had worked at his dealership for 13 years, and even with that amount of experience, he only completed the warranty repair orders twice within the manufacturer's time limit.

REPRESENTATIVE WRIGHT asked whether these timing exercises factor in time for snow.

MR. KINKAIDE answered no.

[4:34:43 PM](#)

RICH SWENSON, Fixed Operations Director, Continental Auto Group, gave invited testimony in support of HB 233. He said auto manufacturers do not value technicians, which is proven by the low rates of pay for warranty labor. He addressed the high rates of turnover, which the dealership has tried to combat with seniority bonuses and retirement bonuses. He said passing the bill would level the playing field and improve the pay for warranty work.

[4:37:14 PM](#)

JERRY HEADSTROM, Master Technician, Honda & Acura, gave invited testimony in support of HB 233. He emphasized that the labor times are not attainable for warranty repairs. He shared specific examples. Further, he said manufacturers continue to add requirements, such as the multi-point inspection, which technicians are not compensated for. He concluded that technicians are trying to get the manufacturer's warranty time to match the "normal" labor rate.

[4:41:52 PM](#)

REPRESENTATIVE SADDLER asked who sets the manual rates.

MR. HEADSTROM said he did not know the answer.

[4:42:36 PM](#)

JEFF PERRY, Director of State & Local Public Policy, General Motors Company (GM), gave invited testimony in opposition to HB 233, opining that it would strip one party of its rights to a fair contract while enriching the other's. He said the bill is based on the false premise that franchise dealers in Alaska need protection from manufacturers' oppressive contracts of adhesion that are forced upon them. He said manufacturers are obligated by state law to treat all dealers equally. He emphasized that dealers set compensation programs, not the manufacturers. He reported that dealers across the country support their technicians with salary pay, instead of flat rate or hourly pay, which leads to significantly lower turnover rates. He stressed that GM values their technicians as evidenced by their technician excellence program and encouraged Alaska dealerships to follow suit. He discussed the sample of 25 repair orders, which showed that 50 percent of technicians were meeting the original equipment manufacturers (OEM) time guides. He asserted that GM's time studies are, in practice, much different than previous testimony had alleged. He said times are studied by a technician in every circumstance with hand tools. He stated that HB 233 would have a severe and significant impact on consumers in Alaska. If the bill is enacted and manufacturers are forced to use the aftermarket time guides, the increase in warranty would ultimately be borne by consumers in higher vehicle prices and increased repair costs. He estimated that the cost to consumers would increase by \$600 to \$1,000 per vehicle. He urged the legislature not to pass the bill, adding that GM had proposed two alternative approaches to HB 233 that would fairly compensate technicians.

[4:53:09 PM](#)

REPRESENTATIVE PRAX sought to confirm that time allowances are the same in every state.

MR. PERRY answered yes, "the book is the book." However, he said manufacturers can submit a request for more time through the warranty system.

REPRESENTATIVE PRAX imagined that it would be more difficult for dealers to take a car in Alaska versus Florida. He sought to verify that Mr. Perry had stated that GM would make regional allowances for that.

MR. PERRY said yes, if a technician needed more repair time and the request was properly documented, GM would approve the request.

[4:54:53 PM](#)

REPRESENTATIVE SADDLER asked whether Mr. Perry is asserting that the manufacturers' warranty time is sufficient to do the work, despite all the testimony in contradiction to that.

MR. PERRY said the times that were studied by GM can be completed by a technician because they've seen it be done.

REPRESENTATIVE SADDLER asked whether the manufacturer's warranty time should be a reasonable standard that's consistently met by the dealership.

MR. PERRY answered yes, he believed the times are reasonable and should be met on a consistent basis.

REPRESENTATIVE SADDLER asked how Mr. Perry would respond to the contradictory testimony.

MR. PERRY said he recognized that things happen and that every circumstance cannot be accounted for. He encouraged technicians to request additional time when they need it.

REPRESENTATIVE SADDLER asked how often the appeal process is executed.

MR. PERRY recalled that in 2023, GM received 190 requests [for additional time] out of 10,000 annual repairs at GM dealerships in Alaska.

REPRESENTATIVE SADDLER asked how often dealers can request additional payment.

MR. PERRY estimated under 1 percent of the time.

[4:58:32 PM](#)

REPRESENTATIVE RUFFRIDGE asked whether the rate and time allowances for warranty work are published by GM.

MR. PERRY answered yes.

REPRESENTATIVE RUFFRIDGE asked why GM is opposed to the bill, if the company already publishes time allowances and rates.

MR. PERRY clarified that he opposes the bill because it states that rates, times, and parts are all based on what the dealer has charged retail customers. He explained that current law "puts a period" after rates, whereas HB 233 would add the element of time charged to retail customers. In addition, he shared his belief that charging customers based on a flat book rate that does not actually reflect the time spent working on their car would potentially violate the existing truth and repair law under the Alaska Automobile Repair Act.

REPRESENTATIVE RUFFRIDGE sought to confirm that GM is in opposition to Section 2.

Mr. PERRY answered yes. More specifically, GM is opposed to the addition of the word "time."

REPRESENTATIVE RUFFRIDGE asked whether a middle ground could be reached between technicians and manufacturers to ensure that workers are being compensated for their time.

MR. PERRY answered yes, there is a form of middle ground, but it's not on the third-party time. He reiterated that GM had offered two alternatives to the language in HB 233. The first would require all manufacturers to implement a process that allows technicians to request additional time, which cannot be unreasonably denied. The second would require manufacturers to pay for actual time worked, as supported by the documentation of the technicians' time stamps.

REPRESENTATIVE SADDLER asked Mr. Perry to share his interpretation of the dealers' motivation for coming forward with these concerns.

MR. PERRY opined that the dealers are making a lucrative profit from the times billed for repairs, which do not accurately reflect the times spent working on the car. He shared his belief that the dealers would like to extend that profitability to the manufacturers and for the state to endorse it.

REPRESENTATIVE SADDLER shared his understanding that it's Mr. Perry's contention that dealers want the same rate of return for the warranty work that they receive for non-warranty work. He asked whether that is accurate.

MR. PERRY answered yes.

[5:05:43 PM](#)

CHAIR SUMNER announced that HB 233 would be held over.

[5:06:11 PM](#)

The committee took an at-ease from 5:06 p.m. to 5:15 p.m.

HB 333-TAX CREDIT CHILD CARE/UTILITY/HOUSE/FOOD

[5:15:45 PM](#)

CHAIR SUMNER announced that the final order of business would be HOUSE BILL NO. 333 "An Act establishing a corporate income tax credit for certain expenditures on child care services, utility rates, residential housing, and food security and availability; and providing for an effective date."

[5:16:16 PM](#)

FADIL LIMANI, Deputy Commissioner, Department of Revenue, Office of the Commissioner, presented HB 333, on behalf of the House Rules Standing Committee, sponsor by request of the governor. He directed attention to a PowerPoint presentation, entitled "House Bill 333" [hard copy included in the committee packet and began on slide 2, "HB 333 Overview," which read as follows [original punctuation provided]:

This proposed legislation focuses on four key areas:

- Childcare
- Housing
- Energy
- Food Security

The idea behind this legislation is that it creates a tax incentive for Corporations and businesses to offset their corporate income tax liability for qualified expenditures in those key areas.

The Department of Revenue will define the qualified expenditures through regulations.

Further, the tax credits are limited to 50% of qualified expenditures and may not exceed 50% of the Corporation's tax liability for any year.

MR. LIMANI continued to slide 3, which featured data demonstrating the annual general fund (GF) revenue from corporate income tax, totaling \$436 million. He turned to slide 4, "HB 333 - Estimated Revenue Impact," which read as follows [original punctuation provided]:

At this time, we don't have clear visibility on the revenue impact as we can't predict taxpayer behavior and how much they may contribute to each of these areas; however, we have run an analysis and determined the maximum revenue impact to the State on Corporate Income Tax Revenue would range from (\$238) million in FY25 to (\$267) million in FY30.

MR. LIMANI estimated that the maximum impact on tax revenue ranges from -\$237.6 million in FY 25 to -\$266.8 million in FY 30.

CHAIR SUMNER asked how Mr. Limani would envision a credit of \$239 million.

MR. LIMANI said the modeling looks at the maximum amount based on the 50 percent threshold, which would include both petroleum and non-petroleum revenue. Returning to slide 4, he reported that the maximum impact on non-petroleum corporate income tax revenue would range from -\$87.5 million in FY 25 to -\$126.3 million in FY 30. Maximum impact on petroleum corporate income tax revenue ranges from -\$150.1 million to \$140.5 million.

[5:20:16 PM](#)

MR. LIMANI proceeded to slide 5, "HB 333 - Implementation Cost," which read as follows [original punctuation provided]:

The department will need to make minor changes to its Tax Revenue Management System (TRMS) and tax forms to implement this bill. The Tax Division will use existing resources to absorb the costs to update tax forms, TRMS, and other miscellaneous implementation costs.

[5:21:31 PM](#)

REPRESENTATIVE RUFFRIDGE referred to paragraph (3) on page 1, line 12, and asked whether there would be an application process for this tax credit.

MICHAEL WILLIAMS, Director, Division of Tax, Department of Revenue (DOR), said a number of things could be developed through the regulatory process. He referenced a rebate program that was offered through [the Alaska Housing Finance Corporation (AHFC)] that was partially funded through state dollars and said he envisioned similar contributions qualifying for the credit in HB 333. Another qualifying expenditure could be on-site childcare provided by employers.

MR. LIMANI said the obligations of corporate expenses would not change on the administrative front. From the regulation standpoint, he highlighted the need to define the qualified expenditures and who the recipients would be.

[5:23:56 PM](#)

REPRESENTATIVE RUFFRIDGE asked whether organizations attempting to driving down the state's energy costs would be eligible for the tax credit.

MR. WILLIAMS said that that is an example of what the regulatory process would contemplate.

[5:24:59 PM](#)

REPRESENTATIVE SADDLER observed that the bill language is vague in terms of implementation. He asked how an organization would demonstrate its contribution to decreasing heating or mortgage rates or improving food security.

MR. LIMANI said that the idea behind the legislation is to keep it vague for the intended purpose of meeting with stakeholders and refining regulation.

REPRESENTATIVE SADDLER suggested doing that work first.

[5:26:41 PM](#)

REPRESENTATIVE WRIGHT asked how many broad-based taxes exist in Alaska.

MR. LIMANI said currently, there are none.

REPRESENTATIVE WRIGHT asked whether corporate income tax is the only lever available to incentivize investments and whether that's the primary intent of the proposed legislation.

MR. LIMANI answered yes, corporate income tax is the only way to incentivize investment and development within the state.

[5:27:44 PM](#)

CHAIR SUMNER announced that HB 333 would be held over.

[5:28:00 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:28 p.m.